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Adam Smith on the Nature and Causes of Poverty

Geoffrey Gilbert

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Abstract Adam Smith's views on poverty have received less attention than one would expect, but they are worth examining. In the *Moral Sentiments* Smith takes a skeptical, ironic view of the striving for material goods and wealth. Poverty is treated not as a condition of economic deprivation but as a cause of social isolation and psychic unease. In the *Lectures on Jurisprudence* Smith theorizes the arrival of economic inequality as a society advances from the hunting to the herding stage. He sees "poverty" (poorness) as widespread but not problematic in commercial society, since wage earners do not experience actual misery. In the growth model of the *Wealth of Nations*, laborers earn a wage that affords them all the necessities and even a few conveniences and luxuries. True, grinding poverty characterizes the stationary and declining economies only. Smith is oddly silent on state assistance to the poor but incisive on the health and moral consequences of urban-industrial development for the lower classes.

Keywords: poverty, Smith, Poor Law, poor

Adam Smith has long been identified with the idea—indeed the ideology—of a dynamic, wealth-creating capitalism. In his *Inquiry into the Nature and Causes of the Wealth of Nations* (1776), he draws a compelling picture of the market economy expanding in a way that distributes the benefits of "opulence" through all the ranks of society.¹ Often admired, and too often stereotyped, as the great visionary of capitalist abundance, Smith has been much less appreciated for his commentary on *poverty*. We can account for this, in part, by the wide scattering of his remarks on the condition, character, and prospects of the poor throughout his writings and lectures, making a comprehensive view of his thought on poverty

¹ Smith and the physiocrat Turgot were the first economic thinkers to assert the normality of continuous long-term growth based on capital accumulation, according to A. Brewer (1995). Earlier economists—Quesnay, Hume, Steuart—had viewed growth more in terms of one-time expansions of the economy.

difficult, though not impossible, to achieve. More to the point, within a generation after the publication of the *Wealth of Nations* the emerging science of political economy had acquired an authoritative new treatment of poverty in Malthus's *Essay on Population* (1798). Earlier analyses of poverty by Smith and others effectively dropped from view. The purpose of this paper is to reconstruct the Smithian idea of poverty in its philosophical, moral, economic, and policy dimensions.

* * * * *

In his *Theory of Moral Sentiments* (1759, and cited hereafter as TMS), Smith nearly defined away the problem of poverty by taking a skeptical, antimaterialist position toward wealth. "What can be added," he asked rhetorically, "to the happiness of the man who is in health, who is out of debt, and has a clear conscience? To one in this situation, all accessions of fortune may properly be said to be superfluous" (TMS: 45). A passive indifference to worldly fortune was one of the qualities admired by Smith in the ancient Stoics: "I accept, said a stoical philosopher, with equal joy and satisfaction, whatever fortune can befall me. Riches or poverty, pleasure or pain, health or sickness, all is alike."² Nor is it only in the mouths of Stoic philosophers that one finds, in the *Moral Sentiments*, expressions of the fatuousness of material pursuits. In a well-known passage Smith states:

Wealth and greatness are mere trinkets of frivolous utility, no more adapted for procuring ease of body or tranquillity of mind than the tweezer-cases of the lover of toys; and like them too, more troublesome to the person who carries them about with him than all the advantages they can afford him are commodious.

(TMS: 181)

Smith goes on to declare, echoing a phrase from Mandeville's notorious *Fable of the Bees* (1714), "Power and riches appear then to be, what they are, enormous and oporose machines contrived to produce a few trifling conveniencies to the body" (TMS: 182–183).

For all his philosophic minimizing of the value of material goods, Smith accorded them a key role in the realm of social interaction. As social beings, men take a keen interest in their economic well-being; social status depends in large part on relative economic position. Honor and "approbation" are extended to the wealthy and powerful, with whose joys (Smith contends) we easily sympathize, while the poor suffer disapprobation and even contempt

2 TMS: 59. Throughout this paper, references to Smith's *Theory of Moral Sentiments*, *Lectures on Jurisprudence*, and *Wealth of Nations* are to the Glasgow edition. For an insightful recent analysis of the Stoic foundations of TMS, see Brown (1994), especially ch. 4.

because of our lesser capacity to sympathize with *misfortune*. It is our “regard to the sentiments of mankind,” then, that causes us to “pursue riches and avoid poverty,” and causes the poor, in shame and mortification, to try to conceal their poverty (TMS: 50).

A notable feature of Smith’s treatment of poverty in the *Moral Sentiments* was the characterizing of the distress of the poor in terms of *psychic* pain. Real hardship, the deprivation of goods *per se*, hardly entered the picture.³ What oppressed a man in poverty was not a lack of physical comfort or health but a sense of social isolation and inferiority:

The poor man . . . is ashamed of his poverty. He feels that it either places him out of the sight of mankind, or, that if they take any notice of him, they have, however, scarce any fellow-feeling with the misery and distress which he suffers. . . . To feel that we are taken no notice of, necessarily damps the most agreeable hope, and disappoints the most ardent desire, of human nature. The poor man goes out and comes in unheeded, and when in the midst of a crowd is in the same obscurity as if shut up in his own hovel.

(TMS: 51)

Thus poverty, as addressed by Smith in 1759, did not subject the individual to hunger, malnutrition, disease, lack of clothing or shelter; rather, it shamed him through a *pained awareness of his inferior position in the social scale*.

The poor man sought to rise above his circumstances and—in a phrase commonly associated with the *Wealth of Nations*, but employed already in 1759—to “better his condition.” He sought the satisfaction of a higher rank in society. Not surprisingly, the antimaterialist strain of the *Moral Sentiments* colors Smith’s treatment of efforts by the poor to climb upward in society. The ironist in Smith doubts that the rewards of upward-climbing justify the effort. He presents a kind of parable in which the “poor man’s son,” discontented with his father’s cottage and with having to travel on foot or by horseback, is so “enchanted” with the idea of living in a palace and being conveyed in a carriage that he undergoes great hardships in order to secure economic advancement. “He studies to distinguish himself in some laborious profession. With the most unrelenting industry he labours night and day to acquire talents superior to all his competitors” (TMS: 181). All through life he pursues the ease and happiness he believes will come with wealth; yet in old age he may or may not attain the tranquillity which was “at all times in his power” had he been less occupied with acquiring wealth. After a lifetime of “toilsome pursuits,” worn out and disillusioned, “he curses ambition, and vainly regrets the ease and the indolence

3 The wages earned by the “meanest laborer” allow him to be supplied with “food and clothing,” as well as “the comfort of a house, and of a family,” and even some “conveniencies” (TMS: 50).

of youth, pleasures which are fled for ever, and which he has foolishly sacrificed for what, when he has got it, can afford him no real satisfaction" (TMS: 182).

The ambition to rise in society, when viewed in an "abstract and philosophical" light, appears simply misguided in the *Moral Sentiments*, thus provoking Smith's query: "From whence, then arises that emulation which runs through all the different ranks of men, and what are the advantages which we propose by that great purpose of human life which we call bettering our condition?" (TMS: 50) The answer is couched, once more, in psychic terms: we strive to better our condition in order "to be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation" (TMS: 50). We thrust ourselves forward, Smith argues, for reasons of "vanity." Yet vanity—that all too human frailty—may easily become a ruling passion and lead to ruin:

The vain man sees the respect which is paid to rank and fortune, and wishes to usurp this respect. . . . His dress, his equipage, his way of living, accordingly, all announce both a higher rank and a greater fortune than really belong to him; and in order to support this foolish imposition for a few years in the beginning of his life, he often reduces himself to poverty and distress long before the end of it.

(TMS: 256)

A man who is poor to start with may even be "reduced to beggary" by his foolish efforts to imitate the rich (TMS: 64).

If aping the lifestyle of one's superiors invites "beggary" and ruin, hard work offers truer rewards. The person of low estate must cultivate the "labour of his body" and the "activity of his mind." He must "acquire superior knowledge in his profession, and superior industry in the exercise of it. He must be patient in labour, resolute in danger, and firm in distress."⁴ In a caustic aside, Smith adds that these are virtues so rarely encountered in men born to high privilege that the upper echelons of government must generally be staffed by men "educated in the middle and inferior ranks of life" (TMS: 56).

In his philosophical discourse, then, Smith presents a deeply ambivalent (and ironic) view of goods, wealth, and individual economic achievement. In all these matters, he suggests, we deceive ourselves. Too often we make ourselves anxious or foolish in the struggle to acquire wealth which, once gained, produces no real happiness. But the self-deception, deeply embedded in the human psyche, has broad economic and cultural benefits, as noted in a justly famous passage of the *Moral Sentiments*:

4 TMS: 55. See also TMS: 63, where Smith suggests, "In all the middling and inferior professions, real and solid professional abilities, joined to prudent, just, firm, and temperate conduct, can very seldom fail of success."

It is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind. It is this which prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which enoble and embellish human life.

(TMS: 183–184)

There is a potential problem of inadequate provisioning of the poor in this “oeconomy of greatness,” as Smith calls it. If the rich hold a preponderant share of the economy’s purchasing power, they could in theory absorb too much of the socially available subsistence, leaving inadequate supplies for the poor. But Smith sees the dilemma as more apparent than real. The “capacity of [the rich man’s] stomach,” he notes, “bears no proportion to the immensity of his desires, and will receive no more than that of the meanest peasant” (TMS: 184). With necessities claiming only a small part of the total spending by the wealthy, luxuries (“baubles and trinkets”) make up the difference. The production of such luxuries creates employment for the poor, which in turn enables them to acquire *their* necessities. The rich, aiming only for their own gratification:

are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species.

(TMS: 184)

Seemingly carried away by his own rhetoric—but consistently with the anti-materialist tone of the *Moral Sentiments* as a whole—Smith goes on to assert that the unpropertied are in no worse condition than the well-to-do as far as “what constitutes the real happiness of human life.” On the basis of ordinary comforts and “peace of mind,” all the different classes are seen to be on a level, and even “the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for.”⁵

The “oeconomy of greatness,” then, permits the poor to obtain all their necessities through wages earned from the rich.⁶ But how are workers to continue supporting themselves if wage income is interrupted through injury, illness, or old age? Neither in the *Moral Sentiments* nor in his later writings does Smith address this problem. Unlike Malthus, his immediate successor in the classical tradition,

5 TMS: 184–185. For a sophisticated consideration of Smith’s thought on luxury in the context of an ongoing eighteenth-century debate involving Mandeville, Rousseau, and others, see Winch (1996).

6 See note 4 above. Note, too, Smith’s assertion that after the age of barbarism, in an age of “civility and politeness,” there prevails a “general security and happiness,” and “poverty may easily be avoided” (TMS: 205).

Smith has little to say on one particular strand of the social safety net: private charity. The prospect of charitable assistance is an uncertain one in the Smithian moral universe. Human nature, after all, makes us generally indifferent to the misfortunes of those below us in society.⁷ The natural ambit of our fellow feeling barely extends beyond ourselves, our families, and our friends. The misery of a person we do not know carries little weight in comparison to our own interests. A man may lose sleep, for example, if he knows that a “paltry misfortune” will befall him the next day, but he will “snore with the most profound security over the ruin of a hundred millions of his brethren”—provided he does not have to see them (TMS: 136–137).

On the other hand, Smith believed that men were “benevolent” by nature, and he commended that quality as a prime virtue. Society would be rendered “less happy and agreeable” if its members did not assist one another from “generous and disinterested motives” (TMS: 85–86). It is our duty to act for the happiness not only of ourselves but of our family, friends, and country (TMS: 237).⁸ When we assist others, we do so partly from instinct and partly to earn the approval of that internalized voice of society made famous in the *Moral Sentiments* as the “impartial spectator.” Notably absent from Smith’s explanation of unselfish assistance is the idea of Christian duty. He makes the case for assisting others wholly in terms of Enlightenment concepts of Nature, virtue, and the psychology of man.

Ultimately, though, any desire to relieve misery and misfortune appears a rather weak moral sentiment in Smithian man. The principle of benevolence is trumped by that of justice: “We feel ourselves to be under a stricter obligation to act according to justice, than agreeably to friendship, charity, or generosity.”⁹ When we ponder who, beyond our family and friends, shall receive our “benevolent attention and good offices,” we are inclined to bestow our favor as

7 “The mere want of fortune, mere poverty, excites little compassion. Its complaints are too apt to be the objects rather of contempt than of fellow-feeling. We despise a beggar; and, though his importunities may extort an alms from us, he is scarce ever the object of any serious commiseration” (TMS: 144).

8 In a more expansive statement of the range of man’s social obligations, Smith says, “He is certainly not a good citizen who does not wish to promote, by every means in his power, the welfare of the whole society of his fellow creatures” (TMS: 231). Consider as well: “Our good-will is circumscribed by no boundary, but may embrace the immensity of the universe. We cannot form the idea of any innocent and sensible being, whose happiness we should not desire, or to whose misery, when distinctly brought home to the imagination, we should not have some degree of aversion” (TMS: 235).

9 TMS: 80. Smith makes somewhat the same point when he argues that society could continue to subsist even if people ceased to act out of “generosity and disinterested motives,” but not if they ceased to observe the rules of justice” (TMS: 86).

much on the “greatly fortunate” (with whom we strongly sympathize) as the “greatly unfortunate.” Those who are merely “poor and wretched” no doubt deserve our assistance: “The relief and consolation of human misery depend altogether upon our compassion” for them. Yet, Smith affirms in a telling line, “The peace and order of society is of more importance than even the relief of the miserable” (TMS: 225–226)

* * * * *

In his lectures on jurisprudence (hereafter cited as LJ) delivered at Glasgow University in the 1760s, Smith gave a fuller *social* dimension to poverty, as was to be expected from a course of lectures designed to elucidate “the rules by which civil governments ought to be directed” (LJ: 5). Those rules, as summarized by the modern editors of the lectures (using eighteenth-century terminology), aimed at “the maintenance of *justice*, the provision of *police* in order to promote opulence, the raising of *revenue*, and the establishment of *arms* for the defence of the state” (LJ: 4).

Like all the main Scottish Enlightenment thinkers, Smith hewed to a four-stage theory of social development. The stages of man’s social and economic progress began with hunting-gathering, advanced through the shepherd and agricultural stages, and finally reached the highest stage, “commercial society,” with its mixed agriculture, industry, and trade. Most of Europe had arrived at this stage, while the rest of the world lagged behind. Both the means of subsistence and the general standard of living were keyed to the stage of social development. In the hunting stage, men were mere “savages,” eking out the meanest kind of existence. Conditions improved at each subsequent stage until, in the commercial society, a “superior opulence” was attained, an opulence which “extends itself to the lowest member of the community” (LJ: 564).

A key to Smith’s understanding of poverty in its socio-historical dimension lies in the duality of “poverty” and “wealth” as analytical categories. To put it simply, there is no poverty until there are contrasting riches. Men in the earliest stage of society are not characterized by Smith as “poor”; all hunters subsist at essentially the same minimum level. The crucial transition is that from hunting to herding:

The distinctions of rich and poor then arise. Those who have not any possessions in flocks and herds can find no way of maintaining themselves but by procuring it from the rich. The rich, therefore, as they maintain and support those of the poorer sort out of the large possessions which they have in herds and flocks, require their service and dependence. And in this manner every wealthy man comes to have a considerable number of the poorer sort depending and attending upon him.

(LJ: 202)

Thus “poverty” emerges when the point is reached historically that some individuals have no independent means of supporting themselves but must depend on the property-owning “rich.”

The deep envy felt by the poor toward the rich in the shepherd stage of society—starkly contrasting with their supposed respect and sympathy for the rich as conjectured in the *Moral Sentiments*—requires that government be established for the protection of property and social stability:

Laws and government may be considered . . . as a combination of the rich to oppress the poor, and preserve to themselves the inequality of the goods which would otherwise be soon destroyed by the attacks of the poor, who if not hindered by the government would soon reduce the others to an equality with themselves by open violence. The government and laws hinder the poor from ever acquiring the wealth by violence which they would otherwise exert on the rich; they tell them they must either continue poor or acquire wealth in the same manner as they [the rich] have done.

(LJ: 208)

Economic inequality becomes a permanent feature of society from the shepherd stage onward, and it does not trouble Smith, notwithstanding his rhetoric about the “oppression of the poor.” It arises naturally from “the various degrees of capacity, industry, and diligence in the different individuals” (LJ: 338). The social innocuousness, indeed usefulness, of inequality is argued in the *Lectures* in terms that hark back to the “oeconomy of greatness” of 1759. If a man has a substantial annual income, dispenses no charity, and keeps only four or five servants, he *appears* to be “a pest to society . . . a monster, a great fish who devours all the lesser ones.” But in fact he eats no more food than other men; he wears out fewer clothes than a plowman; he personally consumes only a small fraction of the goods rendered to him as rent in kind. Altogether he occasions such a large total quantity of work and industrial activity that his role in society must be viewed positively.¹⁰ A leveling system that would eliminate large fortunes, though it might have “something very agreeable in it,” would leave people “necessarily . . . very poor and unable to defend themselves in any pressing occasion.” Were the country to suffer short harvests, people would face famine since “they have nothing within themselves and have no way of procuring from others” (LJ: 195).

The notion that a society of equality must be one of universal poverty while

¹⁰ LJ: 394–395. See also LJ: 382. The idleness of the rich is made perfectly clear by Smith: “Of 10,000 families which are supported by each other, 100 perhaps labor not at all and do nothing to the common support. The others have them to maintain besides themselves, and besides those who labor have a far less share of ease, convenience, and abundance than those who work not at all” (LJ: 341).

a society of great *inequality* can provide amply for the propertyless raises the “paradox of commercial society,” which Hont and Ignatieff have discussed in a seminal essay.¹¹ They argue that the central question about commercial society which the *Wealth of Nations* was intended to answer was: How can an economy of substantial inequality in the distribution of wealth guarantee that the basic needs of those at the bottom of the social scale will be met? Smith gave the credit, they suggest, to the uniquely high productivity of specialized labor in an economic system in which all commodities, including subsistence goods and labor itself, were allocated through markets, and in which enough luxury goods were produced to absorb the spending of the wealthy. Under feudalism, the final condition had not been met, Smith noted in his lectures; with the advent of manufactures, the “poorer sort” of workers gained better wages and the rich found an outlet for their incomes other than in maintaining servants and dependents.¹²

Smith’s *Lectures* pose another kind of paradox: poverty in the most advanced, commercial societies is *extensive but not serious*. Certainly it appears to be extensive if “99 in a hundred” people are of the “poorer sort,” while “not above 1 in 100 has what we call a gentlemanly fortune” (LJ: 359). Even more clearly: “Most people . . . are poor, and obliged to stay not far from the place where they were born to labour for a subsistence” (LJ: 403). Yet this widespread condition of “poorness” can hardly be viewed as a problem if it does not entail genuine deprivation—and in the *Lectures* it does not. In point of fact, the “poor labourer” and the “lowest of the people” have, in commercial society, a “great share” of “the conveniencies of life” (LJ: 341). The paradox disappears when we understand that in most contexts Smith means by “poor” something like “not rich”—that is, the condition of the vast majority of the population who must exchange labor for wages in order to earn a living.¹³

Doctor Smith’s students were occasionally reminded of real-world destitution, as in the following observation on child mortality:

It is generally reckoned that the half of mankind die before five years of age. But this is the case only with the meaner and poorer sort, whose children are neglected

11 “Needs and justice in the *Wealth of Nations*: an introductory essay,” in Hont and Ignatieff (1983: 1–44).

12 LJ: 333. Altered spending patterns are also noted in the following: “But when [at the end of feudalism] elegance in dress, building, and gardening, cookery, etc. was introduced, it was no difficult matter to spend a fortune even as great as that of the Warwicks” (LJ: 261).

13 When Smith states, “The labor and time of the poor is in civilized countries sacrificed to the maintaining the rich in ease and luxury,” he is, for all intents and purposes, categorizing the ordinary laborer as “poor” (LJ: 340).

and exposed to many hardships from the inclemencies of the weather and other dangers.

(LJ: 193)

By and large, however, the condition of the laboring classes in commercial society was presented in a favorable light. Though landless and propertyless, a poor man “can gain a livelihood by working as a servant to a farmer in the country or by working to any tradesman whose business [he] understands” (LJ: 197). Labor markets make it possible for the poor to *earn* their living, not merely accept the largesse of their superiors. In Smith’s colorful language, the “ordinary day-laborer, whom we falsely account to live in a most simple manner, has more of the conveniencies and luxuries of life than an Indian prince at the head of 1000 naked savages” (LJ: 338).

* * * * *

One does not open up Adam Smith’s *Wealth of Nations* (cited hereafter as WN) expecting to find any sustained treatment of the *poverty* of nations. If the number of page references in the original index is any guide, in fact, one can expect to read considerably less about “poverty” than about “bounties,” “wool,” “Indo-stan,” or the “Tartars.” Yet there is a good deal of commentary on the poor and their subsistence in the *Wealth* that anticipates or prepares the ground for the analysis of poverty by Malthus, Ricardo, and other post-Smithian economists. Most important in this regard is the promulgation of a model of capitalist economic growth, whose essential features can be briefly summarized.

Like most economic writers of his time, Smith worked from a tripartite division of classes by economic function: landlords, capitalists, and workers. In agriculture, capitalist farmers employed landless laborers, supplying them with the tools and the wage advances necessary for the production of agricultural output on rented land. In factories and craft shops, capitalist employers or “masters” hired workers and furnished them with the raw materials, equipment, work space and wage advances necessary for the production of industrial output. Each class received its distinctive form of income—rents, profits, or wages—at rates determined by competitive market forces. Commodities were sold at their “market price,” a price determined by the forces of supply and demand in the short run. Every commodity had its “natural price,” too, a price that covered all the “normal” costs of production, compensating labor at its normal wage, capital at its normal profit, and landlords at the normal rent. If market price rose above natural price, excess profits would motivate capitalists to expand production, resulting eventually in a drop of market price to its natural level. In the opposite case, subnormal profits led to reduced output and a rebound of market price to its

natural level. Resources flowed to their highest-valued uses as if directed by an “invisible hand.”

Over time the market economy was able to raise standards of living, Smith theorized, because of the interplay of several features of the capitalist system. Capitalists typically invested a portion of their revenues into the expansion of their enterprises. Such capital accumulation permitted increases in the scale of production; it also enlarged the “wage fund” from which workers were paid. Average wages rose, leading to improvements in the health and motivation of workers. Labor productivity increased, partly for these reasons and partly due to the increased division of labor made possible by larger-scale production—graphically illustrated in Smith’s famous pin factory example. With advances in labor specialization came technological advances as well, further boosting labor’s productivity.¹⁴

Smith’s bright vision of capitalist economic growth was barely shaded by anything as dreary as “poverty.” In the *Wealth*, as in the *Lectures*, Smith used the term “laboring poor” to designate that sizable fraction of the population who could make a living only through their own labor. But such “poor” were by no means indigent. For Smith the notion of a destitute wage earner in an economy like Britain’s would have been almost a contradiction in terms. Workers in a progressive economy received wages that enabled them to support themselves and their families. Smith was explicit on the issue of family support:

A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation.

(WN: 85)

Reference was made to three earlier authorities (Richard Cantillon, Matthew Hale, and Gregory King) on the proper way to estimate the subsistence wage. Hale (1683) and King (1688) were found in agreement that a British family in the 1680s had required about 20 pence a week per head to cover its necessary expenses. Those expenses, Smith added, had risen considerably over the next century, along with pecuniary income (WN: 95).

In the *Wealth of Nations* framework, real poverty meant an inability to procure the necessities of life by means of wage income. Those earning a subsistence wage were able to command all the goods necessary for a “decent” life. Wages *above* this level allowed the lower classes to purchase “conveniences” or even, in some cases, “luxuries” such as tobacco, sugar, rum, and beer. (This was what

14 The Smithian growth model has been reduced to mathematical simplicity in Eltis (1984: ch 3), in a way that honors the subtleties of the original text as well as any such exercise can.

Smith called a “liberal” subsistence.) Wages *below* the subsistence level implied an inability to acquire a full ration of necessities except by going outside the labor market. As Hale put it, in the 1683 work referred to by Smith, those below the subsistence level “must live by Begging or Stealing, or Starve” (Hale 1683: 17). Such were the truly poor, the destitute.

In a successful, dynamic economy, workers earned a wage above subsistence thanks to the ongoing process of capital accumulation, which expanded the demand for labor faster than its supply. The economic environment insured that workers would ordinarily be paid a “decent” wage. Poverty was a non-issue. It afflicted only the very lowest stratum of workers. Great Britain itself offered supporting evidence of this. Through a series of ingenious arguments, Smith was able to demonstrate that wages “in the present times [are] evidently more than what is precisely necessary to enable the labourer to bring up a family.” One such argument ran as follows: Throughout Britain, summer wages were higher than winter wages, yet living expenses were higher in winter than in summer, due to fuel costs. Logically, then, workers who could subsist on their winter wages must be *above* subsistence when earning summer wages. Smith concluded from this and similar arguments that British workers were “much more at their ease now” than in the previous century (WN: 91–94)—a finding to which Malthus was to take blunt exception in chapter XVI of his 1798 *Essay on Population*.¹⁵

Smith bolstered his positive appraisal of working-class living standards in Britain by a direct examination of long-term wage and price trends. Money wages, he could show, had risen in the course of the eighteenth century, while grain had gotten cheaper, and potatoes, turnips, carrots, and other foodstuffs, much cheaper. Manufacturing advances had made linens and woollens, as well as “many agreeable and convenient pieces of household furniture,” affordable to workers. Unfortunately, certain items had gone *up* in price—soap, salt, candles, leather, fermented liquors—mainly due to the imposition of taxes on them. But in Smith’s carefully worded opinion, “The quantity of these . . . which the labouring poor are under any necessity of consuming is so very small that the increase in their price does not compensate the diminution in that of so many other things.” For Smith, the picture was clear: British labor’s “real recompense” had been rising for generations.¹⁶

15 See Gilbert (1980) for a full examination of this point.

16 WN: 95–96, 218–219. Smith had laid the groundwork for a real-wage assessment of labor’s overall welfare in his jurisprudence lectures. There he had introduced the awkward expression “comeatibleness” to denote a state of national wealth in which workers’ wages were high enough and provision prices low enough to allow workers to “come at” their necessities and conveniences easily;

Destitute poverty was a natural feature of “stationary” economies such as China’s, where growth had long since ceased, capital was no longer accumulated, and the demand for labor did not grow over time. Smith declared the poverty of the “lower ranks” of the Chinese population worse than that of “the most beggarly nations in Europe,” citing the thousands of families near Canton who lived in boats on the canals and rivers, with subsistence so scarce that they were “eager to fish up the nastiest garbage thrown overboard from any European ship” (WN: 90). Even worse, if possible, were the conditions endured in an economy “going backwards,” where the capital stock and the funds to maintain labor were “sensibly decaying.” Smith cited Bengal as an example. In a “retrograde” economy, many people “bred in the superior classes” would be unable to find employment at their own level of society and would end up competing for work in the lowest class. With the labor force “overflowing,” wages would sink to the “most miserable and scanty subsistence.” Every class would be mired in a poverty of national proportions. Some of the darkest prose in the *Wealth of Nations*, grimly foreshadowing Malthus’s first *Essay*, summarizes the outlook in such an economy:

Many . . . would either starve, or be driven to seek a subsistence either by begging, or by the perpetration perhaps of the greatest enormities. Want, famine, and mortality would immediately prevail in [the lowest] class, and from thence extend themselves to all the superior classes.

(WN: 91)

In Bengal, three to four hundred thousand people *starved* each year as population was constrained to “what could easily be maintained by the revenue and stock” of that ravaged economy.

If Smith’s attitude toward massive suffering in distant lands seems disengaged—tempered by cool Scottish rationalism—his sympathy toward the working poor of his own nation, whose wages put them, from time to time, precariously close to the subsistence level, is another matter. He consistently champions the “liberal reward” of labor, declaring it a matter of “equity” that the class who “feed, cloath and lodge the whole body of the people” should earn enough to be “themselves tolerably well fed, cloathed and lodged” (WN: 96). Not only is it equitable that workers be amply paid for their labor; it also benefits the economy:

The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer, and the comfortable hope

poverty, by contrast, consisted in “the uncomeatibleness or difficulty with which the several necessaries of life are procured.” Smith had argued that with the progress of the arts, labor grew more expensive, and goods cheaper, on account of increasing division of labor (LJ: 83, 343).

of bettering his condition, and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low.¹⁷

Smith's benevolent attitude toward the working poor is further illustrated in the stands he takes on two policy issues related to trade. He opposes a bounty on corn exports partly from concern that a diversion of grain from the domestic market will drive up its price and inflict a kind of "tax" upon domestic consumers. "So very heavy a tax upon the first necessary of life," he warns, may "reduce the ability of the labouring poor to educate and bring up their children" (WN: 508).¹⁸ And though a strong advocate of free trade, Smith cites the interests of the working class as a reason not to lower tariff walls precipitously: "humanity" may require a *gradual* lowering of duties lest "cheaper foreign goods . . . pour so fast into the home market as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence" (WN: 469).

But where does Smith stand on the question of state assistance to the impoverished? What direction does he give to classical economic thought on the highly contentious issue of the Poor Law? It is clear that he detests one particular feature of the Poor Law, the "settlement" system, under which an individual had to establish, by birth, residency, or other means, a legal claim to assistance. Smith found the settlement rules restrictive of labor's free movement. He deplored the preemptive removal of people from parishes where they *might* pose a burden to ratepayers in the future. The entire system constituted a "violation of natural liberty" and deserved to be abolished. In Smith's opinion, "There is scarce a poor man in England of forty years of age . . . who has not in some part of his life felt himself most cruelly oppressed by this ill-contrived law of settlements" (WN: 157).

Far less clear, however, is Smith's position on the underlying principle of welfare assistance to the poor. No such activity figures among the approved functions of government as specified in the *Wealth of Nations*—these being national defense, the administration of justice, and the establishment of public works and "public institutions" (WN: 687–688). A very broad reading of the second function *might* allow for poor relief as a measure of internal security, a means of deterring hungry and homeless indigents from plundering the property

17 WN: 99. The reference to the laborer's hope of "ending his days in ease and plenty" strongly recalls the *Moral Sentiments* passage (see pp. 275–276 above) in which such hopes were proved hollow and illusory. The contrast between the loftily disengaged stoicism of 1759 and the genuine concern for the comforts of laborers in 1776 is noteworthy.

18 In one of the most important pamphlets on poverty written in this period, Howlett (1788: 47) cited Smith's authority as dissuading him from further support of the bounty on wheat exports.

of those better off. Alternatively, poor relief might be considered a kind of “public work,” in the sense of a useful public activity which could never be remunerative on a private basis. But these are strained, post-hoc readings. Perhaps Jacob Viner had it right in suggesting that Smith’s failure to address the welfare issue was merely an “oversight.” Viner believed that Smith, if pressed, would have approved of poor relief. Mark Blaug thinks not. Samuel Hollander is unsure—Smith was “not clear” on the right to relief, he says.¹⁹ More recently Gertrude Himmelfarb, after noting Smith’s blistering attack on the settlement system, has offered this opinion:

What Smith conspicuously did not do was to challenge the poor law itself, the obligation to provide relief for those who could not provide for themselves. Nor was he one of those who, in the years following the publication of the *Wealth of Nations*, expressed anxiety about the mounting costs of relief.

(Himmelfarb 1984: 61)

The available evidence is inconclusive, to be sure, but the presumption must be that Smith held no strong objection to the principle of the Poor Law, or he would have voiced it. For Smith, the Poor Law probably seemed a marginal institution, offering its meager benefits to a small, hapless fraction of the population. As we have seen several times, he was confident that the “working poor” in commercial societies were capable of earning a decent living, one that would put them out of the reach of real hardship.²⁰ Workers might go unemployed from time to time, but their *re*-employment within a short while was a foregone conclusion. The end of Britain’s most recent war had seen the release and reabsorption into the civilian labor force of one hundred thousand soldiers and sailors with “no great convulsion,” after all.²¹ So neither unemployment nor any other contingency of the market economy, at least as specified in the *Wealth*, offered a *raison d’être* for the Poor Law. On the other hand, Smith had no special reason to favor its abolition either. If he believed the Poor Law rewarded indolence, promoted undue population increase, or threatened to bankrupt ratepayers, he concealed any such qualms from readers of his published work. Subsequent economists in the classical school, beginning with Malthus, found so little textual support in the *Wealth* for the arguments they wished to make, one

19 Blaug (1978: 50), Hollander (1973: 243n), Viner (1958: 241). Viner suggested, without further comment, that most scholars had attributed Smith’s failure to include poor relief among the functions of government to an oversight.

20 As early as the introduction to the *Wealth of Nations*, Smith takes the position that “a workman, even of the lowest and poorest order, if he is frugal and industrious, may enjoy a greater share of the necessities and conveniences of life than it is possible for any savage to acquire” (WN: 10).

21 WN: 470. See Hollander (1973: 242–244) for additional discussion of Smith and unemployment.

way or the other, on the Poor Law that they rarely enlisted Adam Smith in their cause.

We complete our picture of the Smithian view of poverty by noting a line of analysis which, in Smith's hands, remains embryonic but deeply intriguing for its anticipation of later arguments by Marx and others on the "alienation" of labor. In the course of a discussion of educational institutions in Book V of the *Wealth of Nations*, Smith points to the harmful impact of repetitious industrial employments on the "labouring poor." Their minds are dulled, their bodies and martial spirit weakened, by the ill effects of the division of labor. They become "as stupid and ignorant as it is possible for a human creature to become." If government does nothing, the laboring classes are liable to fall into an "almost entire corruption and degeneracy." But government *can* do something: it can establish schools for the education of the common people, in hopes of countering the terrible effects of long-term industrial labor (WN: 781–785).

One of Smith's most prominent followers, the social and economic observer Frederick Morton Eden, carried the indictment of division of labor a step further in *The State of the Poor* (1797), attributing to it a tendency in the lower classes to engage in behaviors injurious to their "health" and "morals":

It may be questioned, whether the undeviating and unremitting application to a few mechanical processes, which an improved state of manufacture usually requires, is not the cause of the propensity, so commonly remarked in this class of people, to carry the indulgencies of necessary relaxation to a faulty excess? and . . . whether the minute division of labor is not, in some degree, subversive of domestic intercourse and comfort?

(Eden 1797: 440)

Eden went on to compare agricultural employments favorably with industrial ones "in domestic comfort, in the endearments of family union, in certainty of work, and consequent independence" (1797: 440). His fears for the health, morals, and employment security of urban manufacturing workers make clear, particularly when echoed the following year in Malthus's *Essay on Population* (see Gilbert 1980: 84–86), the deep ambivalence of political economy at the end of the century toward the changing economic structure of Britain. Smith's own concerns in this regard included the "mental mutilation" entailed by division of labor, but extended further, into the realm of morals. He warned, for example, of "the temptations of bad company" to which the young factory worker was exposed, temptations that might "ruin" his "morals" (WN: 101).

In a much fuller passage later in the *Wealth of Nations*, Smith pointed to the way in which social isolation in the city might lead to a kind of moral degradation, especially for the "man of low condition":

While he remains in a country village his conduct may be attended to, and he may be obliged to attend to it himself. In this situation, and in this situation only, he may have what is called a character to lose. But as soon as he comes into a great city, he is sunk in obscurity and darkness. His conduct is observed and attended to by nobody, and he is therefore very likely to neglect it himself, and to abandon himself to every sort of low profligacy and vice.

(WN: 795)

The poor man described here—an ex-villager come to the city to seek his fortune but lost in urban anonymity—is close kin to the impoverished city-dweller of the *Moral Sentiments*, ashamed of his poverty, mortified, unobserved as he “goes out and comes in,” who, “when in the midst of a crowd,” is still “in the same obscurity as if shut up in his own hovel” (TMS: 51).

Both images, from 1759 and 1776, are compelling. Moreover, they link up with observations in the *Lectures on Jurisprudence* of 1766 which reveal Smith’s pre-*Wealth* concern with the social consequences of the division of labor. The mental functioning of laborers, he argues, can never be high in an economy where “a person’s whole attention is bestowed on the 17th part of a pin or the 80th part of a button,” as in the most advanced nations. In all such nations, he laments, “the low people are exceedingly stupid” (LJ: 539). Parents see a higher return in sending their six- and seven-year-old children to work in simple manufacturing jobs than in having them schooled. The moral and social cost of child employment, however, is high: “The boy begins to find that his father is obliged to him, and therefore throws off his authority.” Upon reaching adulthood, he has “no ideas with which he can amuse himself” and ends up spending his leisure time in “drunkenness and riot” (LJ: 540).

To focus on Smith’s disquieting remarks on the negative side of economic progress runs the risk of distorting his overall message, which, in the *Wealth of Nations*, surely centers on the promise of rising living standards in an economy of capital accumulation and division of labor. Poverty is not at the forefront of Smith’s economic vision (unlike Malthus’s, a generation later). Morally troubling aspects of industrialization and urbanization are hinted at—and left relatively unexplored. Wretched poverty lies far in the background. It is conjectured to have existed in rude and savage nations, and it is the prevailing condition of faraway China and Bengal. It can even be found in the Scottish Highlands, where a woman who bears twenty children may not see two of them survive to maturity (WN: 97). But decent wages are the rule in commercial society, poverty the exception.

There is a long scholarly tradition of asserting—or denying—various kinds of inconsistencies in the positions Smith took from one work to another, or within the same work. One might reasonably ask, by way of summary and review, whether any such inconsistency arises with respect to the issue of poverty. On a

superficial level one might think so. In the *Moral Sentiments*, for example, Smith airily dismissed worldly goods as a basis of true happiness, yet in the same work he depicted the shame and social isolation caused by poverty in the most convincing terms. Or again, in the *Wealth of Nations* Smith indicated how the progressive division of labor tended to advance the economy and with it the fortunes of the working poor, while in both the *Lectures* and the *Wealth* he pointed to the distinctly harmful effects the same division of labor could have on workers' welfare. But these apparent discrepancies are not difficult to resolve. There was no real contradiction between Smith's recognition of the psychic costs experienced by those in poverty and his own conviction that, ultimately, the poor man stood as good a chance for happiness as the rich.²² The mixed commentary on the division of labor is not so much contradictory as balanced: Smith recognized both gains and costs associated with the minute subdivision of tasks in an industrial economy. Finally, there are no real inconsistencies across texts, as in "Das Adam Smith Problem." Rather, we find Smith commenting on poverty from a variety of perspectives: moral-philosophical in the *Moral Sentiments*, sociological-historical in the *Lectures*, and economic in the *Wealth of Nations* (to oversimplify). But if he avoids outright inconsistency on poverty, Smith is not so easily exonerated from a charge of incompleteness of analysis. As he himself makes clear in the *Lectures*, once a society reaches the stage of property inequalities, its citizenry consists of both the wealthy and the poor. But how the poor will fare, not only economically but mentally and morally, as capitalism moves more and more workers into urban living and into highly specialized forms of labor, and what role if any the state will have to assume vis-a-vis the poor, are questions Smith only *begins* to answer.

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22 Athol Fitzgibbons has noted, in reference to the *Moral Sentiments*, that "[b]ecause he was a Ciceronian Stoic, Smith defined poverty as a mere state of mind" (1995: 166). It might be useful to qualify this as "a *pained* state of mind," given Smith's comments, cited above, about the sense of shame and isolation felt by the poor.

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