

Adam Smith's *The Wealth of Nations*

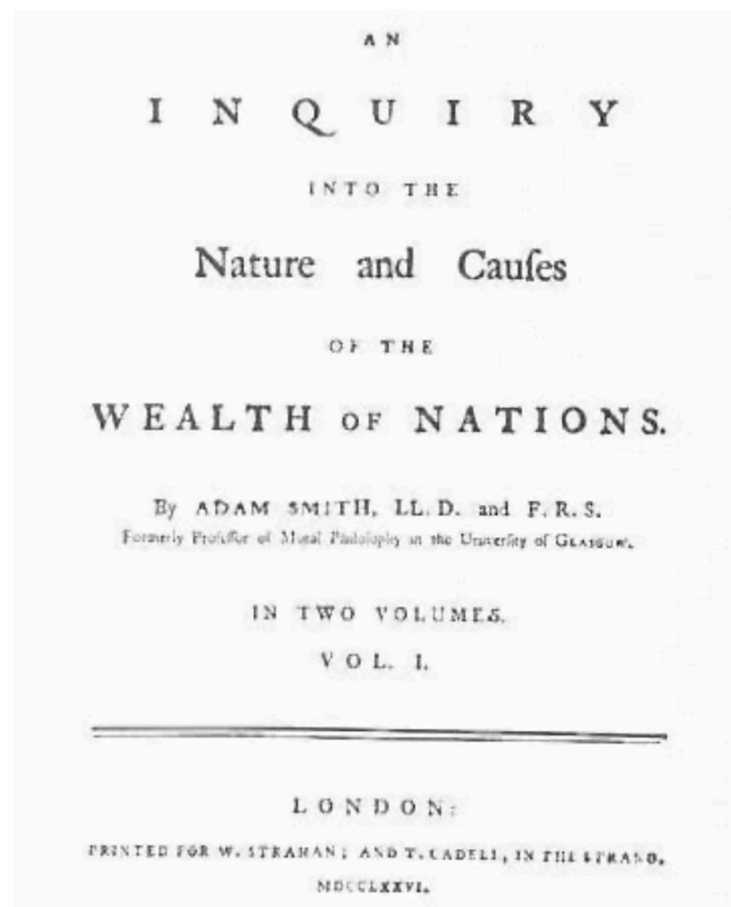
History of Economic Thought // Spring 2025

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Structure

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Structure

Book I: Division of labor.

Book II: Accumulation.

Book III: Historical overview (since fall of Roman empire).

Book IV: Critical overview of Mercantilism + Physiocracy.

Book V: Role of the State in the economy.

Introduction and Plan of Work

Book I

Book I

Guiding questions:

1. According to Smith, what starts a nation's economic growth process?
2. What are the three reasons for the increase in the quantity of work in Smith's system?
3. What example does Smith use to illustrate the social division of labor?
4. Relate self-interest, the human propensity to exchange, and the butcher/brewer/baker example in Smith's system.
5. What analytical deficiencies are evident in Smith's view of the market?
6. Relate the extent of the market and Smith's liberal views.
7. How can the division of labor, in Smith's view, create "stupid and ignorant" individuals?
8. Relate the diamond-water paradox with Smith's view on value.

Book I

Guiding questions:

9. What is the source of value in Smith's system?
10. In advanced stages of society, what are the three components of a commodity's price?
11. Distinguish natural and market prices.

Book II

Book II

Guiding questions:

1. What does Smith mean by “stock”?
2. What is the role played by the accumulation of stock in Smith’s system?
3. What is the difference between productive and unproductive labor? Why is it problematic?

Book III

Book III

Guiding question:

1. What are the three ways in which the countryside benefits from the rise of towns?

Book IV

Book IV

Guiding questions:

1. Describe Smith's view of a system of perfect liberty.
2. In what context does the *Invisible Hand* appear in the Wealth of Nations?

Book V

Book V

Guiding questions:

1. According to Smith, when does the government become necessary?
2. According to Smith, what are the three duties of a sovereign?

Next time: Malthus & Ricardo