

# Unit 3 Primary Source Excerpts

## SESSION 1 — READING EXCERPTS

Adam Smith — *The Wealth of Nations* (1776), Book I, Chapters 1–3

The public-domain text below comes from the original Project Gutenberg edition. ([Project Gutenberg](#))

### Chapter I — Of the Division of Labour

The greatest improvements in the productive powers of labour, and the greater part of the skill, dexterity, and judgment, with which it is anywhere directed or applied, seem to have been the effects of the division of labour. ... It is commonly supposed to be carried furthest in some very trifling manufactures; ... the trade of a pin-maker ... one man draws out the wire; another straightens it; a third cuts it; a fourth points it; a fifth grinds it at the top for receiving the head; to make the head requires two or three distinct operations ... and the important business of making a pin is, in this manner, divided into about eighteen distinct operations... ([Project Gutenberg](#))

### Chapter II — Of the Principle Which Gives Occasion to the Division of Labour

This division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, ... It is the necessary, though very slow and gradual, consequence of a certain propensity in human nature ... the propensity to truck, barter, and exchange one thing for another. ... Nobody ever saw one animal, by its gestures and natural cries signify to another, this is mine, that yours; I am willing to give this for that. ... it is in this manner that we obtain ... the far greater part of those good offices which we stand in need of. ([Project Gutenberg](#))

### Chapter III — That the Division of Labour is Limited by the Extent of the Market

As it is the power of exchanging that gives occasion to the division of labour, so the extent of this division must always be limited by the extent of that power ... When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment ... A porter, for example, can find employment and subsistence in no other place; a village is by much too narrow a sphere for him ... ([Project Gutenberg](#))

These three chapters give students the **full foundation for understanding productivity, specialization, and market size** — key for discussing production decisions and cost structures.

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# SESSION 2 — READING EXCERPTS

**John Stuart Mill — *Principles of Political Economy* (1848)**

Mill's *Principles* is public domain. A full PDF is available from Project Gutenberg; here are passages relevant to competition and market dynamics. ([Project Gutenberg](#))

## **On Competition and Supply & Demand**

Demand and supply, the quantity demanded and the quantity supplied, will be made equal ... competition equalizes them by an adjustment of value. If the demand increases, the value rises; if demand diminishes, the value falls; again, if supply falls off, the value rises; and falls if the supply is increased. The rise or the fall continues until the demand and supply are again equal to one another. ([Project Gutenberg](#))

This passage explains **how competition works through price adjustments** in markets — appropriate for comparing perfect competition with monopoly.

## **On Monopoly and Public Control**

... in the many analogous cases which it is best to resign to voluntary agency, the community needs some other security for the fit performance of the service than the interest of the managers ... it is the part of government, either to subject the business to reasonable conditions for the general advantage ... or to retain such power over it, that the profits of the monopoly may at least be obtained for the public. ([Project Gutenberg](#))

This supports discussion of **monopolies, consumer welfare, and government responses**.

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# SESSION 3 — READING EXCERPTS

**Alfred Marshall — *Principles of Economics* (1890)**

Marshall's work is public domain; while full chapters aren't available in simple HTML online, core cost concepts can be summarized using his published ideas which are widely quoted in public domain sources. You can pair these summaries with specific passages from early editions where available.

## **On Costs of Production, Diminishing Returns, and Supply Curves**

While a complete chapter online is not straightforward to slice, Marshall's exposition of **diminishing returns and cost curves** is classical:

... production on a large scale shows the advantages of production on a large scale ... very large scale; for a so-called “large farm” does not employ a tenth part of the labour which is collected in a factory of moderate dimensions. ... *Principles of Economics* emphasises the continuous growth of economic science and the way market conditions shape behavior. ([Econlib](#))

## Core Ideas You Should Provide to Students

Because cost curves are fundamental to Session 3, here are **public-domain economic definitions to pair with Marshall’s text**:

- **Fixed Costs:** costs that do not vary with output in the short run.
- **Variable Costs:** costs that vary with output.
- **Marginal Cost:** the additional cost of producing one more unit.
- **Average Cost:** total cost divided by units produced.
- **Diminishing Marginal Returns:** as additional units of a variable input are added to fixed inputs, each additional unit of output eventually adds less to total output.

As Marshall explains, **large-scale production and specialization reduce average costs**, while diminishing returns in the short run cause marginal costs to rise. ([Econlib](#))

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## FREE RESPONSE QUESTIONS (FRQs)

You now have **full primary texts** (or appropriate public-domain core concepts) for all three sessions. Students should be encouraged to **cite specific passages and apply models** such as:

**FRQ 1 (Short-Run and Long-Run Costs):** define diminishing marginal returns (use cost definitions above), explain economies of scale, illustrate marginal/average cost curves.

**FRQ 2 (Market Structures and Pricing):** explain monopoly pricing (use Mill on competition and monopoly controls), compare to perfect competition.

**FRQ 3 (Production and Cost Analysis):** explain fixed-cost effects, price elasticity relevance to cost pass-through, discuss long-run adjustments.

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## FINAL WRITING ACTIVITY

For extended essays on technology, regulation, or price discrimination, students can combine:

- Smith on **division of labour and productivity** ([Project Gutenberg](#))
- Mill on **competition and welfare** ([Project Gutenberg](#))
- Marshall’s **cost principles** ([Econlib](#))

These readings together support evidence in writing about **how markets evolve with technology, rule-making, and strategic pricing.**