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Sunday 13 August 2018

**Adam Smith would have understood the 2008 Financial Crash,  
says author Jesse Norman at the Edinburgh International Book Festival**

Adam Smith, author of *The Wealth of Nations* and generally regarded as the “father of modern economics”, would certainly have understood the reasons behind the 2008 global financial crash, according to MP Jesse Norman.

Norman, the current representative for Hereford and South Herefordshire, and Parliamentary Under Secretary of State for Roads, Local Transport and Devolution, was speaking today at the Edinburgh International Book Festival about his recently published book, *Adam Smith: What He Thought, and Why it Matters*.

“Smith would certainly have had, I think, a very precise and accurate understanding of what was going on,” Norman explained. In 1772, four years before the publication of *The Wealth of Nations*, a large chunk of Scotland’s banking system collapsed along with the Douglas, Heron & Company Bank, aka “the Ayr Bank”.

“One of the big losers was [his patron] the Duke of Buccleuch, and Smith spent several years trying to dig him out of a severe hole,” Norman said. “Smith would have understood it because of his belief that asset markets behave differently from product markets - haircuts and burgers - and he absolutely thinks that there is a case for [government] intervention in order to stop what he describes as an individual fire becoming a general conflagration.”

The biggest problem with Smith, according to Norman, is that no one actually reads *The Wealth of Nations* now. “Not even the people who quote it, read it,” he insists. On the basis of “a few snippets”, many assume Smith to be “a market fundamentalist, an apologist for selfishness or human inequality. Another caricature is that he is a marvellous freedom fighter who liberates markets, liberates human beings, banishes socialism in favour of capitalism.

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“Neither of these has any foundation in what Smith says at all,” Norman insists, “and part of the purpose of my book is to slay these dragons of the Left and the Right, so we can actually focus on what he did say. For what he did say is so interesting we can use that today.”

Although pointing out that we don’t know what Adam Smith would have thought about Brexit - a question Norman described as “a parlour game” - he identified two strands in Smith’s writings that appear to suggest different answers.

“The first is markets: Smith is perfectly clear that the benefits of markets come through the division of labour, which leads to specialisation and value creation. You get more specialisation the deeper the market: so, if you think deep markets are what really matters, then you’re going to worry, in the context of Brexit, about whether we should be embracing the near-term [EU] Single Market, with all its depth and existing relationships, or whether we should be giving that up for the longer-term but faster growing markets outside the EU.”

The other issue, of course, is sovereignty. In 1778, Lord North’s administration asked Smith’s advice regarding Britain’s war with the American colonies, which was not going particularly well. “Smith writes a beautiful example of the modern policy paper,” Norman explained, “where he talks about the different alternatives, and then says that overall, his view was that if they wished to address the concern of people about ‘no taxation without representation’, then they should give them representation in the British Parliament.”

According to Norman, Smith did warn, though, that inviting MPs from the American colonies would mean that “sovereignty will inevitably move over time from Westminster to the Colonies. And that perfectly captures some of the worries that people have, who do worry about sovereignty.”

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