Marco Gonzalez

Quiz #4

October 7, 2017

Ricardo argued that in Smith’s “early and rude state of nature” hunters earned wages for their labor time and profit on the tools that they produced and used. 1) Given your understanding of Smith’s arguments, what do you imagine Smith would have thought about early hunters earning profits and wages? Explain your reasoning. 2) Hunt has offered arguments about the important distinctions between *tools and capital*. Given these arguments, would Hunt (or even Smith) think it important to distinguish between *profits and a surplus*? Explain why or why not. Finally, Ricardo also argued that “nothing is paid for the use of air, of heat, and of water, [so] the assistance which they afford us adds nothing to value in exchange.” 3) Is it conceivable that air and water could ever be considered “factors” of production deserving of compensation - as Malthus thought was the case for land? If you’re able, explain what would be required for air to become/or be considered a factor of production deserving compensation for its contribution to production.

1. Smith believed that the amount of labor that went into producing a commodity reflected the exchange value or price. Once the Capitalist gained the means of production and landlords monopolized the land and natural resources, the exchange value or price of commodities would become the sum of wages, profits and rents. Smith believed that the profit component of a price did not have any necessary relationship to the labor embodied in a commodity. Therefore, Smith would disregard or argue against the thought of early hunters earning profits and wages.
2. In the book Hunt states, “Ricardo’s error was in not realizing that although tools had always been used in production, profits had never accrued to anyone from merely owning tools, and people had never even imagined or mentally conceived of profits from the simple ownership of capital until one class had gained monopoly on the ownership of the means of production and another class evolved that had no means of existing except by selling the commodity of labor power in the market.” Capital could only exist once the Capitalist/Labor relationship developed. Tools however, have always existed as long as humans have produced. Thus, according to Hunt’s arguments and comparisons between tools and capital, it is reasonable to say that it is important to distinguish between profits and surplus. The same argument can be made in this case because you can’t make surplus without making a profit. Profit is gain and surplus is extra gain.
3. Natural resources are objects that labor transforms in production. They are just gratuitously there and are not a social cost of production. I think that in order for air to become a factor of production, we have to look at wind turbines that generate electricity. Wind turbines are generally located in places where there is moving air (wind). Creating the technology for the wind turbines to adjust to where the air is or allocating the windmills to particular places takes some sort of labor. Air in this case could add value.

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QW #6

October 7, 2017

I’ve been asking you to explain any links you see between chapter readings and items of contemporary discourse (ICDs). One of the pieces I asked you to listen to for Friday was [Trump’s tax plan: Who gets the money?](https://www.marketplace.org/2017/09/29/economy/weekly-wrap/trump-s-tax-plan-who-gets-money) Please write no more than three carefully crafted sentences that identify and explain any link you see between this piece and the arguments you identify in the Ricardo chapter.

The piece talks about the President’s tax plan and how the money goes to the wealthy. This can relate to the corn laws which Hunt talks about in Ricardo’s chapter. Out of all of the classes, the corn laws only benefit the landlord class.