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The Invisible Hand and the General Will: Rethinking Social Well-being

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Abstract :
What does it truly mean for a society to prosper? At first glance, prosperity may appear to consist in producing more, generating wealth, and improving material conditions. Yet this definition is insufficient when economic growth coexists with deep inequality, relations of dependence, or unequal access to the benefits of production. This article places Adam Smith and Jean-Jacques Rousseau in dialogue in order to examine the relationship between economic prosperity and social well-being. Smith explains how the division of labor, exchange, and the pursuit of individual improvement can expand productive capacity; Rousseau directs attention to freedom, the general will, and the conditions of legitimate political association. Through a conceptual comparison and an exploratory analysis of six representative economies—Denmark, the United States, Germany, the Republic of Korea, Costa Rica, and Mexico—the article argues that wealth creation is necessary but not sufficient for social prosperity. GDP per capita, inequality, and life expectancy reveal different combinations of material capacity and socially shared outcomes. The cases do not prove the doctrines of either thinker; rather, they show the contemporary relevance of their combined questions. Prosperity is more adequately understood as the institutional conversion of productive capacity into broadly accessible capabilities under conditions citizens can regard as legitimate.

Keywords: *Adam Smith, Jean-Jacques Rousseau, social well-being, economic prosperity, general will, inequality, representative economies.*

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I. INTRODUCTION

The concept of social prosperity remains contested due to its inherent ambiguity. Economically, prosperity is frequently linked to increased production, income growth, expanding trade, and the availability of goods and services. Within this framework, societies that generate greater wealth are typically regarded as more prosperous. However, this perspective is limited, as economic growth may occur alongside structural inequalities, adverse working conditions, dependency relations, and unequal access to the benefits it generates. A society may accumulate substantial wealth while not all members experience equivalent levels of well-being. This situation raises a fundamental question: for what purpose and for whom is wealth produced? Addressing this issue requires a joint consideration of Adam Smith and Jean-Jacques Rousseau, not merely as representatives of individualism and collectivism, but as theorists of two essential dimensions of social order: productive coordination and legitimate association.

Smith examines the division of labor, specialization, exchange, and the institutional conditions that enable individuals to pursue self-improvement within a broader commercial order [1]. In contrast, Rousseau investigates how individuals may join a political community without relinquishing their freedom to the arbitrary will of others, identifying the general will as an orientation toward the common interest rather than the aggregate of private preferences [2]. Recent scholarship demonstrates that the intellectual relationship between these authors is more nuanced than the conventional dichotomy of defender versus critic of commercial society suggests [3], [4].

The central thesis of this article is that while wealth creation constitutes a material condition for social well-being, the social significance of wealth is determined by the institutions responsible for its production, distribution, and transformation into effective opportunities. To substantiate this argument, the article integrates conceptual analysis with a limited comparative approach. The empirical comparison serves an illustrative, rather than causal, function by employing current cross-national indicators to assess the adequacy of output as a sole measure of prosperity and to identify institutional patterns interpretable through Smithian and Rousseauian frameworks.

II. THEORETICAL BACKGROUND

2.1 Between Wealth and the General Will

Rousseau and Smith were prominent figures of the Enlightenment who critically examined the economic, moral, and political changes brought about by the rise of commercial society. While a cursory interpretation might suggest that Smith emphasizes individual interest and Rousseau emphasizes collective interest, the fundamental distinction between them is analytical. Smith investigates how decentralized activities can be coordinated and rendered productive, whereas Rousseau explores the conditions under which collective power can be exercised without reducing citizens to dependents of particular wills.

In The Wealth of Nations, Smith argues that the division of labor enhances productivity by increasing dexterity, saving time, and fostering invention [1]. However, specialization also generates interdependence, as individuals depend on exchanges with others whose objectives may differ. The metaphor of the invisible hand illustrates the potential for actions motivated by private interest to produce unintended social benefits under certain conditions. Nevertheless, this concept does not imply that all private pursuits are socially advantageous, nor does it eliminate the necessity for justice, public works, education, or regulations against collusion and privilege.

This qualification is further clarified alongside The Theory of Moral Sentiments. Smith's conception of the individual is not that of an isolated maximizer, but rather a relational being endowed with sympathy, judgment, self-command, and a sense of propriety [5]. The impartial spectator provides a moral perspective that evaluates actions beyond immediate self-interest. Consequently, Smith's vision of commercial society depends on moral habits and institutions that markets alone cannot generate.

Rousseau's analysis begins with the issue of dependence. In the Discourse on Inequality, he differentiates between natural differences and moral or political inequality, illustrating how property, comparison, and social esteem can create relationships in which some individuals become dependent on the will of others [6]. In The Social Contract, the general will is defined not as the will of a ruler, faction, or temporary majority, but as the shared orientation adopted by citizens when deliberating as members of the political community [2]. The normative aim of the general will is to reconcile social association with individual freedom, asserting that obedience is legitimate only when the law articulates a public rule to which all citizens are equally subject.

These two frameworks highlight distinct forms of societal failure. A society fails in the Smithian sense when privilege, monopoly, inadequate education, or institutional dysfunction inhibit productive cooperation. In contrast, failure in the Rousseauian sense occurs when concentrations of wealth and power enable private interests to dominate public decision-making or render citizens materially dependent. Smith's discussions of virtue and prudence challenge simplistic portrayals of unrestrained self-interest [7], and recent scholarship underscores that his understanding of national welfare encompassed issues such as poverty, education, and the role of the state [8]. Rousseau's critique, likewise, addresses not equality as uniformity, but rather inequalities that are sufficiently severe to erode social standing and individual freedom [9].

The primary conceptual connection between Rousseau and Smith lies in the role of institutions. Markets facilitate the coordination of dispersed activities and increase the availability of goods, whereas political institutions establish rights, supply public goods, address domination, and determine whether citizens perceive the social order as shared rather than imposed. The concepts of the invisible hand and the general will represent distinct mechanisms, and neither alone offers a comprehensive account of well-being. Interpretations that situate Smith within moral philosophy further reinforce this non-reductionist perspective on commercial society [10].

III. DEVELOPMENT

3.1 An Integrated Analytical Framework

The proposed framework identifies three interconnected dimensions of prosperity. The first is productive capacity, defined as a society's ability to organize labor, knowledge, exchange, and investment to expand material resources. Smith directly illuminates this dimension; the second is distributive accessibility, the extent to which the benefits and risks of production are shared rather than concentrated. The third is civic legitimacy, meaning the degree to which the rules governing economic life protect equal standing, public voice, and freedom from arbitrary dependence. The latter two dimensions reflect Rousseau's concern with the conditions necessary for a political association to be genuinely considered common.

This framework does not presuppose that equality and efficiency are inherently opposed. Certain inequalities may arise from specialization, innovation, or differentiated responsibility; the critical issue is whether these inequalities expand general opportunities or reinforce domination. Likewise, collective decision-making is not inherently valuable solely due to its collective nature. According to Rousseau, a factional agreement may represent the will of all participants without reflecting the general will. Thus, the institutional challenge is twofold: to maintain incentives and coordination while ensuring that economic power does not allow exemption from common rules or undermine citizens' substantive independence.

The framework also incorporates the capability approach. Sen contends that development should be assessed by the substantive freedoms individuals have reason to value, rather than solely by income or commodities [11]. Nussbaum elaborates that dignity relies on genuine opportunities in domains such as health, education, affiliation, and political participation [12]. These perspectives provide a contemporary vocabulary for addressing the conversion problem implicit in the Smith–Rousseau dialogue: how can national productive capacity be translated into what citizens can actually lead? The critique of GDP as a sufficient measure of welfare similarly supports integrating production, distribution, and quality-of-life indicators [13].

3.2 Comparative Design and Case Selection

The empirical component consists of a structured, exploratory comparison rather than an econometric test. Six economies were selected to capture institutional and regional diversity. Denmark exemplifies a high-income Nordic welfare state. The United States serves as a liberal market economy with substantial productive capacity. Germany represents a coordinated market economy. The Republic of Korea illustrates a developmental trajectory focused on industrial transformation and human-capital investment. Costa Rica provides a Latin American example with comparatively strong social outcomes relative to income. Mexico is included as a large upper-middle-income economy characterized by integration into international production networks, persistent inequality, and uneven social provision.

The selection draws on the varieties-of-capitalism literature, which demonstrates that advanced economies coordinate firms, labor, finance, and skills through distinct institutional arrangements [14]. It is also informed by welfare-regime analysis, which highlights varying approaches to distributing social risks among markets, families, and states [15]. These typologies are not regarded as fixed categories. Rather, they provide a framework for understanding how similar market mechanisms can yield different social outcomes when embedded within diverse systems of bargaining, taxation, education, health care, and political representation.

The analysis uses three indicators. GDP per capita at purchasing-power parity, measured in constant 2021 international dollars, approximates average productive capacity and improves comparability across price levels. The Gini index summarizes income or consumption inequality on a scale from 0 (perfect equality) to 100 (maximum inequality). Life expectancy at birth is used as a broad, interpretable outcome influenced by income, public health, education, the environment, and social protection. GDP and life expectancy to 2024. Because international data are not synchronized, the most recent Gini index observation between 2021 and 2024 is reported for each country. The data were obtained from the World Bank's World Development Indicators [16]. The table explicitly notes this temporal asymmetry to avoid misrepresentation through artificial interpolation.

3.3 Reading the Cases Through Smith and Rousseau

Denmark demonstrates that a productive market economy can coexist with extensive risk sharing and relatively low measured inequality. From a Smithian perspective, competitive specialization and openness facilitate wealth creation. In contrast, a Rousseauian perspective emphasizes that universal institutions and broad fiscal reciprocity reduce reliance on private benevolence and enable citizens to experience public provision as a collective institution. While the Danish model does not perfectly realize a general will, it illustrates that market coordination and collective provision are not inherently mutually exclusive.

The United States exhibits the highest GDP per capita among the cases considered, but also the highest Gini coefficient and a lower life expectancy than Denmark, Germany, or Korea. Its productive dynamism aligns with Smithian mechanisms such as specialization, innovation, and exchange. However, the gap between economic output and social outcomes raises Rousseauian concerns regarding unequal influence, exposure to social risks, and the extent to which formal freedom is accompanied by substantive independence.

Germany exemplifies a coordinated form of capitalism, where vocational training, firm networks, labor institutions, and social insurance mediate market relations. Korea demonstrates that rapid industrialization and global integration can be combined with sustained investment in education and health, resulting in the highest life expectancy among the cases compared. Both examples caution against equating Smithian principles solely with deregulation, as productive coordination can be institutionally structured in multiple ways, and public capacity may complement rather than replace markets.

Costa Rica is particularly instructive, as its GDP per capita is significantly lower than that of the four high-income cases, yet its life expectancy surpasses that of the United States and Germany in the reported year. Long-term investments in health and education provide a plausible institutional explanation for this outcome. However, its relatively high Gini coefficient cautions against idealizing aggregate social achievements. Mexico illustrates a different challenge: industrial integration and a substantial productive base coexist with higher inequality and the lowest life expectancy in the sample. In both Latin American cases, the central issue is not merely the existence of markets, but rather how productive gains interact with informality, fiscal capacity, regional disparities, and access to public goods.

IV. RESULTS

4.1 Comparative indicators

Table 1. Selected indicators of productive capacity, inequality, and social outcomes. GDP is expressed in constant 2021 international dollars.

Economy	GDP per capita, PPP	GDP year	Gini index	Gini year	Life expectancy
Denmark	71,035	2024	29.9	2023	82.25
United States	75,698	2024	41.8	2024	78.89
Germany	62,655	2024	33.7	2022	80.79
Korea, Rep.	55,071	2024	32.9	2021	83.63
Costa Rica	27,325	2024	45.8	2024	81.00
Mexico	21,970	2024	42.6	2024	75.26

Table I demonstrates the primary analytical distinction. Country rankings based on economic output do not align with those based on equality or longevity. Although the United States ranks highest in GDP per capita, Denmark exhibits lower inequality and approximately 3.4 more years of life expectancy. Korea generates less output per capita than the United States but achieves nearly 4.7 additional years of life expectancy. Costa Rica, with approximately 36 percent of U.S. GDP per capita, attains a life expectancy about 2.1 years higher.

These disparities cannot be attributed to a single institution; however, they are sufficient to challenge the use of GDP per capita as a comprehensive measure of social well-being.

4.2 Patterns and Interpretive Findings

Four principal findings arise from this comparison. First, productive capacity is significant: high-income countries generally achieve greater longevity, and severe material scarcity limits the potential for institutional well-being initiatives. Second, the conversion of resources into social outcomes varies. Comparable levels of economic output may result in markedly different distributions and social outcomes, as evidenced by the contrast between the United States and Denmark. Third, public and coordinated institutional arrangements can coexist with strong productive performance. Denmark and Germany exemplify models that transcend a simple dichotomy between markets and social protection, while Korea demonstrates the long-term benefits of institutional investment for development. Fourth, social outcomes do not correspond directly to income levels. Costa Rica's experience indicates that policy priorities and institutional continuity can partially compensate for a limited resource base, although significant inequality persists.

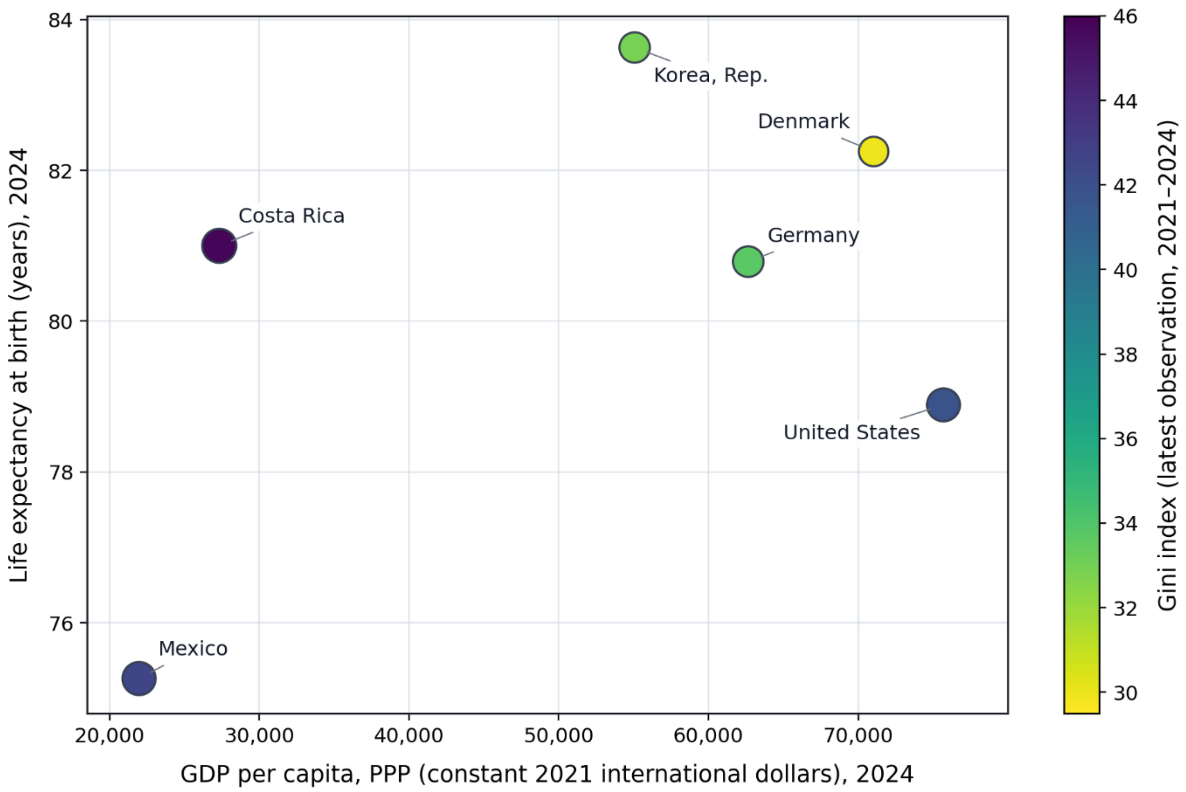

Figure 1. Productive capacity and life expectancy in six economies. Bubble size and color represent the latest available Gini index. The figure is descriptive; different Gini years and the small purposive sample preclude causal inference.

Figure 1 illustrates the conversion problem. If output alone determined social well-being, observations would cluster closely along an upward-sloping line. However, the United States is positioned far to the right without achieving the highest longevity, whereas Costa Rica is situated further left but surpasses the United States in longevity. Denmark and Korea demonstrate relatively low inequality combined with high longevity, though each achieved this through distinct institutional trajectories. Mexico represents the low-output, high-inequality, low-longevity quadrant in this comparison. Thus, the figure supports a qualified conclusion: while production expands the range of feasible social choices, institutions determine which choices are realized as outcomes.

This conclusion aligns with multidimensional approaches to development. The Human Development Index was specifically created to redirect focus from economic growth alone to individuals and their capabilities [17]. OECD well-being frameworks similarly integrate material conditions with health, knowledge, employment, social connections, safety, civic engagement, and environmental quality [18]. The Smith–Rousseau dialogue provides a normative rationale for this multidimensionality: resources are significant because they enable human activity, while legitimacy is essential because citizens should not secure security and opportunity solely through reliance on unequal private power.

V. DISCUSSION. SOCIAL PROSPERITY AND INEQUALTY

While Smith's perspective elucidates how societies generate greater wealth, Rousseau's view prompts consideration of for whom, under what conditions, and with what legitimacy the benefits of collective organization are distributed. The interaction between these approaches demonstrates that economic wealth and social well-being are interdependent yet distinct. Output provides resources; institutions mediate their transformation; and public justification determines whether the governing rules can reasonably be regarded as shared.

The empirical comparison warrants cautious interpretation. Analyzing six purposively selected countries does not establish a universal relationship among markets, redistribution, and health. Life expectancy is shaped by demographic history, violence, diet, environmental factors, health systems, and external shocks. Additionally, Gini coefficient data are drawn from different years and may reflect varying survey methodologies. National averages may also obscure inequalities related to region, ethnicity, gender, class, or migration status. Consequently, these results are heuristic: they highlight anomalies that a one-dimensional theory of prosperity cannot explain and identify areas for further institutional research.

Nevertheless, these cases clarify three philosophical implications. First, Smithian coordination functions within a legal and moral framework. When competition is replaced by rent seeking, monopoly, inherited privilege, or regulatory capture, private advantage cannot be assumed to serve the public interest. Second, Rousseauian legitimacy entails more than post-market redistribution; it addresses the structure of dependence itself, including who determines workplace rules, who bears insecurity, whose perspectives influence taxation and public investment, and whether access to health and education is subject to discretionary authority. Third, equality should be assessed in terms of citizenship and capability, rather than solely as statistical variation around average income.

The long-term concentration of wealth observed in contemporary political economy underscores the need to distinguish productive incentives from cumulative power [19]. High levels of inequality may influence not only consumption but also political influence, bargaining power, access to education, and the conditions under which citizens interact. Although the causal interpretation of research linking unequal societies to various social problems remains contested, such research effectively highlights the social mechanisms connecting distribution and well-being [20]. Rousseau conceptualizes these mechanisms as relations of dependence, while Smith prompts inquiry into whether privileges hinder free exchange and the advancement of the least advantaged.

An integrated policy approach should therefore avoid two symmetrical errors. The first is assuming that aggregate growth will automatically distribute its benefits and safeguard freedom. The second is presuming that appealing to the common good alone is sufficient to ensure legitimate or effective collective action. Institutions must be evaluated based on both their productive outcomes and their public character. Competition policy, universal education and health services, social insurance, labor representation, transparent taxation, and protections against concentrated political influence are not external to prosperity; rather, they are mechanisms by which material resources are transformed into social well-being.

This synthesis further elucidates the role of the general will in a pluralist society. The general will does not require specification of a single, comprehensive conception of the good life. Instead, it can be interpreted as the civic perspective from which citizens establish fair background conditions, including equal legal standing, basic capabilities, protection from domination, and procedures that ensure policy remains open to contestation. Within these conditions, Smithian diversity of projects and exchanges can thrive. The general will, establishes legitimate terms of cooperation but does not prescribe every individual exchange.

VI. CONCLUSIONS

A comparative analysis of Adam Smith and Jean-Jacques Rousseau demonstrates that social well-being cannot be reduced solely to economic growth metrics or isolated political abstractions. Addressing the perceived dichotomy between individual interest, often attributed to Smith, and collective interest, associated with Rousseau, is essential for understanding contemporary prosperity.

The conceptual analysis indicates that Smith’s commercial society relies on moral judgment, justice, public goods, and constraints on privilege, while Rousseau’s general will serves as a criterion for laws that protect citizens from arbitrary dependence rather than suppressing individuality. Comparative findings reinforce this theoretical perspective. GDP per capita, inequality, and life expectancy do not progress uniformly across the six economies analyzed. The United States demonstrates exceptional productive capacity but exhibits weaker distributive and longevity outcomes compared to several lower-output countries. Denmark and Korea exemplify distinct institutional approaches to achieving high longevity and reduced inequality. Costa Rica provides evidence that social investment can produce outcomes disproportionate to income, while Mexico highlights the consequences of incomplete transformation of productive integration into broadly shared capabilities.

The principal contribution is a two-stage conception of prosperity. Societies must initially generate resources through cooperation, specialization, innovation, and exchange. Subsequently, these resources must be converted into capabilities via institutions that can be publicly justified to citizens. Neither stage is sufficient in isolation. An economy lacking productive capacity cannot sustain widespread material improvement, while productive abundance without equal civic standing perpetuates dependence and domination. Future research could extend this exploratory design through a larger panel of countries, consistent-year inequality measures, social mobility and political-participation indicators, and institutional variables for health, education, labor bargaining, and fiscal redistribution. Qualitative comparison could also examine how citizens themselves understand reciprocity and legitimacy within different welfare and production regimes. The dialogue between the invisible hand and the general will remains valuable precisely because it asks two questions that modern policy often separates: how wealth is created, and under what common terms its creation becomes social well-being.

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