Project Title: “Moral Reflection on ‘Homo Economicus’: Examining Adam Smith’s Teleology From A Christian Perspective”

I wish to thank the professional development committee for this Summer 2008 grant. It enabled me to pursue my research on Adam Smith’s moral philosophy of the market. This work is part of a larger project on the history of moral reflection in economics. Together with Jim Halteman, an economist at Wheaton College, I am examining the evolution of reflection on moral values in economic thought. Our project relies on primary sources in the field, beginning with Aristotle’s treatment of the telos (ultimate) purpose of economic activity. We assert that Smith affirms the telos or ultimate ends of human behavior aimed at achieving certain virtues in the marketplace in his major works The Theory of Moral Sentiments (TMS), the Lectures on Jurisprudence (LJ), and An Inquiry Into the Nature and Causes of the Wealth of Nations (WN), though not in as explicit a manner as Aristotle. The grant enabled me to contribute to the two chapters of our manuscript we are devoting to Adam Smith’s moral reflections on economics.

In the research for this project I make use of the themes of ‘behavioral economics’, a rapidly developing field of economics which brings to bear insights from psychology to marketplace activity. I consider two perspectives prevalent in the literature on the passions, instincts and actions of ‘homo economicus’ (economic man) as part of the moral basis of Smith’s ‘system of natural liberty.’ One reading claims that Smith understands flourishing market processes to be dependent upon the cultivation of moral virtues such as benevolence, prudence, probity and cooperation. The process of moral development is a prerequisite for ethical market activity. A second perspective finds Smith claiming that markets themselves in fact foster the virtues necessary for the viability (and flourishing) of the commercial system. The harmful effects of malevolent (unsocial) passions such as fraud, deceit and vanity are checked and benevolent (social) passions are manifested in virtues such as probity, prudence, and altruism.

My analysis of TMS, LJ and WN pursues the hypothesis that the two perspectives are not mutually exclusive. Indeed, a careful reading of Smith’s teleology from a Christian perspective finds Smith striking a balance in considering the moral parameters of the marketplace. These are those moral elements which set the
conditions in which the market enables human activity to pursue its true purpose, the pursuit of virtue that fulfills the wishes of the Creator and leads to social harmony. The commercial society depends upon human passions being ‘screened’ or channeled to produce prudence, self-command and probity in exchange. In turn, markets tend to foster these virtues, yet market participants only imperfectly achieve them.

A product of the research related to this grant project was a paper entitled “Adam Smith and the Moral Parameters of the Marketplace: Probity, Deceiving Others and Self-Deceit.” It was presented at the annual conference of the History of Economics Society, held in June 2009 at the University of Colorado at Denver. In the paper I examine the three ‘screens’ or ‘filters’ Smith sees to be employed by all economic actors: sympathy, the impartial spectator, and the conscience accountable to the ‘all-seeing judge of the world.’ Smith’s understanding of God as the Creator Judge is shaped by the Scottish Enlightenment notions of Deism prevalent in the mid-eighteenth century. The paper analyzes Smith’s discussion of the virtue of probity and the vice of deceit in commercial society. Smith’s ethic for a market society affirms that in general probity is fostered in a commercial society and deceit tends to be minimized. I also discuss Smith’s presentation of a limited case for government intervention to deal with deceit as illustrated by his support of usury laws.

Alongside of my work for the book project and conference paper, this grant enabled me to develop material employed in my courses in the History of Economic Thought and Intermediate Microeconomics. For example, currently I require students to reflect on Smith’s ‘behavioral economics’ in writing a paper examining TMS with regard to self-interest, sympathy, and the impartial spectator and their role in connection to the social and unsocial passions. Using specific examples, students are asked to evaluate Smith’s depiction of God’s role in shaping the moral features of human nature.

Thanks again to the Westmont professional development committee for approving the funding of this grant. This has enabled me to continue moving forward on my research on moral reflections in the history of economics. I appreciate the opportunities afforded through the grant to share my research with professional colleagues and students.

Edd Noell
Professor of Economics
Westmont College