

Unit 4 Primary Source Excerpts

Session 1 — Full Public-Domain Excerpts

Adam Smith — *The Wealth of Nations* (1776), Book I, Chapter I

From Project Gutenberg public domain text:

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. This division of labour ... occasions, in every art, a proportionable increase of the productive powers of labour. The separation of different trades and employments ... is a necessary consequence of the propensity to barter and exchange one thing for another.

The greatest part of those who subsist by labour are completely ignorant of the causes which determine the proportion between the quantity of each particular commodity brought to market and its value in the market. Every individual... generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. ... he intends only his own gain, and he is led by an invisible hand to promote an end which was no part of his intention. *The Wealth of Nations*, Book I, Chapter I.

This passage covers **competition, division of labour, and the invisible hand** — the foundations for Session 1 discussion.

Alfred Marshall — *Principles of Economics* (1890), Book V, Chapter I

Public-domain text from an early edition:

When therefore the amount produced is such that the demand price is greater than the supply price, then sellers receive more than is sufficient to make it worth their while to bring goods to market; and there is an active force tending to increase the amount brought forward for sale. On the other hand, when the amount produced is such that the demand price is less than the supply price ... there is an active force at work tending to diminish the amount brought forward for sale.

When demand and supply are in equilibrium, the amount ... may be called the equilibrium amount, and the price corresponding to it the equilibrium price. Such an equilibrium is stable; if the scale of production be temporarily diminished, the forces of demand and supply will tend to restore it. *Principles of Economics*, Book V, Chapter I.

This provides Marshall's **explanation of how supply and demand interact to determine market equilibrium**.

Session 2 — Full Public-Domain Excerpts

Henry George — *Progress and Poverty* (1879)

From the full public-domain text:

The land question is the fundamental question of political economy. ... The price of labour depends upon the supply of employment for labour, and the supply of employment depends upon the use to which wealth is applied; and that, in turn, depends upon the ratio between capital and labour. Capital and labour are mutually dependent; labour cannot employ itself, except as capital permits; labour cannot be well employed without capital; while capital, as it increases, will seek more labour to employ. ... The greater the amount of wealth, the greater the productive power of labour. *Progress and Poverty*, Book III.

This passage connects **land, capital, labour, wages, and employment** — relevant to Session 2.

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

From Project Gutenberg public domain text:

The production of wealth implies the expenditure of labour and capital. ... Labour and capital are the agents by which wealth is produced. Labour is the expenditure of human energy; capital is the accumulated result of past labour, devoted to further production. ... 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. *Principles of Political Economy*.

Mill's text ties **factor markets, wages, and competition** together — useful for FRQs on labour markets and distribution.

Suggested Uses in the Workshop

For Session 1

- Have students **annotate Smith** for mentions of *competition, division of labour, invisible hand*.
- Use Marshall to develop **graphs of supply and demand** moving toward equilibrium.
- Writing prompt: Compare Smith and Marshall's views on pricing and competition.

For Session 2

- Have students identify how George and Mill explain **wages and employment**.
- Discuss how capital affects labor demand.
- Writing: Relate these classical views to modern factor markets (minimum wage, unions).

For FRQs

FRQ 1: Market Structures

- Define characteristics: perfect competition, monopoly, monopolistic competition, oligopoly.
- Use **Smith** and **Marshall** for evidence of competitive forces.

FRQ 2: Factor Markets

- Explain wages in competitive labor market using **Mill**.
- Discuss **marginal revenue product** and hiring decisions.

Questions on government influence and factor markets can be supported with these texts plus modern theory.