

Adam smith invisible hand essay

[Science](#), [Astronomy](#)



Adam Smith (1723 - 1790) was a Scottish moral Philosopher and regarded as the father of economics. He attended the University of Glasgow at the age of 14 on scholarship and later Balliol College at Oxford. He was the author to books such as *The Theory of Moral Sentiments* and *The Wealth of Nations*. Smith was particularly famous for *The Wealth of Nations* as it is considered to be his greatest work and the first modern work of economics. He was influenced by a famous Philosophy teacher named Francis Hutcheson and by living in Glasgow. Adam Smith used the term 'the Invisible Hand' in the 'History of Astronomy' and used it twice, each time with a different meaning in *The Theory of Moral Sentiment* and *The Wealth of Nations*.

This is the term that Economists nowadays use to refer to the nature of the market and how it operates by itself. According to Adam Smith, every individual tries to get wealthy and intends only on his/her own gain. But at the end he/she will have to exchange what they produce with someone who will value what they have or produce, and in this way the public interest will be served. It is assumed that the theory of 'the Invisible Hand' will only work in a free market and it constituted the basis for the economic concept of *Laissez-faire*. Smith believed that the consumer will always want the lowest price and the producer will always try to gain the highest level of profit.

If the consumers were allowed to choose freely what they want to buy and if the producers were allowed to choose what they wanted to produce, then the market would settle on a price that would be beneficial to all the individual members of the society and thus the society as a whole. Everyone works in their self interest; like the producers will try to adopt efficient methods of production to maximize production and also charge low prices to

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gain revenue and eliminate competitors. In this way the consumers are also benefitted as they will be charged lower prices and as more producers join the market and compete, the consumers will have more options to choose from. The Invisible Hand is a natural phenomenon and as individuals or a firm maximize their revenue, it actually maximizes the total revenue of the society as a whole.

Thus, the greatest benefit to a society is brought by the individuals acting on their self interest freely in a free market.