

Ethical Capitalism: Would the Real Adam Smith Please Stand Up?

Terry L. Weldin-Frisch, PhD
Adjunct Associate Professor
Department of Philosophy
University Hall Building 3010
University of Illinois at Springfield
One University Plaza
Springfield, Illinois, USA

Abstract

*Is the prevailing canon of current economic theory as practiced in the United States the system Adam Smith envisioned in his groundbreaking *The Wealth of Nations* (WN)? In this paper I attempt to answer this question by not only referring to WN, but also by referring to his earlier *Theory of Moral Sentiments* (TM). Contrary to the prevailing neoclassical canon of contemporary economic theory, it is not the case that Adam Smith envisioned a science of economics that was “value-free” and therefore unencumbered by ethical considerations.*

Keywords: Value-free economics, Double-mindedness, Crisis of Values, Moral Foundation

1. Introduction

Contrary to the prevailing neoclassical canon of contemporary economic theory, it is not the case that Adam Smith envisioned a science of economics that was “value-free” and therefore unencumbered by ethical considerations. Smith’s original thinking is further distorted when he is labeled “double-minded” in his approach to economics. This stereotype is the result of hermeneutical myopia when his two major literary works, *A Theory of Moral Sentiments* (TMS) and *An Inquiry into the Nature and Causes of the Wealth of Nations* (WN), are interpreted as demonstrating such a bifurcation. It is the contention of this paper that Smith would not recognize modern capitalism as a derivative of his corpus, nor would he recognize himself as the “father” of modern capitalism in its current form. It is more likely that Smith, if he were alive to defend his work and to clarify his writings, would dismiss such claims as unwarranted. Further, we conclude that of all the economic systems Adam Smith has purportedly ‘fathered’, it is highly probable this last one, the one that advocates for a capitalism grounded on a firm moral foundation, is the system Smith would recognize and support.

2. Smith’s Economics

In this section, we look to Smith’s economics related to his major writings, his theory of labor, and his concerns regarding the role of government in the economy.

2.1. As it relates to Smith’s major writings

If WN was Smith’s only major publication, it would be difficult to argue that the assumption of selfishness, nurtured by neoclassical economists to be the exclusive organizing mantra of modern capitalism, is a misreading of Smith’s intent. However, since Smith wrote two important books, one on moral philosophy, the other on economics, it is more reasonable to assume that both are relevant to an accurate understanding of Smithian economic theory. According to S. Klein “Generally, as commentators on Adam Smith have observed, the TMS is essential for understanding WN. The reason for this is clear. Human nature provides forces which drive the market, and Smith’s treatise on human nature is the TMS” (Klein, 2003, p. 389). If Klein is right, then it is fair to conclude that capitalism, stripped of its ethical foundation, is not a capitalism Smith would recognize despite a variety of counter-arguments. On the other hand, one is often hard-pressed to agree to arguments professing to demonstrate a Smithian bifurcation or double-mindedness. This bifurcation theory is often referred to as *Das Adam Smith Problem*.

These arguments typically hypothesize that at one point in Smith's literary development, especially in TMS, he advocated a sympathetic moral foundation for the conduct of human interactions (when his primary focus was still on moral philosophy), yet somehow, this insistence on a sympathetic moral foundation supposedly shape shifts in WN, from Smith as moral philosopher into Smith as an amoral, value-free, selfish homo economicus (a rational, narrowly self-interested, economic actor). One example of this kind of thinking about Smith's writings comes from Henry Buckle's *History of Civilization in England*, published in 1861. Buckle suggests that "...the two books rested on antithetical conceptions of human nature: that one was dominated by the idea of sympathy and the other by selfishness." Buckle's work (as cited in Tribe, 1999). Many scholars disagree with this interpretation of Adam Smith's intellectual corpus. According to Sam Fleischacker: To claim that Smith's *Wealth of Nations* (WN) is grounded on the assumption that people inevitably act out of self-interest, and to imply that the book's major contribution grows out of that assumption is to misread it severely. Everything Smith says about the importance of self-interest is quite humdrum, for his day: he rejects Mandeville's cynical reduction of all human motivations to self-interest, is a greater believer in the possibility of concern for others than Hume, allows more room for sincere religious faith than Voltaire, and differs barely at all from the gentle Hutcheson on the role of self-interest in economics. (Fleischacker, 2004, p. 1)

This brief review suggests the portrayal of Adam Smith through multiple filters. For some, Smith is double-minded, based on one interpretation of TMS and WN. For others, it becomes impossible to comprehend Smith's economic writings minus his TMS as the clear moral foundation of that later work. For the purposes of this paper, based on the scholarship currently available, it is believed that the latter interpretation is more consistent in making sense out of Smithian economic theory. Thus, at face value, it seems as if Smith would consider any interpretation of his writings rejecting a moral foundation and insisting instead on an amoral, value-free economics, as strictly speaking, a misreading of his intentions.

2.2 As it relates to Smith's theory of labor

Labor, according to WN, is vulnerable to unfair pay practices by employers. As H. L. Fairlamb points out, ...it is possible to agree with various objections to Marx's theory of exploitation, but still believe that labor is systematically underpaid. In fact, this possibility is already implied in Smith's own *Wealth of Nations*, which noted in numerous places the vulnerability of labor to less than fair wage payment (Fairlamb, 1996, p. 194). It thus appears that Smith is acutely aware of what can only be termed the exploitation of labor. This exploitation is a function of manipulation of the two prices of labor recognized by Smith in WN. On the one hand, there is the price of labor which Smith identified as the price that would be paid for a unit of labor in an ideally free market, what Fairlamb identifies as $Natural_1$. That is, a market where there are no systematic monopolistic distortions. However, this ideal market is just that, ideal. What turns out to be true regarding the price of labor is a different reality altogether. Fairlamb depicts this different reality, as $Natural_2$. $Natural_2$ is defined as a compromise between ideal and chronic monopolistic forces. Although Smith suggests that the balance of forces determining the price of commodities also determines the price for labor, that is, he argues that market forces alone should determine the price for labor. However, it turns out that there are mitigating influences working against this ideal price setting mechanism. Those mitigating influences are: first, the ownership of land thus allowing the extraction of rent before wages are determined and second, the ability of those same landowners to collectively monopolize information about prices and costs, thus providing them with a systematic advantage when bargaining with labor over wages (Fairlamb, 1996). Fairlamb goes on to point out: As long as unproductive ownership is paid as rent, then there is a cost in production that is not related to productivity, and that is deducted from the natural value of everything else. And as long as managers and owners have a monopoly on market information, there will not be the availability of information that would drive wages to their natural position. And as Smith notes, these are not occasional circumstances but chronic features of capitalism (Fairlamb, 1996).

What is interesting here regarding the disparity between the ideal of $Natural_1$ and the reality of $Natural_2$ is the tension created between what is taken to be the norm of $Natural_2$ and the question regarding what is just when it comes to the wages of labor. Here, according to Fairlamb, Smith is aware that $Natural_2$ would be considered the norm yet at the same time Smith would not accept such a state of affairs as representative of justice. According to Fairlamb: On the other hand, the capitalists' conspiracy against labor is $Natural_2$ in the sense of being normal, though Smith does not believe it just: being the norm does not justify an exploitative conspiracy, a monopoly of information and position. Indeed, Smith explains this exploitation in just those terms (Fairlamb, 1996).

It is important to point out here that although Smith hints at a theory of the natural exploitation of labor, he never really comes out and says it openly. However, it is reasonably clear that he doesn't believe that the labor class is sufficiently protected by the laws of supply and demand (Fairlamb, 1996). That being said, it is important to get to some sense of what Smith's preferred position is regarding the type of life a laborer should expect given such an imperfect, class biased system. According to Smith himself: Political economy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with revenue sufficient for the public services. It proposes to enrich both the people and the sovereign. (Smith, 1904, IV.I.1)

This seems, *prima facie*, a clear-cut assessment of what a laborer should be able to expect from a healthy economy. According to Smith, a laborer should be able to expect plentiful revenue or subsistence either from their employer or through their own initiatives and entrepreneurial endeavors. On the other hand, the state should expect revenues sufficient to provide necessary public services. Although it appears that Smith saw clearly what is entailed in an economic system that produces a just wage for labor and an appropriate level of revenue to the state for provision of necessary public services it is also clear that this ideal of market justice was somewhat vague. In fact, it appears from the evidence available that Smith never fully unpacks the implications of the disadvantages faced by wage labor in the real marketplace. Again, according to Fairlamb: Finally, however, because Smith usually speaks as if only one hand is at work, naturally guiding the marketplace toward fair prices, he does not fully draw out the systematic implications of the disadvantage of labor, that is, the class biased forces of the capitalist economy. Whereas for many commodities it may be enough to protect the operation of supply and demand, it is not enough to turn the labor market over to the forces of supply and demand, especially under conditions that are not perfect, which no market is. There is in the labor market a tendency away from the natural price, a second invisible hand favoring the capitalist's bargaining position and depressing wages down to a bare subsistence level regardless of the degree of aggregate social prosperity. In the case of real labor markets, we cannot trust spontaneous tendencies because we cannot have the hand of equilibrium without the hand of exploitation, the result of which is a systematic impoverishment of labor (Fairlamb, 1996).

In summary, the discussion of Smith's economics as it relates to labor requires a clear delineation between the ideal of one invisible hand working not only in commodity markets but also in the wage labor market. This is important because, as Fairlamb points out, when it comes to wage labor, it is not one hand at work but two. The other hand at work here is not predisposed to a sympathetic consideration of labor's need for a fair wage. Rather, this other hand is predisposed to ensure that rent is taken before wages are paid and it is further predisposed to allow this same group of landowners to collectively monopolize information about prices and costs, thus providing them a systematic advantage when bargaining with labor regarding wages. A folksier way to conceive of this situation is to say that while one invisible hand is busy guiding the economy in an efficient manner, the other hand is busy picking labor's pocket. With this observation in mind we will now turn to a discussion of Smithian economics as it relates to the involvement of government.

2.3 As it relates to Smith's view of government's role

Smith was reluctant to call in governmental officials in situations where the market did not function in such a way that labor received a just or natural wage. According to Donald R. Stabile: Under normal conditions, which included virtuous and informed traders, the market was sufficient for attaining the just or natural wage. Where it was not, Smith was more reluctant ... to call in public officials, believing as he did that they usually supported the business point of view. (Stabile, 1997, p. 308)

Smith also held what Fleischacker has labeled a "much darker view of politics": If I participate in the political arena, I am likely to be constantly under the pressure of professing a greater concern for "the public good" than I really feel: constantly under pressure, therefore, to be a hypocrite. I will also, more generally, be far too concerned with what people think of me rather than what I am really like. For reasons like these, Smith was far less convinced of the value of politics to morality than were either his ancient predecessors—Plato, Aristotle—or his contemporaries Hutcheson and Rousseau. He was indeed quite cynical about the likelihood that politicians would normally be particularly good people, or that good people would be attracted by the political life. (Fleischacker, 2004)

One might infer from the above depiction of Smith's attitude toward government that he would not be predisposed to support any of the supposed public goods provided to the citizenry of Great Britain. However, this conclusion would be hasty in light of other observations both in the secondary literature and from WN itself. A more accurate view of Smith's attitude would be to say that he would prefer to minimize government's role in the lives of the citizens, thus allowing the greatest freedom possible for each to pursue their own individual self-interests while at the same time recognizing that there are some legitimate roles for government to play in the life of a nation. And, it may not be an overstatement to say legitimate roles that ultimately assist a nation to grow and prosper in its commercial life. These limitations may be characterized as what Smith thought of as "fundamental sovereign duties". According to Nicholas Phillipson in his biography of Adam Smith, the fundamental sovereign duties that Smith spent time considering were defense, justice, public works, education and religion (Phillipson, 2010). In the case of national defense, Smith argues against libertarians who wanted to reduce the protection of the nation to local militias. His argument maintains that a standing army is that instrument of the sovereign which ensures the perpetuation of a country. By inference, it is further likely that if the security of a nation is ensured by a standing army so too will be the commercial enterprises of that nation. According to Smith: A well-regulated standing army is superior to every militia. Such an army, as it can best be maintained by an opulent and civilized nation, so it can alone defend such a nation against the invasion of a poor and barbarous neighbour. It is only by means of a standing army, therefore, that the civilization of any country can be perpetuated, or even preserved for any considerable time. (Smith, 1904, V.1.38)

In the case of justice, Smith appears intent on pointing out that government is primarily interested in protecting the propertied class from those who have no property. As Smith puts it (Smith, 1904, V.1.55): Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.

According to Phillipson, this sort of Smithian observation was: ...a way of reminding citizens and the magistrates that the task of maintaining a viable system of justice meant preserving inequality and fostering the sense of security on which improvement depended, something that demanded a rigorously impartial enforcement of the rules of justice in societies in which partialities were deeply ingrained. (Phillipson, 2010)

Perhaps the place where Smith's mistrust of modern governments is most apparent is in his discussion of government's role in the development of infrastructure such as roads, canals, bridges, etc. According to Smith, the costs related to development of this public infrastructure should fall on those who use it and on local organizations and not on taxpayers and the sovereign (Phillipson, 2010). Smith makes this point as follows: The abuses which sometimes creep into the local and provincial administration of local and provincial revenue, how enormous soever they may appear, are in reality, however, almost always very trifling in comparison of those which commonly take place in the administration and expenditure of the revenue of a great empire. They are, besides, much more easily corrected. (Smith, 1904, V.1.89)

The maintenance of a judiciary was another aspect of governmental responsibility that Smith addresses in WN. Here again he seems to be interested in pointing out that the judiciary should be self-sustaining from the fees of the court (Phillipson, 2010). After all these considerations regarding governmental responsibilities are taken into consideration, it appears that for Smith, the responsibility that weighed most heavily on his mind was the cost of national defence. Why? The answer seems instinctively straightforward, that is, the burden of taxation on the people. According to Phillipson, this cost of defence:...was bound to be a charge on the taxpayer, would be heaviest in technologically advanced societies, and could all too easily become ruinous in an age of incessant warfare. Smith's fears of the costs of modern warfare pervade the entire discussion of governance (Phillipson, 2010). We now turn to a discussion of modern capitalism and Smithian capitalism.

3. Modern Capitalism and Smithian Capitalism: The Same Beast?

In this section, we look at modern capitalism and compare it to the capitalism we believe Smith envisioned to see if they are equivalent or if there are substantive variances between them.

3.1 The organizing model of modern capitalism

What organizing model best describes modern capitalism? The best answer may be the least appealing. The least appealing answer, which may be closest to the truth, is simply this: it depends on who you ask. Jack Russell Weinstein in his article titled "The Wealth of Nations and the Morality of Opulence" points out: Edward J. Harpham once began an article by writing that many Adam Smith's 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 Scott is bound to change significantly as one switches secondary sources. (Weinstein, 2007, p. 61)

As it turns out, Weinstein does not agree with Harpham's view that there are many Adam Smith's to be found in the secondary literature. For Weinstein, there are just two Smith's, ...one that adopts a certain caricature bending *A Theory of Moral Sentiments* into irrelevance, and one that regards him as a moral philosopher with a theory of political economy fully integrated into his ethics (Weinstein, 2007).

In either case, whether there are "many" or just "two", the critical point to keep in mind is, if it is more than one, then there is clearly enough wiggle room to portray Smith either as a sympathetic moral philosopher concerned with the consequences of human actions in the marketplace or as an amoral, value-free, self-interested *homo economicus*. Thus, between these two choices, even if that is all there is, one can see the obvious potential for the development of two entirely different systems of economics.

Given the above discussion regarding which Adam Smith is the real Adam Smith, two examples here will suffice to make this point. As mentioned earlier in this paper, Sam Fleischacker points out that the late University of Chicago economist George Stigler believed that WN was a stupendous palace erected upon the granite of self-interest. Fleischacker suggests that Stigler's position is representative of the majority view (understood as neoclassical economics) over the last two centuries. Fleischacker makes the claim that the majority view is wrong. He continues, "To claim that Smith's *Wealth of Nations* is grounded on the assumption that people inevitably act out of self-interest, and to imply that the book's major contribution grows out of that assumption, is to misread it severely" (Fleischacker, 2004). Harvard economist Amartya Sen, in discussing the recent global economic crisis (here understood to mean the crisis beginning in 2007-2008 and continuing until 2010), argued that the crisis was partly due to an overestimation of the wisdom to be found in market processes (Sen, 2009, §3). He continues: ...the crisis is now being exacerbated by anxiety and lack of trust in the financial market and in businesses in general—responses that have been evident in the market reactions to the sequence of stimulus plans, including the \$787 billion plan signed into law in February by the new Obama administration. As it happens, these problems were already identified in the eighteenth century by Smith, even though they have been neglected by those who have been in authority in recent years, especially in the United States, and who have been busy citing Adam Smith in support of the unfettered market. (Sen, 2009)

So, from Sen's perspective, Adam Smith, often depicted as endorsing unfettered markets, was fully aware of the potential downside of this position. Therefore, it seems reasonable to conclude that he would not agree with such an interpretation of his overall intent in WN. The remainder of this part of the paper focuses on various aspects of modern capitalism. The analysis in this section is primarily interested in finding out which, if either, of the conflicting views of Adam Smith, the neoclassical (majority view) or, what this writer is choosing to call the comprehensive view (that is, the view that says you can't properly interpret Smith's WN unless you interpret it through the lens of TMS). In order to get at this question, we will look at modern capitalism through three lenses:

- Lens 1: Smith as critic of;
- Lens 2: A crisis of values in;
- Lens 3: A proper foundation for;

3.2 Smith as critic of modern capitalism

One residual, yet exceedingly interesting question grinning up from the bottom of the philosophical mug, begging to be answered, is whether Adam Smith, were he suddenly to reappear on the contemporary economic scene, would be critical of what he finds. A plausible conclusion of this paper is that given Smith's interest in both moral philosophy and economics (he was after all a moral philosopher before he was an economist), it is reasonable to believe that he would in fact be critical of the current state of affairs in modern capitalism. In fact, the plausibility of this conclusion does seem to entail an inference to a best explanation given the various interpretations of Smith found in the secondary literature. One is reminded of Smith's well-known quote from WN where he states in unequivocal terms, "All for ourselves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind (Smith, 1904, III.IV.10). And, it is fair to assume that if Smith were here today this same observation could be easily adapted to the current state of affairs in modern capitalism. So, let's look at some of the evidence supporting such an inference. According to Michael Novak in his article titled "Economics as Humanism": For more than a century now economics has been advanced and practiced as a science, on the model of physics and mathematics. It was not always so.

From Adam Smith's *Inquiry into the Nature and the Causes of the Wealth of Nations* in 1776 until well after the publication of John Stuart Mill's *Principles of Political Economy* in 1848, economics was viewed as a branch of moral philosophy astonishingly underdeveloped by earlier philosophers. (Novak, 1997, p. 18)

From Novak's discussion we see that economics was not always thought of as a science modeled after physics or mathematics. Rather, it was, at least until Mill's *Political Economy* in 1848, a branch of philosophy, and more specifically, that branch of philosophy commonly referred to as moral philosophy. If Novak's observation here correctly reflects the way economics was thought about until 1848, then it seems reasonable to suggest that Smith, publishing TMS in 1759 and WN in 1776, was most likely thinking of the enterprise of economics in just the way Novak suggests it was thought of, as a branch of moral philosophy. In addition to Novak's observation, Amartya Sen appears to be supportive of this conclusion as well: Smith did not take the pure market mechanism to be a free motive to be all that is needed. The importance of motives other than the pursuit of one's own gain, going beyond even the more refined motivation that Smith called "prudence", was first outlined by Smith with much force and clarity in *The Theory of Moral Sentiments*. (Sen, 2009, 53)

It is undeniably the case that evidence is available in a variety of books and peer reviewed journals supportive of this conclusion. So, it seems to follow that this interpretation must, minimally, be taken as a serious competitor when it comes to accurately depicting Adam Smith's critical position regarding modern economics. We now move from Smith as critic of modern capitalism to a discussion of modern capitalism as it relates to what can only be described as a crisis of values.

3.3 A crisis of values in modern capitalism

What meaning is there in suggesting that modern capitalism is entangled in a crisis of values? If one accepts the dogma of a neoclassical, positivistic view of modern capitalism, then one would likely find such an assertion meaningless. In other words, how can a social science that is believed by most of its contemporary practitioners to be amoral, value-free and self-interested have, at the same time, a crisis of values? This seems, at face value, contradictory. E. Ray Canterbury in *The Making of Economics: the Foundation*, expresses this idea straightforwardly:...we would be remiss not to note that the free market ethic leans toward the extreme of selfishness (fierce individualism) rather than toward empathy or altruism. There is little room for collective decision making in an ethic arguing that every individual should go his or her own way. (Canterbery, 2003, p. 7)

He continues this line of thought when speaking specifically about University of Chicago economist Milton Friedman: According to Friedman, 'Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a responsibility other than to make as much money for their stockholders as possible. This [social responsibility] is a fundamentally subversive doctrine. (Canterbery, 2003).

What appears to be at work here can only be described as the modern or majority view of capitalism, at least, from the perspective of what Noam Chomsky calls neoliberalism. According to Robert W. McChesney (Chomsky, 1999, Introduction, p.7), Neoliberalism is the defining political economic paradigm of our time—it refers to the policies and processes whereby a relative handful of private interests are permitted to control as much as possible of social life in order to maximize their personal profit.

From this particular point of view the only apparent value is that of self-interest or more to the point, unrestrained greed.¹ So, if there is a crisis of values in modern capitalism, it would seem to be anything that deterred modern capitalism from its *raison d'être*, that is, if it were in any way deterred from the single-minded pursuit of greed itself. But, is this a fair interpretation of what one means when they speak of a crisis of values in modern capitalism?

In their paper titled "Some Costs of American Corporate Capitalism", Kasser, Cohn, Kanner, and Ryan (2007, p. 3), discussing what they call American Consumer Capitalism (ACC) make the following statement:...we will show that ACC fosters and encourages a set of values based in self-interest, a strong desire for financial success, high levels of consumption, and interpersonal styles based on competition. The consequence of such an emphasis is that ACC also tends to oppose, undermine, de-emphasize, and "crowd out" goals and values for caring about the broader world, cultivating close interpersonal relationships, and, especially among poorer individuals, feeling worthy and free; notably, such aims are typically associated with psychological well-being, optimal performance, social cohesion, and ecological sustainability.

¹ One is reminded of how this sort of value-free economic policy is summed up in the movie "Wall Street" by Gordon Gekko as portrayed by Michael Douglas: <http://www.americanrhetoric.com/MovieSpeeches/moviespeechwallstreet.html>

Here we see what can only be described as a set of values seemingly at odds with those in the neoclassical, positivistic tradition who argue to the contrary. It seems fair to conclude that either modern capitalism does or does not embrace certain values. If it does not, then Friedman and those of his positivistic ilk have it right. If it does, then it would seem reasonable to conclude that the prospect of a values crisis in modern economics is a real possibility. In this paper it is assumed that there is a crisis of values in modern capitalism. As mentioned, this entails the counter-argument that modern capitalism is not a value-free enterprise as many economists have argued. As a first approximation at describing this crisis of values let's look again at the work of Kasser et al: What we hope comes into relief from our brief description is that ACC carries with it certain practices and beliefs that foster the pursuit of self-interest, competition, economic growth, and high levels of consumption. As such, ACC is more than just money and goods—it is a system of beliefs, social relationships, and institutions that encourage, regulate, and direct human motivations and values (just as religion, political systems, and other features of societies do). As we have mentioned, for ACC to take hold successfully in a culture, it must engage people in competitive institutions, entice them with an ever-new panoply of desirable goods, and expose them to practices and ideologies that lead them to internalize values for self-interest, competition, and economic advancement. When people adopt these attitudes and values, ACC becomes further anchored within the culture, and increasingly determines the beliefs and concerns people embrace, reject, or ignore, and the institutions that they will support or oppose. In short, like any social system, ACC fosters ideological values and institutional practices that further fuel its goals and suppresses other values and practices at odds with its aims (Kasser, et al., 2007).

So, as a first attempt at unpacking this values crisis we can say that the values that are in conflict are most likely related to the internalization of ideological values such as self-interest, competition, and economic advancement. However, what this first attempt doesn't do is clearly describe what this crisis of values is. So, a second attempt will be required in order to get at the crisis itself. First, we see that the values already mentioned have been internalized. According to Kasser et al. when discussing their research: This empirical research, conducted with different methodologies, from different theoretical perspectives, and with thousands of individuals from dozens of nations around the world, leads to a provocative conclusion: The values and goals most closely expressive of ACC's ideology and institutions are also those that oppose and potentially undermine people's concern for: a) promoting the welfare of others in the broader community; b) developing a sense of connection and closeness to other humans; and c) choosing paths in life that help them to feel worthy and autonomous (Kasser, et al, 2003).

We begin to see that this crisis of values is between modern free-market ideology and the resultant undermining of people's concern for the welfare of others, the development of a sense of connection and closeness to other humans, and the choosing of paths leading to a sense of worthiness and autonomy. One might say it comes down to a sense of a loss of freedom in one's options or choices. Kasser et al. draw the following conclusion regarding this sense of loss: In sum, this evidence shows that three of the beliefs central to ACC (i.e., materialism, competition, and self-interest) are unlikely to be experienced by most individuals as freely chosen. Instead, such beliefs tend to be associated with feelings of pressure and coercion. What this suggests, then, is that the ideology of ACC may be at odds with one of the deepest psychological needs of people, as they find it difficult to fully and wholly endorse the system's key goals, beliefs, and norms (Kasser, et al, 2003).

With this second attempt at identifying this crisis of values it seems that if Kasser et al. have it right then the crisis of values is a crisis between those values advocated by ACC such as materialism, competition and self-interest and the feelings of being pressured and coerced into adopting these values as one's own. Further, this crisis goes more deeply because, again assuming the plausibility of Kasser's argument; it strikes at the core values of the individual person. That is, the values of ACC are in some sense counter-intuitive to what people really believe about the moral foundations of capitalism.

Thus, it seems fair to conclude that this crisis of values points once again to the unwarranted bifurcation of Adam Smith's two major works, and somehow in this process, severing the latter corpus from its moral predecessor. One ought not be too surprised by this outcome. All too often in our post-enlightenment milieu we find "men of science" eagerly exorcising the remnants of souls from bodies. They do this in the name of positivistic reductionism. And, they do it with the expectancy of jettisoning any antiquated metaphysical baggage such as moral sentiments, that have somehow managed to cling, however tenuously, to the now emaciated remains of what they call *homo economicus*.

Other scholars see this crisis of values in similar ways to the vision depicted above by Kasser et al. In his book *Adam Smith's Moral Philosophy* Jerry Evensky differentiates between what he calls "Chicago Smith" and "Kirkaldy Smith". On the one hand, Chicago Smith symbolizes *homo economicus*, or that being whose actions are guided by the single-minded pursuit of personal utility maximization, also known as greed. On the other hand, Kirkaldy Smith (Kirkaldy, Scotland is the place of Smith's birth) rejects the one dimensionality of Chicago Smith. Evensky states: Kirkaldy 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". Quite to the contrary Kirkaldy Smith would reject a reductionist approach (Evensky, 2005, p. 247). There appears to be sufficient evidence supportive of the argument that modern economic theory, or Chicago Smith economics, has catalyzed a crisis of values. Thus, in this paper we conclude that there is in fact a crisis of values in modern capitalism. We turn now to a discussion of the question of Smith's view of what is necessary to assure that modern economic theory is erected upon a proper foundation.

3.4 A proper foundation for economic activity

In keeping with the argument of this paper, it is consistent to conclude at the outset of this section that the proper foundation for understanding Adam Smith's economics is his TMS. Further, it is consistent to conclude that any other interpretation of Smith's corpus that does not start with this foundation leads to serious error and, as was just demonstrated above, to a crisis of values. Of course, there are arguments on both sides of this controversy depending on one's particular point of view. It should be obvious by now that those of the Chicago Smith persuasion would disagree with these conclusions. On the other hand, those supportive of Kirkaldy Smith will most likely align themselves with these conclusions. According to Denis Collins (1994), he is often asked if business ethics is a contradiction in terms and if business people are becoming less ethical. As to the first question his typical response is that there is an ethic for conducting business but that many people don't like it. Collins continues, "Amongst academics, however, I refer them to Adam Smith's rarely read, magnificent ethical treatise, *The Theory of Moral Sentiments* that provides the ethical foundation for capitalist activities" (Collins, 1994). Patricia Werhane, in her book *Adam Smith and His Legacy for Modern Capitalism* further undergirds this claim by Collins: Despite the historical resolution of the Adam Smith Problem, even today some readers, primarily philosophers, concentrate on the TMS, assuming that the WN has little to do with moral philosophy. Others, many of whom are social scientists, including political theorists and economists, focus almost exclusively on Smith's second work, the *Wealth of Nations* (WN). Fewer refer to his earlier treatise on moral psychology, despite historical evidence to suggest that he meant the TMS to form the moral foundation for his other writings. When applying Smith's views to modern economic theory, commentators do not always take into account the moral psychology of the TMS from which the notions of self-interest, natural liberty, and the invisible hand are derived (Werhane, 1991, 9).

4.0 Conclusion

The above argument suggests that the value-free, neoclassical model of economics is not the economics that Adam Smith had in mind when he was writing his TMS and then, seventeen years later, WN. Rather, the argument holds to the view that it isn't possible to adequately interpret WN without TMS. To suggest otherwise is as ludicrous as supposing that a room full of monkeys with typewriters will eventually manage to recreate even one of the great masterpieces of Western literature. That being said, it seems a reasonable conclusion to this paper to say that if there is a values crisis in modern capitalism such as the one portrayed in this paper, then it seems to follow that a capitalism not based on a moral foundation will be the final result. A result that appears to be staring us directly in the eyes in this first quarter of the twenty-first century. To reiterate the words of Adam Smith as discussed earlier in this paper, this breed of value-free capitalism seems to take us full circle, "All for ourselves, and nothing for other people, seems in every age of the world, to have been the vile maxim of the masters of mankind" (Smith, 1904).

References

- Canterbery, E. R. (2003). *The making of economics: Volume I, the foundation*. Singapore: World Scientific Publishing Co. Pte. Ltd.
- Chomsky, N. (1999). *Introduction. Profit over people*. New York: Seven Stories Press. Kindle Edition.
- Collins, D. (1994). *The fall of business ethics in capitalist society: Adam Smith revisited*. *Business Ethics Quarterly*, 4(4), 519–535.

- Evensky, J. (2005). *Adam Smith's moral philosophy*. Cambridge: Cambridge University Press.
- Fairlamb, H. L. (1996). Adam Smith's other hand: a capitalist theory of exploitation. *Social Theory and Practice*, 22(2), 193–223.
- Fleischacker, S. (2004, October 4). *Economics and the Ordinary Person: Rereading Adam Smith*. Retrieved from www.econlib.org/library/Columns/2004/FleischackerSmith.html
- Kasser, T., Cohn, S., Kanner, A. D., & Ryan, R. M. (2007). Some costs of American corporate capitalism. *Psychological Inquiry*, 18(1), 1–22.
- Klein, S. (2003). The Natural Roots of Capitalism and its Virtues and Values. *Journal of Business Ethics*, 45, 387–401.
- Novak, M. (1997, October). *Economics as humanism*. Retrieved from www.leadersu.com/ftissues/ft9710/opinion/novak.html
- Phillipson, N. (2010). *Adam Smith: An enlightened life*. New Haven: Yale University Press.
- Sen, A. (2009, March 26). *Capitalism beyond the crisis*. Retrieved June 8, 2018 from <http://www.nybooks.com/articles/2009/03/26/capitalism-beyond-the-crisis/>
- Sen, A. (2010). *Adam Smith and the contemporary world*. Retrieved June 9, 2018 from https://www.gc.cuny.edu/CUNY_GC/media/CUNY-Graduate-Center/PDF/Centers/LIS/Milanovic/readings/2.2/sen_on_rawls.pdf
- Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Edwin Cannan, ed. 1904. *Library of Economics and Liberty*. Retrieved June 8, 2018 from the World Wide Web: <http://www.econlib.org/library/Smith/smWN12.html>
- Stabile, D. R. (1997). Adam Smith and the natural wage. *Review of Social Economy*, LV(3), 292–311.
- Tribe, K. (1999). Adam Smith: Critical Theorist? *Journal of Economic Literature*, 37 (June), 609–632.
- Weinstein, J. R. (2007). The Wealth of Nations and the morality of opulence. *Research in the History of Economic Thought and Methodology*, 23(A), 61–69.
- Werhane, P. H. (1991). *Adam Smith and his legacy for modern capitalism*. New York: Oxford University Press.