

Economics 2: Spring 2014

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<http://delong.typepad.com/sdj/econ-2-spring-2014/>

Economics 2: Spring 2014: Adam Smith Commercial

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Announcements and Exhortations: A Brief Commercial for Adam Smith and Further Reading

- For fun, do see if you can get into Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*
 - Not for everybody—he is speaking to us across 2.5 centuries now, and he was a weird dude even for his time...
 - But for some of you it will be...
 - And there is lots of snark here—read slowly and it can be quite funny and lively...

Snarky Adam Smith

- The set-up:
 - This propensity [to enter into gift-exchange relationships]... is common to all men, and to be found in no other race of animals...
 - When an animal wants to obtain something... it has no other means of persuasion but to gain the favour of those whose service it requires. A puppy fawns upon its dam, and a spaniel endeavours by a thousand attractions to engage the attention of its master who is at dinner...
- The first punchline:
 - Man sometimes uses the same arts with his brethren...

Snarky Adam Smith II

- The second punchline:
 - ...endeavours by every servile and fawning attention to obtain their good will.
- The snark:
 - He has not time, however, to do this upon every occasion. In civilised society he stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons.
- The point:
 - Man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence *only*.

Snarky Adam Smith III

- The explication:
 - He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them.... It is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.

Snarky Adam Smith IV

- The pile-driver:
 - Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens. Even a beggar... the charity of well-disposed people... supplies him with... fund[s]... but... [not] with all the necessaries of life... as he has occasion for them. The greater part of his occasional wants are supplied... by treaty, by barter, and by purchase. With the money which one man gives him he purchases food. The old clothes which another bestows upon him he exchanges for other old clothes which suit him better, or for lodging, or for food, or for money, with which he can buy either food, clothes, or lodging, as he has occasion.

End of Commercial for Adam Smith

- If you find time to read it slowly with attention, and let him pull your mind example by example to where he wants your mind to go...
- Adam Smith is equalled by Keynes...
- Paul Krugman is almost as good as either...

Ladies and Gentlemen, to Your i>Clickers...

- The “economic problem”:
 - A. Is figuring out how to deal with the fact of scarcity in (at least some of) the things we care about.
 - B. Is the result of high opportunity costs.
 - C. Was solved for all time by the wave of technological innovation that was the Industrial Revolution.
 - D. Is that supply is not guaranteed to match demand.
 - E. Is that of figuring out what prices should be charged in markets