

Economics case assignment module 01



Adam Smith idea about division of labour, self-interest and invisible hand were quite relevant in the explanation of the improvement of mankind. First, it has been said that the greatest improvement in the productive powers of labour, and the greater part of the skill and dexterity, seem to have been the effects of the division of labour. Its effects, in the general business of society, will be more easily understood by considering in what manner it operates in some particular manufactures. Great manufactures which are destined to supply great needs of a huge market employ several workmen so it is less possible to collect all of them in one workhouse, consequently the particular work will be divided to two or more branches set in different workplace hence division of labour is less observed. In the contrary, trifling manufactures which provides small amount of needs of a small number of people also employ small number of workmen. Division of labour is much observed since all of them are working in one workhouse. To take an example, B dressmaking that was operated by Mr. Joe employed 3 dressmakers. His business location was in the heart of a small town. Long before, his 3 dressmakers were used to finish a maximum of 5 or a minimum of 3 dresses a day. However, their produce was insufficient enough, so he came up to the idea of dividing the whole work into branches instead of hiring additional dressmakers. His dressmakers were task to do a particular part of the dress instead of sewing it alone. The work was divided to around 6 so each of the workers was assigned to do 2. The first one shaped and cut the cloth; the second one made the collar, the third sewed the sleeve and so on until all the parts were sewed together and the dress was made. After couple of weeks, the difference was quite obvious, from the minimum of 3 dresses to around 30 dresses daily. And the work showed much excellent!

Hence the division of labour increases the productivity of the workmen because employing a simpler and particular task enhances their skill.

Repeating one or two tasks is not as difficult as doing the whole work.

Perhaps, a particular dressmaker who was used to sew dresses may not feel difficulty in doing his job but became lazy in using different machines in completing a dress. The several stages undergone may become complicated for him; he may put less concentration on them; whereas, if he only focused shaping and cutting the cloth, its repetitions would result to a greater part of his dexterity.

Secondly, Smith's idea about invisible hand is linked to his concept of self-interest. Every individual struggles to get what he wants. He works hard to fulfill his dreams. He has no intention of helping others. However, unknowingly, as he endeavors towards the achievement of his goal, he promotes public interest as well, this is now the process called invisible hand. Further, these struggles are in the presence of the other people. He can only achieve something through association to the other working individuals who are also struggling to obtain what they want. He may offer his service to the other people who most need it or exchange his produce to the other individuals who see it as or more important than their resources to be given away to get it. So it has been asserted that the division of labour and free market advanced the public interest. To cite a particular example, Mr. Joe owned a small school for children under 6 years old. He had 12 teachers who were assigned to teach the children. He promised all his clients to provide quality education to the young people and promised his teachers with a better pay as well. And it was quite obvious, all children from his school excelled when they were finally in grade school and the teachers were also

contented with the just salaries they received. Years later, he hired additional 12 teachers because his clients grew in great number. In this scenario, as Adam Smith asserted, either his struggle to provide quality education to the children or the way he managed and waged his teachers was not from his benevolence. That entire endeavor was said to be motivated by his personal interest—to gain huge profits. Smith described that this world is created by God perfectly, and everyone is about equally happy. Rich in particular are no happier than the poor. Yet, our nature leads us to think that we would be happier if we were wealthier. Hence, Mr. Joe was working hard in the motive of becoming happier by increasing his wealth. However, it was unknown to him that he had also promoted the public interest. The just salaries were great help to the teachers which would achieve their personal needs or interest and the quality education was a great help too to the children which would sustain them to the next level of their learning.

These ideas are so important today. As individuals strive to achieve their goal or promote their self-interest, they become competent people. As they struggle to become wealthier, the more they help promote the interest of the general public through the process invisible hand. In this way, by division of labour and free market, they effectually give advancement to their society. Thirdly, Smith's self-interest and invisible hand is being reflected by the law of demand and supply. The latter is stated this way: In the law of demand, the higher the price of a good, the lower the quantity demanded. The amount of a good that buyers purchase at a higher price is less because as the price of a good goes up, so does the opportunity cost of buying that good. In the contrary, in the law of demand, the higher the price of a good,

the higher the quantity supplied. Producers supply more at a higher price because selling a higher quantity at higher price increases revenue.

Additionally, the system in which the invisible hand is most often assumed to work is the free market. Adam Smith assumed that consumers choose for the lowest price, and that entrepreneurs choose for the highest rate of profit. In other words, like what the law of demand stated, consumers consumed more goods when producers offered them in lower prices to minimize the expense of their resources as an exchange. In contrast, like the law of supply, Smith asserted that producers would produce more goods if the prices of these goods were high because they believed that the higher the quantity of goods they could sell at higher prices, the higher the rate of interest they could get.

Lastly, when we took a look at our surrounding today, we were now under the so called new economy. We were now standing in the midst of hundred-story buildings. When we would wish to go up there, we would no longer spend our sweat climbing using our feet. When we were rushing to get in touch with the people we want to talk to, what we did is sit and open our computer or cellular phones. What we thought were the causes of these advancement? These were brought out by invisible hand; as we did change, as we restructured every ideas and concept we had, as we advanced our own interest, we simply shared the advancement we had to our society and even the rest of the globe!

Therefore, as we tried to become happier, as we achieved the smile we long for, we simply weren't aware that we already generously shared as much as our laughter to the society. Adam's Smith ideas were best explanations of our advancement today!

Sources:

Joyce, Helen. Adam Smith and the Invisible Hand. 3 April 2008 .

Smith, Adam. “ Of the Division of Labour”. An Inquiry into the Nature and Causes of the Wealth of Nations. 1776. Geolib. com. 4 April 2008 .

“ Economic Basics: Demand and Supply.” Investopedia. com. 4 April 2008 .

Adam Smith's book the Wealth of Nations is one of the classics of economics. This book is still widely read and assigned to students at universities all over the world. He considered himself a philosopher, but he is now considered to be one of the first economists.

Read the article below and do some of your own research in the Cyberlibrary or Internet search engines on Adam Smith. Answer the following questions in a 2-3 page report:

1. Adam Smith is considered the father of modern economic theory. Explain his ideas about division of labor, self-interest and the invisible hand. Do you think these ideas are relevant today?
2. Define the terms supply and demand, and then indicate how they reflect Smith's ideas of self-interest and the invisible hand.
2. Provide a real-world example from today's economy of the "invisible hand" or another idea from the article. Explain how your example fits with Adam Smith's idea.

<http://geolib.com/smith.adam/won1-01.html> division of labor

<http://www.investopedia.com/university/economics/economics3.asp>
demand and supply

Opulence--characterized by an obvious or lavish display of wealth or affluence

Division of labor guidelines.

<https://assignbuster.com/economics-case-assignment-module-01/>

It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal