

# People & Perspectives



## Adam Smith

ECONOMIST (1723-1790)

- Born in Kirkcaldy, County Fife, Scotland
- Called the founder of modern economics
- Teacher at the University of Glasgow
- Lectured and wrote on moral philosophy
- Wrote *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776)

In *An Inquiry into the Nature and Causes of the Wealth of Nations*, Adam Smith argues against government interference in the marketplace. He believed that individuals, seeking profit, end up benefiting society as a whole.

*“[E]very individual, therefore, endeavours as much as he can [to direct his resources toward his own business] so that its produce may be of the greatest value; every individual . . . neither intends to promote the public interest, nor knows how much he is promoting it. . . . He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. . . . By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.”*

Smith criticized government officials who had “the folly” to attempt to direct people in what they should produce. He believed

that no single person could direct resources more efficiently than individuals watching out for their own self-interest.

*“It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The taylor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a taylor. The farmer attempts to make neither the one nor the other, but employs those different [craftsmen]. All of them find it [in their best interests] to employ their whole industry in a way in which they have some advantage over their neighbours, and to purchase . . . whatever else they have occasion for.”*

### Checking for Understanding

1. How does an “invisible hand” directing an individual’s economic choices benefit society as a whole?
2. In Smith’s opinion, why should people not attempt to “employ their resources” in many industries?