Twitter Thread by @AdamSmithWorks

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Wages, profits, and rents have “natural rates” regulated by the general conditions of the society in which they exist. (I.vii.1) #WealthOfTweets #SmithTweets

When the price of any commodity = price of rent + profit + labor + price of getting it to market, the commodity is sold at its “natural price.” (I.vii.4–5) #WealthOfTweets #SmithTweets

And that all means the commodity has been sold for what it is worth—what it really costs. (I.vii.5) #WealthOfTweets #SmithTweets

The price for which a commodity is sold ought to include a seller’s profit, because that’s how sellers pay themselves, just like they pay the wages of the laborers who work for them, who get their goods to market, etc. (I.vii.5) #WealthOfTweets #SmithTweet

Nerds among you may recognize the concept of economic profit here: it matters to the owners of stock whether they could have done better by using their stock elsewhere, not just whether they covered their costs. (I.vii.5) #WealthOfTweets #SmithTweets #WeLoveNerds

A seller might technically be able to sell for less, but is unlikely to do so for long, because if there’s no payment to seller, he’ll just go into another business. (I.vii.6) #WealthOfTweets #SmithTweets

Market price—which is what’s on the price tag—can be above or below or the same as the “natural price.” (I.vii.7) #WealthOfTweets #SmithTweets

There’s a difference between consumer demand and effectual demand. You can want all kinds of things, but unless you can pay, your demand isn’t effectual. This is why no one is building the SmithTweeters a house by the ocean. Yet. (I.vii.8–9) #WealthOfTweets #SmithTweets

If lots of people want something and are able to pay for it, the price will go up, particularly as an item becomes scarce. This is because of competition between buyers. (I.vii.9) #WealthOfTweets #SmithTweets

When there’s lots of something, and people don’t want as much of it, the price goes down as sellers compete to get rid of excess goods (especially if they're perishable). (I.vii.10) #WealthOfTweets #SmithTweets

(Don’t you economist types have a graph for this, or something?) #SupplyAndDemand #WealthOfTweets #SmithTweets

No big deal this is just market dynamics helping prices tend toward their "natural" level. Google might try to tell you that Cournot invented equilibrium price in 1838 BUT HERE IT IS IN SMITH IN 1776, Y'ALL! (I.vii.11–15) #WeHaveOurOwnFun #WealthOfTweets #SmithTweets

The trick is to try to bring to market the right amount of the right commodities at the right time, and this is harder for some commodities than others (I.vii.15–19) #WealthOfTweets #SmithTweets

“A publick mourning raises the price of black cloth.” Most emo Smith quote ever. (I.vii.19) #WealthOfTweets #SmithTweets

We wonder what Smith would think about the fight over the blackest black and the pinkest pink? (I.vii.22) #WealthOfTweets #SmithTweets
https://t.co/D0MvQyL1iK

Producers who are lucky or who can keep a secret might be able to sell above the natural price on an ongoing basis, but generally competition pushes prices back down. (I.vii.20–25) #WealthOfTweets #SmithTweets

Monopolies? Smith hates ‘em. (I.vii.26–29) #WealthOfTweets #SmithTweets

And here’s the plan for the next 4 chapters: wages; profit; the proportion between labor and stock; land rents. Stay tuned, Smith fans! We’ll see you tomorrow. (I.vii.33–37) #WealthOfTweets #SmithTweets