Adam Smith: An Ethical Oriented Economist

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ABSTRACT

The purpose of this paper is to present the aspects of ethical beliefs and economic thought of Adam Smith. The methodology of research is descriptive. Hence, Smith's life is reviewed concisely and analyzed, and four ethical topics which have been considered by him are studied to answer the question: Was Smith initiator of separation of economics from ethics, or he was believer to ethics and defender of consociation between ethics and economics? The conclusion shows the fact that contrary to the popular opinion in the twentieth century; not only Smith wasn’t alien to the ethics and its role in economics, but also he has been defender of ethics, and has emphasized to pay attention to the role of ethics in Economics.

Key words: Adam Smith, ethonomics, Ethics, the Wealth of Nations, Theory of Moral Sentiments.

Introduction

Most commentators on the history of economic thought claim that modern economics began with Adam Smith, even though the reason for their conclusion varies. Many see his book the Wealth of Nations as the foundational document because it was here that they claim a separate science of economics began, one that explicitly broke from theology and ethics. This interpretation was popular throughout much of the twentieth century but it has been contested recently by those who classify Smith as a member of the ethical tradition of political economy that stretches back to the ancient Greeks (Alvey, 2007: 2).

Because of Smith’s seminal place in the discipline of economics, a vast literature has developed commenting on his work. Smith’s work has been interpreted, reinterpreted and misinterpreted over the past 250 years. Smith’s reputation as an ethical theorist, and a political economist who grounded his work in ethics, has waxed and waned. The early commentators saw Smith’s work as a continuation of the moral philosophy tradition, in which political economy was subordinate to ethics. With changes in philosophic taste and a sustained attack on political economy from the outside, Smith’s reputation as an ethicist declined. As a consequence, economists came to dominate the secondary literature on Smith and they tended to emphasize technical/engineering components in his work (Ibid: 3).

This process have been with some another issues and methodological problems in economics faculties of developing countries that import their academic economic texts by translation from developed countries. But since last decades of 20th century economists’ attention came back to the ethics in economics, the ethical lack of modern economics, the role of ethics in economic theories and policy making and position of Smith in the history of economic as a teacher of morally philosophy in university of Glasgow in one hand and father of economic in the other hand. Recent academic works have attempted to change the interpretation of Adam Smith from the founder of free-market economics to a proponent of something much more akin to the modern economics, especially in developed countries. Entering the 21st century economists’ concentration on the role of ethics in economics and ethical economics or “ethonomics” has been raised. So in this paper we tried to survey the ethical aspects of Smith’s beliefs as a founder of economics and teacher of moral philosophy who related the economics to ethics in his works.

Review literature:

Many economists have analyzed Smith’s works and beliefs, and they declared various conclusions. Some introduce Smith as economist whose concentration was on free-market economics which isn’t considerably related to ethics. For example:

Buckle (1861), Viner (1926), Morrow (1926), Friedman (1962, 1976), Stigler (1971), Cropsey (1977), Hirschman (1977), Myers (1983), Shack (1984), Frank (1988), Etzioni (1988). They read the wealth of nations (WN) as having promulgated Thomas Hobbes’ allegedly egoistic picture of human motivation, and as having solved the problem of the dichotomy between the so-called natural selfish passions and public interests. They declared that the main impact of WN was to establish a powerful economic justification for the untrammeled pursuit of individual self-interest. They read Smith’s earlier work on moral psychology; The Theory of Moral Sentiments (TMS) then argued that there was an “Adam Smith Problem.” (Werhane, 2006: 201).
In the other hand there are many economists who have worked on ethical aspect of Smith’s works and tried to show the important and under-recognized theological elements in Smith’s system which encompasses history, jurisprudence, moral philosophy, and economics. They place Smith in an ethical tradition of political economy. For example: Sen (1987), Fitzgibbons (1995 and 1997), Young (1997), Duhs (1998), Otteson (2002), Evensky (2005), Alvey (2001 and 2007) and Oslington (2010). In this paper we tend to the second approach.

Methodology:

The methodology of research in the paper is descriptive. Hence most of the books and papers which have been written about the matter are collected and studied to discussion about the matter.

Hence, Smith’s life is reviewed concisely and analyzed, and four ethical topics which have been considered by him are studied to answer the question of the research Was Smith initiator of separation of economics from ethics, or he was believer to ethics and defender of consociation between ethics and economics?

Paper is divided to five sections; after short introduction we reviewed the literature of research and explained the methodology of research. In next section that is the main part of the paper we discuss about the matter of Smith’s being ethical economist. This section is itself divided to two sections: a) Ethical background of Adam smith’s life; in this part, we review the life of Adam Smith and analyzed it to perceive ethical aspect of his personality, and b) Ethical topics in Smith’s system; in this part we elect four cases of ethical topics that Smith has considered them in his works specially in *WN* and *TMS*. These topics are: moral judgment, self-interest, justice and benevolence. Although analyzing of each of the topics is need much more time than of this short paper, but we try to proceed in short.

Discussion:

Based on the frame which was mentioned in previous section, in this part of the paper, at first we review the biography of Smith briefly.

Ethical background of Adam smith’s life:

Smith was born in Kirkland in 1723, brought up by his devout Presbyterian mother after the death of his father, and like most of his contemporaries attended church regularly throughout his life. His Scotland was dominated by the Presbyterian Kirk in a way that those of us living in contemporary secular societies find difficult to appreciate (Oslington, 2010: 2). At the age of fourteen, he entered the University of Glasgow and studied under Francis Hutcheson, the great Scottish Enlightenment thinker. Smith was deeply affected by Hutcheson’s teaching of moral philosophy and also his character (Alvey, 2007: 5). The young Smith left Glasgow in 1740 to be a Snell exhibitioner at University of Oxford, which entailed a commitment to take Anglican orders on his return to Scotland, though like many other exhibitioners he never did. Smith held the Chair in moral philosophy at the University of Glasgow in the 1750s, and followed the tradition of his teacher, Frances Hutcheson, in lecturing on natural theology. When taking up his Chair at the University of Glasgow Smith signed the Calvinist Westminster Confession of Faith before the Glasgow Presbytery, satisfied the University of his Orthodoxy, and took the Oath of Faith. Smith's scrupulousness in other similar matters suggests sincerity of this profession of orthodox Christian faith (Oslington, 2010: 2, 5). As Smith’s student John Millar explained, in Smith’s course on moral philosophy there were four parts: natural theology, ethics (published as *The Theory of Moral Sentiments*, first edition 1759), justice (published posthumously from student notes as *Lectures on Jurisprudence*), and finally, “political regulations which are founded … expediency, and which are calculated to increase the riches, the power, and the prosperity of the state” (and largely published as *WN*, first edition 1776) (Meek, Raphael, and Stein, 1978: 3).

Smith retained this position until 1764, when he resigned to become a private tutor. In 1778 Smith became a Commissioner of Customs for Scotland. Shortly before his death in 1790 Smith ordered that most of his manuscripts be destroyed but requested that some be preserved with a view to possible publication. After his death, *Essays on Philosophical Subjects* was published containing some of these manuscripts (Alvey, 2007: 5).

In addition to the short above biography of Smith, it can be clearly found that he had religious beliefs because of the following proofs: (a) considering that Smith was grew up by his mother, who was a religious person; the mother’s impact on the child’s beliefs cannot be ignored. Because each person's beliefs, at least, until adolescence, usually is derived from a family environment in which he (or she) has born and raised, (b) regularly attending in church throughout his life is another proof of Smith’s religious beliefs, (c) being influenced from Hutchison and his thought about moral philosophy and following his way by Smith, when he became Professor of Moral Philosophy at Glasgow University is third reason to verify his ethical thought, (d) signing the Calvinist Westminster Confession of Faith before the Glasgow Presbytery and taking the Oath of Faith by Smith, and compliance his behavior with the oath is fourth proof of Smith’s religious beliefs.
Since many aspects of religion—that Smith believed—is associated with morality, we can interpret that Smith was an oriented ethical economist. Also Smith’s ethical thought must be sought in his writings, so in next section of the paper is tried to extract his ethical thought through studying Smith’s books: TMS and WN.

Ethical topics in Smith’s system:

In this section we try to concentrate on ethical topics which have been considered in Smith’s system of political economy. These topics have been mentioned in Smith’s writings especially in TMS and WN. Recently many economists have argued and analyzed these subjects in their books and papers. These ethical topics are: (a) moral judgment, (b) self-interest, (c) justice and (d) benevolence.

Moral judgment:

In addition to the TMS (1976a: 18; 9-178), in Smith’s ethics there are eight types of moral judgments; once one sees moral judgments as always resulting in approval or disapproval, there are actually four pairs of such judgments. First, we can judge the causes of an action of someone else, namely, whether it was a proper or improper response to a given situation. Smith calls this the propriety or impropriety of others. Second, we can judge whether the consequences of someone else’s act deserve reward or punishment: the merit or demerit of others. Third, we can judge our own propriety or impropriety in a specific instance. Fourth, we can judge the merit or demerit of a specific act of our own (Alvey, 2007: 7). Smith continues that moral judgment is the final step in a series of processes that is based on his assumption that human beings are social. They become accustomed to judging and being judged. Further, they fear isolation and even having others take a different view to them (Smith, 1976a: 84-5). They are compelled to sympathize with others. In placing ourselves in the shoes of others, we seek to gather all of the relevant information about the circumstances and action of the one being judged. From this informed position, one can then begin to imagine how the agent may have felt in these circumstances. The judge can then compare the sentiments of the imaginary spectator, which he/she experiences vicariously, with those displayed by the original actor (Ibid: 9, 16). At this point, moral judgment can be made. If the sentiments are in accord, approval follows: the actor is judged to have acted with propriety. If not, the actor is charged with impropriety (as cited in Alvey, 2007: 8). As we see in TMS, Smith says of the morality and ethics, but commentators that introduce him as economist who was alien to the ethics, have ignored or skip over his ethical statements in this book. Undoubtedly there is connection between works of Smith especially between TMS and WN. So understanding of Smith’s beliefs in WN without precise studying of TMS isn’t perfect.

Self interest:

Self interest is one of the most important topics in Smith’s writings. Many commentators have portrayed the WN as based on self-interest and often quote the following:

“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 address ourselves, not to their humanity but to their self-love, and never talk to them of our necessities but of their advantages” (Smith, 1976b: 26-7).

This passage has misled many readers. Sen (1987 and 2006) argued that Self-interest plays a benign role in the proper context. Indeed, “Smith’s economic writings … present a subtle and diverse view of individual motivations”. Smith’s view of “the role of ethical considerations in human behavior, particularly the use of behavioral norms,” has been neglected because these aspects became “unfashionable in economics”; Sen condemns this “narrowing of the broad Smithian view of human beings” in modern economics (as cited in Alvey, 2007: 14). Smith explains what appear to be contradictory statements through his analysis of motivation. While recognizing that all one’s motivations are self-interested in a trivial sense that they originate in, and are interests of the self, he goes on to claim that not all the objects of our interests are interests in the self. That is, the self is the subject, but not the object, of all our passions and interests. Smith is highly critical both of Hobbes and Smith’s infamous predecessor, Bernard de Mandeville. Indeed, it was de Mandeville, not Smith, who argued that private vices could be transformed into public virtues (See Mandeville, 1732). According to Smith, human beings are motivated by three sets of passions or natural affections, each with its own set of objects: the selfish passions, whose object is interests, pleasures, and pains of the self; the social passions such as altruism, justice, and compassion which are directed to others; and the unsocial passions such as hate and envy which are negative reactions to others. Importantly, for Smith, none of the passions dominates others so that most of us are as naturally interested in others as we are in ourselves. Since self interest has distinct objects (the self or others), egoism and altruism are not opposites for Smith. Egoists are individuals whose interests are all of the self as object, but egoists are not necessarily evil people. Virtuous self-love is prudence; its vice is avarice or greed. One can be a virtuous, i.e., a prudent, egoist. Even a selfish person is not necessarily evil unless she harms others or treats others unfairly in the pursuit of her interests. Social interests can be exhibited in the excellences
or virtues of benevolence, altruism, and/or justice or in the vices that include harming others in the forms of malevolence or injustice (Werhane, 2006: 204). Smith knows self-interest as God-given human behavior for pursuing his goals in life, not a means for crushing others to achieve his progress. So in Smith’s system of political economy self-interest isn’t synonymous with selfish (as has been common throughout misguided interpretations of Smith’s thoughts and personality).

Justice:

Smith’s defense of competition in the market environment does not reduce to the rule of self-interest: exchange occurs within the ethical framework. He writes: “Every man, as long as he does not violate the laws of justice is left perfectly free to pursue his own interest in his own way” (1976b: 687).

In Smith’s system there are three types of justice: commutative justice, general justice and distributive justice. Commutative justice is based on private property ownership, freedom to enter into contracts, and the return to the property owners of the revenue accruing from such contracts. Interference with that return will undermine commutative justice. Nevertheless, free exchange in the market is not sacrosanct; in addition, general justice (the common good) and distributive justice must be considered. Justice as the common good includes many aspects but probably the leading features are internal order, security form external threat, general prosperity and happiness. When conflicts between one of these items and commutative justice occur, Smith will reveal his hand about possible marginal trade-offs (Alvey, 2007: 16). As Young says, Smith’s perception of a high degree of consistency between commutative and distributive justice is a notable innovation (Young, 1997: 129). Smith rejects a classless society; for him, social order requires a class structure. Nevertheless, the happiness of many existing societies can be increased when a greater share goes to the lower classes. Smith objected to the large share going to landlords, apparently on equity grounds; it did not conform to the “optimal degree of inequality” mentioned earlier (Smith, 1976b: 161-2). He often expresses sympathy for the plight of the poor (Sen, 2006: 364). For improving distributive justice, Smith suggests private charity. He goes further, however, to recommend public policies to improve distributive justice in commercial society; examples include progressive taxes, such as tolls on luxury carriages and taxes on house rents. Interference with the education market also has progressive effects. This trade-offs between distributive and commutative justice cannot extend very far, however, because doing so would threaten the commutative foundation of society and the whole system of natural liberty. Smith’s is a nuanced ethical account of exchange and distribution. Relative to earlier ethical accounts, his is more pro-market. He does place great stress on commutative justice but marginal trade-offs with other ethical principles are possible and recommended (Alvey, 2007: 16-17). Smith’s emphasis on distributed justice shows his sympathy with the poor people of society. So the idea that Smith was just thinking about the rich getting richer and the poor getting poorer, isn’t true. He emphasized on justice and this proves his ethical beliefs.

Benevolence:

Continuing his teacher Hutcheson’s way, Smith considers benevolence as one of important virtues. They definite benevolence: “that to feel much for others and little for ourselves, that to restrain our selfish, and indulge our benevolent affections, constitutes the perfection of human nature”; beneficence “prompts us to promote” the happiness of others (Smith, 1976a: 25, 262; Hutcheson 1969). Smith believes benevolence, like the virtues except justice, cannot be compelled. Its requirements are inexact and it sometimes appears to be mere icing on the cake (Smith, 1976a: 85-86, 339-40). He explains: the display of intimacy and benevolence diminish as social distance increases. Benevolence is limited and is focused on those with whom we have regular contact, such as “partners in trade” and neighbors. In the anonymous marketplace, the great social distance between actors produces only weak benevolent affections (Ibid: 224). For many commentators, like Young (1997), Smith’s view of benevolence is equivalent to distributive justice. Some others e.g. Hont and Ignatieff (1983) claim that, for Smith, benevolence is undertaken entirely through private charity (Alvey, 2007: 9-10). Benevolence is another ethical issue that has been considered by Smith, but has been ignored by most of commentators of Smith’s thought. Benevolence implies the ethics and Smith’s remarks about it, shows his ethical beliefs.

As we saw many of Smith’s writings especially TMS is full of ethical contents. Although Smith was economist but we shouldn’t forget that he was also teacher of moral philosophy. Unfortunately ethical aspect of Smith’s personality has been ignored and this ignorance has led to incorrect interpretation of his ideas. For precise interpretation an analysis of Smith’s thought, we should consider ethical aspects of his personality which is understandable from his life and writings especially TMS. So we can answer to the question of the research: Was Smith initiator of separation of economics from ethics, or he was believer to ethics and defender of consociation between ethics and economics? According to the analysis done in paper, we answer: contrary to the popular opinion in the twentieth century; not only Smith wasn’t initiator of separation of economics from ethics.
and alien to the ethics, but also he has been defender of ethics, and has emphasized to pay attention to the role of ethics in economics.

Conclusion:

Most commentators on the history of economic thought claim that modern economics began with Adam Smith. They claim economics detached from ethics by WN. This interpretation was popular throughout much of the twentieth century but it has been contested recently by those who believe economics was related to ethics at its beginning, and classify Smith as a member of the ethical tradition of political economy that stretches back to the ancient Greeks. In this paper we tried to prove that Smith was an oriented ethical economist. Therefore we looked at two cases: (a) Ethical background of Adam smith’s life and (b) Ethical topics in Smith’s system. Reviewing of Smith’s life shows that he had religious beliefs. Bred and training by his religious mother, regular attending in church, being influenced from Hutcheson and his thought about moral philosophy and following his way, signing the Calvinist Westminster Confession of Faith and compliance his behavior with the oath, are signs of Smith’s religious and ethical beliefs. Studying four cases of ethical issues which have been considered by Smith (moral judgment, self-interest, justice and benevolence), we see he was believed to relation between ethics and economics. Afterwards we answered to the question of “Was Smith initiator of separation of economics from ethics, or he was believer to ethics and defender of consonation between ethics and economics?”: contrary to the popular opinion in the twentieth century; not only Smith wasn’t initiator of separation of economics from ethics and alien to the ethics, but also he has been defender of ethics, and has emphasized to pay attention to the role of ethics in economics. Smith is the father of economics and teacher of ethics and economics in the history of economic thought. He was an oriented ethical economist.

References

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