

Division of Labor and the Wealth of Nations

“The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgment with which it is any where directed, or applied, seem to have been the effects of the division of labour.”

Adam Smith, “An Inquiry into the Nature and Causes of the Wealth of Nations” (1776), Book I, Chapter I, Paragraph 1

Adam Smith was not the first person to use the term “division of labour”. It appeared in a footnote by Sir Walter Petty, who was writing about the shipping trade, in 1690. What Adam Smith did do is develop the concept and what it means for modern market society in his sweeping, two-volume *Wealth of Nations*. Smith emphasized the significance of this human behavior, which leads to specialization and the growing wealth of nations.

In *Wealth of Nations*, Adam Smith uses the example of a pin factory to illustrate how the work of making pins could be broken down to dramatically increase the productivity of each worker in the factory.

This may seem like an odd example, but pins were used for many more things in 18th century England than we use them for today. Virginia Postrel writes, “In Smith’s time and for a century after, pins were a multipurpose fastening technology. Straight pins functioned as buttons, snaps, hooks and eyes, safety pins, zippers, and Velcro. They closed ladies’ bodices, secured men’s neckerchiefs, and held on babies’ diapers.”¹

You can explore a pin factory as it existed in Adam Smith’s time at AdamSmithWorks.org/Pin_Factory

¹ Postrel, Virginia (2017). “Adam Smith Needs a Paper Clip”, *Reason.com*

What did Adam Smith have to say?

The following excerpts from the first chapter of *An Inquiry into the Nature and Causes of the Wealth of Nations* contain some of Adam Smith's thoughts on the division of labor. We will read and discuss these excerpts together.

Reading 1

“But in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater part are likewise peculiar 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 a peculiar business, to whiten the pins is another; it is even a trade by itself to put them into the paper; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them.”

- Adam Smith, “*An Inquiry into the Nature and Causes of the Wealth of Nations*”, Book 1, Chapter 1, Paragraph 3. 1776.

Discuss

1. Was there a “consequence of a proper division and combination of their different operations” illustrated in the videos we watched?
2. How about in the pin factory?
3. Describe how this concept applies in each of these circumstances.

Reading 2

‘I have seen a small manufactory of this kind where ten men only were employed, and where some of them consequently performed two or three distinct operations. But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins in a day. There are in a pound upwards of four thousand pins of a middling size. Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day. Each person, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day; that is, certainly, not the two hundred and fortieth, perhaps not the four thousand eight hundredth part of what they are at present capable of

performing, in consequence of a proper division and combination of their different operations.”

- Adam Smith, *“An Inquiry into the Nature and Causes of the Wealth of Nations”*, Book 1, Chapter 1, Paragraph 3. 1776.

Discuss

4. How does Smith’s description of pin factory production with 1, 2, and 10 laborers relate to the way that the creation of a pencil is split up? What are the similarities? What are the differences?

Reading 3

“The division of labour, however, so far as it can be introduced, occasions, in every art, a proportionable increase of the productive powers of labour. The separation of different trades and employments from one another, seems to have taken place, in consequence of this advantage.”

- Adam Smith, *“An Inquiry into the Nature and Causes of the Wealth of Nations”*, Book 1, Chapter 1, Paragraph 4. 1776.

Discuss

5. Consider a real world circumstance of house building, perhaps in an urban area near a major city anywhere in the world. What are different “trades” or “employments” that participate in the production process? Can you name ten in addition to 1) electricians 2) architects ...
6. Why are these laborers likely not interchangeable?

Reading 4

“This great increase of the quantity of work which, in consequence of the division of labour, the same number of people are capable of performing, is owing to three different circumstances; first to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many.

“First, the improvement of the dexterity of the workman necessarily increases the quantity of the work he can perform; and the division of labour, by reducing every man’s business to some one simple operation, and by making this operation the sole employment of his life, necessarily increases very much the dexterity of the workman.”

- Adam Smith, *“An Inquiry into the Nature and Causes of the Wealth of Nations”*, Book 1, Chapter 1, Paragraph 5–6. 1776.

Discuss

7. What specific jobs for both skilled (salaried) and low skilled (wage) work require trained hand dexterity in the shed or house building trade?
8. Does the term “dexterity” have meaning beyond manual labor skills?

Reading 5

“Secondly, the advantage which is gained by saving the time commonly lost in passing from one sort of work to another, is much greater than we should at first view be apt to imagine it. It is impossible to pass very quickly from one kind of work to another; that is carried on in a different place, and with quite different tools. A country weaver, who cultivates a small farm, must lose a good deal of time in passing from his loom to the field, and from the field to his loom. When the two trades can be carried on in the same workhouse, the loss of time is no doubt much less. It is even in this case, however, very considerable. A man commonly saunters a little in turning his hand from one sort of employment to another. When he first begins the new work he is seldom very keen and hearty; his mind, as they say, does not go to it, and for some time he rather trifles than applies to good purpose. The habit of sauntering and of indolent careless application, which is naturally, or rather necessarily acquired by every country workman who is obliged to change his work and his tools every half hour, and to apply his hand in twenty different ways almost every day of his life; renders him almost always slothful and lazy, and incapable of any vigorous application even on the most pressing occasions. Independent, therefore, of his deficiency in point of dexterity, this cause alone must always reduce considerably the quantity of work which he is capable of performing.”

- Adam Smith, *“An Inquiry into the Nature and Causes of the Wealth of Nations”*, Book 1, Chapter 1, Paragraph 7. 1776.

Discuss

9. Does what Adam Smith said here apply to making pencils? Why or why not?
10. Does what he said apply to your daily class schedule? Does it apply more at home or when you’re in school?
11. Is Smith’s claim extreme or accurate?

Reading 6

“Thirdly, and lastly, everybody must be sensible how much labour is facilitated and abridged by the application of proper machinery. It is unnecessary to give any example. I shall only observe, therefore, that the invention of all those machines by which labour is so

much facilitated and abridged, seems to have been originally owing to the division of labour. Men are much more likely to discover easier and readier methods of attaining any object, when the whole attention of their minds is directed towards that single object, than when it is dissipated among a great variety of things. But in consequence of the division of labour, the whole of every man's attention comes naturally to be directed towards some one very simple object."

- Adam Smith, *"An Inquiry into the Nature and Causes of the Wealth of Nations"*, Book 1, Chapter 1, Paragraph 8. 1776.

Discuss

12. Can you name, or search for, examples of how the specialization of workers in specific industries has led to inventions of machinery, tools, and equipment?