AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS

VOLUME I

ADAM SMITH

CHAPTER II

Of the Principle which gives occasion to the Division of Labour

1 THIS division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to [20] which it gives occasion.[1] It is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another.[2]

2 Whether this propensity be one of those original principles in human nature, of which no further account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to enquire.[3] It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts. Two greyhounds, in running down the same hare, have sometimes the appearance of acting in some sort of concert. Each turns her towards his companion, or endeavours to intercept her when his companion turns her towards himself. This, however, is not the effect of any contract, but of the accidental

[1] LJ (B) 218–19, ed. Cannan 168 reads: 'We cannot imagine this to have been an effect of human prudence. It was indeed made a law by Sesostratis that every man should follow the employment of his father. But this is by no means suitable to the dispositions of human nature and can never long take place. Everyone is fond of being a gentleman, be his father what he would.' The law is also mentioned in LJ (A) vi.54. See below, I.vii.31 and IV.ix.43.

[2] This paragraph closely follows the first three sentences in ED 2.12. The propensity to truck and barter is also mentioned in LJ (A) vi.44, 48 and LJ (B) 219 ff., ed. Cannan 169. Cf. LJ (B) 300–1, ed. Cannan 232: 'that principle in the mind which prompts to truck, barter and exchange, tho' it is the great foundation of arts, commerce and the division of labour, yet it is not marked with any thing amiable. To perform any thing, or to give any thing without a reward is always generous and noble, but to barter one thing for another is mean.' In a *Letter from Governor Pownall to Adam Smith, being an Examination of Several Points of Doctrine laid down in his Inquiry, into the Nature and Causes of the Wealth of Nations* (London, 1776), the author objected that the analysis of this chapter stopped short in ascribing the division of *labour directly* to a propensity to barter (4–5). Pownall, a former Governor of Massachusetts, also criticized Smith's views on labour as a measure of value, paper money, the employments of capital, colonies, etc. Smith acknowledged Pownall's work in Letter 182 addressed to Pownall, dated 19 January 1777. In Letter 208 addressed to Andreas Holt, dated 26 October 1780 Smith remarked that: 'In the second edition I flattered myself that I had obviated all the objections of Governor Pownal. I find however, he is by no means satisfied, and as Authors are not much disposed to alter the opinions they have once published, I am not much surprized at it.' There is very little evidence to suggest that Smith materially altered his views in response to Pownall, but see below, p. 50, n. 15.

[3] In LJ (B) 221, ed. Cannan 171, Smith argued in referring to the division of labour that 'The real foundation of it is that principle to persuade which so much prevails in human nature.' The same point is made in LJ (A) vi.56.

concurrence of their passions in the same object at that particular time.[4] Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog. Nobody ever saw one animal by its gestures and natural cries signify to another, this is mine, that yours; I am willing to give this for that. When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favour of those whose service it requires. A puppy fawns upon its dam, and a spaniel endea-[21]vours by a thousand attractions to engage the attention of its master who is at dinner, when it wants to be fed by him. Man sometimes uses the same arts with his brethren, and when he has no other means of engaging them to act according to his inclinations, endeavours by every servile and fawning attention to obtain their good will. He has not time, however, to do this upon every occasion. In civilized society he stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of animals each individual, when it is grown up to maturity, is intirely independent, and in its natural state has occasion for the assistance of no other living creature.[5] But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only.[6] He will be more likely to prevail if he can interest their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from

[4] The example of the greyhounds occurs in LJ (B) 219, ed. Cannan 169. LJ (A) vi.44 uses the example of 'hounds in a chace' and again at 57. Cf. LJ (B) 222, ed. Cannan 171: 'Sometimes, indeed, animals seem to act in concert, but there is never any thing like a bargain among them. Monkeys when they rob a garden throw the fruit from one to another till they deposit it in the hoard, but there is always a scramble about the division of the booty, and usually some of them are killed.' In LJ (A) vi.57 a similar example is based on the Cape of Good Hope.

[5] In ED 2.12 an additional sentence is added at this point: 'When any uncommon misfortune befals it, its piteous and doleful cries will sometimes engage its fellows, and sometimes prevail even upon man, to relieve it.' With this exception, and the first sentence of this paragraph, the whole of the preceding material follows ED 2.12 very closely and in places verbatim. The remainder of the paragraph follows ED 2.12 to its close.

[6] 'To expect, that others should serve us for nothing, is unreasonable; therefore all Commerce, that Men can have together, must be a continual bartering of one thing for another. The Seller, who transfers the Property of a Thing, has his own Interest as much at Heart as the Buyer, who purchases that Property; and, if you want or like a thing, the Owner of it, whatever Stock of Provision he may have of the same, or how greatly soever you may stand in need of it, will never part with it, but for a Consideration, which he likes better, than he does the thing you want.' (Mandeville, *The Fable of the Bees*, pt. ii. 421–2, ed. Kaye, ii.349.)

the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their [22] regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.[7] Nobody but a beggar chuses to depend chiefly upon the benevolence of his fellow-citizens. Even a beggar does not depend upon it entirely. The charity of well-disposed people, indeed, supplies him with the whole fund of his subsistence. But though this principle ultimately provides him with all the necessaries of life which he has occasion for, it neither does nor can provide him with them as he has occasion for them. The greater part of his occasional wants are supplied in the same manner as those of other people, by treaty, by barter, and by purchase. With the money which one man gives him he purchases food. The old cloaths which another bestows upon him he exchanges for other old cloaths which suit him better, or for lodging, or for food, or for money, with which he can buy either food, cloaths, or lodging, as he has occasion.

3 As it is by treaty, by barter, and by purchase, that we obtain from one another the greater part of those mutual good offices which we stand in need of, so it is this same trucking disposition which originally gives occasion to the division of labour. In a tribe of hunters or shepherds a particular person makes bows and arrows, for example, with more readiness and dexterity than any other. He frequently exchanges them for cattle or for venison with his companions; and [23] he finds at last that he can in this manner get more cattle and venison, than if he himself went to the field to catch them. From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business, and he becomes a sort of armourer.[8] Another excels in making the frames and covers of their

[7] Cf. LJ (B) 220, ed. Cannan 169: 'The brewer and the baker serve us not from benevolence but from selflove. No man but a beggar depends on benevolence, and even they would die in a week were their entire dependance upon it.' Also LJ (A) vi.46: 'You do not adress his [the brewer's and baker's] humanity but his self-love. Beggars are the only persons who depend on charity for their subsistence; neither do they do so alltogether. For what by their supplications they have got from one, they exchange for something else they more want. They give their old cloaths to a one for lodging, the mony they have got to another for bread, and thus even they make use of bargain and exchange.'

[8] Cf. LJ (A) vi.46: 'This bartering and trucking spirit is the cause of the separation of trades and the improvements in arts. A savage who supports himself by hunting, having made some more arrows than he had occasion for, gives them in a present to some of his companions, who in return give him some of the venison they have catched; and he at last finding that by making arrows and giving them to his neighbour, as he happens to make them better than ordinary, he can get more venison than by his own hunting, he lays it aside unless it be for his diversion, and becomes an arrow-maker.' Similar points are made in LJ (B) 220, ed. Cannan 169–70, and a similar passage occurs in ED 2.13. Mandeville (*The Fable of the Bees*, pt. ii. 335–6, ed. Kaye ii.284) also noted that: 'Man', as I have hinted before, naturally loves to imitate what he sees others do, which is the reason that savage People all do the same thing: This hinders them from meliorating their Condition, though they are always wishing for it: But if one will wholly apply himself to the making of Bows and Arrows, whilst another provides Food, a third builds

little huts or moveable houses. He is accustomed to be of use in this way to his neighbours, who reward him in the same manner with cattle and with venison, till at last he finds it his interest to dedicate himself entirely to this employment, and to become a sort of house-carpenter. In the same manner a third becomes a smith or a brazier, a fourth a tanner or dresser of hides or skins, the principal part of the clothing of savages.[9] And thus the certainty of being able to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent or genius he may possess for that particular species of business.[10]

4 The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour.[11] The difference between the [24] most dissimilar characters, between a philosopher and a common street porter, for example,

Huts, a fourth makes Garments, and a fifth Utensils, they do not only become useful to one another, but the Callings and Employments themselves will in the same Number of Years receive much greater Improvements, than if all had been promiscously follow'd by every one of the Five.'

[9] Cf. Hutcheson (*System*, i.288–9): ''Nay 'tis well known that the produce of the labours of any given number, twenty, for instance, in providing the necessaries or conveniences of life, shall be much greater by assigning to one, a certain sort of work of one kind, in which he will soon acquire skill and dexterity, and to another assigning work of a different kind, than if each one of the twenty were obliged to employ himself, by turns, in all the different sorts of labour requisite for his subsistence, without sufficient dexterity in any. In the former method each procures a great quantity of goods of one kind, and can exchange a part of it for such goods obtained by the labours of others as he shall stand in need of. One grows expert in tillage, another in pasture and breeding cattle, a third in masonry, a fourth in the chace, a fifth in iron-works, a sixth in the arts of the loom, and so on throughout the rest. Thus all are supplied by means of barter with the work of complete artists. In the other method scarce any one could be dextrous and skilful in any one sort of labour.'

[10] This paragraph is based on ED 2.13, which it follows very closely.

[11] 'When we consider how nearly equal all men are in their bodily force, and even in their mental powers and faculties, till cultivated by education; we must necessarily allow, that nothing but their consent could, at first, associate them together, and subject them to any authority.' (D. Hume, 'Of the Original Contract', in *Political Discourses* (1752); *Essays Moral, Political and Literary*, ed. T. H. Green and T. H. Grose (London, 1882), i.444–5.) Cf. *Treatise of Human Nature*, III.i: 'The skin, pores, muscles, and nerves of a day-labourer, are different from those of a man of quality: so are his sentiments, actions, and manners. The different stations of life influence the whole fabric, external and internal; and these different stations arise necessarily, because uniformly, from the necessary and uniform principles of human nature.' On the other hand, Harris (*Essay*, i.15) believed that: 'Men are endued with various talents and propensities, which naturally dispose and fit them for different occupations; and are . . . under a necessity of betaking themselves to particular arts and employments, from their inability of otherwise acquiring all the necessaries they want, with ease and comfort. This creates a dependance of one man upon another, and naturally unites men into societies.'

seems to arise not so much from nature, as from habit, custom, and education.[12] When they came into the world, and for the first six or eight years of their existence, they were[a], perhaps,[a] very much alike, and neither their parents nor play-fellows could perceive any remarkable difference. About that age, or soon after, they come to be employed in very different occupations. The difference of talents comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance. But without the disposition to truck, barter, and exchange, every man must have procured to himself every necessary and conveniency of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents.[13]

As it is this disposition which forms that difference of talents, so remarkable among men of different professions, so it is this same disposition which renders that difference useful. Many tribes of animals acknowledged to be all of the same species, derive from nature a much more remarkable distinction of genius, than what, antecedent to custom and

[a–a] *1, 4e–6*

[12] Cf. V.i.f 51. LJ (A) vi.47–8 reads: 'No two persons can be more different in their genius as a philosopher and a porter, but there does not seem to have been any original difference betwixt them. For the five or six first years of their lives there was hardly any apparent difference: their companions looked upon them as persons of pretty much the same stamp. No wisdom and ingenuity appeared in the one superior to that of the other. From about that time a difference was thought to be perceived in them. Their manner of life began to affect them, and without doubt had it not been for this they would have continued the same.' Similar arguments appear in LJ (B) 220, ed. Cannan 170. There is an interesting variant on this point in LJ (B) 327, ed. Cannan 253, where Smith commented on the fact that 'probity and punctuality' generally accompany the introduction of commerce. He added that varying degrees of these qualities were 'not at all to be imputed to national character as some pretend. There is no natural reason why an Englishman or a Scotchman should not be as punctual in performing agreements as a Dutchman. It is far more reduceable to self interest, that general principle which regulates the actions of every man . . .'

[13] The whole of the preceding paragraph follows ED 2.14 to this point. In ED, however, the sentence ends with '. . . any great difference in character' and goes on: 'It is upon this account that a much greater uniformity of character is to be observed among savages than among civilized nations. Among the former there is scarce any division of labour and consequently no remarkable difference of employments; whereas among the latter there is an almost infinite variety of occupations, of which the respective duties bear scarce any resemblance to one another. What a perfect uniformity of character do we find in all the heroes described by Ossian? And what a variety of manners, on the contrary, in those who are celebrated by Homer? Ossian plainly describes the exploits of a nation of hunters, while Homer paints the actions of two nations, who, tho' far from being perfectly civilised, were yet much advanced beyond the age of shepherds, who cultivated lands, who built cities, and among whom he mentions many different trades and occupations, such as masons, carpenters, smiths, merchants, soothsayers, priests, physicians.' The texts then assume a similar form until the end of the following paragraph of the WN. The uniformity of character found among savages is also mentioned in LJ (A) vi.48, LJ (B) 221, ed. Cannan 170.

education, appears to take place among men. By nature a philosopher is not in genius and disposition half so different from a street porter, as a mastiff is from a greyhound, or a greyhound from a spaniel, or this [25] last from a shepherd's dog. Those different tribes of animals, however, though all of the same species, are of scarce any use to one another. The strength of the mastiff is not, in the least, supported either by the swiftness of the greyhound, or by the sagacity of the spaniel, or by the docility of the shepherd's dog. The effects of those different geniuses and talents, for want of the power or disposition to barter and exchange, cannot be brought into a common stock, and do not in the least contribute to the better accommodation and conveniency of the species. Each animal is still obliged to support and defend itself, separately and independently, and derives no sort of advantage from that variety of talents with which nature has distinguished its fellows. Among men, on the contrary, the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for.[14]

[14] The text of ED continues beyond this point to include an additional folio (N8) which elaborates on the interdependence between the philosopher and the porter and the advantages to be gained from these separate trades. This passage opens with the statement that 'Every thing would be dearer if before it was exposed to sale it had been carried packt and unpackt by hands less able and less dexterous, who for an equal quantity of work, would have taken more time, and must consequently have required more wages, which must have been charged upon the goods.' It is interesting to note that FA begins with the words '. . . who for an equal quantity of work' and then continues in parallel with ED for some 25 lines. The fragment then proceeds to elaborate on the link between the division of labour and the extent of the market (a subject which is not mentioned in ED) whereas ED continues with the preceding theme. It is possible that the fragments represent an alternative, and a later, rewriting of this section of Smith's work. The interdependence of philosopher and porter is briefly mentioned in LJ (A) vi.49, LJ (B) 221, ed. Cannan 171.

CHAPTER II

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1 THIS division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to [20] which it gives occasion.[1] It is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another.[2]

2 Whether this propensity be one of those original principles in human nature, of which no further account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to enquire.[3] It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts. Two greyhounds, in running down the same hare, have sometimes the appearance of acting in some sort of concert. Each turns her towards his companion, or endeavours to intercept her when his companion turns her towards himself. This, however, is not the effect of any contract, but of the accidental

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[9] Cf. Hutcheson (*System*, i.288–9): ''Nay 'tis well known that the produce of the labours of any given number, twenty, for instance, in providing the necessaries or conveniences of life, shall be much greater by assigning to one, a certain sort of work of one kind, in which he will soon acquire skill and dexterity, and to another assigning work of a different kind, than if each one of the twenty were obliged to employ himself, by turns, in all the different sorts of labour requisite for his subsistence, without sufficient dexterity in any. In the former method each procures a great quantity of goods of one kind, and can exchange a part of it for such goods obtained by the labours of others as he shall stand in need of. One grows expert in tillage, another in pasture and breeding cattle, a third in masonry, a fourth in the chace, a fifth in iron-works, a sixth in the arts of the loom, and so on throughout the rest. Thus all are supplied by means of barter with the work of complete artists. In the other method scarce any one could be dextrous and skilful in any one sort of labour.'

[10] This paragraph is based on ED 2.13, which it follows very closely.

[11] 'When we consider how nearly equal all men are in their bodily force, and even in their mental powers and faculties, till cultivated by education; we must necessarily allow, that nothing but their consent could, at first, associate them together, and subject them to any authority.' (D. Hume, 'Of the Original Contract', in *Political Discourses* (1752); *Essays Moral, Political and Literary*, ed. T. H. Green and T. H. Grose (London, 1882), i.444–5.) Cf. *Treatise of Human Nature*, III.i: 'The skin, pores, muscles, and nerves of a day-labourer, are different from those of a man of quality: so are his sentiments, actions, and manners. The different stations of life influence the whole fabric, external and internal; and these different stations arise necessarily, because uniformly, from the necessary and uniform principles of human nature.' On the other hand, Harris (*Essay*, i.15) believed that: 'Men are endued with various talents and propensities, which naturally dispose and fit them for different occupations; and are . . . under a necessity of betaking themselves to particular arts and employments, from their inability of otherwise acquiring all the necessaries they want, with ease and comfort. This creates a dependance of one man upon another, and naturally unites men into societies.'

seems to arise not so much from nature, as from habit, custom, and education.[12] When they came into the world, and for the first six or eight years of their existence, they were[a], perhaps,[a] very much alike, and neither their parents nor play-fellows could perceive any remarkable difference. About that age, or soon after, they come to be employed in very different occupations. The difference of talents comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance. But without the disposition to truck, barter, and exchange, every man must have procured to himself every necessary and conveniency of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents.[13]

As it is this disposition which forms that difference of talents, so remarkable among men of different professions, so it is this same disposition which renders that difference useful. Many tribes of animals acknowledged to be all of the same species, derive from nature a much more remarkable distinction of genius, than what, antecedent to custom and

[a–a] *1, 4e–6*

[12] Cf. V.i.f 51. LJ (A) vi.47–8 reads: 'No two persons can be more different in their genius as a philosopher and a porter, but there does not seem to have been any original difference betwixt them. For the five or six first years of their lives there was hardly any apparent difference: their companions looked upon them as persons of pretty much the same stamp. No wisdom and ingenuity appeared in the one superior to that of the other. From about that time a difference was thought to be perceived in them. Their manner of life began to affect them, and without doubt had it not been for this they would have continued the same.' Similar arguments appear in LJ (B) 220, ed. Cannan 170. There is an interesting variant on this point in LJ (B) 327, ed. Cannan 253, where Smith commented on the fact that 'probity and punctuality' generally accompany the introduction of commerce. He added that varying degrees of these qualities were 'not at all to be imputed to national character as some pretend. There is no natural reason why an Englishman or a Scotchman should not be as punctual in performing agreements as a Dutchman. It is far more reduceable to self interest, that general principle which regulates the actions of every man . . .'

[13] The whole of the preceding paragraph follows ED 2.14 to this point. In ED, however, the sentence ends with '. . . any great difference in character' and goes on: 'It is upon this account that a much greater uniformity of character is to be observed among savages than among civilized nations. Among the former there is scarce any division of labour and consequently no remarkable difference of employments; whereas among the latter there is an almost infinite variety of occupations, of which the respective duties bear scarce any resemblance to one another. What a perfect uniformity of character do we find in all the heroes described by Ossian? And what a variety of manners, on the contrary, in those who are celebrated by Homer? Ossian plainly describes the exploits of a nation of hunters, while Homer paints the actions of two nations, who, tho' far from being perfectly civilised, were yet much advanced beyond the age of shepherds, who cultivated lands, who built cities, and among whom he mentions many different trades and occupations, such as masons, carpenters, smiths, merchants, soothsayers, priests, physicians.' The texts then assume a similar form until the end of the following paragraph of the WN. The uniformity of character found among savages is also mentioned in LJ (A) vi.48, LJ (B) 221, ed. Cannan 170.

education, appears to take place among men. By nature a philosopher is not in genius and disposition half so different from a street porter, as a mastiff is from a greyhound, or a greyhound from a spaniel, or this [25] last from a shepherd's dog. Those different tribes of animals, however, though all of the same species, are of scarce any use to one another. The strength of the mastiff is not, in the least, supported either by the swiftness of the greyhound, or by the sagacity of the spaniel, or by the docility of the shepherd's dog. The effects of those different geniuses and talents, for want of the power or disposition to barter and exchange, cannot be brought into a common stock, and do not in the least contribute to the better accommodation and conveniency of the species. Each animal is still obliged to support and defend itself, separately and independently, and derives no sort of advantage from that variety of talents with which nature has distinguished its fellows. Among men, on the contrary, the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for.[14]

[14] The text of ED continues beyond this point to include an additional folio (N8) which elaborates on the interdependence between the philosopher and the porter and the advantages to be gained from these separate trades. This passage opens with the statement that 'Every thing would be dearer if before it was exposed to sale it had been carried packt and unpackt by hands less able and less dexterous, who for an equal quantity of work, would have taken more time, and must consequently have required more wages, which must have been charged upon the goods.' It is interesting to note that FA begins with the words '. . . who for an equal quantity of work' and then continues in parallel with ED for some 25 lines. The fragment then proceeds to elaborate on the link between the division of labour and the extent of the market (a subject which is not mentioned in ED) whereas ED continues with the preceding theme. It is possible that the fragments represent an alternative, and a later, rewriting of this section of Smith's work. The interdependence of philosopher and porter is briefly mentioned in LJ (A) vi.49, LJ (B) 221, ed. Cannan 171.