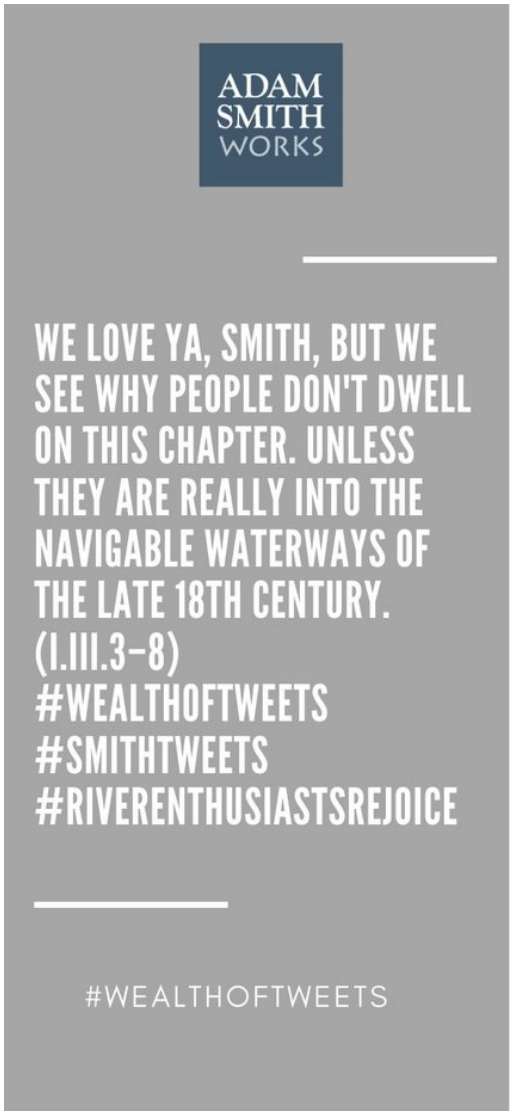
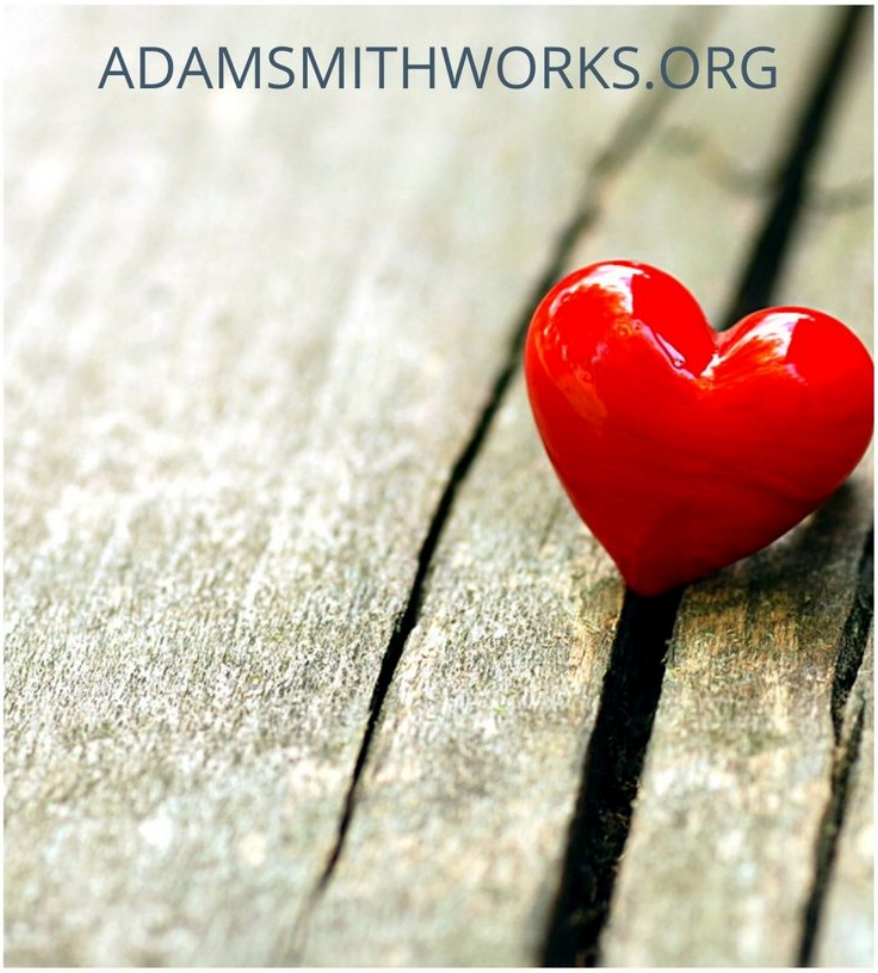
Twitter Thread by @AdamSmithWorks

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Today we come to the topic @EconTalker has called one of the more underemphasized lessons from #AdamSmith: That the Division of Labor is limited by the Extent of the Market. a.k.a Book 1 Chapter 3. #WealthOfTweets #SmithTweets

We love ya, Smith, but we see why people don't dwell on this chapter. Unless they are really into the navigable waterways of the late 18th century. (I.iii.3–8) #WealthOfTweets #SmithTweets #RiverEnthusiastsRejoice





The first two paragraphs of this chapter are the meatiest. Then things get a little...#WealthOfTweets #SmithTweets



The more people there are to trade with, the more labor can be divided. Wealth of the people included in the market increases disproportionately as the division of labor progresses. Because division of labor is special sauce. (I.iii.1-2)#WealthOfTweets #SmithTweets

This seems like common sense. No one to trade with? You won't produce stuff for trade. Instead you'll produce the things you need, and because you need many things you won't specialize. No specialization, no division of labor. (I.iii.1–2) #WealthOfTweets #SmithTweets

So WHY, oh why!, do we spend so much time on ships and carts and rivers and oceans? Because the potholes of the North American Midwest and Northeast have got NOTHING on the roads of the 18th century. (I.iii.3–8) #WealthOfTweets #SmithTweets #WeeBabyPotholesDontStopTrade

Many of us are fortunate to live where we can take for granted the ability to travel over land. In other places and times, travel was and is so hard people can't even reach potential trading partners. (I.iii.3–8) #WealthOfTweets #SmithTweets

The technology that allows us to overcome distance—shipping containers, airplanes, reliable roads—is so embedded in our lives and easy to overlook that it can be hard to remember why Smith spends time on it at all. (I.iii.3–8) #WealthOfTweets #SmithTweets

(Not to mention the fact that trade in services has become much more important and many services can be delivered electronically regardless of distance!) (I.iii.3–8) #WealthOfTweets #SmithTweets

This really, really matters. Wealth can also collapse more quickly with the division of labor. A funny/not-funny example was the disappearance of Cool Ranch Doritos from Canada during the 2020 pandemic. https://t.co/Z6uWBzjXaC #WealthOfTweets #SmithTweets

Under economic lockdown, restaurants (cooks, dishwashers, hosts, servers, managers, accountants, delivery, distribution, etc.) disappeared, leaving grocery stores, prepared foods, and home cooks. Far fewer players at work! #WealthOfTweets #SmithTweets

Reduced chip and Kraft Dinner flavors is trivial—Canada is rich. Getting a bit poorer isn't devastating. But it should alarm us how quickly the reduction in division of labor translated to noticable changes to the market even for the rich. #WealthOfTweets #SmithTweets

This is the backbone of Smith's case for trade/markets. When, e.g., infant mortality rates are horribly high in economically undeveloped regions (like 18thC Scottish highlands), you need economic growth to get people wealthier and healthier ASAP. #WealthOfTweets #SmithTweets

When you're rich, the extent of the market affects chip flavors at the margins. When you're poor, it's food and medicine. Not trivial stuff. #WealthOfTweets #SmithTweets

The bigger picture for Smith: incorporating as many of us as possible into the division of labor increases and democratizes wealth, health, and quality of life. In a modern world, atomistic people aren't an option. (I.iii.1–8) #WeAreAllConnected #WealthOfTweets #SmithTweets