

On Justitia's Scale:

Private Interests and Collective Welfare

Yawer Ijaz

Introduction

Human civilisation is composed of innumerable individuals, countless interest groups and social strata, with each of them following one basic instinct—to maximise their own well-being by obtaining as many benefits as they can and averting as much cost as possible. Unfortunately, for one to improve one's life, competing with others is unavoidable. Competition, by definition, means the winners get something at the expense of others. The good news is that competition among people is not a constant-sum game; that is to say, theoretically, if we can reallocate resources, rights, and duties in a certain way, the humankind may benefit maximally. In the most ideal case, the individual's interest and collective welfare do not outbalance each other.

Consulting works by Huang Zongxi, Jean-Jacques Rousseau, and Adam Smith, the essay will address the problem of personal and collective interests from two perspectives, namely, (1) the political problem of multiple identities, and (2) the economic problem of goods allocation. In the first part of the essay, we want to investigate a dilemma faced by the head of a state: to perform duties owed to the state as its ruler and to address desire for a better living as a human being. We would like to find a method to ensure

the integrity of rulers so as to reduce the likelihood of their self-interest jeopardising collective welfare, and to reasonably compensate them for their effort. In the second part of the essay, we will discuss the more general economic problem, namely, how to allocate rights, duties, resources and wealth in order to maximise overall societal well-being. The coordination of social welfare and private interests will also be examined.

Struggling Ruler of a State

In different civilisations, be it ancient or modern, power is what the aggressive ones always pursue. Inevitably, the ruler of a state does not only play the role of a ruler. He is also a pleasure-driven human beings, bound by emotions and self-love; he is also obliged to his family. It is conceivable that these obligations may contradict one another, and when it so happens, the ruler will be like standing at the fork of the road. We may call this the problem of multiple identities.

Huang's Confucian school

In Huang's view, a ruler's duty to the state is huge. The emperor is never an easy role to play. He should not rule in accordance with his own interest, but with the interest of all.¹ His returns may not be proportionate to the "sweat and blood" he dedicates. He is supposed to be a selfless coordinator and arbitrator of the state. His officials are naturally obliged to both the ruler and to the benefits of the people, the so-called "All-under-Heaven."

Huang proposes a solution to the problem by assigning an advisory role to "schools." In his ideal, Confucian scholars should serve as consultants and

1 黃宗羲，〈明夷待訪錄〉〈原君〉。

critics of the state, offering political advice to the emperor and his officials on a monthly basis. Through debates and reasoning, the “school” may uncover the blind spots and mistakes in current governance.² Therefore, the likelihood of the emperor or officials exploiting their power for the sake of their private interest is reduced.

The highest principles drawn up by Rousseau

Huang’s western counterpart, Rousseau, explains the nature of the executive branch of the state in Book III, and the nature of the legislature in Book II. I will only discuss the job of the legislators here. The best legislators, according to Rousseau, should have the intelligence of “beholding all the passions of men without experiencing any of them.” They need to decide what is good for the state and are responsible for reallocating resources for the people. The legislators should work independently, not only serving certain interest groups in society, for the sake of justice. This principle is to forbid concurrent command over both the law and man.³

Different from Huang’s idea that the emperor is still superior, Rousseau’s theory about politics assumes there is an ever-righteous General Will. Rousseau’s solution to the problem is based on this belief. He argues that the General Will is the only binding force that can be exerted on the individuals, so a law bill drawn by however intelligent a legislator represents the particular will of an individual and cannot become law unless authorised by the sovereignty. The separation of the power of drawing a law bill from the power of legislation will therefore prevent the legislator from imposing his self-interest and impeding the collective welfare. Because General Will is

2 *Ibid.* 〈學校〉.

3 Rousseau, *The Social Contract*, Book II, Chapter VII "The Legislator".

the aggregation of many individual wills, it is possible to verify if a law bill proposed is in line with the General Will by consulting the citizens' opinions, e.g. by free vote. When law bills are widely supported and scrutinised by the citizens, one can be assured that the social welfare is not impeded by the legislators' private interest.⁴

Discussion

I believe Huang's proposal is a great advancement in China's political history, for the pioneering idea that the emperor's performance should be scrutinised thoroughly is raised. However, I cannot persuade myself to fully trust such a system, in which one may spot a number of weaknesses.

Firstly, the "school" is merely an advisory body, rather than a body that possess concrete authority to limit the emperor's power—for example, a law bill proposed by the emperor does not need to seek the endorsement of the "school." To ensure that the policies adopted by the emperor are beneficial to the state, there must be a mechanism to effectively veto unsatisfactory ones even when the emperor obstinately insists on them due to selfish concerns, misinformation or any other reasons. Because it is much more unlikely that the whole "school" is misinformed, so having a more empowered "school" is a much safer mechanism in terms of preventing wrong policy-making.

Another shortcoming of this system is that the decision of the "school" may not be very objective. Given the nature of the "school," the outcomes of the discussion are purely the product of intellectual deduction occurring in the Confucian scholars' heads, who may not be very experienced in politics and less pragmatic in thinking. When it comes to a debate about taxation policies,

4 *Ibid.*

Confucian scholars are not in a better position than the officials who are more familiar with crops yields to make sound judgment. Furthermore, their debates may heavily rely on ancient Confucian teachings, which may not have appropriate application in current issues and everyday politics. The reason is that Confucian teachings are not primarily built for aiding governance, but for educating people to follow the moral doctrines and advocating a more proper social order. A more reliable and practical guideline, like a modern day constitution, should be used as the basis for debate.

The legislation system suggested by Rousseau has a significant advantage that Huang does not seem to acknowledge. To safeguard the state from wrongful governance of the rulers, Rousseau proposes what I will call the equivalent of an electrical fuse. Because there is a higher guidance over the legislator, namely the General Will, when the personal interest of the legislator overrides his judgment of national policies, the people may exercise their power to prevent the law bill from being passed. The General Will, then, may function like the fuse that breaks the electric circuit when the current gets too large. Under normal circumstances, this fuse can effectively prevent the collective welfare from being endangered. In contrast, Huang seems to discourage checks and balance within the society.⁵ Therefore, if a state is to choose between the two proposed political systems, Rousseau's one may be a better choice.

Many Fingers in a Pie: The Economic Question

Putting the political system aside, a society stills has a lot of conflicts and confrontation within: from the bargain between the roadside hawker and the

5 黃宗羲，〈明夷待訪錄〉〈原法〉。

fish-ball buyer, to the compromise on the recently proposed health insurance plan among different stakeholders. In order to balance the self-interests of individuals and the collective welfare of society as a whole, a framework needs to be established to weigh the costs and benefits to each member to attain the best possible overall well-being.

Rousseau's view

Rousseau has put his thoughts about the relationship between individuals and the state in a concise statement:

Each of us puts his person and all his power in common under the supreme direction of the general will, and, in our corporate capacity, we receive each member as an indivisible part of the whole.⁶

This may translate into the notion that an individual submits part of himself and some of his deserved interests to the state's (sovereignty's) control, and that each individual takes over some benefits from the state as a whole. In Rousseau's terms, this is equivalent to trading natural liberty for civil liberty.⁷ Rousseau's argument centers on the notion that the "sovereignty," which is the ultimate expression of General Will, or the aggregation of many individuals' private will, should serve as a highest guide for citizens living in a state. He then argues that, under the assumption of adequate knowledge of citizens, the General Will balances out the opposing private interests and maximises the

6 Rousseau, Book I, Chapter VI "The Social Compact".

7 *Ibid.*, Book I, Chapter VII "The Sovereign".

overall well-being of the state, so private interests and collective welfare will automatically be best distributed.⁸

Rousseau says in order to attain such a state, the law plays an essential role as it gives the state "movement and will." The law defines all the rights of an individual, matching with his duties. This would secure the rights and interests of the just against the greed of the wicked.⁹ What follows is that to balance private interests and social welfare is to author a set of laws and conventions that clearly defines the rights and duties of each individual.

Smith's invisible hand

In Smith's view, the self-interest of each individual is naturally a part of the collective welfare, but the more intriguing argument is that self-interest enhances the collective welfare. He uses the butcher, the brewer and the baker as examples. He reasons that what drives them to produce the goods is not benevolence, but their self-love, their own interest and desire for wealth.¹⁰ Through trading with one another, self-loving individuals will benefit others without intentions. Another example of this is the encouragement of division of labour. Because division of labour improves productivity, output will increase, which brings more profits to the sellers. This is the primary motivation of division of labour. However, the effects are not limited to the increase in profits. It will benefit the society as a whole by providing more goods to consume. Therefore, a free market, through encouraging free trade, which is driven by private interest, will promote social welfare.

8 *Ibid.*, Book II, Chapter III "Whether the General Will is Fallible".

9 *Ibid.*, Book II, Chapter VI "Law".

10 Adam Smith, *The Wealth of Nations*, Book I, Chapter V "On the Principle which gives occasion to the Division of Labour".

Smith also mentioned some aspects that excessive self-love may diminish the collective welfare. Take monopoly power as an example. If a self-loving seller monopolizes the market, he will probably exploit the opportunity to earn more profit. He may deliberately limit the stock for sale and sell the good above the “natural price.” Because the total amount of goods available for society to consume is reduced, the utility derived from goods, and thus the collective welfare is reduced.¹¹ A similar result may be observed when collusion exists. As described in Chapter X of Book I, people in the same trade may meet and compromise with each other to raise prices. Smith clearly does not think this is a healthy phenomenon and thinks this should not be encouraged.¹² One may formulate similar arguments on the monopoly power of employing workers, with which the workers’ interests may be harmed and collective welfare may be damaged.

In a nutshell, Smith describes the intertwined nature between private interests and social welfare—depending on the context, self-love may promote and deteriorate social welfare.

Discussion

To solve the economic problem, I believe the more practical theory of Smith is stronger. The sovereignty concept put forward by Rousseau is extremely robust, but a problem arises: because sovereignty is unobservable, who apart from God can allocate rights and duties justly according to the unseen doctrine of justice? I am afraid that the likelihood of the state becoming too utilitarian and failing to respect individual liberty and

11 *Ibid.*, Book I, Chapter VII "On the Natural and Market Price of Commodities".

12 *Ibid.*, Book I, Chapter X "On Wages and Profit in the different Employments of Labour and Stock".

property rights cannot be ruled out. The general will, which relies heavily on the reason of humankind, may be tremendously distorted when people are excessively affected by self-interest. The state may be prone to be populist and totalitarian.

Smith's theory, on the other hand, does acknowledge that collective welfare is not negligible, and meanwhile also pays great attention to private interest. In his theory, he persuades readers that collective welfare and self-interest are not unrelated, but closely interdependent matters. From these arguments, Smith's theory may better clue us in on how to coordinate each person's private interests and the public well-being.

Smith is known as a strong free-market advocate; a free market encourages free trade and minimal government control. However, in an unregulated market, dishonest practices and collusion, as considered by Smith, may easily occur. Does it imply that a free market is not an effective means to balance private interests and social welfare?

Milton Friedman, a contemporary free-market advocate, addresses this challenge by specifying the responsibilities of businesses:

There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.¹³

Under his specification about the rules of the game in a free market, a firm should not engage in collusion or be tolerant of dishonest practices. In a

13 Milton Friedman, "The Social Responsibility of Business is to Increase its Profits."

free market with just adequate government supervision on malpractices, the “invisible hand” should work smoothly.

Conclusion

This essay has examined the three thinkers’ approaches to setting equilibrium between private interests and social welfare. Regarding Huang’s proposal to establish a system that utilises a Confucian “school” to aid governance, it is argued that this approach does not solve the problem of the ruler’s multiple identities, and that the “school” has no concrete authority over policy-making while the Confucian scholars may not be well trained in solving everyday operational problems.

Rousseau’s notions of “sovereign” and “General Will” are useful in establishing a system that prevents the legislators from passing law bills that promote private interests of particular interest groups at the expense of the collective welfare. He suggests separation of the rights of legislation from the rights of drafting the bills, and that law bills cannot be passed as laws until being put to the free vote of the people.¹⁴ However, it has been shown that this notion, if relied on to allocate resources and goods, can be dangerously utilitarian under some circumstances.

Smith provides a comprehensive analysis of the intertwined relationship between private interests and social welfare. One can be convinced that, given that fraud and deception are prohibited, free trades among people, which root from private interests, do facilitate an effective allocation of goods and resources in an economy. The outcome of a free market, after all, promotes the overall welfare of society.

14 Rousseau, Book II, Chapter VII "The Legislator".

References

- Friedman, Milton. "The Social responsibility of Business is to Increase its Profits," *The New York Times Magazine*. 13 September 1970. Accessed 15 July, 2011. Available from <http://www.umich.edu/~thecore/doc/Friedman.pdf>.
- Rousseau, Jean-Jacque. *The Social Contract*. Tr. G.D.H. Cole. Accessed 15 July, 2011. Available from <http://www.constitution.org/jjr/socon.htm>.
- Smith, Adam. *The Wealth of Nation*. Accessed 15 July, 2011. Available from <http://www.marxists.org/reference/archive/smith-adam/works/wealth-of-nations/index.htm>.
- 黃宗羲，《明夷待訪錄》。取於2010年7月15日。取自<http://lib.jmu.edu.cn/departments2/magazine/philosophyol/index-37.html>.

* * * * *

Teacher's comments:

"On Justitia's Scale: Private Interests and Collective Welfare" is a piece that may bring a smile to Aristotle because it is written with a good sense of the audience. The exposition is focused and structured throughout, and it engages readers with three stunning images—the goddess of justice weighing self-love against common good (essay title), the "struggling ruler" of "multiple identities" torn between personal obligations and public duties (first half of essay), and the "many fingers in the pie" that translate into Rousseau's General Will and subsequently regulated by Smith's "invisible hand" (latter half of essay). The essay makes us wonder: Are Huang's ideal "schools" dubious and unrealistic? Can General Will be the "electric fuse that

breaks the circuit” when a legislator is driven by self-interest to pass a law? Is supervision on business malpractices sufficient government intervention to ensure free and open competition in the market? (Julie Chiu)