

?We built it together, Mr President, through the division of labour.? [1]

Type: [Think Pieces](#)^[2] Written by **Stephen MacLean** | Wednesday 1 August 2012



Friday the thirteenth wasn't kind to Barack Obama. In a speech in Roanoke, Virginia earlier this month, it was the American president's bad luck to proclaim a howler heard round the world: *'If you've got a business ? you didn't build that. Somebody else made that happen.'* ? An affront to sound economics and Adam Smith, for whom Malthus's ?dismal science? was instead a path to personal freedom and prosperity for all.

Obama privileges ?corporate? co-operation at the expense of individual achievement. It's not that he emphasises the benefits of civil society where we come together voluntarily for mutual benefit, which is a good thing. No, when he says ?we succeed because of our individual initiative, but also because we do things together?, the subtle message is that we are a means to a communal end greater than ourselves, for ?if you were successful, somebody along the line gave you some help.?

Government is at the apex of this ?you're not on your own, we're in this together? pyramid, as evidenced by the President's redistributive tax policy. By no means was Adam Smith a private property anarchist, for in *The Wealth of Nations* he acknowledged ?the duty of erecting and maintaining certain publick works and certain publick institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain (IV.ix.51).? Such is the theme of Book V of this great work, ?Of the Revenue of the Sovereign or Commonwealth? (which occasions opprobrium from contemporary libertarians). Rather, it was the State's coercive tax policies in aid of social justice to which Smith objected:

The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society (Ibid.).

Until singled out by Smith, the unheralded champion of the poor was the division of labour. ?The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgment with which it is any where directed, or applied, seem to have been the effects of the division of labour (I.i.1).? We cannot ourselves fashion all the necessities which life requires (though Smith would prefer the term ?wants?), but instead produce goods and services for which we excel and exchange them with others who

have exploited their own particular aptitudes. "It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy (IV.ii.11)," noted Smith.

What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage (IV.ii.12).

By disparaging "outsourcing" in favour of "insourcing", President Obama is obviously not an apt student of the Kirkcaldy professor. Goods are not brought forward on the market because of altruistic motivations "nor by State diktat" but rather because the self-interest of one leads to well-being for another. "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest," Smith wrote. "We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages (I.ii.2)."

In addition, it is the surplus product from the division of labour which serves to propel production models forward, in financing labour-saving devices or investing in innovative methods that may revolutionise current production or lead to the development of entirely new products: "It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people (I.i.10)."

Burdensome taxes which exceed those necessary for Smith's "certain publick works and institutions" reduce this surplus, and redirect it to schemes for redistribution and social justice. "The statesman, who should attempt to direct private people in what manner they ought to employ their capitals," Smith warned, "would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever (IV.ii.10)."

Moreover, this meddling from on high defeats the purpose of helping those who are low, for surplus is the answer for alleviating poverty, for which, [writes Eamonn Butler](#) [3], "Smith asserts is an essential condition for economic progress?:"

The creation of surpluses makes exchange and specialisation possible. This specialisation helps build even greater surpluses, which in turn can be reinvested in new, dedicated, labour-saving equipment. It is a virtuous circle. Thanks to this growth of capital, prosperity becomes an expanding pie: one person (or one nation) does not have to become poorer in order for another to become richer. On the contrary, as wealth expands, the whole nation becomes richer [see II.3-4].

When abused on behalf of the clientele of the Welfare State, however, this circle becomes vicious. "Such people, as they themselves produce nothing, are all maintained by the produce of other men's labour," Smith observed.

Those unproductive hands, who should be maintained by a part only of the spare revenue of the people, may consume so great a share of their whole revenue, and thereby oblige so great a number to encroach upon their capitals, upon the funds destined for the maintenance of productive labour, that all the frugality and good conduct of individuals may not be able to compensate the waste and degradation of produce occasioned by this violent and forced encroachment (II.iii.30).

Having blundered on the big questions, it's no wonder that Obama caricatured Republican policies based on free-market principles as merely "They've got the tax cuts for the high end, and they've got rollback regulation."

Writing against the mercantilists and cronyism of his time, Smith argued that government's principal function was to establish a system of necessary laws and to allow the marketplace free reign. "All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord," he advised. "Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men (IV.ix.51)."

Smith would hardly be surprised that politicians continue to distort economic policy for partisan gain; "They are themselves always, and without any exception, the greatest spendthrifts in the society (II.iii.36)."

President Obama's policy of high taxation on the real job creators, to fund his spurious job creator "the State" is a well-worn political trick. Fortunately, defenders of liberty have as a foil their well-thumbed copies of *The Wealth of Nations*.

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