

Evensky's ADAM SMITH'S MORAL PHILOSOPHY

THE WEALTH OF NATIONS AND THE MORALITY OF OPULENCE

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A review essay of *Adam Smith's Moral Philosophy* by Jerry Evensky. Cambridge: Cambridge University Press, 2005. 256 pp. ISBN 0521852471.

Edward J. Harpham (2001, p. 139) once began an article by writing that "many Adam Smiths are presented to us in the secondary literature." The new wave of Smith scholarship is so varied that one's reading of the 18th-century Scot is bound to change significantly as one switches secondary sources. While recent scholarship on Smith is, in fact, diverse in both its methodology and its overall picture of Smith's system, Harpham is wrong. There aren't many Smiths. Essentially, there are just two: one that adopts a certain caricature bending *A Theory of Moral Sentiments* (hereafter *TMS*) into irrelevance, and one that regards him as a moral philosopher with a theory of political economy fully integrated into his ethics.

In his book *Adam Smith's Moral Philosophy*, Jerry Evensky calls these two Smiths the "Chicago Smith" and the "Kirkaldy Smith." The former is named after the famous Chicago School of economics; theorists such as Frank Knight, Theodore Schultz, George Stigler, Milton Friedman and Gary Becker who begin "with the assumption that humans can be represented as *homo economicus*, beings driven by a single motive: personal utility maximization" (p. 245). They rely on mathematics to describe human

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activity and view the historical comments in *The Wealth of Nations* (hereafter *WN*) as digressions (pp. 246–247). Smith, these economists argue, established the foundation for *homo economicus*, and “thus made the economic approach to human behavior possible” (p. 245).

The alternative Smith is named after his place of birth, a town he returned to repeatedly throughout his life, including when he was writing his most famous treatise. This Smith “does not assume that we are one dimensional in our motives, does not see history as a ‘digression’ in his analysis, and does not offer a deductive analysis that ‘cries out for mathematical formulation’” (p. 247), Evensky explains:

Kirkaldy Smith sees humankind as a uniquely complex realm of nature that does not lend itself to reductionism.... This complexity derives from the nexus of human reason and human frailty that puts humankind in a peculiar and problematic position. Our reason gives us dominion over the earth and the ability to transform nature into material wealth far beyond our requirements for survival. But that reason, when wedded to frailty, can lead to destructive interpersonal conflict; for if unbridled, self-interest drives each of us to seek a larger share of the human bounty for ourselves, and our society degenerates into a ‘rent-seeking society.’... This dynamic is especially problematic in a liberal society where freedom of choice simultaneously unleashes both productive capacity and opportunities for rent-seeking (p. 247).

The Kirkaldy Smith offers a compelling solution to the dilemma of liberal society through his “civic-humanist voice extolling ‘active duty’” (p. 212), and is both more accurate and more useful than the Chicago Smith.

Most of *Adam Smith's Moral Philosophy* is dedicated to the articulation and defense of the Kirkaldy Smith, beginning, importantly, with Smith's lesser-known writings on the history of the astronomy. Evensky does so to emphasize specific elements of Smith's writing: the role of the imagination in philosophical inquiry and the impact of history on human development. Imagination is essential for both the scientific enterprise and development of moral judgments. But such conclusions are guides not mandates (p. 4) since, according to Evensky, “Smith appreciates that he is not describing Truth, but rather he is offering his best approximation of what he imagines Truth to be” (p. 6).

History—and here Evensky usefully distinguished between Smith's conjectural history and recorded history (p. 17)—is important because through its examination,

Smith develops his understanding of how ... particular parts interact in a general dynamic system. Unlike Marx who gives priority over the material, there is no priority of place in Smith among the dimensions of his analysis. His is a simultaneous system in which all dimensions—social, political, and economic—are codetermined and constantly co-evolving. Thus to fully appreciate Smith's moral philosophy, it must be examined

through the general frame he used to represent that dynamic simultaneous system: the natural selection/evolution limit frame (p. 26).

Unifying the book's discussion is an account of the role of "universal opulence"—what it is and how it develops. Smith uses this term to describe that society in which the lowest economic classes experience good material conditions (*WN* Book I.i.10). Evensky concludes that for Smith, human progress converges on "the liberal plan of equality, liberty, and justice" and that this "ideal society is one in which the least of the working class are 'tolerably well fed, clothed, and lodged'." He elaborates that for Smith, "the liberal plan is the best constitution for the working class because it produces the greatest wealth for the nation and distributes the wealth most justly" (pp. 12–13, 213). This is so because, "independence is a key to human dignity and personal maturity," and "the ideal of human life is not tranquility in the face of oppression, it is secure tranquility, that piece of mind that one enjoys along with peace of body" (p. 15).

Adam Smith's Moral Theory has two chapters devoted to universal opulence by name (Chapters 5 and 6), but, in fact, it is the entire second part of the book, over 130 pages, that constitutes the whole of the discussion. This includes accounts of progress, capital, moral principles, Smith's critique of mercantilism, and the place of a limited government in economic justice. Discussions of Smith's government are often misleadingly filtered through a *laissez faire* interpretation of Smith's conception of liberty, but Evensky focuses on its positive roles, articulating Smith's belief that although "government can be a destructive instrument ... progress is only possible where government functions as a constructive instrument (p. 157)." Ultimately, he endorses James Buchanan's interpretation; that "Smith stressed [the] ... properties [of the market] that allow for self-interested behavior of persons and yet generally socially beneficial results require an environmental setting of appropriate 'laws and institutions'" (p. 268).

Along the way, Evensky tackles familiar issues. He addresses the Adam Smith Problem (pp. 20–23), Smith's personal belief in God (p. 23–25) and the role of religion in his system (Chapter 4), the lack of *a priori* dogma and the debate on relativism in Smith's work (pp. 56–58), controversies in the history of economics such as labor, price, and the role of stock [capital] in *WN* (pp. 113–30), the invisible hand (pp. 162–66), and education and its relationship to the market (pp. 225–33). However, unlike many recent commentators on Smith, Evensky is an economist, not a philosopher, and he therefore adds several chapters on Smith's relationship to controversies in his own field including theoretical concerns and issues related to the

economics classroom (Chapters 11 and 12). These conversations are not always connected—Chapter 4's discussion on religion seems less integrated than most, and his comments on economics pedagogy seem incongruent with the rest of the book—but given contemporary scholarship, it is easy to imagine why he wanted to include this material. As Evensky writes in his conclusion of the chapter on religion, Smith's own faith is his source for "hope for humankind and the motivation for his life as a moral philosophy, a life committed to representing the invisible connecting principles that can lead humankind toward that benevolent prospect with which the deity had endowed humankind: 'the liberal plan of equality, liberty, and justice'" (p. 108). We will return to this point below. And, since economists' neglect of Smith is largely the result of the dominance of the Chicago notion of *homo economicus*, Smith can never be accurately understood if the classroom does not adequately represent him. Given Evensky's successes, his readers can allow him some latitude in what he might regard as relevant.

Overall, this is a very good book. More important, perhaps, it is the right book for the right time. The success of Charles Griswold's *Adam Smith and the Virtues of the Enlightenment* (1999) put Smith's *TMS* back onto center stage, but James Otteson's widely read response in *Adam Smith's Marketplace of Life* (2003) threatened to move Smith studies back to a time when the Adam Smith Problem was not appropriately dismissed (see Berry, 2003; Weinstein, 2004). In contrast, Evensky manages to place both of Smith's published works on an equal playing field, and does so by highlighting the economic strand without delegitimizing the moral components within Smith's system of political economy. Samuel Fleischacker (2004) tried to do something similar in his "philosophical companion" to *WN*, but Evensky's book is more sophisticated and offers a more convincing narrative thread in his argument. Given the introductory nature of Fleischacker's book, it is less likely to change tenacious minds. In contrast, Evensky's account is persuasive enough that long-time proponents of the *laissez faire* Smith might actually be willing to rethink their views of the role of morality and justice in Smith's economic theories.

The book is not perfect. There are moments when Evensky's discussion artificially limits Smith's claims. For example, his account of sympathy, the central component in Smith's account of moral judgment, is too simplistic. He offers Smith's definition ("our fellow-feeling with and passion whatever" (p. 34)), and gives a general account of its connection to sentiments in general ("affections of the heart, from which any action proceeds" (p. 35)), but he pretty much leaves it at that. Smith's commentators are not usually satisfied with this minimalist account. Sympathy is wrapped up with Smith's

empiricism, it has roots in Hume's theory, and it is not always clear whether sympathy is a capacity or a process (Weinstein, 2006).

Additionally, Evensky's account of education is too narrow. While he offers an important discussion of the relationship between formal education and the market, he neglects to address the fuzzy lines between institutional education and socialization—he distinguishes education, socializing, and following another's example in a way that may not be entirely representative of Smith's account of learning (p. 42). For Smith, again due largely to his empiricism, it is not always clear where the boundaries are between what gets taught in school and what the community teaches. It is for this reason that Smith spends a great deal of time in both books describing the role of the government in maintaining the arts, public social gatherings, and education of all ages (see Weinstein, 2006, 2007). Institutional education and lifelong learning are interrelated processes.

Next, the claim that "the invisible hand is for Smith the hand of the deity that designed the oeconomy of nature" (p. 163) is too controversial to remain undefended. Yet, Evensky offers no real argument in support of his assertion. He does cite an oft-quoted reference to the "invisible hand of Jupiter" in Smith's *History of Astronomy*, but there is no reason to suppose that Smith's historical account of early religions is applicable to the commercial stage of society, especially since so much changes in society as economic structures change. As we will see shortly, the lack of joint usage of the term 'deity' in *TMS* and *WN* has been fodder for the resurrection of the Adam Smith Problem in the past, and Evensky does us no service by glossing over the issue.

Naturally, other scholars will find other shortcomings in the work. I certainly have additional quibbles, but I don't want my criticisms to overshadow my compliments. Evensky moves Smith scholarship forward in a variety of important ways, including providing very specific responses (intentional or not) to contemporary Smith scholars. Consider first, James Otteson's argument that *WN* puts forth a singular self-interested motivation that all people share to "better their own condition", whereas *TMS* offers more complex, more altruistic motivations (Otteson, 2003, p. 169).¹ This is a key element in Otteson's articulation of what he calls "the real Adam Smith Problem" (Otteson, 2003, p. 168).

Evensky challenges Otteson's approach by arguing against the claim that there is a singular notion of self-interest present in any of Smith's work. He writes that there are "three broad categories of sentiments in Smith's representation of human nature: self-love, justice, and beneficence" (p. 35) and he later adds a fourth, "resentment," to the list (p. 60). He then offers an

account of how the progress of society, along with the evolution of government structures, intertwines these sentiments:

Government authority emerges to establish order in society, but government is neither the original source of order nor the locus of control that establishes order in the ideal state. Order begins and ends with the individual citizen. In the beginning, a rude order is established by retribution based on a self-defined sense of justice. In the end, in the limit, a refined order is established by common acceptance of social norms, civic ethics, among citizens with self-command, the self-government, to enforce those norms about themselves. Between this beginning and this end, in the course of humankind's evolution from the rude state towards the ideal, the internal and external systems of governance—norms and positive laws respectively—share one another as systems of justice evolve (pp. 60–61).

The power of this quote is in the way its summary incorporates all of the elements of Smith's system. One could not make sense of this integrated approach if one began with the Adam Smith Problem's assumption that *TMS* and *WN* are incompatible, at least in part, because both offer complementary accounts of the development of justice. "Positive law serves as an active tool for the inculcation of value," Evensky explains, "so the maturation of the citizenry and the maturation of positive law go hand in hand" (pp. 62–63). This leads him to conclude, *contra* Otteson, that, "indeed, everything in Smith's analysis goes hand-in-hand because in his moral philosophical system, these social, economic, and political dimensions form a simultaneous, evolving system" (p. 63).

Evensky also offers a useful response to Samuel Fleischacker, who argues that "there is nothing particularly normative, if that means 'moral,'" about what Smith says on either real price or natural price" (Fleischacker, 2004, p. 123).² This is an important point related to both the moral core of *WN* and the non-relative nature of market measures. Fleischacker opposes any connection between Smith's economic account of price and medieval just price theory. But Evensky challenges this notion by understanding normativity, not just in terms of morality, but in terms of reason and nature as well. He writes:

Smith's purpose in defining the natural price is to establish a conceptually normative frame of reference for further price analysis. The key to the frame he is constructing here is the phrase, 'where there is perfect liberty.' This is Smith's shorthand for the freedom and thus the fluidity of movement of people and resources that exists in a liberal society—his ultimate norm" (p. 120).

For Smith, the ideal case of perfect liberty is most certainly normative in the moral sense. This is why universal opulence is so important. As we have already seen, a central justification for his commercial system is the equity

that imposes upon all members of commercial society. As Evensky elaborates a few pages later in his discussion of wages:

Smith's metric of a good society is how the least among the working class are doing, so where this asymmetry of power leads to artificially low wages, he considers it a distortion that undermines the distributive justice he envisions for the ideal case. Not only is this a distributive injustice, it is also economically inefficient ... poverty animates no one, diminishes the health of all who suffer it, and 'is extremely unfavourable to the rearing of children' (p. 123).

According to this argument, the ideal liberal society is the limiting case "set by the deity," and, once again, most certainly has a moral component.

Evensky's comments can also be used to challenge Peter Minowitz's claim in *Profits, Priests, and Princes* that *The Wealth of Nations* offers a "secular account of individual, society, and cosmos that tries to reorient humanity to a godless universe" (Minowitz, 1993, p. 9), a claim that can be shortened to assert that "in [TMS], God is almost omnipresent; in [WN], God is never mentioned" (Minowitz, 1993, p. 8). This too has significant impact for Smith scholarship, both in understanding Smith's personal beliefs and in exposing Smith's often obfuscated account of the relationship between nature and its creator.

We have already seen that Evensky regards the invisible hand as the working of the deity and the ideal liberal society as the limiting case set by the deity. So, immediately, we know that, at least in Evensky's understanding of Smith's corpus, the divine is omnipresent. Minowitz's argument that God is not present in *WN* is therefore, from his position, *prima facie* untenable. Yet, there is a further point that helps counter Minowitz's version of the Adam Smith Problem. As Evensky writes, "the logic of Smith's moral philosophy does not require a deity" (p. 23).

If we accept, as Evensky would have us do, that the progression of society is a co-evolution of people's self-government and the institutions that govern society, and if we adopt his approach to socialization as the supplement to the progress of universal opulence, then there is no reason that one needs the deity in the unfolding of society, morality, or economic life. Smith was well informed by Hume's *Dialogues Concerning Natural Religion*, Evensky reminds us (p. 23), so he might not have been inclined to postulate a necessary God at the core of his theory.

Nevertheless, at the same time, Evensky insists that "the prospect of human progress that [Smith] envisions was thanks to the benevolence of the deity; a benevolence in the deity's design" (p. 240). If this is true—a big *if*, I am well aware—then even if a designer God is essential to the system, it need

not ever be mentioned in *WN* because the divine is already sewn into the guiding history of human experience.

It is worth mentioning, though, that this conversation falls short of what Evensky needs to fully settle the discussion of Smith's alleged deism; it didn't have to. In asserting God's absence from *WN*, Minowitz is simply mistaken. The treatise does not ignore the topic. It simply recasts it as a problem of education or, as Smith writes, "the institutions of instructions of People of all Ages" (*WN* Book V.i.g). In *WN*, Book V, Smith offers a lengthy discussion of religion highlighting the dangers fanaticism holds for the state. He also argues that religion serves an important role in educating adults who are no longer of schooling age. This is the very topic of Evensky's Chapter 4, the Section I suggest that seems unconnected from the rest. Had Evensky offered a more unified narrative, he could have been clearer about the place of the divine in *WN*. His readers would then be clearer as to why he chose to discuss religion in the first place. For Evensky, the role of religion can be used to further advance the discussion he sees as central to his account: the progress of universal opulence in human society.

It is his account of the moral core of the free-market system that may be Evensky's most important contribution to the field. His deliberate and grounded account of the factors that contribute to the growth of universal opulence helps to put the Chicago Smith to rest once. Government plays an important role in society, and human beings are not singularly motivated *homo economicus*. To continue preaching *laissez faire* doctrine in the name of Adam Smith is to misrepresent the systematic nature of his work. It is to ignore the true genius of the philosopher from Kirkcaldy, Scotland and to condemn contemporary economics to a caricaturish prison of its own design.

NOTES

1. Evensky addresses Otteson directly only once, in a footnote, suggesting, against Otteson's claim that all of Smith's theories can be subsumed under a market model, that "socialization is better than 'exchange' as an analytic frame for understanding moral development in Smith's analysis" (pp. 38–39, fn). Of course, Otteson's argument is much more detailed than the elements mentioned in this review.

2. Full disclosure demands that I acknowledge that Fleischacker is responding to my own comments in *On Adam Smith* (Weinstein, 2001), and that he explicitly mentions and opposes my position during this discussion (Fleischacker, 2004, p. 123; fn 2, 3).

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