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Poor Adam Smith

Anarcho

October 3, 2015

After proclaiming that Britain rejected Labour because it was too left-wing, as smugly asserted as it was false, the right-wing media happily praised George Osborne's first all-Tory budget and its attempt to steal Labour's clothes. The Tories are proclaiming themselves the *real* workers party while simultaneously subjecting actual workers to new restrictions on our ability to organise and defend our interests and reducing their income. They think that re-branding the Minimum Wage the "National Living Wage" will fool enough people.

The rhetoric is astounding in its audacity. Forgetting their own anti-union laws require a secret ballot to take place, they proclaim union "bosses" pronounce strikes. The "unions" go on strike, not the workers who are their membership. Indeed, *elected* union officials are the only people habitually proclaimed "bosses" these days while *actual*, and so unelected, bosses are subject to more pleasing euphemisms like "leader" (accurate descriptions like "Senior Management" are increasingly being replaced by delusional ones like "Leadership Team"). The Tories know that their laws actually *bolster* the power of well-paid union bureaucrats (a far more accurate name than bosses) to stop the strikes needed and desired by their

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members to counter the power and the abuses we face by our employers and managers.

It is clear enough. If a worker knows their place, does what they are told, respects their betters then the Tories will reward the poorest amongst them by increasing the minimum wage (but not by enough to cover the cuts in Tax Credits). If a worker is even slightly rebellious, remembers that they are a person and refuses to sell their liberty along with their labour then the full might of the state awaits them. The road to private serfdom is well travelled.

This is all done in the name of Adam Smith. Yet based on *The Wealth of Nations*, it should be clear that he would have despaired at what has been done in his name and would have been in conflict with the right-wing think tank that has the gall to append “Institute” to his name.

Take, for example, the fact that every year, to quote the *Adam Smith Institute*, it “calculates Tax Freedom Day – the first day of the year when the average person stops working for the government and starts earning for themselves.” This year was May 31st. Yet Adam Smith was very clear that workers do *not* work “for themselves” when they are wage-workers:

“Masters of all sorts... frequently make better bargains with their servants in dear than in cheap and find them more humble and dependent in the former than in the latter... Nothing can be years, more absurd, however, than to imagine that men in general should work less when they work for themselves, than when they work for other people. A poor independent workman will generally be more industrious than even a journeyman who works by the piece. The one enjoys the whole produce of his own industry; the other shares it with his master.”

Our misnamed *Institute* feigns to believe that working for society they are part of (in the shape of taxes) is bad while working for

a boss is equivalent to working for yourself. Unlike Smith, it forgets the grim reality of wage-labour and how it turns workers into servants of a master just as it also forgets that Smith also wrote that “every tax, however, is to the person who pays it a badge, not of slavery, but of liberty”. Moreover, with characteristic and cutting understatement, he noted that it “is not very unreasonable that the rich should contribute to the public expence, not only in proportion to their revenue, but something more than in that proportion.”

Then there is the mantra of the “wealth creators” to whom we must genuflect towards. These all-powerful beings to whom we must bow appear to be fragile creatures who cannot take even the slightest criticism or, for that matter, acknowledgement of reality. They are, in the public discourse, equated to the wealthiest few or, when the speaker is being generous, to all employers. No wealth, it appears these days, is produced by the people who do the work, those who create the actual wealth of the world: products and services.

Strangely this narrative coexists with the demonisation of strikes by transport workers for harming the economy by stopping low-paid workers getting to work. How can this be the case when the “wealth creators” rarely take public transport? If the mantra were anything other than self-serving rhetoric then how could any strike harm the economy?

What of Smith? He was clear that labour (physical *and* mental) applied to nature produced the wealth of nations. In fact, the “produce of labour constitutes the natural recompense or wages of labour.” However, once “stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people... in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials.” Thus the “value which the workmen add... resolves itself in this case into two parts, of which one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced.” Why? Simply because the employer

“could have no interest to employ them, unless he expected from the sale of their work something more” than their wages.

Wealth, in short, does not create itself. *Workers* are the real wealth creators. Thus “the labour of a manufacturer adds, generally, to the value of the materials which he works upon, and of his master’s profit. Thus a “man grows rich by employing a multitude of manufacturers”. This implies that their “interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible.” Smith also noted how masters make “better bargains” when workers are “more humble and dependant”.

Which brings us to the Tories new proposed anti-union laws. The new Business Secretary, Sajid Javid, was keen to quickly proclaim his “free market” credentials by denouncing “rules and regulations” by the state on companies. Yet, simultaneously, he is seeking to create new rules and regulations for the voluntary, democratic organisations of labour. Why? He explained: “We are clearly on the side of business”. The contraction is as palpable as it is oblivious to the average Tory.

What of Adam Smith? “Whenever the legislature attempts to regulate the differences between masters and their workmen,” wrote Smith, “its counsellors are always the masters. When the regulation, therefore, is in favour of the workmen, it is always just and equitable; but it is sometimes otherwise when in favour of the masters.” Unsurprisingly, then, there are “no acts of parliament against combining to lower the price of work; but many against combining to raise it.” The Tories have, since 1979, been keen to proclaim the “free market” while passing act after act of parliament to make it harder for workers to combine to keep more of the value we create in our own hands, to lower the amount we have to “share” with our employers.

The results are as obvious as they are predictable. While the Tories proclaim the need is to reward “hardworking” families the reality is, due to the anti-union laws, most of us work hard because our wages are too low. Indeed, the tax credits the Tories wish to end

labour, which involves the negation of political economy and the end of property.”

ing the embarrassment of the Tories of the 1980s with unemployment of seeing rising figures and then having to adjust the criteria to artificially lower them.

If the *Adam Smith Institute* were serious in honouring the memory of Smith then they would be calculating not Tax Freedom day but Wage Freedom day – the day when workers started to work for themselves rather than “share” the product of their labour with capitalists, landlords and bankers. It would be denouncing the Tories plans to further regulate the labour market by quoting Smith on how those regulations are in the interests of the masters and not the servants. It would also be protesting the state-enforced privileges of limited liability for joint-stock companies.

It is unlikely to do that for would defeat its purpose which is not to defend freedom but rather capitalism. “The justice that Adam Smith would like to establish,” Proudhon wrote in the conclusion of *System of Economic Contradictions*, “is impracticable in the regime of property.” He quoted Smith on the root of this impracticality:

“In that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him.

“Had this state continued, the wages of labour would have augmented with all those improvements in its productive powers to which the division of labour gives occasion. All things would gradually have become cheaper. They would have been produced by a smaller quantity of labour”

Genuine libertarians wish to ensure that workers do not “share” the product of our labour with the owning class by reuniting workers with their means of production or, to quote Proudhon, “a solution based upon equality – in other words, the organisation of

exist to countermand the fall in wages as a share of GDP that has accompanied Thatcher’s neo-liberal revolution. Least we forget, workers kept between 58% and 64% of the wealth we create in the 30 years leading up to 1979. Since then it has gone steadily down to its current 51% – a figure which classes as “pay” the large (and increasing) wages of a company’s Chief Executive Officers when it should, more accurately, be included in profits (as a reward for prioritising shareholders over employees or investment).

This is unsurprising for to regulate strikes is to regulate wages. “Whenever the law has attempted to regulate the wages of workmen,” Smith stated, “it has always been rather to lower them than to raise them.” The rise of the Minimum Wage promised by the Tories is less than that possible if workers withdrew our labour in pursuit of a better life, a decision which is ours alone and should be governed by the rules of our own voluntary and democratic associations and *not* the capitalist state.

Yet this appropriation of Labour’s clothes produced much grumbling by employers. Smith would not have been surprised: “Our merchants and masters complain much of the bad effects of high wages in raising the price and lessening the sale of goods. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people” for “high profits tend much more to raise the price of work than high wages.” Smith’s world-view is alien to our bosses:

“Servants, labourers, and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconvenience to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the

whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged.”

It must be remembered that when Smith was writing Parliament was elected by a tiny minority, the wealthiest property owners. Legislation, in such circumstances, could be expected to favour their interests against the general population and so the less regulation the better for the many. In the case of the Tories and their bosses charter, the less regulation of organised labour the better for, as Smith suggests, the state is hardly neutral:

“the inequality of fortune... introduces among men a degree of authority and subordination which could not possibly exist before. It thereby introduces some degree of that civil government which is indispensably necessary for its own preservation... to maintain and secure that authority and subordination... to defend their property and to support their authority. Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.”

Unsurprisingly, the fall in labour’s share in national income has produced increasing poverty and lower social mobility. Before the crisis, back in 2007, Cameron proclaimed that we “can make British poverty history, and we will make British poverty history.” The year before he had opined, rightly for once, that “poverty is relative – and those who pretend otherwise are wrong”. He wanted “this message to go out loud and clear: the Conservative party recognises, will measure and will act on relative poverty.”

Fast-forward to 2015 and Cameron’s Conservative party decided to abolish the Child Poverty Act which was based on the interna-

tional poverty measure of people living at less than 60% of a nation’s median income. Why? Because its’ relative measure has been discovered to be unsuitable. So poverty is now no longer related to income and so the 64% of children formerly considered to be poor disappear and no longer bother the government even if they have to visit the local food bank.

Who would have guessed that this would have done by simply abolishing child poverty targets? Anyone with a brain in their heads (because he is a Tory and anyone who believed him clearly has not been paying attention). Relative income is what counts. How else to judge a society’s progress? Measuring a British child against one in Afghanistan or one living in the Middle Ages? As Smith, recognised that poverty is a relative and not absolute thing:

“By necessities I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. A linen shirt, for example, is, strictly speaking, not a necessary of life. The Greeks and Romans lived, I suppose, very comfortably though they had no linen. But in the present times, through the greater part of Europe, a creditable day-labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty which, it is presumed, nobody can well fall into without extreme bad conduct...Under necessities, therefore, I comprehend not only those things which nature, but those things which the established rules of decency have rendered necessary to the lowest rank of people.”

We can safely assume that the Tories pretence is a proactive act to mitigate the impact of their policies by hiding it as well as avoid-