

Resource-Invisible Hand and Laissez Faire

1.	Topics	Invisible Hand and Laissez Faire
2.	Subject	Sociology
3.	Topic Connected with which area of subject?	Economic theory of Adam Smith
4.	Class/Level	XII
5.	Objectives	<p>To enable the student to understand -----</p> <ul style="list-style-type: none"> • The functioning of Markets using the concept of Invisible Hand • Appreciate how economists today use the theory as a means to understand the role/function of the forces of free market.
6.	Summary	<p>Adam Smith in the 18th century in his book 'Wealth of Nation" coined the term "invisible hand". A political economist, he argued that the market economy is made up of a series of individual exchanges or transactions, which automatically create a functioning and ordered system where in each person looks only to their own self-interest, but in the pursuit of this self-interest the interests of all – or of society – also seem to be looked after. Hence, invisible hand is essentially a natural phenomenon that guides free markets and capitalism when there is competition for scarce resources.</p> <p>This economic philosophy of Laissez Faire is a French phrase, meaning 'Leave alone' or 'let it be'. His theory is also broadly accepted by modern day economists to explain the forces of a free market.</p>
7.	Key Word	Laissez-Faire, Invisible Hand, Market , Adam Smith, Wealth of Nations,
8.	Team of Content Persons	Ms. Seema Banerjee, Ms. Shayamala Rani Rao, Ms. Abha Narula Seth, Ms. Mamta Saha
9.	Subject Coordinator	Prof. Manju Bhatt
10.	CIET Coordinator	Dr. Indu Kumar

Markets free from all kinds of regulation whether by the state or otherwise-this economic philosophy was also given the name ***laissez-faire***, a French phrase leave alone, or let it be. Adam Smith in his book 'The Wealth of Nations' states that markets work through an invisible hand which converts what is good for an individual into general welfare.

Laissez Faire and Invisible Hand

It is when everyone in the market looks out for their own interest that interests of others is looked after

Adam Smith

"How selfish soever men may be supposed, there are evidently some principles in his nature, which interest him in the fortunes of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it"

Capitalist economy is drive by individual self interest

Invisible Hand stimulates the economy and creates for more wealth

Smith supported the idea of LAISSEZ FAIRE which implies that market will be run without any regulation from state or otherwise. Economy is 'LEFT ALONE' to function on its own.

STUDENT/TEACHER ACTIVITY

- Teachers can guide students into reading the book 'Wealth of Nations' and using it understand the economic system of India.
- Does India follow a pure Laissez Faire system? Give reasons for your answer.
- What is meant by the phrase "invisible hand"?
- Define 'Laissez faire'.
- Make a collage or Sway/Power Point presentation on the life and works of Adam Smith.