

## Good Markets

Adam Smith and the common sense of commercial society

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A BAKERY IN AMSTERDAM.

Deep down we all realize that something is wrong with the world. We differ greatly, however, when it comes to diagnosing its ills. For some, the problems are essentially matters of coordination and distribution of material goods. For others, they are more structural than individual. People make bad decisions, and providing fewer choices or better structures for

decision-making would lead to progress. For many others, while such issues have to be recognized as legitimate, they do not yet get at the core of the problems, which penetrate below the surface into moral virtue and spiritual character.

The conviction that the challenges we face today have deep historical and moral roots lies behind an international research project at the Vrije Universiteit Amsterdam, "What Good Markets are Good For." The last two and a half centuries have seen economic growth that is unprecedented in human history. At the same time, greater affluence has also come with new expressions of anxiety, instability and injustice. Part of this research project is focused on the moral foundations of the modern economic order. In particular, it focuses on the thought of the Scottish moral philosopher Adam Smith (1723-1790), who Kenneth Boulding once stated "has a rightful claim to be both the Adam and the Smith of systematic economics." Although Smith's significance is essentially undisputed, precisely what that significance consists in is another matter entirely.

For some, Smith is the paragon of Scottish Enlightenment rationality applied to social life. For others, he is a Stoic thinker who constricted the Christian scholastic inheritance of economic thought. Another version of Smith opposes his two major works, *The Theory of Moral Sentiments* (TMS, 1st ed. 1759) and *The Wealth of Nations* (WN, 1st ed. 1776), with the Theory presented as Smith's vision of morality grounded in sympathy, and *The Wealth of Nations* as Smith's vision of social life grounded in self-interest, and even selfishness. Nobel laureate George Stigler once described Smith's WN as "a stupendous palace erected upon the granite of self-interest."

### **The fortune of others**

The position Smith develops in TMS is, in fact, directly opposed to the moral systems based on the cynical judgement that self-interest is the fundamental motive of all human behaviour. In fact, Smith calls such systems "wholly pernicious." Yet even the most effective falsehoods are mixed with truth. It is true that human beings do often act out of self-love. But it is false both that such actions are necessarily vicious, and that self-regard is the whole story. As Smith puts it, "self-love may frequently be a virtuous motive of action." But it is by no means the sole motive.

TMS is a grand attempt to synthesize self-interested motives of action with our real concern for others in society. We might say that Smith's efforts here aim to bring together self-interest and sympathy. Smith opens TMS with these words: "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it

except the pleasure of seeing it.” He finds moral systems that absolutize the virtuous or the vicious elements of human nature to be unrealistic. Instead, Smith is intent on plumbing the depths and complexities of human nature.

Smith extends his argument for the sympathetic capacity of human beings in TMS into a large-scale exploration of political economy in WN. If in TMS Smith argues that sympathy and benevolence can cohere with self-interest and self-love, in WN he emphasizes that we cannot realistically expect to live in a society characterized only by altruism and philanthropy. “Man has almost constant occasion for the help of his brethren,” writes Smith, “and it is in vain for him to expect it from their benevolence only.” We can hope for benevolence from others, and of course we ought to aspire to it ourselves. But we cannot rely on it for the basis of society.

### **Real benefits**

Mutually beneficial exchange, rather than our self-sacrifice, is the typical way that we behave in the marketplace. He continues: “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.” We may offer money, for example, in exchange for meat, beer or bread. The shopkeeper would rather have our money than the goods they sell. And when we make such purchases, we would rather have the goods than the money. The idea of a society in which everyone acts out of pure benevolence is a fantastic ideal. He even praises it. But Smith does not think it is an ideal that is actually feasible in this world, and worries that attempting to realize it may actually make things worse. His common sense leads him to pursue a less grandiose social vision.

In this way, Smith’s social vision is more informed by worldly concerns than by aspiring to heavenly righteousness. While a religious sensibility pervades his work, he seems to be more inclined to “enlightened” religion than traditional Christian orthodoxy. Smith’s own religious beliefs and convictions are controversial. Yet it is obvious that his moral vision of political economy was both enormously influential on the development of modern life as well as deeply informed by and formative of Christian moral teaching. And whatever Smith’s own convictions were, his work was found to be inspiring for a host of clerical successors. T. Robert Malthus (Anglican, 1766-1834) and Richard Whately (Church of Ireland, 1787-1863) were both ordained clergy, as were other significant figures in the transatlantic dissemination and development of classical political economy, including John Witherspoon (Presbyterian, 1722-1794), Thomas Chalmers (Presbyterian, 1780-1847), John McVickar (Episcopalian, 1787-1868), and Francis Wayland (Baptist, 1796-1865).

We can see Smith’s moral synthesis of sympathy and self-love as a realistic vision of human beings in a fallen world, resulting in a society that trades away the unrealistic ideals of pure benevolence for the mundane, but no less solid, virtues of a commercial society. The

limitations of such a vision may well be obvious from a Christian perspective. But more often today we tend to discount its real benefits and exaggerate its defects, at least when compared to the other earthly options on offer.

## ABOUT THE AUTHOR



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