

## Adam Smith: Philosopher and Political Economist

*An Interview between James Otteson and Joseph E. Gorra*

In this interview, Professor James Otteson discusses various misconceptions about Adam Smith, the salient features of Smith's anthropology, what Smith got right and what he got wrong, his "marketplace model" of social institutions, and how Smith's perspective can be utilized for further work by Christian philosophers and theologians.

**You are a professor of philosophy and economics at Yeshiva University (New York) and the author of the recently released book *Adam Smith* (Continuum, 2011). I want to talk to you about your own work on Smith, but first can you tell us more about your own journey as a scholar, including how did you come to develop the interests that you have? What are you passionate about as it relates to your fascinating work at the intersection of philosophy and economics?**

I came to work on Adam Smith by accident. I was pursuing a PhD in the philosophy department at the University of Chicago, and I had wanted to work on David Hume. The problem was that lots of people work on Hume. So I was looking for a new angle and found out that Hume was not only friends with Adam Smith but apparently thought highly of his work. Any friend of Hume's was a friend of mine, so I investigated. I discovered that Smith had written a book called *The Theory of Moral Sentiments*; I had not heard of it, so I read it. I was amazed: a rich, subtle, penetrating work, unlike anything else I had read in the history of moral philosophy. When I found out that few philosophers had written on it, I decided to make it the focus of my dissertation. That early work led me to develop an interest in the political economy of the period, and most of my scholarly work since then has centered on aspects of that political-economic tradition, including how it might apply to and address contemporary issues. The power of the tradition is often underestimated today, so one of my main motivations has been to remind thinkers of its considerable virtues.

**As you know, some hold various misconceptions about Adam Smith and his work. As someone who has spent a considerable amount of time studying Smith and his objectors, what would you say are the top misconceptions that scholars or non-scholars often assert about him and his work and how would you respond?**

Misconceptions of Smith come from both political directions, as it were. Some have portrayed Smith as a doctrinaire laissez-faire libertarian, while others, more recently, have portrayed him as something like a contemporary progressive liberal. Neither is accurate. His review of the available historical and economic evidence

led him to conclude that, after providing protection for people’s lives, liberty, and property, minimal government interference in people’s lives led to prosperity for all—including especially the poor. So he was genuinely concerned about the least among us, and his policy recommendations were based primarily on concerns about their welfare. Yet his recommendation of limited government was presumptive, not absolute: It served as a default to which exceptions could be made if the evidence for the particular case warranted it. I call his position “pragmatic classical liberalism.”

**What are some of the salient features of Smith’s anthropology that help us understand his “science of man”? Moreover, how should we read Smith’s *Wealth of Nations* in light of his other works?**

Smith accounts for the generation of shared moral standards in the *Theory of Moral Sentiments* by recourse to something he calls the “desire for mutual sympathy of sentiments.” In this case, “sympathy” does not mean pity: It means a “correspondence” or “harmony” of sentiments. His claim is that we all desire to see our own sentiments echoed in others, and we are chagrined and even pained when we realize our sentiments are not shared by others. Because this desire is mutual, it acts as a centripetal force drawing people into society and community with one another. It also acts as a regulative force disciplining us through rewards and punishments (achieving or failing to achieve mutual sympathy of sentiments, respectively), thereby generating—spontaneously—a moral order that is the product of human action but not of human design. Smith employs a similar “invisible hand” explanatory mechanism in the *Wealth of Nations*, though there the fundamental driving motivation is not the desire for mutual sympathy of sentiments but the desire of everyone “to better his condition.” The difference is explained by the fact that in the *Wealth of Nations* Smith is describing our exchanges and transactions with people most of whom we do not know. Unlike our moral communities, people in the marketplace are typically strangers to us; a different set of motivations is therefore appropriate. Smith argues that we are still required to fulfill the rules of justice, but that among strangers the special affections we develop for our friends and loved ones are neither expected nor, therefore, usually appropriate. In both works Smith is trying to understand the creation and development of human social institutions—moral community in TMS and commercial society in WN—and what I call his “marketplace model” applies in both. Because of the different circumstances of interaction among family and friends, on the one hand, and traders in the marketplace, on the other, different motivations are appropriate; the analyses in the books nevertheless integrate into a coherent whole.

**In part three of your *Adam Smith* book you explain what “Smith got wrong” (chapter 8). Can you briefly summarize your take on the matter?**

One of the mistakes Smith made in the *Wealth of Nations* was in thinking that human labor was a constant that could be universally measured and that it was the central determining factor of value. He seemed to believe that when a person is evaluating whether the price for a good or service is worth it, he will measure the price against the amount of his own labor that he estimates would be required to produce the good or service in question. This makes his view, I think, a “subjective-labor theory of value,” which is a step in the right direction. Nevertheless, the consensus of modern economics is that an attempt to base value on labor is a mistake. One other mistake Smith seems to have made is in his conception of happiness. In the *Theory of Moral Sentiments*, Smith in several places seems to equate happiness with “tranquility.” There is considerable contemporary evidence that suggests, however, that tranquility or idleness is actually deadly to happiness, that indeed activity and work—and the sense of purpose those typically involve—are central components of human happiness.

**In chapter 9 of your book you make a case for what “Smith got right.” Can you also summarize your perspective here?**

It turns out that Smith got a lot right—both in his moral psychology and in his political economy. Perhaps two that bear mentioning are his claims regarding (a) mutual sympathy of sentiments and (b) the prosperity promised by commercial society. Modern psychology has discovered that human beings do, in fact, desire a “sympathy of sentiments” with one another, and many different studies from several different disciplines have discovered not only the importance of this desire but also its regulative effect on human behavior. Moreover, in the two-and-a-half centuries since Smith wrote the *Wealth of Nations*, those societies that approximated Smith’s recommendation of rule of law, free trade, and limited government have produced unprecedented levels of wealth and rises in standards of living, including for their poor. Smith believed this would happen, but not even he could have imagined the astounding productive powers of markets that subsequent history demonstrated.

**Your award-winning 2002 book, *Adam Smith’s Marketplace of Life* (Cambridge), offers a systematic reinterpretation of Smith’s moral philosophy. Specifically, you argue that Smith provides a single “marketplace model” to make sense of various human social institutions. Can you explain what is the “marketplace model” and why is it a “reinterpretation” in light of the relevant literature?**

In the nineteenth century, some German scholars discussed what they dubbed “Das Adam Smith Problem,” which alleged a substantial difference between Smith’s two books. TMS, it was claimed, was a warm moral treatise based on a natural human sympathy, whereas WN was a cold economics book based on natural human selfishness. The “Problem” was how to reconcile the two seemingly inconsistent conceptions of human nature and human motivation.

In my *Adam Smith’s Marketplace of Life*, I argue that both books can be seen as part of a larger social-scientific project, namely, the attempt to explain the creation and maintenance of large-scale human social institutions. I argue that in TMS Smith develops what I call the “marketplace” model of social institutions, in which exchanges and interactions of moral sentiments and judgments give rise over time to shared standards of morality. I lay out in detail how Smith’s account of morality is a version of an “invisible hand” argument. I then argue that the same model is present and at work in his *Wealth of Nations*, though here he is accounting for not moral community but economic markets.

I think Smith’s “marketplace model” for him enjoys a general application to human sociality, making it a kind of “grand unification theory” of human social phenomena. Although other scholars have attempted to reconcile Smith’s two books in various ways, none rely on his larger social-scientific model in this way. I also claim to find the model in Smith’s short essay on the origins of language, as well as his essay on the history of astronomy, which I take to be further evidence for Smith’s attempt at a “grand unification theory.”

**In 2006 you published your award-winning book, *Actual Ethics* (Cambridge), where you argued for a conception of human personhood (inspired from Kantian and Aristotelian themes) in order to entail a conception of the “classical liberal” political state. Can you briefly describe that conception of human personhood and how you think philosophers and theologians operating within a Christian knowledge tradition might further contribute to this work?**

My book *Actual Ethics* defends a “classical liberal” political-economic order based on two central arguments: first, such an order is implied by what I believe is the most attractive conception of human agency and morality; second, empirical evidence suggests that such orders are more conducive to human prosperity than any other known orders. The moral order that forms what I call the “principled” argument in favor of classical liberalism draws on central aspects of the Kantian and the Aristotelian moral theories. Specifically, I argue for understanding human moral agency as Kantian “personhood,” combining the freedom that rational autonomy entails with the responsibility that Kantian dignity entails. This agency implies that people should be free to make decisions about how to live their lives,

but that respecting their dignity requires others not only to allow them that freedom but to hold them accountable for their decisions as well.

I argue further that human beings are in possession of Aristotelian *phronesis*, or judgment, which, as Aristotle argued, is a skill that, like other skills, develops only through use. That is, it responds to feedback: positive feedback for good use, negative feedback for bad. Fully respecting people's human agency, then, not only requires giving them freedom and holding them accountable, but it also relies on the conviction that they can and will develop sound and therefore virtuous judgment if they are allowed to do so. Of course, people will make mistakes. For fallen creatures, perfection is not possible. But just as God still gave us free will even knowing that we would make mistakes, so too should we show one another the same respect by allowing one another the freedom to choose even knowing that we will sometimes make mistakes. Only when we are fully free, and held fully accountable, are we fully moral agents, and only by respecting that freedom and accountability do we respect the dignity that each of us possesses as a moral agent.

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