

# LESSONS FROM THE GLOBAL FINANCIAL CRISIS THE RELEVANCE OF ADAM SMITH ON MORALITY AND FREE MARKETS

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WITH A PREFACE FROM IAN M. MCDONALD, UNIVERSITY OF MELBOURNE.

Adam Smith was an advocate of the free market, however his first work, *The Theory of Moral Sentiments*, was on ethics and was widely acclaimed at the time. Commentators have tended to review this work as separate to his work on political economy. However the global financial crisis has shown the relevance of morality and the free market. Whilst *The Wealth of Nations* is concerned with political economy, Smith's pointed attacks on exploitation and greed reflect the ethics outlined in his first work.

Smith's critics ignore the constructive role he proposed for government, which included ensuring the provision of education and protection of society by regulating the banking system. He stressed however that government regulations be kept to a minimum.

Since *The Wealth of Nations*, the per capita income in the UK has risen 16 times and the most successful countries have been those pursuing free market policies. Adam Smith's work is extremely relevant to understanding the global financial crisis and to setting appropriate policies for the future.

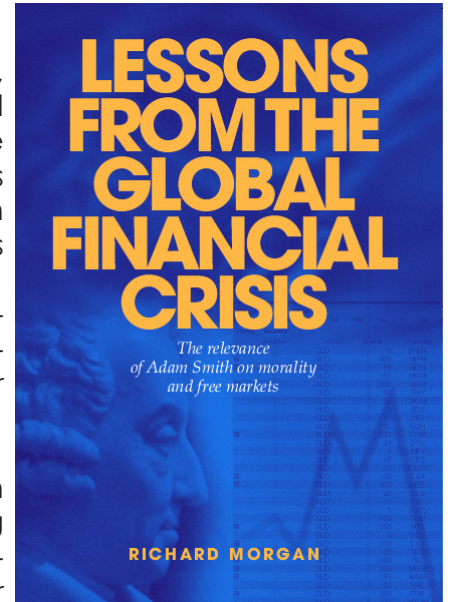
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