Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Adam Smith**

Father of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Adam Smith was a Scottish philosopher and economist. He is the author of The Wealth of Nations, which is considered his greatest work and the ﬁrst modern work of economics. It earned him an enormous reputation and would become one of the most inﬂuential works on economics ever published. Smith is widely cited as the father of modern economics and capitalism.

**The Wealth of Nations**

Read the following excerpts from Adam Smith’s Wealth of Nations and answer the corresponding questions.

*“The sole purpose of all production is to provide the best possible goods to the consumer at the lowest possible price. Society should assist producers of goods and services only to the*

*extent that assisting them beneﬁts the consumer . . . he intends 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 society.”*

•According to Adam Smith, what should the role of the government be in the economy?

•What does Smith believe motivates consumers?

•According to Smith, what should guide the economy?

*“The value of any commodity . . . is equal to the quantity of labour which it enables him to*

*purchase or command. Labour, therefore, is the real measure of the exchangeable value of all*

*commodities.”*

•How does Adam Smith believe goods should be valued?

*“The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.”*

•How does Smith believe that taxes payments should be distributed?

The following quote refers to the “invisible hand”, a phrase coined by Adam Smith. Read the following excerpt and determine how you think the invisible hand promotes economic success in a market economy.

*“By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, 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. Nor is it always the worse for the society that it was not part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.”*

•What is the “invisible hand”? How does it motivate consumers and producers?