

**Material Wealth and Moral Corruption:  
Adam Smith on Poverty and Paradox of the Commercial Society**

*Introduction*

The tension between the commercial society depicted in Adam Smith's *Theory of Moral Sentiments* (*TMS*) and that of his *Wealth of Nations* (*WN*) has puzzled scholars for decades. In particular, the sixth and final edition of *TMS* published in 1790, Smith added a section entitled, "Of the corruption of our moral sentiments, which is occasioned by this disposition to admire the rich and great, and to despise or neglect persons of poor and mean condition," which has received much scholarly attention in recent years. Deference to the rich, neglect of the poor, and the pursuit of wealth over virtue comprise the corruption of our moral sentiments, yet this inexorable feature of human nature simultaneously sows the seeds of progress, wealth, and order of the commercial society.

Smith's dissonant view of moral corruption underlying of the commercial society sits uncomfortably with the traditional portrait of an unconditionally peaceful and prosperous society, typically drawn from *The Wealth of Nations*. As Smith describes in the *WN*, it is in the advanced stage of the commercial society in which "the condition of the laboring poor, of the great body of the people, seems to be happiest and the most comfortable."<sup>1</sup> The story does not end there, however; Smith also argues that the poor, common laborers in the commercial society are most susceptible to mental degradation from their work, and they are likely to feel the social and psychological shame from their lack of material wealth. As Robert Heilbroner gloomily describes it, "Thus in the end, the terrible dilemma of the *Wealth of Nations*—moral deterioration suffered on account of economic growth, and economic growth terminating finally in economic misery—reflects the inadequacies of a historical imagination bounded by an enlightened but only partially 'liberated' age."<sup>2</sup>

Thus, the conditions under which inequalities—the difference between the moral psychology of the rich and poor and the actual conditions of the rich and poor—are objectionable in Smith's commercial society remain unclear. Poverty and inequality are often

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<sup>1</sup> *WN* I.viii.43 (p. 99)

<sup>2</sup> Heilbroner, Robert. 1975. "The Paradox of Progress: Decline and Decay in the *Wealth of Nations*." *Essays on Adam Smith*. Andrew S. Skinner, Thomas Wilson, eds. Oxford University Press.

conflated; the condition of the poor is one matter, but the consequences of their existence and their relative deprivation are entirely different matters. How does Smith justify the corruption of our moral sentiments and resultant socio-economic inequalities in the commercial society? Does he present any plausible solutions, and to what extent are they motivated by a concern by an egalitarian objection—that is, one that takes the either the relative or absolute condition of the poor as something inherently bad?

My argument unfolds in three parts. First, I review the most prominent scholarly interpretations of this puzzle, often called the “paradox of commercial society.” Second, I reconstruct the different accounts of poverty and inequality in both *TMS* and *WN*. I suggest that “the paradox” consists of two distinct but interrelated phenomena. The first is in *TMS*: Smith defines the natural inclination to admire the rich and neglect the poor as the corruption of our moral sentiments, but also as foundation for the distinction of ranks, the division of labor, and the industry of commercial society. The second account is in *WN*: the structure of the commercial society makes the poor materially better off, but often at the expense of intellectual, social, and martial virtues.

In the final section, I present a range of solutions for these forms of commercial inequality. Among these solutions are state-backed public education for the “common people,” additional education in science and philosophy for the middle and upper classes, and a proto-solution in the form of moral education. While subsidized public education is a practical solution to the problem of “alienated labor,” the issue of the initial corruption of moral sentiments remains largely unaddressed. However, the alleged “solutions” to moral corruption which can be gleaned both in Smith’s work and in contemporary scholarly work, point to a public goods argument to mitigate the consequences, not the causes, of inequality. Smith’s subsumes concern for the poor in his concern for general opulence. The illustrations of constantly striving for wealth, progress, and industry in the works of Adam Smith showcase his attempts to mitigate the consequences of “moral corruption” without fundamentally destroying the foundation of commercial society.

### *The Paradox of Commercial Society: interpretations*

Understanding how Smith reconciles this idea with his praise of the commercial society in the *Wealth of Nations* published just 14 years before the final edition of *TMS* has become the project of scholars interested in Smith’s moral philosophy, political theory, and

economics alike. Several key studies have tackled the concept of the “paradox of commercial society” in Smith’s corpus. Among the most notable works is Hont and Ignatieff’s landmark introductory essay in *Wealth and Virtue* (1983). Hont and Ignatieff frame the paradox in the following way: “Commercial societies were more unequal in their distribution of property than any previous stage of society, and yet they remained capable of satisfying the basic needs of those who labored for wages. Primitive societies, by contrast, were more equal, but miserably poor.”<sup>3</sup> Smith, according to Hont and Ignatieff, is primarily concerned with defining a new form of distributive justice—that is, reconciling the needs of the poor with the property rights of the rich—via the market. Smith draws upon the tradition of Aquinas, Grotius, and Pufendorf, and transposes the language of natural jurisprudence from the realm of government into the realm of the market; the *Wealth of Nations* was a “clear analytical demonstration of how markets in subsistence goods and labour could balance themselves out in a manner consistent with strict justice and the natural law of humanity.”<sup>4</sup> In line with the natural jurisprudential tradition, Smith preferred “strict justice over civic virtue, passive liberty over active,” in ensuring that the needs of the poor would be met in the great economy of unintended consequences. Hont and Ignatieff’s *tour de force* through the natural jurisprudential tradition ultimately concludes with a justification of material inequality: inequalities resulting from market exchange *must* be fundamentally just. Smith’s commercial society could be “unequal and unvirtuous, but it was not unjust.”<sup>5</sup>

Hont and Ignatieff provide a compelling reading of how the market could “distribute” justice, but for Samuel Fleischacker, this is a profoundly unsatisfying answer to the paradox of commercial society. Material inequality *still* exists amidst vast amounts of wealth, and the poor are still poor in absolute terms. According to Fleischacker, distributive justice has never implied the distribution of property or tangible goods; that was always a matter of commutative justice since the time of Aquinas. Rather, distributive justice refers to a “catch-all term” for social virtues that Smith lays out in *Theory of Moral Sentiments*.<sup>6</sup> Thus,

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<sup>3</sup> Hont, Istvan and Michael Ignatieff. 1983. “Needs and Justice in the *Wealth of Nations*: an introductory essay.” *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment*, edited by Istvan Hont and Michael Ignatieff. Cambridge, UK: Cambridge University Press. p.1

<sup>4</sup> Ibid.: 43

<sup>5</sup> Ibid.: 44

<sup>6</sup> Fleischacker, Samuel. 2004b. *A Short History of Distributive Justice*. Cambridge, MA: Harvard University Press. p. 33; also Fleischacker. 2004a. *On Adam Smith’s Wealth of Nations: a Philosophical Companion*. Princeton, NJ: Princeton University Press. p. 213

according to Hont and Ignatieff, if Smith were truly concerned about providing for the poor exclusively, he would have provided a mechanism to distribute justice outside of the market.

Fleischacker argues that Smith's policies such as taxes on luxury vehicles and freight cars and subsidized public education disproportionately favor and aid the poor at public expense; both would have been radical departures from the previous tradition that did not view the state as the "distributor" of justice. Smith was an egalitarian at heart; his proposals challenge fundamental beliefs about the poor in 18<sup>th</sup>-century political economy, and set the stage for modern theories of distributive justice to come.<sup>7</sup> As Fleischacker writes, "[Smith's] conception of the poor and of what the poor deserve helped bring about the peculiarly modern view that it is a duty, and not an act of grace, for the state to alleviate or abolish poverty."<sup>8</sup>

In a similar vein, Emma Rothschild and Amartya Sen make the case that Smith's description of poverty in both *TMS* and *WN* are inseparable from any analysis of inequality. Rothschild and Sen draw heavily on the imagery of the poor man in *TMS* as evidence of a concern for human capabilities as Smith's *distribuendum*. Even a relative deprivation in terms of income (or other material standard) leads to an absolute deprivation of human capabilities.<sup>9</sup> Poverty, then, is more than a material deficit, but a deprivation of basic human capabilities; it is an "unfreedom" that inhibits members of society from appearing in public and engaging with other citizens without shame.<sup>10</sup> Therefore, any objection to poverty cannot be separated from an objection to inequality. "Even if someone finds poverty but not inequality offensive," write Rothschild and Sen, "he or she still may have to take an interest in economic inequality as a determinant of poverty in the form of basic capability deprivation... That insight of Smith has been important for contemporary investigations of poverty and inequality."<sup>11</sup> For those reading Smith with a presentist lens, Smith gives us not only a positive account of the "cause[s] of opulence" and the requisite conditions of such causes (the existence of markets, the use of money, the constant desire for improvement), but more importantly, a normative account of how we *ought* to conceive of deprivation amidst opulence.

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<sup>7</sup> Fleischacker 2004a: 213-214; Fleischacker 2004b: 66-68

<sup>8</sup> Fleischacker 2004b: 68

<sup>9</sup> Ibid: 360.

<sup>10</sup> Rothschild, Emma and Amartya Sen. 2006. "Adam Smith's Economics." *The Cambridge Companion to Adam Smith*, edited by Knud Haakonssen. Cambridge, UK: Cambridge University Press. p. 360.

<sup>11</sup> Ibid.

Rothschild and Sen's reading of Smith inevitably raises the following question: if Smith gives us an idea of how we ought to conceive of poverty and inequality, does he also tell us how to remedy them, if at all? Or does he believe it is not even possible? It is this question that Ryan Hanley seeks to answer in his recent work, *Adam Smith and the Character of Virtue*. Hanley recapitulates what the general scholarly consensus appears to be on the paradox of commercial society: Smith seems to justify inequality on account of commercial growth, which promotes both relief of poverty and individual freedom.<sup>12</sup> However, Hanley goes further in tracing the origin of the paradox to two forms of corruption: one a cause of the commercial society, the other a consequence. The first he calls political corruption: the moral and mental degradation of laborers due to the repetitive, menial tasks performed as the division of labor advances. The second he labels psychological corruption: the very "corruption of our moral sentiments" described in *TMS* I.iii, that is, the disposition to admire and idolize the rich and neglect the poor.<sup>13</sup> As Hanley writes, "...commercialization paradoxically promotes both amelioration of the material conditions of the poor...and an increasing indifference to the beneficiaries of this amelioration; commercial success, that is, can undermine sympathy."<sup>14</sup> Thus, Hanley makes the case that any viable solution for inequality and poverty must address the adverse effects of both material inequality and psychological corruption.

These different interpretations of the paradox highlight the extent to which scholars interpret inequality and poverty as problems in Smith's commercial society. I adopt Hanley's framing of the two paradoxes in order to analyze the premise of Smith's commercial society—the corruption of our moral sentiments—and whether or not that premise is acceptable from a normative standpoint. I present a detailed account of these two paradoxes in Smith's works in the following two sections.

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<sup>12</sup> Hanley, Ryan P. 2009. *Adam Smith and the Character of Virtue*. Cambridge: Cambridge University Press. p. 15.

<sup>13</sup> Ibid: 34

<sup>14</sup> Ibid: 45

***Corruption, Rank, and Order: Inequality and Poverty in Theory of Moral Sentiments***

In this section, I outline Smith's descriptive account of the "corruption of moral sentiments" in *TMS*. The idea that individual sentiments have been corrupted rests on two key assumptions. First is the idea of "sympathetic completeness:" that it is easier to sympathize more with joy than sorrow. The second assumption flows from the first, which is that mankind subconsciously pursues wealth over virtue because wealth is a more visible and direct route to becoming the object of sympathy of others. Thus, in *TMS*, Smith presents a strictly positive account of what he believes to be the motivating sentiments of commercial production: sympathy, ambition, and vanity. Smith does not give us a normative "ideal" or idea of uncorrupted sentiments, however; rather, he accepts the corruption of our moral sentiments as an indelible mark of human nature and the source of productive power.

Regardless of its natural origins, sympathy is what individuals desire most of others. "Nothing pleases us more than to observe in other men a fellow-feeling with all the emotions of our own breast," Smith writes, "nor are we ever so much shocked as by the appearance of the contrary."<sup>15</sup> Differences in socio-economic standing also affect how much sympathy men are able to experience amongst one another. As Smith writes,

It is because mankind are disposed to sympathize more entirely with our joy than our sorrow, that we make parade of our riches, and conceal our poverty. Nothing is so mortifying as to be obliged to expose our distress to the view of the public, and to feel, that through our situation is open to the eyes of all mankind, no mortal conceives for us the half of what we suffer. Nay, it is chiefly from this regard to the sentiments of mankind, that we pursue riches and avoid poverty.<sup>16</sup>

That it is much easier—and more desirable—to sympathetically experience joy than sorrow rests on two assumptions. First, our "propensity to sympathize with joy is much stronger than our propensity to sympathize with sorrow." Joy is much more conducive to what I call "sympathetic completeness:" our sympathy with someone else's joy is much closer to the original emotion than our sympathy with someone else's pain. No matter how excessive someone's sorrow might be, to experience another person's sorrow via sympathy is unlikely to "amount to that complete sympathy, to that perfect harmony and

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<sup>15</sup> *TMS* I.i.2.1 (p. 13)

<sup>16</sup> *TMS*, I.ii.1 (p.50)

correspondence of sentiments which constitutes approbation.”<sup>17</sup> Joy, however, is extremely conducive to full sympathetic completeness. Sympathy, or as Smith calls it, “fellow-feeling,” with the agreeable emotion of joy “approaches much more nearly to the vivacity of what is naturally felt by the persons principally concerned, than that which we conceive for the painful one.”<sup>18</sup>

The second key assumption—or rather, concession—is that mankind pursues riches and avoids poverty because of a belief that *riches* bring joy and therefore, garner the sympathy of others. The end of all the “toil and bustle of this world...avarice and ambition, the pursuit of wealth, of power, and preeminence,” is, in Smith’s words, “to be observed, to be attended to, to be taken notice with sympathy, complacency, and approbation, [and] all the advantages which can propose to derive from it. It is the vanity, not the ease, or the pleasure, which interests us.”<sup>19</sup> Smith takes it as empirical fact that “upon coming into the world, we soon find that wisdom and virtue are by no means the sole objects of respect; nor vice and folly, of contempt.” The more that men see “the attentions of the world more strongly directed towards the rich and the great, than towards the wise and virtuous,” we engrain in our minds that wealth and power—not wisdom and virtue—are the surest roads to sympathy.<sup>20</sup>

Smith compares this choice between ease and vanity, strife and virtue to the choice between following two paths:

Two different roads are presented to us, equally leading to the attainment of this so much desired object; the one, by the study of wisdom and the practice of virtue; the other, by the acquisition of wealth and greatness. Two different characters are presented to our emulation; the one, of proud ambition and ostentatious avidity; the other, of humble modesty and equitable justice. Two different models, two different pictures, are held out to us, according to which we may fashion our own character and behavior...<sup>21</sup>

For Smith, our desire for social approbation and sympathy lead us towards both sociability and morality; we seek the admiration of others through the pursuit of material wealth. Furthermore, since it appears that acquiring wealth is easier than becoming virtuous, and wealth is more likely to earn sympathy than virtue at least by our judgment, “so people

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<sup>17</sup> *TMS* I.iii.1.2 (p. 44)

<sup>18</sup> *TMS* I.iii.1.5 (p. 50)

<sup>19</sup> *TMS* II.ii.2.1 (p. 50)

<sup>20</sup> *TMS* I.iii.3.2 (p. 62)

<sup>21</sup> *Ibid.*

tend to be seduced, by the very mechanism that ought to lead them to virtue.”<sup>22</sup> It should be of no surprise, then, that Smith writes that “The great mob of mankind are the admirers and worshippers, and, what may seem more extraordinary, most frequently the disinterested admirers and worshippers, of wealth and greatness.”<sup>23</sup> In other words, the corruption of our moral sentiments is an inescapable feature of human moral sentiments and the structure of society.

Smith’s conclusion about the corruption of moral sentiments should now be clear. To desire riches and avoid poverty is morally neutral; that the corruption of our moral sentiments results in the distinction of ranks and order is less a normative criticism of society than it is a positive account of human behavior. Men go along with the passions of the rich and powerful simply because they have a sympathetic proclivity to do so. As Smith writes, “When we consider the condition of the great, in those delusive colours in which the imagination is apt to paint it, it seems to be almost the abstract idea of a perfect and happy state.”<sup>24</sup> By imagining ourselves in the position of the rich and powerful, we imagine ourselves as being the objects of sympathy and social approbation, too, even if we do not actually become them. As a result,

This disposition to admire, and almost to worship, the rich and the powerful, and to despise, or, at least to neglect persons of poor and mean condition, though necessary both to establish and to maintain the distinction of ranks and the order of society, is, at the same time, the great and most universal cause of the corruption of our moral sentiments.<sup>25</sup>

While the wealthy man basks in the glory of his riches “because he feels that they naturally draw upon him the attention of the world,” 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.”<sup>26</sup> Poverty forces the poor man into obscurity; he is “so disagreeable an object” that he fails to stir sympathy in the hearts of others.

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<sup>22</sup> Flesichacker 2004a: 115

<sup>23</sup> *TMS* I.iii.3.2 (p. 62)

<sup>24</sup> *TMS* I.iii.2.3. (p. 51-2)

<sup>25</sup> *TMS* I.iii.3.1 (p. 61-2)

<sup>26</sup> *TMS* I.ii.1 (p.50-51)



And yet, we feel the same discomfort at the sight of the “insolence of human wretchedness” that dares to present itself before us, threatening the “serenity of [our] happiness.”<sup>27</sup> For Smith, neither relative nor absolute deprivation is a problem in and of itself; in *TMS*, Smith problematizes an “inequality of sympathies” that arises as a *consequence* of differences in material condition. As a result, poverty is far removed from hardship due to material circumstances; rather, Smith characterizes poverty as a sort of “psychic pain” arising from a sense of social inferiority and shame, especially when compared to the rich man.<sup>28</sup>

While this section of *TMS* is a late addition to the 6<sup>th</sup> edition, earlier parts of the work reflect a consistent view of these self-deceptive facets of human nature. In the famous passage of “the poor man’s son” in Book IV of *TMS*, Smith laments the anguish and “most unrelenting industry [with which] he labours night and day to acquire talents superior to all his competitors” through which a poor man puts himself through, merely for the sake of “the idea of a certain artificial and elegant repose which he may never arrive at...”<sup>29</sup> The pursuit of riches adds nothing but hardship for the poor man, and even for the rich man, “power and riches appear then to be, what they are, enormous and operose machines contrived to produce a few trifling conveniences to the body...”<sup>30</sup> Ambition and vanity exacerbate the daily toil of the poor man, while the rich man continually deceives himself that wealth will bring him happiness. It is only “in the last dregs of life,” Smith writes,

... his body wasted with toil and diseases, his mind galled and ruffled by the memory of a thousand injuries and disappointments...that he begins at last to find that wealth and greatness are mere trinkets of frivolous utility, no more adapted for procuring ease of body or tranquility of mind than the tweezer-cases of the lover of toys...<sup>31</sup>

In spite of its poignancy, Smith’s parable of the poor man’s son is far from a condemnation of the pursuit of power and riches. Rather, Smith presents a reconciliation of the vital features of human nature and commercial society. The behavior of *both* the poor and the rich man in society seems irrational, yet Smith makes a crucial caveat about individual motivations that enables the mechanics of the commercial society:

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<sup>27</sup> Ibid.

<sup>28</sup> Gilbert, Geoffrey. 1997. “Smith on the Nature and Causes of Poverty” *Review of Social Economy*. Vol. 55, no. 3. p. 275

<sup>29</sup> *TMS*, IV.i.8 (p. 181)

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

And 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 first 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 ennoble and embellish human life; which have entirely changed the whole face of the globe, have turned the rude forests of nature into agreeable and fertile plains, and made the trackless and barren ocean a new fund of subsistence, and the great high road of communication to the different nations of the earth.<sup>32</sup>

Little in Smith's work that suggests such "corruption of moral sentiments" is in any way regrettable. Smith is quick to point out the great upshot of such corruption: it produces the order, stability, and general opulence of the commercial society. In short, sympathy, ambition, and self deception generate an economy of greatness in Smith's work. The poor and men of low rank constantly aspire to emulate their superiors. It is not from "any private expectations of benefit" from the rich that the poor continue to admire them, but from sympathy—an "admiration for the advantages of their situation."<sup>33</sup> The poor's admiration of the rich is a desire to be *like* them, rather than to gain *from* them. In such a way, Smith's moral economy is an analog to his political economy in which inequality is of no moral concern. The rich do not gain at the expense of the poor; rather, the ambition of both the rich *and* poor to gain sympathy from one another keeps the wheels of the commercial society turning, and ultimately, leads to the most desirable distribution of goods for all. This phenomena is captured in one of the most famous tropes, the invisible hand:

The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity...they divide with the poor the produce of all their improvements. They 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.<sup>34</sup>

Thus, Smith imaginatively lays the groundwork of an opulent economy based on unintended consequences. In the next section, I turn to this "economy of greatness" in *The Wealth of Nations*, and examine how the psychological paradox explored in the *Theory of Moral Sentiments* relates to the commercial and political paradox in *The Wealth of Nations*.

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<sup>32</sup> TMS IV.i.10 (p. 183-4)

<sup>33</sup> Ibid.

<sup>34</sup> TMS IV.i.11 (p. 184-5)

*Opulence and Alienation: the paradox in The Wealth of Nations*

In this section, I examine two crucial assumptions about Smith's commercial society—natural equality and the “liberal reward for labour”—and highlight some of their implications, namely, that Smith objects neither to the condition of inequality nor poverty, but rather to their larger social and political consequences.

First, Smith assumes more or less an equality of ability or what he calls “genius” amongst men, but takes for granted inequality of wages and wealth as a natural outcome of the commercial society. “The difference of natural talents in different men is, in reality, much less than we are aware of,” Smith writes in Book I of *WN*, and any alleged differences in “the very different genius which appears to distinguish men of different professions” is less the cause than it is the consequence of the division of labour.<sup>35</sup> Second, the operation of supply and demand for different professions accounts for the differences in the material differences of the rich and poor. As such, the inequality resulting from differences in income is a normatively neutral feature of Smith's commercial society that results not from differences in natural talents, but from individual choices and the impersonal forces of the labor market.

The second key assumption Smith makes is that mankind constantly desires to improve his condition, and that everybody has an equal desire to work and earn the “liberal reward for labor.” This is a desire which, according to Smith, “comes with us from the womb, and never leaves us till we go to the grave.”<sup>36</sup> Even the poor are repeatedly characterized as “sober and industrious;” in fact, it is precisely their forced frugality and eagerness to work that continuously supplies the market with a supply of useful labor.<sup>37</sup> Poverty as a material condition might discourage marriage, or make the rearing of children difficult (though, oddly enough, “seems even to be favourable to generation [of offspring]”), but seem to have little bearing on the division of labor and overall productivity of society.<sup>38</sup>

In sum, Smith's characterization of the sober and industrious poor reflects a peculiar form of moral egalitarianism: men are equal in their natural capacity and desire to work, to emulate the rich and powerful, not in spite of ambition, but because of it. In the commercial society, poor are better off not in spite of this ambition, but *because* they are sober and

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<sup>35</sup> *WN*, I.ii.4 (p. 28)

<sup>36</sup> *WN* II.iii.28 (p. 341)

<sup>37</sup> *WN*, I.viii.35 (p. 95-96), VI.ii.7 (p. 872)

<sup>38</sup> *WN*, I.viii.38 (p. 97)

industrious.” Individuals are rewarded for their industry with the “liberal reward for labour,” which, as Smith writes, “. . . as it encourages the propagation, so it increases the industry of the common people.”<sup>39</sup> As industry increases, so too does the division of labor and hence overall wealth. Staple foods become cheaper, and even certain luxuries are affordable for the poor. Smith’s assumption of equal talents and equal ambition allows him to conclude that “it is in the progressive state, while the society is advancing to the further acquisition. . . that the condition of the laboring poor, of the great body of the people, seems to be the happiest and the most comfortable.”<sup>40</sup>

These two assumptions of equal talent and equal ambition do not always hold, however, and Smith is well aware of the consequences when individuals do not manifest these qualities that uphold his vision of the commercial society. For example, Smith concedes that “all the poor indeed are not sober and industrious,” and it is these “dissolute and disorderly” who might consume beyond their means, even after a rise in prices (which would theoretically curb their consumption). Consequently, their children “generally [perish] from neglect, mismanagement, and the scantiness or unwholesomeness of their food.”<sup>41</sup> These poor are a problem for society not because their material condition demands some sort of redistributive effort that would compromise the gains of the wealthy—this is out of the question for Smith. Rather, Smith problematizes the non-ideal poor because they do not possess the same moral psychology that motivates their “sober and industrious” counterparts. Their “bad conduct commonly corrupts their morals,” he writes, and “. . . instead of being useful to society by their industry, they become public nuisances by their vices and disorders.”<sup>42</sup>

Smith establishes this clear causal relationship between morality and industry: the corruption of morals leads to defection from the well-ordered society governed by the division of labor. Smith maintains an idea that the market is perfect; thus, the poor man’s unemployment is not due to a market failure, but a *moral* failure which manifests itself as a risk to the political and economic equilibrium. The commercial society does not threaten the “destruction of sympathy among the lower classes,” but the reverse: if the lower classes no longer sympathize or emulate the rich—as Smith implies when he says that not all poor

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<sup>39</sup> Ibid.

<sup>40</sup> *WN* I.viii.43-44 (p. 99)

<sup>41</sup> *WN*, V.iv.7 (p. 872)

<sup>42</sup> Ibid.

are sober and industrious—the source of wealth in the commercial society is completely destabilized.<sup>43</sup>

Smith also questions the morality of his own assumption of the constant desire to improve one's condition. Workers, as Smith describes, “are very apt to over-work themselves, and to ruin their health and constitution in a few years...”<sup>44</sup> Impersonality, anonymity, and the morally-degrading work fuelled by self-inflicted, blind ambition are just some of the pitfalls of the advanced division of labor in a commercial society. Labor becomes reduced to one or few menial tasks, and as a result, “he naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become.”<sup>45</sup> Again, Smith speaks of the “corruption” of the “courage of his mind” due to the uniformity and stationary nature of menial labor:

It corrupts even the activity of his body, and renders him incapable of exerting his strength with vigour and perseverance, in any other employment than that to which he has been bred. His dexterity at his own particular trade seems, in this manner, to be acquired at the expence of his intellectual, social, and martial virtues.<sup>46</sup>

Furthermore, Smith makes it clear that the poor are more likely to suffer the degrading effects of commercial labor. Most of their lives are devoted to earning a living in some trade, which “too is generally so simple and uniform as to give little exercise to their understanding; while at the same time, their labor is both so constant and so severe.”<sup>47</sup> Additionally, they lack the time and money to afford the kind of education that might mitigate some of these harmful consequences.<sup>48</sup>

Such passages heighten the prominence of the “paradox of commercial society” throughout Smith's works, and they have drawn the attention of scholars from various disciplines, earning him a (mis)representation as being more Marxist than Karl Marx

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<sup>43</sup> This is the opposite of what Edward Cohen stipulates; see Edward S. Cohen, (1989). “Justice and Political Economy in Commercial Society: Adam Smith's ‘Science of a Legislator.’” *The Journal of Politics*, vol. 51 no. 1. 68.

<sup>44</sup> *WN* I.viii.44 (p. 100)

<sup>45</sup> *WN* V.i.f.50 (p. 781-2)

<sup>46</sup> *Ibid.*

<sup>47</sup> *WN* V.i.f.53 (p. 784-5)

<sup>48</sup> *WN* V.i.f.52 (p. 784)

himself.<sup>49</sup> Inequality and poverty are inextricably linked, but Smith's main objection appears to be with the consequences, rather than the conditions, of those worst off. The very existence of people who, in absolute terms, live in miserable conditions, dampens the optimism of commercial wealth and progress.

Smith's worries towards the end of *WN* echoes his concerns in *TMS*: that this sort of asymmetry of sympathy that citizens possess can lead to bad conduct, and ultimately societal disorder. Because the man of low rank and fortune feels obscured from society and his conduct receives little attention, he is liable to "neglect [his conduct] and to abandon himself to every sort of low profligacy and vice."<sup>50</sup> Just as the rich man "glories in his riches" while the poor man is ashamed of his poverty in *TMS*, Smith writes in *WN*,

A man of rank and fortune is by his station the distinguished member of a great society, who attend to every part of his conduct...His authority and consideration depend very much upon the respect which this society bears to him...A man of low condition, on the contrary, is far from being a distinguished member of any great society...[As] soon as he comes into a great city, he is sunk in obscurity and darkness.<sup>51</sup>

Poverty therefore threatens the moral framework which supports commercial society. The sorts of non-industrious poor no longer recognize and act on the impulse to pursue wealth; it is as if they "properly grasped the truth about the forces leading to wealth," that is, the blind ambition of the poor to be like the rich, and the self-deception of the rich that more wealth would lead to more happiness. The persistence of this reversal of morals leads to a clear and present danger: the collapse of commercial society.<sup>52</sup> Therefore, if the wealth of a nation is to be sustained, the peace and order in society maintained, then any viable solution for poverty requires a recalibration of private and public moral sentiments.

In the next section, I present and evaluate some of the plausible "solutions" to this paradox in Smith's works, most notably, his strong defense of subsidized public education and a "proto-solution" in the form of moral education. I argue that egalitarian readings of such proposals are somewhat misguided, and that Smith relies primarily on a public goods

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<sup>49</sup> See for example Robert Lamb. 1973. "Adam Smith's Concept of Alienation." *Oxford Economic Papers*. 25(2), pp. 275-285; Iaian McLean. 2006. *Adam Smith, Radical and Egalitarian: An Interpretation for the 21<sup>st</sup> Century*. Edinburgh University Press. p. 133.

<sup>50</sup> *WN* V.i.g.12 (p. 795)

<sup>51</sup> *WN* V.i.g.12 (p. 795)

<sup>52</sup> Fleishacker (2004b): 111

argument that treats the condition of the poor as instrumental to the overall wealth and stability of society.

### *Smithian Solutions?*

While Smith recognizes that the poor are better off in the commercial society than in any other stage of progress, he nevertheless acknowledges the certain defects which disproportionately affect the poor. Smith commends efforts that improve the material and mental well-being of those worst off, but it is not necessarily the case that such attitudes reflect a deeper concern for the poor. Upon closer examination, the types of policies Smith recommends are motivated by a greater concern for the stability, security, and aggregate wealth of commercial society.

In Book V of *The Wealth of Nations*, Smith defends public spending on education to address the “gross ignorance and stupidity” which seem “so frequently to benumb the understandings of all the inferior ranks of people.”<sup>53</sup> Because the masses of common people will never attain the level of instruction as “people of some rank and fortune,” the state should make available “the most essential parts of education...to read, write, and account” to all people. These skills can and *should* be taught early, so that “...those who are to be bred to the lowest occupations, have time to acquire them before they can be employed in those occupations.”<sup>54</sup> Smith argues that “the publick can facilitate this acquisition” of education for very little expense with the establishment of public schools in every parish or district. The cost of education ought to be low enough that “even a common labourer may afford it,” and this might be aided by partially subsidizing the school master with public funds.<sup>55</sup> Smith makes additional demands for education when he suggests that the publick ought to “impose upon almost the whole body of people the necessity of acquiring those most essential parts of education, by obliging every man to undergo an examination or probation in them before he can obtain the freedom in any corporation, or be allowed to set up any trade in either a village or town corporate.”

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<sup>53</sup> *WN* V.i.f.61 (p. 788)

<sup>54</sup> *WN* V.i.f.55 (p. 785)

<sup>55</sup> *WN* V.i.f.54-55 (p. 785). Smith’s provides the following reason for partially subsidizing rather than fully subsidizing school teachers: “...the master being partly, but not wholly paid by the publick; because if he was wholly, or even principally paid by it, he would soon learn to neglect his business.”

Making those most essential parts of education a prerequisite for trade raises interesting questions: If Smith were solely concerned about increasing trade and general wealth, why would he raise the entry costs to trade by making basic education a requirement? Who benefits most from such a program?

On this question, some contemporary scholars have overemphasized Smith's "egalitarianism." These scholars portray Smith as a left-leaning radical whose advocacy for state-sponsored education ultimately "changed attitudes towards the poor."<sup>56</sup> However, I suggest that Smith had no such aims. Smith endorses public education not to rectify a perceived injustice—either inequality or poverty—but to promote a larger aim of maintaining societal order and stability. Smith admits that the state does not directly benefit from educating the lower ranks of people in any material sense; however, the downstream effects of a more educated working population cannot be overlooked.<sup>57</sup> While Smith does write that "a man, without the proper use of the intellectual faculties of a man" is "more contemptible than a coward" and appears to be "mutilated and deformed in a still more essential part of the character of human nature," his objection is not limited to the political corruption of the individual. More importantly, Smith is worried about the consequences of individual corruption at the aggregate level, the "delusions of enthusiasm and superstition, which, among ignorant nations, frequently occasion the most dreadful disorders."<sup>58</sup>

By linking explicitly the education of individuals with the stability and security of society, Smith advances a public goods argument that indirectly addresses the causes and consequences of commercial inequality. Societal disorder and government insecurity stem from the mental mutilation and superstitions of uneducated individuals in commercial society, and such a "publick evil" ought to demand the attention as if it were "any other loathsome and offensive disease."<sup>59</sup> Smith believes that by providing public education at little expense, the government has in its hands the antidote to political corruption and ultimately, political instability. Education fosters "the martial spirit of the great body of

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<sup>56</sup> See especially Fleischacker (2004a: 205-208), Fleischacker (2004b: 63). Other works such as Paul H. de Vries (1989) read a similar "business ethic" in Smith's *Wealth of Nations*. See Paul H. de Vries. 1989. "Adam Smith's 'Theory' of Justice: Business Ethics Themes in The Wealth of Nations." *Business and Professional Ethics Journal*. Vol. 8 (1) pp. 37-55.

<sup>57</sup> Smith writes, "Though the state was to derive no advantage from the instruction of the inferior ranks of people," he writes "it would still deserve its attention that they should not be altogether uninstructed." *WN* V.i.f.61 (p. 788)

<sup>58</sup> *WN* V.i.f.61 (p. 788)

<sup>59</sup> *WN* V.i.f.60 (p. 788)



people,” upon which “the security of every society must always depend.”<sup>60</sup> More educated and intelligent populations are “more decent and orderly,” more respectful and worthy of respect amongst their superiors, and most importantly, “less apt to be misled into any wanton or unnecessary opposition to the measures of government.”<sup>61</sup> No other public good other than education, according to Smith, “might result from such attention besides the prevention of so great a public evil.”<sup>62</sup> Again, this “public evil” is neither the relative nor absolute deprivation of the worst-off in society as an intrinsic bad, but rather, the potential for public disorder that results from such deprivation.

The public goods argument for state subsidized public education concretely addresses one aspect of commercial corruption, namely, the mental and moral degradation that results from excessive labor. However, Smith leaves the initial “corruption of moral sentiments” largely unresolved. To understand how Smith might have addressed this source of commercial corruption, we return to Book V of *WN* in which Smith describes the mismatch of moral sentiments between the rich and poor, the resulting social and political problems associated with this asymmetry of affections, and a potential solution.

Smith’s logic begins with inequality of sympathies, echoing book I of *TMS*: a man of high rank and fortune is able to gain the sympathy and attention of all members of society, while a man of low rank and fortune fails to do so. Because he feels that “his authority and consideration depend very much upon the respect which this society bears to him,” the rich man conducts himself according to the social norms of his society; the man of lower rank and fortune, though, because he can go in and out unheeded and unnoticed.<sup>63</sup> Smith’s account of this sympathetic mismatch in *WN* Book V goes one step further than the description in *TMS*, however. In *WN*, such differences in sympathies towards the rich and poor are not mere manifestations of the “corruption of our moral sentiments,” but a potential source of dangerous antisocial behavior. For example, the man of low rank and fortune is more likely to “abandon himself to every sort of low profligacy and vice,” and is highly susceptible to being adopted into a small religious sect. This small community of religious sectarians pay the man of low rank and fortune great attention, and are “highly

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<sup>60</sup> *WN* V.i.f.59 (p. 787)

<sup>61</sup> *WN* V.i.f.61 (p. 788)

<sup>62</sup> *WN* V.i.f.60 (p. 788)

<sup>63</sup> *WN* V.i.g.12 (pp. 795-6); see also *TMS* I.ii.1 (p. 51)

interested in regulating his conduct.” Unfortunately, though, as Smith writes, “the morals of those little sects, indeed, have frequently been rather disagreeably rigorous and unsocial.”<sup>64</sup>

That the consequences—not the initial condition—of inequality and the accompanying moral sentiments, pose a direct threat to the social and political order of the commercial society is a peculiar feature of Smith’s approach to commercial inequality. However, it remains worth examining whether Smith leaves room for a solution that addresses commercial corruption at the source. For example, Ryan Hanley has recently made the case that Smith provides a three-tiered education-for-virtue program in *TMS* that would combat the corruption of moral sentiments, recalibrating individual sentiments to their “un-corrupted” forms. By encouraging habits of industry, steadiness, moderation, and redirecting the desire for social approbation towards a desire for self-command and self-approbation, “...the common citizens of commercial society might flourish.”<sup>65</sup> So long as individuals were educated in the right types of virtues—prudence, self-interest rightly understood—they would recognize that “wealth and greatness are mere trinkets of frivolous utility,” and instead be contented with the long-term happiness associated with a virtuous life.<sup>66</sup> Thus, Hanley’s Smith is concerned with material and moral welfare at the individual level. Material inequality would persist, but the negative social and psychological connotations associated with it would cease to exist. The right virtues, according to Hanley, would cultivate “preference for long-term over short-term pleasures...[which would] not only stimulate economic growth but also ameliorate the anxiety and restlessness that would otherwise inhibit happiness.”<sup>67</sup>

Hanley appropriately elevates Smith’s idea of virtue education to a position that has until now been overlooked. However, I believe Hanley greatly overestimates the possibility that Smith’s virtue education could directly combat commercial corruption in a way that Smith envisions. For Hanley, commercial corruption is a problem that needs to be addressed at the source—individual moral sentiments—hence, the solution must recast individual conceptions of self-interest and virtue. However, as discussed earlier, Smith’s characterization of the corruption of moral sentiments is purely descriptive, and he provides little evidence to suggest that such moral corruption can or ought to be changed. Rather,

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<sup>64</sup> *WN* V.i.g.12 (pp. 795-6)

<sup>65</sup> *Ibid*: 108-9

<sup>66</sup> *TMS* IV.i.8

<sup>67</sup> Hanley (2009): 115

Smith's apparent consequentialist reasoning suggests that his concern is with the *effects* of inequality at the aggregate level, not with altering the social-psychological connotations of inequality or poverty as such.

The commercial challenges of anxiety and duplicity associated with socio-economic inequality and relative deprivation will always be present; what matters for Smith is that a society be equipped to mitigate the consequences of inequality and deprivation in order to maintain social order. The case in point immediately follows Smith's characterization of the "unsocial" morals of small religious sects. Smith suggests that the study of science and philosophy will ward off the influence of superstitions and unsocial vices from these sects. Interestingly, though, Smith's solution does not target men of low rank and fortune directly, but rather, those of "middling rank and fortune." The study of science and philosophy, Smith hopes, will "render almost universal among all people of middling or more than middling rank and fortune."<sup>68</sup> Science, according to Smith, "is the great antidote to the poison of enthusiasm and superstition," those very forces which, as discussed earlier, cause disorder in society and destabilize government. Thus, for Smith, in a society "where all the superior ranks of people were secured from [enthusiasm and superstition], the inferior ranks could not be much exposed to [them]" as well, ultimately making society more secure as whole.<sup>69</sup> Public vocational education for the masses, and science and philosophical education for the middle and upper classes are instrumental to this cause.

### *Questions and Conclusions*

The purpose of this paper has been to shed light on the debate over Smith's alleged egalitarianism: does Smith object to the causes and consequences of poverty and inequality in the commercial society, and if so, why? My argument is divided into two parts. First, the causes of commercial inequality stem from the same source that produces commercial prosperity, namely, the corruption of moral sentiments. Second, Smith is primarily occupied with mitigating the consequences, not treating the condition, of poverty in the commercial society. Smith's policy proposals in the *Wealth of Nations* speak to both parts of this argument. On one hand, subsidized, affordable vocational education for common laborers is intended to allay the mental and moral degradation of excessive labor. On the other hand,

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<sup>68</sup> *WN* V.i.g.14 (p. 796)

<sup>69</sup> *Ibid.*

the teaching of science and philosophy to the middle and upper classes stands in for the virtue education that Smith theorized as a plausible antidote to the corruption of moral sentiments in *TMS*.

My argument undoubtedly raises a number of questions regarding the meaning of egalitarianism in the 21<sup>st</sup> century, but also what an egalitarian concern would have looked like in the 18<sup>th</sup> century. Is it reasonable to expect that Smith could have held the same views of contemporary political theorists in the 18<sup>th</sup> century in order to make a case for providing the poor in a growing—yet vastly unequal—society?

Let us stipulate the following: if Smith viewed the burgeoning English economy as sufficiently fragile, he would have believed that there was a tradeoff between sustaining the new commercial order and reverting back to its previous stage of feudal, agrarian poverty. Changing the structure of the commercial order for anything other than sustaining and increasing productivity—say for example, guaranteeing a basic minimum income or set of primary goods—would undermine its very purpose, namely, generating enough wealth such that all members are better off. If this stipulation is correct, then it would be unsurprising for Smith to believe that the commercial society, in spite of its inequalities, would make the poorest, meanest worker better off than in any other previous stage of society.

Accepting this premise, therefore, would imply that the choice between the overall efficiency of the commercial society and issues of distributive justice was simply unavailable. In the limited access and limited state capacity order of mid- 18<sup>th</sup> century England, large state-sponsored projects that impersonally redistributed wealth were inconceivable.<sup>70</sup> Smith's modest proposals, such as favoring luxury taxes and subsidizing public education, would certainly benefitted the poor marginally, but the success of large-scale efforts to aid the poor specifically would have been unlikely.

Even if Smith lacks in our 21<sup>st</sup>-century minds strong social democratic, radical egalitarianism in his proposals to treat poverty, the so-called “moral egalitarianism” of his conception of poverty is radical in a different way. Smith's “sober and industrious poor” may seem absurd to a modern reader, but the very possibility that the poor might emerge

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<sup>70</sup> For more on understanding the framework of limited access versus open-access orders, state capacity, and violence in early modern Europe, see chapters 1 and 4 of North, Douglass C., John Joseph Wallis, Barry R. Weingast. 2009. *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*. Cambridge, UK: Cambridge University Press.

from their poverty—whether through their own work or by some other form of positive justice—challenged the preexisting notion that poverty was due to inequalities in human nature, rather than impersonal forces of the market.<sup>71</sup> Commercial society exists and flourishes not just for the sake of private gain; there is, in fact, private and public benefit sustaining commercial prosperity, not just for material reasons, but also for the recognition of mutual sympathy, which could only be achieved if not all members—including those worst off—were not suffering.

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<sup>71</sup> Fleishacker (2004): 208

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