The Wealth of Nations, Adam Smith's 1776 epic economic book, dealt extensively with the subject.

Smith, known as the "Father of Economics," defined supply and demand as an "invisible hand" that automatically directs the economy. The invisible hand, according to Smith, is the economy's automated pricing and distribution systems. Smith envisioned a society in which bakers and butchers produce things that people need and want, therefore meeting demand and building an economy that benefits everyone.

It is crucial to note, however, that Smith's theories have not been without criticism in the years since they were originally published. His theories have evolved through time to reflect changing circumstances, and now include concepts like marginal utility, comparative advantage, entrepreneurship, the time-preference theory of interest, and monetary theory.

Furthermore, Smith failed to adequately explain pricing or a theory of value, and he overlooked the significance of the entrepreneur in breaking down inefficiencies and generating new markets.

**Alfred Marshall**
Following Smith's publication in 1776, the subject of economics grew fast, and the law of supply and demand was perfected. Alfred Marshall's Principles of Economics, published in 1890, devised a supply-and-demand curve that is still used to show when the market is in equilibrium.

Marshall's invention of the notion of price elasticity of demand, which investigates how price changes impact demand, was one of his most significant contributions to microeconomics. In principle, as the price of a commodity rises, consumers buy less of it, but Marshall observed that this was not always the case in practice.

Some items' prices can rise without decreasing demand, indicating that their prices are inelastic. Items like medication or food that customers consider essential to everyday living are examples of inelastic products. Marshall contended that supply and demand, manufacturing costs, and price elasticity all interact.



**Ibn Taymiyyah**
Though these theories are often highlighted when examining the origins of the law of supply and demand, other researchers from throughout the world also contributed to its development.

For example, Islamic philosopher Ibn Taymiyyah, who died 300 years before Locke's aforementioned book, wrote on the rule of supply and demand, but not in those same terms. He talked about how prices are set by demand and supply, not by the unfair behavior of the persons participating in the transaction.

## Why Is the Law of Supply and Demand Important

The Law of Supply and Demand is essential because it assists investors, entrepreneurs, and economists in understanding and forecasting market situations. For example, a company presenting a new product may purposefully attempt to raise the price of the product by building consumer demand through advertising.