Twitter Thread by @AdamSmithWorks



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Today we're gonna talk about profits. They come from stock! #AdamSmith reminds us that stock is any resource paid for in advance when doing business. In general, profits and wages don't move together. (I.ix.1–2) #WealthOfTweets #SmithTweets

As stock goes up, there's more of it to employ more workers (by paying them or providing machines for them to work or both). This raises wages! But new stock competes with existing stock, which tends to lower profit. (I.ix.2) #WealthOfTweets #SmithTweets

If you thought figuring out the average wages of labor was complicated, don't even think about trying to figure out the average profit of stock. Basically impossible. Luckily, the rate of interest tends to vary with the profits of stock. (I.ix.3–4) #WealthOfTweets #SmithTweets

Lots of laws have tried to control interest rates and stop usury. They've all failed to do either. (I.ix.5–9) #WealthOfTweets #SmithTweets

Profits and wages rising together is unusual, but it happens. In particular, in new colonies. (I.ix.11) #WealthOfTweets #SmithTweets

Investing advice from Smith: It's easier to make money if you've got some. The trick is to get some. (I.ix.11) #ThanksWeGuess #WealthOfTweets #SmithTweets



Some things that keep wealth low: neglecting/despising foreign commerce (restricts the extent of the market) and neglecting the protection of the rights of the poor and small business owners (gives the rich monopoly powers). (I.ix.15) #WealthOfTweets #SmithTweets

For example, the "barbarous nations" that overran the western Roman empire (yes, he means the Germans) left the enforcement of contracts to the parties subject to them, contributing to the stagnant economy. (I.ix.16) #WealthOfTweets #SmithTweets https://t.co/OCf1TNHiV0

The ordinary rate of profit must compensate for the risk that the investment fails in the same way that the ordinary rate of interest has to compensate for the risk of default by borrowers. (I.ix.18–19) #WealthOfTweets #SmithTweets

Only the amount paid in excess of what compensates for risk is "neat or clear" profit. Gross profit is the whole shebang. (I.ix.18) #WealthOfTweets #SmithTweets

When a country gets so rich that it has employed the full quantity of stock that can be used, it will become fashionable to be in business as it is to dress according to the fashion of the times. (I.ix.20) #WealthOfTweets #SmithTweets https://t.co/Is22ZUKwAE

That awkward feeling when you spell awkward aukward. (I.ix.20) #WealthOfTweets #SmithTweets #YesWeKnowItWasADifferentTime

Employers and merchants blame increasing prices on high wages, but Smith says high profits are much more to blame. Wages increase prices arithmetically, but increasing profits work like compound interest. (I.ix.24) #WealthOfTweets #SmithTweets

You'd never know it from listening to the merchants and masters, though—"They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people." (I.ix.24) #SurplusOfShade #WealthOfTweets #SmithTweets

Tune in tomorrow as we, the Smithtweeters, try to get some love from @MikeRoweWorks as #AdamSmith explores seasonal work, #DirtyJobs, and side gigs.