

ADAM SMITH – A BRIEF BACKGROUND

Adam Smith was a Scottish moral philosopher and political economist who is one of the fathers of modern economics.

In 1759, while a professor at Glasgow University, he published *The Theory of Moral Sentiments*, the work that established his academic reputation. After leaving Glasgow, Smith devoted much of his time to producing his second major work, *An Inquiry into the Nature and Causes of the Wealth of Nations*, which was published in 1776. Born in Kirkcaldy in 1723, Smith died in Edinburgh in 1790.

His two great works focussed on observing and explaining society. In *The Theory of Moral Sentiments*, Smith sought to explain why some practices were traditionally referred to as moral and right. The book was an explanation of human nature and of the organisation of society. *The Wealth of Nations* was an explanation of the trade and co-operation that were, and still are, the basis for industry and commerce.

The central theme of *The Wealth of Nations* is the division of labour. In the famous example of a pin factory, Smith explained how co-operation between workers in the factory to divide tasks between them raised their combined output. He went on to explain how, by trading with others, both at home and abroad, we could specialise our own production and society as a whole would benefit from higher incomes and standards of living. The banknote depicts the division of labour in the pin factory, with a caption based on *The Wealth of Nations*: “and the great increase in the quantity of work that results”.

Adam Smith’s explanations of the society he observed in the 18th century are as relevant today as they were then. Our opportunities to trade with others are growing as the world trading system expands. Smith reminds us that, by openness to trade with others, we can each seize opportunities to specialise, raising productivity, incomes and standards of living for citizens of all countries.