An assignment of the connection between economic concepts

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Abstract

This paper is design to show the reader the connection of economic concepts. We will be focusing on the chain connection of the term value and it uses in production on how it is compared with division of labor. This will be connected to the next chain that shows the evolution in the economy.

The construction of economics has many concepts to it. Started form per-classical economist until today. Some of the ideas were left behind and some evolved and used today. The ideas of the past until now show how we use and measure or own success and how can figure out our future to better help our country. I believe that many economic ideas are connected like a chain form value to production and division of labor. Other a connected to when it comes to trade and competing with other countries. It is taking a look in a wider scale to everything.

Value

Value is one of the concepts of classical economics that still hold value to our core structure of economics today. In order to understand values you must understand price and profit. Profit is the amount a company or producer is determined to get after all the cost of the item or service. The price is the cost for the consumer to spend on what the producer seems fit. This exchange is a battle on the value of an item. This notions of value between consumer and producer is why value is a key component of classical and modern economics.

Based on the writing of Sim Taylor in the book of Human Society and Global Economy, give the use of value and what it should be used for. For Example " Value should bear a relationship to relative price ". Relative price is the ratio of supply and demand but mainly the ratio of money spent on the goods. I would like to note that value has been discussed throughout history by many economist throughout time, form classical economics to the Marginalist who started the term relative price and was also called Neo-classic economist.

Before diving into the depth of the classical economist theories of value I would like to quote the generalization of classical ideas of the group from Sim Taylor.

" The classical political economists found value to be determined in production.

When it came to the neo-classic they view value as an exchange and developed

Marginal theory, and saffron theory of value reverted back to production" (Sims Taylor)

Classical economist had an idea that in order to figure out value, one must use production to do it. Many economist had theories on this and contributed with each other, Adam Smith was one of the first to start the theories of classical economics. Smith main contribution was his idea of natural price, he form two ideas based on natural price. One being production without private ownership (Hunt, E. K). This was solely based on labor and production to determine the value of an item along with the market. The other was with private ownership where labors work for someone. This involved labors getting paid for their labor hours and owners getting paid the profit after all the cost. Adam Smith concept of natural prices when it came to wages was the fact to pay a man enough to feed him and his family (Hunt, E. K). Another concept was the invisible hand that Smith contributed to value. The invisible hand was to let the market set the price of a commodity trough bargaining.

Ricardo was another classical economist that added to the concept of value Ricardo referred to value as labor value theory, focusing on goods and service that were a part of the market. Ricardo contributed his ideas of scarcity with value by noting that some item would be worth more due to the quantity (Hunt, E. K). However he focused more on regular items on the day to day market. As Ricardo only off of Smith contribution as Karl Marx built off of Ricardo's in Labor value hours with value.

Karl Marx contribution to the labor value is his Idea to add all the labor hours that would create an item. This is idea is relatively still in use today. Marx used adding up direct hours and indirect hours to find the value (Sim Taylor). When it comes to defining direct hours it is the hour put into the product, and when it comes to indirect hours Marx's is referring to the products that were already made that were added to the new product. All classical economist believed that focusing on production was the best way to find value. I firmly agree with them, the Neo-classics believed that focusing on exchange as the concept of value (Sim Taylor).

Neo-classics focused on the production and exchange as a whole. As manufacturing items were being produce at a faster scale. Marginal theory was the concept of production of Item that were sold and adjusted to the supply and demand curve. To find the value you would have to consider where the curve meets. If prices were higher the less people would buy. If prices we low the more people would buy. So to marginalist they would have to meet in the middle to find the perfect value. You would have to consider the view of the producer in term of the market if there were supply or how many people were in the market. Another thing that the marginal theory contributed to was diminishing marginal utility, which was the cost of making one more item. The idea was when the cost of making one more item or having one more employee cost you more that you make or take away form maximum output (Sim Taylor). These theories were put together by the economist of that time William Jevons, Carl Menger and Leon Walrus. The marginalist thought of value as only exchanges the cost of production and labor was considered add up with the price but not measured as much. I believe the measure of production was a better way to determine value. One of the greatest components of lowing value was the division of labor

Division of Labor

The idea of division of labor was first brought forth by Adam Smith. This concept is the best used to bring out better products at a faster output. Division of labor is the “ separation of work into a number of task, with each tasks being done by a different person” (Britannica).

This concept is still used today in production the advantages to this is that, it would increase productivity and make the cost cheaper, in a sense of having more product in a short amount of time. Adam smith pointed out before the concept of division of labor one person would have to divide their time doing various tasks (Hunt, E. K). This would cause prices to raise and less product. Other benefits for this was it gave new specialization for new crafts and gave more jobs one of the negatives that was believed was, skilled craftsmen could be replaced by lower wage workers (Britannica). Even though Adam Smith and Emile Durkheim disagreed with that notion. It can be seen today with companies trying to increase volume in products with machinery and the division of labor, this is similar with the complaints in the beginning. Another negative to division of labor pointed out by Smith was any area with Few worker couldn't benefit form it due to lack of human capital (Hunt, E. K). Durkheim pointed out that in nonindustrial societies that there isn't much division of labor except in large good which may be temporary. He also stated that there has been a division of labor before Smith's idea. Durkheim is referring to the concept of the sexes in division of labor (Britannica).

Division of labor is useful concept that pushes the economy forward from then to now. Without division of labor item would cost more and wouldn't have much of what we need. This would cause a higher price in the supply and demand curve. This is why division of labor contributed to value a production.

Cost of Production

When it comes to production a lot of thing come to play. Just like value was associated with production to get a better price and lower cost. It the same with division of labor providing better production. Production is a term of the output of a commodity that is sold. “ it a mix of raw material, and fixed capital” (Britannica). Production is useful to our economy, it employees workers. It one of the driving forces to a GDP for a country. In Britannica it states that there are two driving forces in production. One is the method of producing products in a plant size. This focused on producing a product cheaply and efficiently with worker in a plat. This involves taking fixed cost and variable cost for example labor and raw material to operate at maximum capacity.

The second is “ The ability to determine the most profitable quantities produce” (Britannica). This is mostly focusing on the marginal cost and marginal product. Spoken about this before in value, but the concept is the cost of the product and the cost of production should give owners maximum output. For example if you have one worker that can produce 10 chair in a day and you add one more worker to production. Now they together produce 18 chairs a day, you have add 8 extra units to your production. If you add a third worker and they produce 16 chair in total, you have reached your maximum output. You are losing two chair possibly to the lack of machinery or tools. No matter what you add to your input if workers you would lose money in cost of wages. This is where the concept of determine the most profitable quantities produce come from.

These three concepts concept is what help in modern economic today. The idea of value is best used in finding price, and estimating cost in today’s market. Item such as electronics and car have different value depending on what it is or what labor is being put into it. The division of labor is used to maximizing employment and to lower the value by specialization. Companies like Coke Cola have been using specialization in the form of different team such as factor workers, marketing, human resource. Even in an in-depth form of specialization factory worker have their own special skills. Production take these two other concepts and used it to get a better value and reach a better output with lower cost. Production can be seen as a product to compact in the competitive market.

Competition

Competition is the foundation of classical economics and modern economics. Competition is the selling of products and to a consumer while trying to outlast the competitors. Companies would try to beat out the prices of other competitors this notion can be seen in the view of classical economist.

Adam Smith came up with the idea of the invisible hand, this idea was based off his natural price idea. The invisible hand concept is to let the market be a free market, without government restriction (Economictimes). This means to allow the market to buy and sell freely, the prices would regulate themselves and becoming cheaper. For example if a person sells bread for $3. 00 and his competitor sell it for $2. 50 most people would go to his competitor. This would cause him to lower the price or to accompany the bread with an item like butter to increases demand. Adam Smith believes that invisible hand best support human nature of satisfying self-interest and the desire to get what they want (Hunt, E. K). He believed that what pushes the invisible hand. I agree with this concept of the inviable hand but there is a need for government regulation. Just like anything there are loopholes, such as you can't sell tobacco to minors, you can't put harmful martials in food to make it stretch so you can sell it cheap (whishing wind). Other economist thought based on the idea of competition is a form of rivalry (Lefteris Tsouifidus). J. S. Mills believed that competition demonstrated that rent Profit and Wages are all forms of competition that are relevant today.

Competition could be divide into several different categories. One of the main one is monopoly. A monopoly " is a market with one seller, selling a unique product in the market with no competition." A textbook term would best describe it as impossible to get in to business. Now it is illegal to have a monopoly, due to government regulation. This is one of the reason why the invisible hand concept didn't work under no government regulation. Monopolies cause a unfair balance in completion and dominate the market. Even though we have some that don't break the antitrust laws, such as Amazon, Google and Facebook. Technically they are not monopolies but their advantage are so far ahead they might as well be.

Other forms of competition is Oligopoly which" is a form of limited competition in a market shared by a small number of producer or sellers" (dictionary). The invisible hand play a role in this type of competition. The market may experience a new serge of sellers but it will die out and remain a small market. Companies like the air transient community is a perfect example of a handful of companies that owns the industry of transportation in flights.

The opposite of an oligopoly is a monopolistic completion, it ii " a larger number of small companies that make similar but slightly different items. This an example of the consumer choosing self-interest. This form of competition isn't forced on the market, it has evolved in to trade and world trade. Competition hade lend to the expansion of the world, weather it was for the better or for worst.

Trade was one of the driving fuel for an economy. Without the expansion of new area and countries, other useful concepts wouldn't be relevant. The use of trade started before Adam Smith. Other pre-classical Groups have seen the use of trade. Like the Physiocrats and the Mercantilist who both had different ideas for trade. Physiocrats focused on aguclutre and moving taxes around to make it more evenly distributed for their economy. They also believed in positive sum rule. Witch involves both countries benefiting from trade. Mercantilist is a British group of economist that focused on the expansion of gold and territories. To do so they imposed tariffs and a firm belief on the zero sum rule. This idea was in a trade one person wins and one person loses. Both pre-classical economic groups had component in their ideas used today.

In the perspective of the zero sum rule and the positive trade rule. Adam smith disagreed with Mercantilism idea of the zero sum policy. Smith was a supporter of both countries benefiting from trade. Explained and discussed by a professor in Dartmouth College. Douglas Irwin explained how important and beneficial positive trade is today. He explain how we get fruits and vegetables from other countries in the winter time that wouldn't grow here in exchange for item they couldn’t produce or have the technological advances for.

Trade had evolved to different standards as time proceeded with different economic groups. The classical economics and neoclassic were fans of the free trade. David Ricardo added a method called comparative advantage to the free (exploring-economics). This concept was to focus on what a country was good at for trade, and that with country on that method. For example if you are good a growing fruit focus on that for your main trade and trade for your clothing. Later on Carl Menger discovered marginal units that help with this comparative advantage in discussing what should be focused on. This was a of a math equation to show the difference in comparative advantage. It shows for every unit made of an item how much would it take to produce the other item. For example for every three items of chairs a country produce they could have made 8 tables. So the point of marginal unit is to find the comparative advantage between them.

Today in the term of trade it is a beneficial for countries to operate in this Patrice today. This concept help fuel economies to it best. Today the United States is number one in import ranks around the world according to Global Edge in 2016. This may because we are one of the biggest buyer in the world of different goods. The United Sates is also one of the number two in export according to Global Edge in 2016. Our net balance is a -736, 576. 6 in the year of 2016. Today it still in the negative but some changes are made to Lessing the number. Trade is a usefully component in economics but it also could have been useful without Imperialism and Colonialism. They are both very similar but different “ Imperialism is a policy of a country in which that said country influences other countries or territories through military force, as well as other means of power (Oxford Dictionary, 2016).” Colonialism is more of an effect of imperialism which is to set up colonies in one country and seize control. Economist like the Mercantilist use this tactic for trade.

Imperialism

Imperialism was a form of control with in a country. Imperialism has many negatives and positives effects for its benefits. The negative effects of imperialism was slaver labor, taking control of one’s country and the distortion of culture. The positive was access of raw materials, a new labor force with cheap labor. Many countries today outsource labor into other countries for more profit using a division of labor in other countries. One effect on imperialism is the resources of the rare metal tantalum. This is used for cell phone and resourced out of countries in Africa and South America. The countries are on their own control now but still have western influence for labor. Economist Marx was one that foresaw imperialism in modern time. Marx believe that a in capitalism would benefit form export from other less developed countries (E. Germain). The effects of Imperialism is beneficial for controlling countries other than the one being controlled. The idea of it is useful even though it seem sometime unethical and almost like a zero sum trade.

Economic is an interacted web of different concept rules that help build a countries. The founders of most of these economic terms have set some many combination to give so many strong economies. It can be hard to figure what applies to and what doesn’t with the concept of value and finding the vale with and item by calculating production with labor. Or even the trade idea on what is the most beneficial. Other idea such as imperialism is a form great use to expand and to get the most for an economy even if it is negative. With the evolution of different economist and their group we wouldn't have a strong understanding for classical and modern concepts.

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