

How, If At All, Has Adam Smith's Intentions to Promote Universal Opulence in *The Wealth of Nations* Been Able to Benefit the Common Worker?

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Adam Smith's intentions in *The Wealth of Nations* (hereafter *WN*) was the creation of "universal opulence which extends itself to the lowest ranks of the people". (bk. I, ch. 1, para. 10) However, his ideas of division of labour, free market, and competition were unable to be fully realized in the benefit of the common worker, as they do not increase their wages but rather decrease them. Smith is thus being criticized retrospectively for a lack of empathy for the common worker based on the translation of his ideas in practice, when in fact, he believes in a "fair relationship between [masters] and workers". (Hauben, "The Real Voice") This essay seeks to analyze the practical and moral dimensions of Adam Smith's theory of division of labour, free market, competition, and self-love, leading to a conclusion that despite Adam Smith's best intentions, he ultimately fails to extend opulence to the worker due to an idealistic assumption on human nature and his lack of suggestions to impose an institutionalization of moral constraints on the self-love of masters.

Through the division of labour, peasants are given a chance of upward mobility by working as common workers, and in the process, it increases the productive power of labour for the society; however, this does *not* translate into an increase in purchasing power, in the form of wages. (*The Wealth of Nations*) In Book I Chapter 3, Smith utilizes an example of pin-making to illustrate how efficiency of production can be greatly increased by dividing labour into different, specialized parts. (*The Wealth of Nations*) This then creates a situation of equality in which under-skilled peasants are able to gain equal talents in the same branch, and in time, will become skilled in their specialized parts. By doing so, however, the competition between workers is increased, as those within the same group have equal talent, making them equally disposable to their masters when they are not needed. Not only so, the masters benefit more from this increase in efficiency as no matter how efficient and productive the workers are, they receive the same wages. Furthermore, from a moral perspective, the peasants who were previously able to grow crops based on their talents and interests are reduced and degraded into a machine-like human being in which they have no part to say in the productive process, and in which their individual talents or skills are buried in the rigidly repetitive process, a position also held by Karl Marx. (Cox, “An Introduction”) The effects of division of labour is not only detrimental materialistically in the lowering of wage due to increased competition, but morally in the form of their unique talents.

Smith asserts that human nature is inherently self-loving, workers and masters alike, but can be regulated under a guiding force such as the system of *free market* to promote an unintended good—universal opulence for the whole society. The forces of demand and supply, through competition, regulate the price in the market. A man, out of self-love, can try to pay as

little for another's product while selling his at the highest possible price; yet, he will face a situation where he has no buyers and sellers. (Heilbroner 57) Effectively, self-love can be regulated by the self-love of other participants in the free market. The market system is also seen in the labour market, where workers seek to gain as much, and masters, to pay the least. (*The Wealth of Nations*, bk. I, ch. 8, para. 11) A major flaw in this system, which still happens today, is that wages are thus not determined by productivity from the division of labour, but by demand and supply in the market. If one were to follow Smith's line of argument, then division of labour, which increases productivity, would not result in increased wealth; rather, it is specifically the masters that derive wealth from the workers' productivity, while the workers derive wealth from competition in the market. Therefore, the market system fails to achieve its intended effect, and is disassociated from Smith's envisions on the division of labour. Furthermore, demand (masters) is dominant over supply (workers) due to the excess in labour that is created from the equality of talents by division of labour, resulting in the common worker not getting what they deserve. Some may argue that if you are a better skilled worker, you can move to another market where you may hold a higher position, yet this market is still determined by demand and supply rather than your productivity, thus there remains an unequal distribution of wealth by its dichotomous derivative from the increased productivity (masters) and the market (workers). In the end, the majority of the population which are the workers do not benefit and thus universal opulence is not achieved.

Smith views competition in a good light, seeing it as a result of human nature to exchange and cooperate with one another. It is through human nature to "truck, barter, and exchange one thing for another" which allows the

market to be formed in the first place. (bk. I, ch. 2, para. 1) In reality, labour is an unequal exchange. As argued in the above paragraph, the uncoupling of the productive power with wealth for the worker only increased the wealth of the masters, but not the common workers: once a worker signs a contract, he becomes a product of labour in the market of the master, which Marx sees as moral degradation in the form of objectification of the worker. (Cox, “An Introduction”) Moreover, the increase in competition within the worker class for the same job and the limited demand from a master means that it is impossible to create general opulence as some must be unemployed due to surplus of labour. Moreover, cooperation is not always achieved: this can be analyzed in three levels. Firstly, the masters and workers will not cooperate, for “the two parties . . . interests are by no means the same”; (*The Wealth of Nations*, bk. I, ch. 8, para. 11) secondly, the workers will not cooperate fully as they are competing with one another, leading to not only isolation and weakening of bargaining power, but also moral isolation; the only form of cooperation that could effectively occur is that of the masters, fearing the threat of loss of productive power, would be tended “to combine . . . in order to lower the wages of labour”, (bk. I, ch. 8, para. 11) resulting in the further suffering of the workers.

Adam Smith’s ideas on division of labour, market, competition all have their foundations in the idea of human nature of self-love, which Smith sees as a driving force for participants of the market, and members of the society like the workers, to improve their lives. Yet, in reading *WN*, self-love is often placed in the spotlight, but an equally important idea is neglected, yet is argued by scholars like Werhane and Hauben as key to understanding Smith’s true intentions in *WN*.

In the *Theory of Moral Sentiments*, Smith suggested ways to constrain self-love which are also present, but often ignored in the reading of *WN*.

In Section I Chapter I, Smith defines sympathy as “a fellow feeling with any passion whatever”, (para. 5) which Werhane then argues lends itself to man’s capabilities of empathy, benevolence, and justice. Consequently, sympathy allows man to “interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it”. (*Moral Sentiments*, Sec. I, chp. I, para. 1) In Chapter 8 of Book I in *WN*, Smith argues that the masters will at least provide what is “sufficient to maintain him . . . and his family”, (para. 28) but is this act of not further lowering a worker’s wage based upon sympathy? Or is it out of the need to maintain the survival of the labourer whose productivity would help the master derive his wealth? Smith seems to support the latter as he proposes a way to protect the benefits of the workers while satisfying the self-love of the masters. He proposes that the idea of “liberal reward of labour” in which by increasing the wage of labour, it serves as an encouragement which will “animate him to exert the strength to the utmost”, (bk. I, ch. 8, para. 43) thus increasing his productivity. If the master is able to, through sympathy, empathize with the worker and provide him with “plentiful subsistence” out of benevolence, the worker will provide a(n) (un)intended benefit for the master. (bk. I, ch. 8, para. 43) Sympathy can also be institutionalized by what Smith calls the “laws of justice” at Section I, Chapter I, paragraph 10. Although Smith does not support government regulation of the market, he favours laws that protect the workers, allowing them to be in an equal position with that of their masters in bargaining for benefits and wages. The principle of justice, derived from sympathy, has to be codified into law as although self-love does not necessarily lead to harm of others, participants in the market may not “internalize the ideal of fair play”. (Werhane, 675) This can be done by alleviating bans on trade unions fighting for wage rises, or by preventing

the law from facilitating masters to cooperate or monopolize. The laws of justice is based on “commutative public interest” and should be impartial by not favouring a particular group. (Werhane 207) Smith believes that because human nature is inherently cooperative, members of the market will support such institutionalizations of moral values.

In reality, however, Smith’s ideas remain a failure in benefiting the workers as it is based not only on an idealized assumption of human nature, but also a theory that he does not provide a method of implementation. In reality not all masters are capable of seeing more than the immediate benefit that lowering a worker’s wage can bestow, and not all workers are necessarily incentivised by increase in wage to increase their productivity. Happiness derived from sympathy or the promotion of public interest cannot override the primary importance of the pursuit of self-love. It is also ironic if Smith believes in human nature capable of sympathy that he needs to institutionalize such moral values, which is not achieved in real life. In practice it is also difficult to codify the laws of justice into the law when the legislative power favours the masters. An example can be taken from Book I, Chapter 10 of *WN* under the rule of the eighth son of George III, where laws actively prevent masters from paying workers more than a certain low wage. Moreover, Smith admits in the same chapter that the law can “oblige [the masters] to pay that value in money, which they pretended to pay, but did not”. (bk. I, ch. 10, para. 121) Smith is again contradictory when he rejects government regulations in belief that it will not be impartial towards the workers, yet he does not provide solutions such as a body to impose the “laws of justice” that he so adamantly argues for as a way to institutionalize sympathy in the regulation of self-love. Regardless of any intentions to benefit the workers, Smith fails to supply a way to protect

their interests in theory in *WN*, nor is the market system, which has its foundations with various philosophers including Smith, able in reality to translate his good intentions into practice.

Universal opulence is promoted when the maximum productivity of the country is increased, which is equated in Smith's eyes as wealth. However, this opulence does not necessarily extend to and benefit the worker class. Division of labour, market system, and competition all contribute in creating a situation in which the worker suffers from a lowered wage and concurrently, moral degradation. Although Smith does theorize ways to constrain self-love, his intentions do not translate to reality as he fails to see the prioritization of self-love over sympathy in human nature, and cannot provide viable ways to institutionalize these moral values. In the end, regardless of his good intentions, his theories still fail to promote the universal opulence that he intends to benefit the common worker.

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Teacher's comment:

It is a well-written essay about Smith's *The Wealth of Nations*. Apart from the usual perspective of classical economics, this essay approaches Smith's analysis of free market and division of labour from the viewpoint of social theory. It helps to explore the origins of moral salience of Smith's project. The author thus rightly argues that Smith's theory of political economy cannot promote universal opulence which benefits the well-being of workers. This analysis poses a subtle challenge towards the tension between Smith's theory of moral sentiments and his model of political economy. (Leung Cheuk Hang)