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Adam Smith's Analysis of the Modern Welfare State

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Appendix D - UNIVERSITY HONORS PROGRAM
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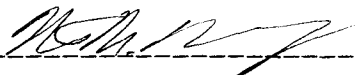
Name: Amy Elizabeth Smith

College: Business Admin. Department: Economics

Faculty Mentor: Dr. Matt Murray

PROJECT TITLE: Adam Smith's Analysis of the
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I have reviewed this completed senior honors thesis with this student and certify that it is a project commensurate with honors level undergraduate research in this field.

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UNIVERSITY HONORS PROGRAM

SENIOR PROJECT - PROSPECTUS

Name: Amy Elizabeth Smith

College: Business Admin. Department: Economics

Faculty Mentor: Dr. Matt Murray

PROJECT TITLE: Adam Smith's Analysis of the Modern Welfare State

PROJECT DESCRIPTION (Attach not more than one additional page, if necessary):

Much of Adam Smith's economic discourse is concerned with increasing consumption and eliminating poverty. This paper will analyze what Smith would say about poverty in the U.S. today. Also, the following questions will be answered: Has poverty according to Smith been eliminated in American society? Would Smith approve or disapprove of the modern U.S. welfare system.

Projected completion date: Nov 22, 1999

Signed: Amy Smith

I have discussed this research proposal with this student and agree to serve in an advisory role, as faculty mentor, and to certify the acceptability of the completed project.

Signed: [Signature] Faculty Mentor

Date: 12-4-99

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Adam Smith's Analysis of the Modern Welfare State

by Amy Elizabeth Smith

Dr. Matt Murray, Project Advisor

The University of Tennessee, Knoxville

November 1, 1999

Abstract

Adam Smith recognizes that poverty is an inescapable aspect of a capitalist economy. He attributes poverty to the immovable force of Nature. Smith argues that Nature motivates all people to toil to amass more and more material goods. However, Smith also writes that material possessions can never bring a person true happiness and that continually working to become rich will always be in vain. In Smith's ideal economy, no one is unemployed and all workers are paid enough to sustain life. Social inequality is better than universal equality because societies that are universally equal must also be universally poor. Here, Smith uses the example of tribal African communities in which resources are equally distributed, but even the kings have fewer material possessions than the poor do in 18th century Britain. When social inequality is present, poverty can be considered in terms of physical poverty and social poverty. Physical poverty involves lacking the resources to sustain life. Social poverty is the stigma associated with not having all of the material luxuries available to the wealthy.

Smith's definition of physical poverty is absolute. Those living below subsistence levels in a given economy are living in physical poverty. These people suffer hunger, malnutrition, disease, and lack of clothing or shelter. Smith argues that this absolute poverty is found only in constricting economies. When an economy is in decline, the average wage earner will not earn enough to support himself and his family. Malthusian population theory stemmed from this philosophy on poverty. However, social poverty is relative and cannot be so easily defined. Smith writes, "The poor man is ashamed of his poverty" (TMS 51). Smith argues that the lack of notice and appreciation of fellow men is the source of the pain of social poverty. Although pain stemming from shame is real, it is not urgent in Smith's universe. Rather, shame and desire for recognition fuel participation in economic activity. Constant desire to becoming wealthy motivates the poor to stay active in the workforce in hope that luxuries can be obtained even after basic physical needs have been met.

According to Smith's definition of physical poverty, there is not much, if any, absolute physical poverty in the modern United States. Where the economy fails the most basic physical and medicinal needs are met by public assistance. Starvation due to poverty is unheard of in the U.S. and vaccinations and public sanitation are universally provided to protect against disease. Social inequality still exists, and Smith argues that this is necessary for productivity in the economy. However, the premises of Smith's views do not all hold true in the modern economy. Society has redefined the acceptable level of subsistence to include a certain standard of nutrition, housing and health that is higher than what is required to sustain life. Also, the capitalist economy of Smith's era did not include the labor unions, multi-national corporations and extended bureaucracy of the modern economy. In light of these changes, some public intervention is required to offer health care, housing and education to meet modern standards. Therefore, Smith would approve of minimal social programs to keep the public at large above subsistence and protect the interests of wealthy classes.

Introduction

Adam Smith's *Inquiry Into the Nature and Causes of the Wealth of Nations* was inspired by the failings of Mercantilism. Mercantilism was an economic philosophy that sought to encourage national prosperity by maintaining a favorable balance of trade. From the 1600s to the 1800s, it was believed that the wealth of a nation was dependent on the quantity of precious metals (such as gold or silver) held. In order to maintain this balance of trade, commerce was highly regulated. Merchants colluded with government officials to protect themselves from unfavorable regulation. Gradually, Enlightenment thinkers such as Adam Smith began to disagree with Mercantilist philosophers and capitalism was born. Capitalism grew in response to the ineffectiveness of mercantilism in an environment fostered by Enlightenment concepts. The Enlightenment encouraged a focus on the rational individual. A belief in rational decision-making is the cornerstone of modern economics. Smith began arguing that rational individuals collectively make more efficient decisions than mercantilist policy-makers do at the dawn of the Industrial Revolution. However, Smith was writing before the Industrial Revolution was fully realized. The society about which he was writing was primarily agrarian, rural classes were still relatively well off and capitalism was growing. Industrial innovations encouraged the division of labor and urbanization. Agricultural innovations increased the efficiency of food production and helped to lower the prices of food. Growth of the economy prevented any significant unemployment in Great Britain. Industrialization had begun, and Smith did not fail to see that the Industrial Revolution would continue to affect commerce.

Smith's discourse on poverty is scattered through his works. To create an accurate portrayal of Smith's feelings on poverty, we must consider his statements in *Theory of Moral Sentiments*, *Lectures on Jurisprudence*, and *Wealth of Nations*. Often, the laissez-faire

philosophies of *Wealth of Nations* are overemphasized. In *Theory of Moral Sentiments* and *Lectures on Jurisprudence*, Smith's concern with the problems of poverty is more apparent. Smith does believe the government should avoid interfering with the natural mechanisms of the economy, but he also identifies very clearly a role for the government to protect the wealthy from the poor... or to protect the interests of capitalism.

Generally, Smith seems to believe that poverty is a permanent feature of society, so he does not pursue a path designed to eradicate poverty. Rather, Smith's policy suggestions are aimed at minimizing the social problems resulting from poverty. To understand his approach to these problems, the socioeconomic setting in which Smith lived, the availability of assistance to the very poor, and the role of social assistance according to Smith must all be considered.

Smith's Theory and Economy

The combination of technological advances from the Industrial Revolution and the spirit of the Enlightenment resulted in an optimistic culture during Smith's life. The context of Smith's writing is not a capitalist, industrial economy such as we know because Smith was writing before the Industrial Revolution was fully realized. The society about which he was writing was primarily agrarian. Rural classes were still relatively well off and merchants were prospering. Great Britain experienced a period of virtually unbroken economic growth. Industrial innovations encouraged the division of labor and urbanization. Growth of the economy prevented any significant unemployment in Great Britain. The expanding economy led to a decrease in poverty and an increase in consumption of luxury items. Industrialization had begun, and Smith did not fail to see that the Industrial Revolution would continue to affect commerce.

Despite this strong economy, Smith did not teach ever-increasing growth and prosperity. He writes that poverty is an inescapable aspect of a capitalist economy. Class distinctions are

attributed to Nature. Without apology, Smith explains that Nature determines social classes by birth. In Smith's view, poverty is as much a birthright as riches. Class division was necessary to Smith's economy. Mid-eighteenth century capitalism required a large number of laborers to work the land and to work in factories. Inequality of birth rank was only a means of filling menial labor positions. The "poor" that Smith writes about are divided into two categories, the poor and the poverty-stricken. Laborers who live with a reasonable amount of physical security are poor. The poverty-stricken live below a level of subsistence. Families in poverty cannot survive for long.

The first group, the laboring poor, work their entire lives. These people send their children into the workforce as early as possible, generally around age six or seven. The children and adults work fourteen-hour days to earn a living that will support them above a level of subsistence. This poor laboring class makes up the majority of the population. While Smith does not question the need for such a class, he does express some concerns about the consequences of long hours in laboring positions that were created by the division of labor. He writes that workers who must enter the workforce so young and have mindless jobs such as those of an unskilled factory worker's position risk becoming "as stupid and ignorant as it is possible for a human creature to become" (WN 302). Smith suggests that education be provided for the very young to help prevent this problem.

Unlike the laboring poor, the poverty-stricken do not live above a level of subsistence. This is Smith's recognition that not all laborers are living at a level of subsistence: in some places workers literally starve to death, die of exposure or preventable disease. However, Smith argues that these workers are relatively few and confined to constricting economies. Places like China, Bengal and the Scottish Highlands were home to these destitute poor. Two explanations

are given for abject poverty. First, Smith implies that some of these are the "immoral poor." These people are destitute through some character flaw of their own. He writes that the high infant mortality rate among the poor in the Scottish Highlands is due in part to parents' neglect of their children. The second explanation for abject poverty is discussed fully in *Wealth of Nations*. Here Smith begins what becomes the groundwork for the population theories of Malthus and Ricardo. Smith explains that the life of the poor is dependent on the greater economy. In a thriving economy, such as Great Britain's at the time, the poor experience a tolerable life. In a stationary economy, the life of the poor is "hard." Smith classifies the Chinese economy in this stationary category. When the economy is declining as in the case of Bengal, the life of the poor is "miserable" (WN 205). In such places the poor die at such a rate that the laboring population begins to decrease.

Smith's definition of physical poverty is absolute. Those living below subsistence levels in a given economy are living in physical poverty. These people suffer hunger, malnutrition, disease, or lack of clothing or shelter. When an economy is in decline, the average wage earner will not earn enough to support himself and his family. Malthusian population theory stemmed from this philosophy on poverty. However, Smith also recognizes that the social stigma of poverty is a greater burden to the poor than lack of material possessions. The poor are ignored in society, denying their natural need for recognition from man. When the poor do not receive the notice or empathy that the rich receive, they feel the pain of stigmatization. Not only does this social separation from other members of the population cause pain, but also the contempt targeted at the poor. Contempt springs from the human desire to avoid pain and suffering. Man does not want to believe that he could be in the same uncomfortable situation. Smith argues that shame from these feelings causes the pain of poverty:

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.
(TMS 51)

Although pain stemming from shame is real, it is not urgent in Smith's universe. Rather, shame and desire for recognition fuel participation in economic activity. Constant desire to becoming wealthy motivates the poor to stay active in the workforce in hope that luxuries can be obtained even after basic physical needs have been met.

Regardless of class, Smith argues that Nature motivates all people to toil to amass more and more material goods. This is the critical concept of the Invisible Hand, which moves individuals to behave in such a manner that distributes wealth optimally among classes. Smith writes that the poor are not at a real economic disadvantage because their wages will provide for sustainable physical well being. Smith even goes so far as to say that the beggar sunning himself on the side of the road has as much or more physical security as a rich king because no amount of material possessions can ever bring a person true happiness and that continually working to become rich is in vain:

Wealth and greatness are mere trinkets of frivolous utility, (not) adapted for procuring ease of body or tranquility of mind... and... more troublesome to the person who carries them about with him than all the advantages they can afford him are commodious.
(TMS 181)

Smith's Assumptions

Certain conditions must be met in Smith's economy. Smith assumes that mankind can make rational decisions. Also, the assumption of full employment is made. Finally, Smith writes wages paid will be enough to sustain life. In mid-18th century Britain, this may well have been the case. Smith argues that the "natural wage" would fall above a level of subsistence for a laboring family in an expanding economy. Because the poor could not only afford to keep

themselves and their children alive, but must also buy possessions that are not necessary for existence (Smith suggests rum and entertainments), they are better off than the poor in some countries are. Smith compares the laboring poor of Europe to “savage kings” of Africa and North America. He writes that the poor are relatively better off than those kings are. With this theory of relative poverty, there would be no reason for Europe to work to change the plight of the poor because the laboring poor were so fortunate on a global scale.

Following with this argument, Smith argues that wealth necessitates poverty. Despite the mental suffering that he acknowledges is caused by being poor, he does not label the state of being poor as an unacceptable condition. He writes that beyond the shepherd stage of society, there will be a differential in wealth. This is not a negative circumstance, however, because the existence of inequality indicates a more affluent economy than can be created by an economy of financial equality. Smith asserts that social inequality is better than universal equality because societies that are universally equal must also be universally poor. When social inequality is present, poverty can be considered in physical and social terms. Physical poverty is lacking the resources to sustain life. Social poverty is the stigma associated with not having all of the material luxuries available to the wealthy. Further, he writes that once an economy embraces the division of labor, individuals will fair differently based on their own intelligence, fortune, and industry. This individual differentiation is made more significant by the fact that all humans have a desire to work toward the accumulation of material possessions. This is the desire instilled in man by Nature to drive a capitalist economy. As each man works to achieve greater material gains, he distinguishes himself through the traits of intelligence and industry. The result is further division of classes.

Then, as the laboring poor work to amass wealth, they produce goods that benefit capitalists. Smith uses the example of the agriculture industry in this case. Landowners benefit from the increased efforts of their laborers, yet they do not have to pay more in wages. Smith acknowledges that the benefits of an expanding economy due to increased work-effort and divisions of labor fall primarily to the landowners. The workers benefit only through spillovers in the economy. It is better to be a poor laborer in an expanding economy than a stagnant or constricting economy. In a constricting economy, the poor laborers become poverty-stricken. In an expanding economy, fear of the social stigma of poverty motivates laborers.

Benevolence

Although Smith believes in the ability of the market to function to the advantage of even the poorest members of society, we have seen that he recognizes the existence of extreme suffering. Smith addresses the question of benevolence as follows: If the rich are so rich and the poor are so poor, do the rich have any social obligation to protect the poor? Benevolence can be divided into private and public assistance. First, Smith has a few remarks on private charity. Private charity exists because of a self-interested need for social approval. Smith believes mankind is not benevolent to the extent that the individual will aid another for no expected return. Instead, man gives to the poor to gain the approval of his peers. Although the rich may not have sympathy for the poor, they are affected by the actions of the rich. If a man of wealth and affluence gives to the poor, those around him can appreciate the kindness of the act. They see the rich benefactor as a person who has compassion on those around him. They want to be around this rich man who will empathize with their struggles as well. In this way, the rich man garners support and popularity through his acts of benevolence. Smith carefully notes that the rich are not loved because others appreciate the advantages given to the poor through

benevolence, only because others appreciate his ability to sympathize. Therefore, a person gets the same benefit by showing empathy for a person of any economic group. The poor are not singled out to be beneficiaries and thus are not ensured any assistance from private benevolence.

Government Assistance

If there can be no dependence on private aid, where do the poor turn when their situation becomes unbearable? Smith does not elaborate on the specifics of government aid to the sick, disabled or elderly. It is clear from his writings, however, that he strongly believes in the ability of capitalism to function successfully if government officials left the market alone. Yet he still acknowledged a role for the government. Very specifically, Smith allowed for a government to provide for justice, police, revenue, arms and, vaguely, "public works." He also writes that man should be willing to pay taxes, especially when tax revenues are used to serve the public good. He argues that any government action that improves the condition of the majority also benefits every individual from the richest landowner to each member of the laboring class. Therefore, it is reasonable to assume that Smith did not oppose government assistance if it brings about some greater good for the economy without restricting capitalism.

Smith offers only a little further explanation on acceptable government assistance. Most clearly, he suggests that the government should provide universal education for the laboring poor. He writes that the most important of this education could be completed before the age of six or seven when laboring children entered the workforce. Reading, writing, and math were the academic fields that should be taught. In math, he strongly recommended geometry and accounts as fields that would be of continued use to laborers after entering the workforce. The focus of the education suggested by Smith would be used to improve the moral fabric of the workforce.

Smith worried about the influence that older workers had on the impressionable young spirits of

children. The purpose of universal education would be two-fold. First, the children would not become as "stupid and ignorant as it is possible for a human creature to become," and second, they would be ensured against moral corruption because of the spiritual lessons from early education.

In addition to social works such as education, Smith discusses the government's economic obligation to the poor. First, he says that the government can intervene in labor disputes only if it is intervening on behalf of the laborers. Smith explains that government officials are most likely to be cohorts of the wealthy landowners (based on his experience with Mercantilism) so when it intervenes on behalf of the employers, the outcome will most likely be unjust. In contrast, since the laborers do not have such strong influence in the government, when the government sides with them the outcome will most likely be fair. Also, Smith says that the government has a responsibility not to unnecessarily burden the poor through its market decisions. Smith uses the example of tariffs on corn. As an impediment to the market, Smith would ordinarily disapprove of any such tariff. In this case, however, Smith argues that an immediate lifting of the entire tariff would cause such an influx of cheap corn into Britain's economy that many poor would be thrown out of work, causing massive unemployment and poverty. Smith says that this would be irresponsible use of economic policy on the part of the government. Instead, the tariff should be lifted only gradually so that Britain's economy would have time to adjust to the abundance of cheap, imported corn.

These concessions indicate that Smith was not a blind adherent of laissez-faire policy. While Smith insists that government intervention in the economy inhibits efficiency, he supports taxation, spending, labor market intervention and controlling tariffs to protect the poor. Also very significantly, Smith allows the government to assume any public works that are not profitable

enough for private undertaking. He approves of any public work that brings about a greater good for the general public, stating that anything that improves the lot of the majority is beneficial to the whole economy. In modern terms, Smith approves of government intervention designed to shift out the production possibility frontier.

According to Smith's definition of physical poverty, there is not much, if any, absolute physical poverty in the modern United States. Where the economy fails government programs meet most basic physical and medicinal needs. Only about 13% of the U.S. population live below the federal poverty line. Starvation due to poverty is unheard of in the U.S. and vaccinations and public sanitation are universally provided to protect against disease. In developed nations, the poorest modern workers have a generally higher real income than day laborers of the 18th century. Expenditure on food as a percentage of total income has decreased dramatically as well. In pre-industrial Europe, 60-80% of the expenditures of the masses were spent on food. In 1794, private expenditure in England could be broken down as follows: 74% food, 5% clothes, 11% heat, light, rent, and 10% on various other expenses. Because of the combined effects of lower costs of food and higher real income, modern poor have a much lower demand on their income for food expenditures. However, the social repercussions of large, poor classes are increasing. Education is more critical to financial independence than it was in Smith's era and studies have shown that children in poorer socioeconomic classes generally receive a lower quality of education. Similarly, transportation is a necessity in modern society. Those without transportation will not have the same access to employment opportunities and community services. Because acceptance in society now includes non-life-sustaining necessities, poverty can no longer be defined the income required to sustain life.

There is no doubt the laboring poor of the 20th century have some advantages over those of the 18th century. However, it is difficult to determine what portion of the increase in living standards is due to the welfare state. All social classes have improved standards of living over their 18th century counterparts. In order to maintain a standard of living that is acceptable to the public, beneficial to the economy and equitable to the disadvantaged, welfare programs have been created. These programs meet subsistence needs such as food, medicine and shelter for the poor. Cash payments, formerly AFDC (Aid to Families with Dependent Children), are being cut sharply and replaced with other forms of subsidies to encourage workforce participation. Medicaid is another program designed to provide health care to families and their children who cannot afford health insurance. Losing Medicaid eligibility is another major obstacle to becoming employed for many poor. Low-wage hourly jobs, which are the type of employment many poor find, do not provide health care benefits.

There are more, sometimes very complex welfare benefits. Housing subsidies are often crucial to a welfare recipient. Rising costs of housing make affordability a serious issue for low-income families who do not see much income growth from year to year. Some of the most resounding criticism of welfare has been directed at housing policy. Much of the low-income housing stock in the U.S. is in a state of disrepair. Sometimes low-income housing programs compound problems associated with poverty by trapping welfare recipients in areas of high crime and low employment. However, the expense of shelter makes some form of housing subsidy necessary if low-income families are to have private shelter.

Food Stamps have been called the final safety net for the poor. Still administered by the federal government, Food Stamps are the only welfare assistance distributed solely according to need. Regardless of length time on assistance, employment status, marital status, age, or

available housing, Food Stamps ensure that no one must starve. Food Stamps act as an equalizer between states because they vary inversely with total cash assistance received. Studies have shown that the provision of Food Stamps increases the amount spent on food and available discretionary income.

Social inequality still exists, and Smith argues that this is necessary for productivity in the economy. However, the premises of Smith's views do not all hold true in the modern economy. Society has redefined the acceptable level of subsistence to include a certain standard of nutrition, housing and health that is higher than what is required to sustain life. Also, the capitalist economy of Smith's era did not include the "organized power, massive institutions" and "ponderous" bureaucracy of the modern economy. In light of these changes, some public intervention is required to offer health care, housing and education to meet modern standards. Therefore, Smith would approve of minimal social programs to keep the public at large above subsistence but disapprove of any government involvement in business decisions regarding worker-employer relations.

Smith's Analysis

In *Theory of Moral Sentiments*, Smith writes of the shame of poverty. He believes that material possessions do not provide happiness. If a person has enough to sustain life, then he or she has all that is needed for happiness. However, Smith acknowledges that most of mankind is involved in a struggle to acquire more possessions. The stigma of not being able to have the most basic possessions is the pain of being poor. Whether those possessions are life's most basic necessities, as the poor of Smith's day would have had, or primarily luxuries, as is often the case in modern society—being without causes emotional distress. Smith writes that those who do not earn enough to buy whatever is required for physical survival will beg or steal for what they

need. This statement can be generalized to say that the social stigma attached to being one of the have-nots can encourage violence and theft. Clearly, the repercussions of poverty can be very negative. In the U.S. there are usually higher rates of crime, disease, unemployment and high school dropouts in poverty-stricken areas than in any other locations. Smith recognized some potential dangers of unchecked poverty and allowed a small government role in social assistance. Smithian philosophy permits only assistance that is designed to protect the rich from the poor or to foster economic growth.

In order to encourage industry, those who manage to gain wealth must be allowed to keep it. Smith specifically allows for police to control the masses from rising up to take the riches of the upper class. Since the lower classes were much larger in comparison to the upper class in 18th century Great Britain, it is easy to understand why this would need to be a priority. However, physical restraint from uprising is not always the most effective protection. And sometimes uprising is not the only source of danger to the wealthy. Some modern welfare programs fall into the category of protection for the wealthy. Food Stamps, Medicaid and other health programs, and possibly housing assistance all provide some measure of security for the rich. Food Stamps, as discussed earlier, are a minimal safety net for the poor. This federal program ensures that no person in the U.S. has to go without food. As Smith points out, deprivation of life's necessities will force people to beg or steal. Food is the most basic necessity and Food Stamps are a universal provision of some food for the poorest people in the U.S.

Another social service that protects the upper classes is Medicaid. Higher standards of health and public sanitation have resulted in a healthier society. But the diseases that modern medicine claims to have conquered could come back and spread rapidly if they were allowed to exist even among the poorer classes. Vaccinations and general health care need to be available to

the entire population if any of the population is going to maintain good health. While this is not a protection from physical attack, it could be argued that this is still a physical protection provided by welfare services.

Finally, housing assistance could possibly be a protective service for a combination of the above reasons. Decreasing homelessness is beneficial to public sanitation, making cities cleaner and safer for all. Also, good public housing could serve to reduce some of the negative social problems associated with poverty. Ghettos are known for violence and other physical dangers. Well-managed housing projects, located in areas that are near good employment opportunities, do not have the same reputation for being dangerous. These are three examples of welfare services designed to protect the wealthy by taking care of the poor.

The other primary purpose of government was to provide public works for the public good. Smith did not view poverty as a significant issue as long as the economy was expanding. Therefore, anything the government could do to improve the economy would be beneficial to the public as a whole. Of course, Smith believed that the government should not be too involved in the workings of the economy because a natural system would be far more efficient than anything government officials could plan. Specifically, Smith wrote that education for children under the employable age would be a good investment. Because children are no longer employable at the age of six or seven, there are many more years during which education is provided. The earliest years, when Smith outlined a child's entire education, are now commonly referred to as child care or preschool. Then children enter the formal educational system. Smith's outline for the ideal education included emphasis on practical skills and moral values, so he might not approve of formal education in its current form. However, the idea that some training designed to aid

children in becoming better citizens and workers is good for the economy is entirely in agreement with Smith's philosophy.

Another social service designed to promote growth is job-training programs. These programs work similarly to formal public education except that they are not mandatory; they are designed to prepare adults for specific forms of employment. Assuming that job training works like a traditional education and results in better, more effective employees, Smith would argue that this welfare program could be for the public good.

Smith does not have anything to say on government support of the elderly and disabled. Regarding the disabled, there is no ground for any conclusion from Smithian philosophy. However, social security payments to the elderly who are not in poverty would not be either protection of the rich or stimulation of the economy. Therefore, social security pensions do not seem to fall into the scope of allowable government intervention in Smithian philosophy. Another such program is child support enforcement efforts. While there may be viable political justifications for either program, Smith does not seem to allow for government involvement in either Social Security pensions or child support enforcement.

Conclusion

Although the conditions of poverty are different in the 20th century than in the 18th century, there is class of laboring poor in contemporary America. Some problems that Smith points out as repercussions of poverty in his own times are still issues faced in the 20th century. Lack of education and danger from violence are common in poor areas across the country. Therefore, Smith would argue there is still a need to protect the wealthy from beggary and theft by the poor. Police and justice systems are in place, but they alone are not always the best way to protect the upper classes. Smith would argue that a constricting economy is always bad for the

poor and to prevent the poor from dying of starvation, the government should take actions to promote the good of the economy at large. However, Smithian philosophy would argue that welfare services that do not provide some protection to the upper classes or promote economic growth should not be continued because the economy works best with minimal government interference.

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