ECONOMICS 265, FALL 2015

Readings from Adam Smith’s Wealth of Nations

First set

Read Smith’s “Introduction and plan”, and also chapters I–III, which deal with the division of labour.

Focus questions:

1. Enumerate the advantages Smith sees as flowing from the division of labour. Comment on the contemporary relevance (or not) of each of Smith’s main points.

2. “The difference of natural talents in different men is, in reality, much less than we are aware of...” What does Smith mean by this? Do you agree with his point?

Second set

Read chapters IV, V and VI and consider the following focus questions:

1. How does Smith analyze the emergence of monetary exchange? And what special reasons does he see for (a) the use of the precious metals as money, and (b) the development of coinage?

2. What is the meaning of Smith’s distinction between “real” and “nominal” price? And what is the use of this distinction?

3. What principle does Smith employ for decomposing the price of a commodity into its “component parts”?

Third set

Read chapter VIII and consider:

1. “It is not the actual greatness of national wealth, but its continual increase, which occasions a rise in the wages of labour.” What exactly does Smith mean by this, and how does he support this claim?

2. “In Great Britain the wages of labour seem... to be evidently more than what is precisely necessary to enable the labourer to bring up a family.” What evidence does Smith adduce to substantiate this claim, and how persuasive is the evidence?