

Primary Sources: Adam Smith on economic specialization

By Adam Smith, adapted by Newsela staff on 08.16.19

Word Count **874**

Level **820L**



Image 1. A crowd gather to watch the unveiling of a 10-foot bronze statue of Scottish economist, philosopher and author Adam Smith (1723-1790) at the Royal Mile on July 4, 2008, in Edinburgh, Scotland. The statue, created by Alexander Stoddart, was unveiled in the heart of Edinburgh where Smith worked and died. Photo by: Jeff J Mitchell/Getty Images

Editor's Note: Adam Smith was born in Scotland in 1723. He is often recognized as the father of modern economics — the study of wealth and how it is distributed. His famous book, "An Inquiry Into the Nature and Causes of the Wealth of Nations," was published in 1776. It laid the foundations for classical free market economic theory. It is more commonly called "The Wealth of Nations." "The Wealth of Nations" was written at the start of the Industrial Revolution. Europe was changing rapidly. Business and factories were becoming increasingly important. Passages of the book below discuss the division of labor. Smith illustrates how specialization, and division of labor, can increase economic output. Specialization is when individuals or businesses concentrate on a single activity or area of expertise. With this division of labor, individuals can choose to exchange labor for payment. They can use this money to purchase other goods and services. These are produced by individuals and businesses specializing in other areas. This is one of the key principles underlying free market economic theory.

Book I, Chapter 1. Of the Division of Labor

THE greatest improvement in the productive powers of labor seem to have been the effects of the division of labor.

For example, consider the trade of the pin-maker. Think of a workman who knows little about this business. He is not acquainted with the use of the machinery used in it. This man could hardly, with his greatest dedication, make one pin in a day. He certainly could not make 20.

But this business is now carried on in a new way. Not only is the whole work a particular trade, but it is divided into a number of branches. Of these branches, most are also specific trades. One man draws out the wire, another straightens it, a third cuts it. A fourth points it, a fifth grinds it at the top for receiving, the head. To make the head requires two or three distinct operations. To put it on is its own business, to whiten the pins is another. It is even a trade by itself to put them into the paper.

The important business of making a pin is, in this manner, divided into about 18 separate operations. In some factories, these are all performed by individual hands. In others, the same man will sometimes perform two or three of them.

I have seen a small manufacturing operation of this kind. Only 10 men were employed. Some of them then performed two or three distinct operations. The men were very poor. They were only somewhat skilled with the necessary machinery. However, they could, when they pushed themselves, make among them about 48,000 pins in a day. On average, each of the 10 men might be considered as making 4,800 pins in a day.

But imagine if they had all worked separately and independently, and without any of them having been educated to this specific business. In this case, they certainly could not each of them have made 20 in a day. They might not have even made one.

Book I, Chapter 2. Of the Principle which gives occasion to the Division of Labor:

So many advantages come from this division of labor. It gives us great wealth. Still, these advantages are not immediately clear to the naked eye. It is the necessary, though very slow effect over time, of a certain leaning in our human nature. This leaning does not foresee the great power and use it is capable of. The natural leaning I speak of is our natural desire to exchange one thing for another. ...

Man could hardly survive without the help of others. However, it is foolish for him to expect them to be generous all the time. He will be more likely to prevail if he can interest their self-love in his favor. He must show them that it is for their own advantage to do for him what he needs from them. Whoever offers to another a bargain of any kind, offers to do this: Give me what I want, and



you shall have what you want, is the meaning of every such offer. And it is in this manner that we usually obtain what we need. It is not from the generosity of the butcher, the brewer, or the baker that we expect our dinner, but from their caring about their own interest.

As it is by treaty, by barter, and by purchase that we obtain from one another what we need. And so, it is this same natural leaning which originally sets the stage for the division of labor.

Picture a tribe of hunters or shepherds. A particular person in the tribe makes bows and arrows, for example, more skillfully than any other. He frequently exchanges these weapons for cattle or meat with his companions. He then finds at last that he can in this way get more cattle than if he himself went to hunt them. From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business. Then he becomes a sort of armorer, etc. ...