Shashwat Vidhu Sher

MLA 370

Professor Junkerman

22 March 2023

The Wealth of an Individual

Adam Smith and Henry Thoreau are known for formulating and promulgating their own brands of economic theory. Though Smith and Thoreau conceptualize wealth differently, their views have some remarkable similarities. The connection between wealth, well-being, and self-improvement features prominently in their writings, and both are wary of amassing riches. Discussing these similarities and differences, the paper will explore the economic theories of Smith and Thoreau, which are based on a common link between individual freedom, wealth, and labor but yield different outcomes due to differing interpretations of the relation. With the help of concepts like the invisible hand, division of labor, and voluntary poverty, we will also understand the importance of social and individual progress for the two intellectuals.

Section I: What is Wealth?

Teaching at Glasgow University, Adam Smith published *The Theory of Moral Sentiments* (TMS) in 1759, which became a foundation for many of his later works. In the book, Smith recognizes sympathy as the foundation of morality and uses this lens to discuss human behavior (Smith, “The Essays” 9). For example, in the context of wealth accumulation, Smith regards “the most successful chasers after wealth (as) more deserving of pity than of envy because gratification remains forever beyond their grasp” (Gallagher 46). Smith also talks at length about the effects of poverty and how it manipulates human emotions*.* He notes that lack of wealth brings shame to the poor and creates undue respect for money instead of morals (Smith, “TMS” 73). The book introduces the concept of ‘the invisible hand,’ which serves as a cornerstone for Smith’s economic theories and is discussed later in this paper. Hence, we can see that many of his ideas on wealth were already taking shape as early as the 1750s, and he dedicated the latter half of his life to exploring and writing about them in his most celebrated work.

Smith’s magnum opus, *The Wealth of Nations* (WN), is considered the definitive work in classical economics and expounds on the transformative power of wealth in shaping the lives of individuals and society. Smith argues that by adopting division of labor and free-markets, a country’s economy can be given a significant boost, which in turn creates opportunities for personal growth for people. As per Smith's vision, division of labor and free-markets create a system where a manufacturer has to rely on the other players in the market to meet his needs, promoting cooperation and progress for everyone (Birch and Metting 591). An important aspect that informs Smith’s economic theories is the way he characterizes money. According to Smith, “What everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it” (Gallagher 50). Smith evaluates the worth of any object or service against the time and effort a person puts in. This almost mathematical association between economic value and labor, without any subjective considerations for the worker, is one of the foundations of *The Wealth of Nations*. From the 19th century onwards, Smith’s ideas become a new creed for industrious individuals, and ushers in a new era of world economics, with writers expressing both their support and criticism of Smith's work.

Henry Thoreau is generally considered a critic of Smith’s, whose economic practices are anti to the ideology of wealth generation. The American naturalist and writer studied at Harvard, where he possibly got exposed to Smith's work. Scholars argue that there is no evidence that Thoreau directly read Smith, but he was familiar with the work of Jean Baptiste Say and David Ricardo, who in turn heavily borrowed from Smith's *The Wealth of Nations* (Birch and Metting 595). Thoreau's seminal work, Walden, can be interpreted as a response to Smith’s policies, especially in the context of an individual's relationship with money and property. Like Smith, Thoreau also characterizes money according to his sensibilities. He considers the “cost of a thing (as) the amount of life which is required to be exchanged for it, immediately or in the long run” (Thoreau, “Walden” 29). What Thoreau means by life are the experiences one is ready to miss out on in pursuit of money because, for him, “the object of the economy (is) self-affirmation and self-improvement in the act of production” and not just an activity for the sake of sustenance (Birch and Metting 592). Even though differences are easy to spot between the way Thoreau and Smith define wealth, they share similar viewpoints on certain topics, as discussed in the next section.

Section II: The Common Ground

The common theme that both Smith and Thoreau espouse in their works is the link between individual freedom and wealth. Smith suggests in *The Wealth of Nations* that with the help of division of labor and free trade, the producer of a commodity can increase output, which translates into higher profit margins. The profit gives access to conveniences and increases leisure time, eventually improving the person's life. By providing freedom in running his business, Smith’s economic system gives the common man more autonomy and “liberty from imperial authority” (Hess). Thoreau shares Smith's sentiment and writes about it in *Walden*. Wealth for Thoreau is accumulating quality experiences and the minimum capital required to live an independent life. Thoreau is against chasing luxuries but absolutely understands that for a person to be free to pursue what they love, basic necessities should be met: “The necessities of life for man … be distributed under the several heads of Food, Shelter, Clothing and Fuel; for not till we have secured these are we prepared to entertain the true problems of life with freedom and prospect of success” (Thoreau, “Walden” 13). It is necessary to point out that Thoreau supports having some minimum wealth, but the route taken to acquire that wealth is more important for him. It is because the real worth of an object is in the act of procuring or producing it, which enhances the experience of freedom that material wealth brings. For both Smith and Thoreau, wealth is intricately tied to the well-being of an individual, and the means to obtain it is via labor.

The connection between labor and wealth forms the basis of Smith’s and Thoreau's economic theories, and they tackle the subject in the very first chapter of their respective books. Smith begins *The Wealth of Nations* by explaining how “the annual labor of every nation is the fund which originally supplies it with all the necessaries and conveniences of life” (23), and Thoreau illustrates the same in “Economy” (*Walden’s* first chapter) at the level of the individual (Richardson 167). “Economy” deals with questions related to necessity and convenience, production and consumption, and how labor produces wealth. Thoreau provides a detailed breakdown of the cost involved in constructing his hut, growing his vegetables, and money earned via labor (Thoreau, “Walden” 44, 54-55), which lends support to Smith’s statement that labor is “the ultimate and real standard by which the value of all commodities can at all times be estimated and compared. It is their real price, money is their nominal price only” (Smith, “WN” 40). A direct relationship between labor and wealth is not the only commonality between Smith and Thoreau's viewpoints, as they share another trait in the way they promote social progress.

Smith, in *The Wealth of Nations,* promotes an economy of self-interest that leads to prosperity for the entire society. According to Smith, a manufacturer “by pursuing his own interest … frequently promotes that of the society more effectually than when he really intends to promote it," and in this way, he is “led by an invisible hand to promote an end which was no part of his intention” (Smith, “WN” 237). This idea is called ‘the invisible hand’ and traces its roots to *The Theory of Moral Sentiments* (Smith, “TMS” 215). When a manufacturer works to improve his living conditions, he produces more goods that can be sold in the market, leading to a higher demand for the raw material, benefitting the supplier. Also, this leads to the development of trade networks and markets to sell the good, employing more people than before. Eventually, what started as a single person trying to make more money, translates to the economic growth of the entire market ecosystem. Smith’s support of an economic system based on individual enterprise parallels Thoreau's ideas on personal growth and philanthropy.

Thoreau promotes a system of individual and social progress based on self-improvement. Thoreau believes that leading a life where an individual is primarily concerned with being the best version of himself invariably results in the public good without the person being cognizant of it. Illustrating the idea, Thoreau notes in *Walden*: “What good I do, in the common sense of that word, must be aside from my main path, and for the most part wholly unintended” (67). As per Thoreau, an individual should not be overly concerned with doing philanthropy but doing what he loves while trying to earn his livelihood. Thoreau is not striving to be a traditional philanthropist helping the poor but a man who is a “good example for others and a good person” (Corsa and Schliesser 257). In Thoreau's own words, the ideal man is “going about the world in his own orbit, doing it good, or rather, as a truer philosophy has discovered, the world going about him getting good” (Thoreau, “Walden” 67). Birch and Metting suggest that Thoreau was inspired in his ideas about philanthropy by ‘the invisible hand’ and used it to develop his own philosophy of living (598). Where Smith and Thoreau talk about the unintended social benefits of self-improvement, they also warn their readers about amassing wealth beyond one’s needs.

Smith and Thoreau are critical of an incessant drive for money and property and abhor the moral corruption caused by it. Smith notes in *The Theory of Moral Sentiments* that “It is to no purpose that the proud and unfeeling landlord views his extensive fields, and without a thought for the wants of his brethren, in imagination consumes himself the whole harvest that grows upon them” (56). The passage supports Smith’s belief that excessive wealth and greed fuel each other and reduce natural philanthropic tendencies (Corsa and Schliesser 257). Material riches, for Smith, trap a man in a prison of his own design, and instead of the man becoming the master of his wealth, he becomes its slave: “Power and riches appear . . . to be, what they are, enormous and operose machines contrived to produce a few trifling conveniences to the body” (Irvine). Similar to Smith, Thoreau too points out the drawbacks of wealth accumulation. He notes in *Walden* and *Civil Disobedience* that once an individual is engaged in the exercise of wealth generation, he wants to maintain a lavish lifestyle to conform to societal expectations (Corsa and Schliesser 258). Leading a life of luxury makes it difficult for a man to live authentically and takes him further away from the pursuits that are genuinely fulfilling: “Most of the luxuries, and many of the so-called comforts of life, are not only not indispensable, but positive hindrances to the elevation of mankind" (Thoreau, “Walden” 15). Thoreau's life at Walden Pond is an experiment in simple living, and by limiting himself to capital sufficient for necessities (and not luxury), Thoreau proves some of the points made by Smith himself.

The discussion in this section demonstrates that Smith is not very different from Thoreau in acknowledging the problems associated with wealth. Moreover, there is some common ground between them on ideas related to wealth, freedom, and self-interest. It is important to mention that despite his reservations about wealth, Smith sees it as a necessary tool for the betterment of society. This view leads us to the next section, examining the key differences between Smith and Thoreau.

Section III: The War of Ideologies

As discussed above, Smith explains the power of wealth in providing liberty and security to the common man, but, at the end of the day, his economic theories are primarily concerned with the economic growth of the whole nation. Only with the help of a strong economy can the basic requirements of the citizens be met, and they may lead better life (Rasmussen 317). The advantages of a commercial society (like that of late eighteenth-century Britain) to a pre-commercial one are pellucid for Smith as he observes that “the accommodation of a European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king” (Smith, “WN” 29, Schliesser). Smith does not “favor the landowner, the factory owner, or the worker, but rather all of society,” and hence it is the growth of the entire nation towards which everyone should be working (Gallagher 47, Constitutional Rights Foundation). Prioritizing society over the individual can build a nation's wealth but also forces people to live a mechanical life, something Thoreau writes about in his work.

Thoreau sees the capitalist way of life as a sacrifice of individuality on the altar of societal progress. According to Thoreau, in a capitalist society, humans are forced to serve the system rather than the other way around, and he makes his case in the context of the railroad: “We do not ride on the railroad; it rides upon us” (Thoreau, “Walden” 85). He complains that “Our life is frittered away by detail” and suggests simplifying and keeping our “affairs to be two or three; instead of a million” (111). It is apparent to Thoreau that men have lost the art of living in the race for a wealthier society. Thoreau is critical of a life where men continuously struggle to make money without a chance to pursue what they love. He expresses his discontentment when he states, “But men labor under a mistake. . . by a seeming fate, commonly called necessity, they are employed . . . laying up treasures which moth and rust will corrupt and thieves break through and steal. It is a fool’s life, as they will find when they get to the end of it, if not before” (7). To sum up the discussion in Gallagher's words: “Thoreau (asserts) the primacy of self over society” and accuses commercial society of “operating on the basis of illusion” (47-48). Throughout *Walden*, Thoreau implores his readers to live a simpler life, not falling for the grandeur offered by the capitalist society and takes on Smithian philosophy in one of the passages from “Economy.”

The difference between Smith's and Thoreau’s outlook towards the capitalist way of life is well captured in the context of a poor man’s son. In *The Theory of Moral Sentiments*, Smith writes that the lifestyle of the rich often enamors young men from impoverished backgrounds. Any such poor man's son then spends his entire life in pursuit of the same status as that of the wealthy. Smith acknowledges that leading such a life is a source of great anxiety as the young man “sacrifices a real tranquility that is at all times in his power.” However, he goes on to state that it is also the mechanism that “keeps in continual motion the industry of mankind … (and) improve all the sciences and arts, which ennoble and embellish human life” (Smith, “TMS” 211-214). Smith believes that even though chasing wealth and progress can distract an individual from a path to inner peace, it is a necessary evil for the overall advancement of society. Thoreau objects to such ideology in the name of economic or social progress. Thoreau takes the example of the poor man’s son and how society drives him to become better at making money instead of becoming a better person: “the poor student … is taught only political economy, while that economy of living which is synonymous with philosophy is not even sincerely professed in our colleges” (Thoreau, “Walden” 48). The point Thoreau makes is that in a capitalist society, running behind external wealth is encouraged, whereas cultivating a richer inner life is ignored (Schliesser). As evident, Thoreau and Smith are on opposite sides of the fence in the debate between individual happiness and societal progress, and a lot of it comes from how they think of the relationship between man and his work.

Both Smith and Thoreau acknowledge the relationship between labor and wealth, but their economic theories on how labor should be used are poles apart. In Smith’s eyes, “there is one sort of labor which adds to the value of the subject upon which it is bestowed: there is another which has no such effect. The former, as it produces a value, may be called productive; the latter, unproductive labor” (Smith, “WN” 179). This idea of productive labor is all that truly counts for Smith. Labor is the useful work a person does that generates value. It is the toil, the effort, that the worker needs to put in to produce a good or render a service. The work might not be to a worker's liking, but he needs to do it because that is the surer path to economic success. Devoid from this concept of productive labor is any endeavor that fails to produce an external value, even if the engagement gives the person a sense of inner fulfillment (McNutty 346-351). Thoreau's interpretation of value and labor tackles this shortcoming in Smith's definition. Thoreau measured the real value of things by weighing them against his experiences in procuring them (Thoreau, “Walden” 29). Laboring is not slogging to produce wealth but the work done in search of contentment from life. Thoreau finds that “the pleasure of picking (the wood) up by the riverside … is of more value than the warmth it yields” when burned. He is a person for whom “the greatest value of (labor) is received before the wood is teamed home” as it is in the act of cutting the wood that Thoreau finds the real payout of his endeavor (Thoreau, “The Heart of Thoreau’s Journals” 122). Seen this way, Thoreau promotes a relationship with labor that is personally fulfilling and not regimental like Smith’s. As we will see next, this is not the only argument related to labor where Smith and Thoreau are at odds.

Smith’s central point in *The Wealth of Nations* is the positioning of division of labor as the source of “greatest improvement in the productive power of labor,” which in turn promotes economic progress (26). Division of labor is defined as “the separation of a work process into a number of tasks, with each task performed by a separate person or group” (Britannica). Smith argues that division of labor increases the mental faculty of the worker, saves time from switching between processes, and encourages innovation (West 23). A departure from the traditional mode of production where a single person or group is responsible for producing a good end to end (from procurement of raw materials to the final finished product), division of labor calls for a specialization of work where a single task needs to be performed repeatedly by an individual to mass produce. It is important to mention here that in Book V of *The Wealth of Nations,* Smith does discuss some problems associated with the concept, as the repeating nature of any task can demoralize the worker. However, his solution to the problem is not a censure of such repetitive activity but a recommendation to the state to engage the worker in educational and cultural programs (McNulty 361). Smith's stance of keeping the worker's mental well-being secondary to the economic benefit from division of labor finds an active opponent in the voice of Henry Thoreau.

In Thoreau's world, more than the object's market value, its worth comes from the joy it provides in producing or procuring it; hence, alienation from any part of the process was unacceptable to him. He mentions the same in *Walden*:

Shall we forever resign the pleasure of construction to the carpenter? What does architecture amount to in the experience of the mass of men? I never in all my walks came across a man engaged in so simple and natural an occupation as building his house. We belong to the community. It is not the tailor alone who is the ninth part of a man; it is as much the preacher, and the merchant, and the farmer. Where is this division of labor to end? (42-43)

To Thoreau, delegating a job robs him of the pleasure of completing the task by himself. He prefers a type of engagement where he is involved in all aspects of the work and sees it as a physical, intellectual, and spiritual exercise beneficial for the overall well-being of a person. The ideal venture for Thoreau is one in which we “oversee all the details (ourselves) in person: to be at once pilot and captain, and owner and underwriter” (Thoreau, “Walden” 20, Hess). Thoreau thinks that division of labor results in “dehumanization and alienation” and hence, he is critical of the concept (Richardson 168). He makes a case for everyone to be more involved in tasks related to their daily necessities instead of relying on others to get the job done. This suggestion does not come from an unwillingness to support one’s local community economically but from the desire to foster a closer relationship between man and his work. Thoreau not only has a different take on division of labor than Smith but also disapproves of a key message of Smithian economics.

One of the main arguments Smith presents in his works is that wealth unlocks a higher standard of living, leading to a contended and happy (Rasmussen 309). However, Thoreau challenges the whole premise and advocates for adopting voluntary poverty. Smith, in *The Theory of Moral Sentiments*, points out the importance of wealth in enabling a person to fulfill his requirements and desires. The argument is that pleasure associated with leading a

comfortable life creates a strong link between money and happiness. Moreover, people want to avoid poverty because it reminds them of pain and suffering. Hence, “it is chiefly from this regard to the sentiments of mankind, that we pursue riches and avoid poverty” (Smith, “TMS” 62, Rathbone 4). In contrast to Smith, Thoreau has a very different perspective on poverty. A life consumed by the desire to make money prevents a human from becoming truly magnanimous and hinders his moral development (Corsa and Schliesser 256-257). The solution Thoreau proposes is for everyone to opt for voluntary poverty. The idea of voluntary poverty is to “minimize (our) material wants and simplifying the means to satisfy them” because by living a life of few needs, the worries associated with poverty can be overcome (Birch and Metting 589-594). Abandoning activities whose sole aim is to produce wealth, a person should engage in work harmonious with a natural way of living. Leading such a life, a person achieves a higher level of satisfaction than what is provided by money. Thoreau’s statement in his Journal, “What you call bareness and poverty is to me simplicity … It is invariably true, the poorer I am, the richer I am” (Thoreau, “The Heart of Thoreau’s Journals” 168), is a testimony to his belief in the principle of voluntary poverty and present an interesting take on the relation between wealth, poverty and happiness.

The way Smith links wealth and individual well-being serves as motivation for his economic theory. His call for division of labor comes from seeing labor as primarily mechanistic in nature, with the end goal of increasing the overall economic output. Thoreau, too, sees the link between liberty, happiness, and wealth, but instead of promoting a preoccupation with making money, he urges everyone to adopt a minimalistic lifestyle. For Thoreau, the work one does, in addition to meeting his daily needs, should be uplifting for his soul. The above discussion shows that the economic theories of Adam Smith and Henry Thoreau are both based on self-improvement with their own unique take on the meaning of wealth.

Works Cited

Birch, Thomas D., and Fred Metting. “The Economic Design of Walden.” *The New England Quarterly*, vol. 65, no. 4, 1992, pp. 587–602. JSTOR, <https://doi.org/10.2307/365823>. Accessed on 18 Feb. 2023

Britannica, The Editors of Encyclopaedia. "division of labour". *Encyclopedia Britannica*, 27 Feb. 2023, [https://www.britannica.com/topic/division-of-labour.](https://www.britannica.com/topic/division-of-labour.%203) Accessed on 3 Mar. 2023

Constitutional Rights Foundation. “Adam Smith and The Wealth of Nations.” *Bill of Rights in Action*, vol. 23, no. 1, 2007, [https://www.crf-usa.org/bill-of-rights-in-action/bria-23-1-a- adam-smith-and-the-wealth-of-nations.html](https://www.crf-usa.org/bill-of-rights-in-action/bria-23-1-a-%09adam-smith-and-the-wealth-of-nations.html). Accessed on 27 Feb. 2023

Corsa, Andrew J., and Eric Schliesser, 'A Composite Portrait of a True American Philosophy on Magnanimity', *The Measure of Greatness: Philosophers on Magnanimity, edited by* in Sophia Vasalou, Oxford, 2019, https://doi- org.stanford.idm.oclc.org/10.1093/oso/9780198840688.003.0010. Accessed 18 Feb. 2023

Gallagher, Susan E. “Emancipation from the ‘Invisible Hand’: Thoreau’s ‘Economy of Living.’” *Thoreau at 200: Essays and Reassessments*, edited by K. P. Van Anglen and Kristen Case, Cambridge University Press, 2016, pp. 45–56. Cambridge University Press, <https://doi.org/10.1017/CBO9781316146002.005>. Accessed on 18 Feb. 2023

Hess, Karl. “Idiosyncratic Individualist.” *Reason.com*, 1 Oct. 1987, [https://reason.com/1987/10 /01/idiosyncratic-individualist1/](https://reason.com/1987/10%20%09/01/idiosyncratic-individualist1/). Accessed 20 Feb. 2023

Irvine, William B. “The Other Side of Adam Smith.” *Foundation for Economic Education*, 1 Feb. 1990, https://fee.org/articles/the-other-side-of-adam-smith/. Accessed 27 Feb. 2023

McNulty, Paul J. “Adam Smith’s Concept of Labor.” *Journal of the History of Ideas*, vol. 34, no. 3, 1973, pp. 345–66. JSTOR, <https://doi.org/10.2307/2708957>. Accessed 4 Mar. 2023

Rasmussen, Dennis C. “Does ‘Bettering Our Condition’ Really Make Us Better Off? Adam Smith on Progress and Happiness.” *American Political Science Review*, vol. 100, no. 3, Aug. 2006, pp. 309–18. Cambridge University Press, <https://doi.org/10.1017/S0003055406062204>. Accessed on 18 Feb. 2023

---. “Adam Smith on What Is Wrong with Economic Inequality.” *American Political Science Review*, vol. 110, no. 2, 2016, pp. 342–352., doi:10.1017/S0003055416000113. Accessed on 26 Feb. 2023

Rathbone, Mark. "Self-interest, wealth and the Book of Proverbs in the South African context: Towards a Smithian alternative." *HTS Teologiese Studies / Theological Studies*, vol. 75, no. 3, 2019, <https://hts.org.za/index.php/hts/article/view/5123/12359>. Accessed on 9 Mar. 2023

Richardson, Robert D. *Henry Thoreau: A Life of the Mind*. United Kingdom, University of California Press, 1986. Print

Schliesser, Eric. “Weekly Philo of Economics: Our Slavery, Adam Smith and Thoreau.” *New APPS: Art, Politics, Philosophy, Science*, [https://www.newappsblog.com/2012/01/the- secret-cord-bewteen-adam-smith-and-thoreau.html.](https://www.newappsblog.com/2012/01/the-%09secret-cord-bewteen-adam-smith-and-thoreau.html.) Accessed on 10 Feb. 2023

Smith, Adam. *The Essays of Adam Smith*. Edited by James Hutton and Joseph Black, London: Alex. Murry & Co., 1872, [https://www.gutenberg.org/ebooks/58559/pg58559- images.html.utf8.](https://www.gutenberg.org/ebooks/58559/pg58559-%09images.html.utf8.) Accessed 9 Mar. 2023

---. *The Theory of Moral Sentiments*. Penguin Books, 2009. Print

---. *The Wealth of Nations*. Wordsworth Editions, 2013. EBSCOhost, search.ebscohost.com/login.aspx?direct=true&db=e025xna&AN=1023596&site=ehost- live&scope=site. Accessed on 3 Feb. 2023

Thoreau, Henry. The Heart of Thoreau’s Journals. Edited by Odell Shepard, Dover Publications, 1961. Print

---. *Walden: And, On the Duty of Civil Disobedience*. The Floating Press, 2008. EBSCOhost, search.ebscohost.com/login.aspx?direct=true&db=e025xna&AN=313633&site=ehost- live&scope=site. Accessed 3 Feb. 2023

West, E. G. “Adam Smith’s Two Views on the Division of Labour.” *Economica*, vol. 31, no. 121, 1964, pp. 23–32. JSTOR, <https://doi.org/10.2307/2550924>. Accessed on 3 Mar. 2023