

The Wealth of Nations, Chapters 1-4 by Adam Smith
Discussion Questions

Students are expected to read chapters 1-4 of the *Wealth of Nations* and to prepare preliminary answers to the following questions. They need not write their preliminary answers down. TAs have been instructed to give a quiz designed to determine if students have prepared for discussion.

1. Why, according to Smith, does the division of labor account for “the greatest improvement in the productive power of labor...”?
 - a. What does Smith mean by the division of labor? How is the division of labor illustrated by the pin factory?
 - b. Why, according to Smith, are “...the hard-ware and the coarse woollens of England...superior to those of France, and much cheaper too in the same degree of goodness”?
 - c. Why, according to Smith, is the invention of labor-saving machinery owing to the division of labor?
2. What, according to Smith, is the connection between the division of labor and the highly social nature of the human species?
3. Why, according to Smith, is the division of labor limited by the extent of the market?
 - a. What does Smith mean by “the extent of the market”?
 - b. What, according to Smith, are the connections between geography, transportation, and the extent of the market?
4. What modern examples support Smith’s views on the connection among the division of labor, the extent of the market, and the availability of cheap transport? Are there modern examples that contradict Smith’s view?
5. Why, according to Smith, does the division of labor lead to the use of money?
6. According to Smith, do the benefits to society of money use outweigh the costs?
 - a. What, according to Smith, are the benefits?
 - b. What, according to Smith, are the costs?
 - c. What does Smith mean when he says that the “... avarice and injustice of princes and sovereign states, abusing the confidence of their subjects, have by degrees diminished the real quantity of metal, which had been originally contained in their coins”?
 - d. Do you agree with Smith that the division of labor accounts for the use of money? Has Smith got it right?