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Is the Das Adam Smith Problem Relevant Today? An Assessment of the Modern Economic Conception of Agency for Understanding Human Conduct in General and Moral Conduct In Particular

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Adam Smith

Adam Smith was a Scottish political economist, born in June 5, 1723. He is one of the most renowned political economist, lecturer and essayist. Adam Smith is known for his contributions to the field of politics, economy and moral philosophy, having written two of the most revered books during the 18th century, the seminal book *An Inquiry into the Cause of the Wealth of Nations* first published in 1776 and *The Theory of Moral Sentiments* published earlier in 1759 (Porter, 2003).

Adam Smith's writings could not have come in a better time. Anderson (1979) reports that the 18th century is known as the Enlightenment period, that being an era when the French and the Americans revolted against the prevalent economic and social standards. In Europe, the political and economic climate was such that the masses were dreaming of better conditions and philosophy and science were gaining back prominence. The whole 18th century was marked with revolutions and calls to freedom from oppression and counter-revolutions embraced by monarch across Europe. In synopsis, the reforms that the revolutions seek were introduced but were sustained with very little success.

What did prove successful in the 1770s, the time Adam Smith was at his peak was a different kind of revolution, the industrial revolution. The 1770s,

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Great Britain became one of the world's most powerful countries but the production of the improved steam engine in Great Britain changed the global economic and social environment (Anderson, 1979). The events leading to the industrial revolution provided the perfect backdrop for Adam Smith's writings. In 1759 he published the Theory of Moral Sentiments wherein he stressed the importance of the concept of "sympathy" in making moral decisions. The concept of the "impartial spectator" or that of a moral compass within every person was introduced in this writing, with the description that that "impartial spectator" guided an individual in differentiating what is right from wrong. Unfortunately, the Theory of Moral Sentiments did not establish how the moral compass could be cultivated and generalized what is "right" and "wrong" as what the author believed them to be so. In 1776, Adam Smith published his most famous work, An Inquiry into the Cause of the Wealth of Nations. This publication provided critical commentary on the economic systems that were dominant in the 18th century, which is mercantilism. The publication Wealth of Nations still contained Smith's personal moral compass of right and wrong, calling out the dangers of mercantilism as it benefited the rich while making the impoverished suffer. In Adam Smith's mind, this would change if true free trade happened, with the removal of the barriers that hinder free trade. To this day, the concept of a utopian state of free trade drives economies to develop partnerships with other national economies to create free-trade agreements that endeavour to develop and experience the benefits as Adam Smith postulated.

Das Adam Smith Problem: Sympathy Versus Self Interest

In the nineteenth century, German scholars poured over the intricacies of what is now known as the “ Das Adam Smith Problem”. This problem stems from two enormously popular principles found in Adam Smith’s most popular works, the books *An Inquiry into the Cause of the Wealth of Nations* first published in 1776 and *The Theory of Moral Sentiments* published earlier in 1759. These principles cause tension (and to German scholars a good amount of frustration) because they are both colossal in nature that are moving powerfully in opposite directions. Adam Smith, according to these German scholars, espoused both concepts of “ self-interest” and “ reciprocal altruism”. Consider for example the following quote. Adam Smith (1759, *The Theory of Moral Sentiments* pp 47-8) wrote

“ How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortunes of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it.”.

This quote directly means that the author does not believe that the only motivation man has is self-interest. He adds that humanity has a very deep level of oneness by saying that “ we sympathize with the natural resentment of the injured” and resents the economic fallacies of trade by when saying that greed has overtaken fair play “ in the race for wealth and honors”.

A more famous quote comes from his next publication. Adam Smith (1776, The Wealth of Nations Book 1 Chapter 2) said

“ 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 own necessities, but of their advantages”.

This quote veers away from the sympathetic man described in the prior quote with the self-interested and rational description of a man in the second quote. The 19th century scholars who studied the intricacies of these books were drawn by the fact that the polarizing statements upon examination of the books together. In fact, the confusion had appeared to some as Adam Smith “ changing his mind”, given that it took a good 17 years between the publication of The Moral Sentiments and the Wealth of Nations. Scholarly work suggests that this is in fact not true. According to the Galsgow University records where Adam Smith held classes, his lecture notes from 1762 to 1764 showed the same arguments that appeared in both the Moral Sentiments and the Wealth of Nations. Adam Smith’s lectures on Jurisprudence and Ethics went directly to the two books meaning the concepts reached academic maturity at the same time despite the difference in publication dates (Kennedy, 2008). Another proof of Adam Smith’s consistency is the revision dates of both his books, which again Kennedy points out as something fascinating.

- Moral Sentiments' Publication Editions: 1759; 1761; 1767; 1774; 1781 and 1790

- Wealth Of Nation's Publication Editions: 1776; 1778; 1784; 1786 and 1789

The coincidental revisions done on the two books indicated that Adam Smith never changed his mind about his position regarding moral principles and economic behaviours. This fact was known to Adam Smith's colleagues and did not cause a stir among the faculty members of Glasgow University, for surely if there was misalignment in his concepts and propositions, he would have taken notice. After a hundred years, scholars from Germany concluded erroneously about the intent of Adam Smith's writings, due to the separation of politics, economics and philosophy as disciplines, that a hundred years earlier were more highly interrelated.

The lessons that Adam Smith promulgated in *An Inquiry into the Cause of the Wealth of Nations* and *The Theory of Moral Sentiments* that caused confusion, such as the tension between self-interest and sympathy is an illusion at best. Take for example the concept of "laissez-faire" or free market means that trade happens unencumbered between parties. This trade creates wealth, which is the ultimate goal that the then prevalent economic system Mercantilism seeks, which Adam Smith calls unfair and the Mercantilist greedy. Yet the distribution of free market trade is according to Adam Smith, a "system of natural liberty" that which connects the individual's liberty with positive outcomes for the local economy. Smith, although a proponent of free trade, also mentioned that sometimes self-interest and the natural order of things are misaligned thereby leading to negative and unwanted outcomes. Adam Smith believes that as a resolution, education is the key which is a cornerstone of all education programs in the world today.

Das Adam Smith Problem: The Modern Context

“ In civilized society, man stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons.”

If this statement is taken in context with the statements expressing self-interest and sympathy, it shows how well both relate to each other, that man's benevolence is a product of his self-interest. His interest to protect himself defines his way to cooperate with others, to preserve or pursue wealth and a higher quality of living. His sympathy towards himself drives him towards his self-interests.

The relationship of sympathy and self-interest is a very interesting concept that may be cross-examined today. If a student helps his teacher pick up pieces of paper, he is doing right under our vague yet present moral compass. But what if the student is not doing it for the right reasons, what if he is doing it for his own (selfish) reason such as preservation of a public image or the avoidance of punishment. So what motivates modern man to act in accordance with what is “ morally right?” Modern man acts this way because he in fact “ cares about something” whether that be the other person, himself, or some other object of reverence (Miller, 2012). Secondly, man is interested in those that he sympathizes with. Think for example of a fireman running into a huge fire to save someone he does not even know. This act is an act of sympathy and self-interest, sympathy towards an unknown person and self-interest because of his obligations to do “ his job”. This could also be said to a person who pays taxes which in turn is used to fund schools or hospitals. This act is of self-interest and sympathy as well,

and is far from being altruistic. While sympathy is a powerful motivator it is ineffective without self-interest, the two coexist hand in hand in today's society and in every man.

This explains man's multiple motivations that are so common today. Men are by nature benevolent and self-interested. Men are most sympathetic to those he care about and those within certain proximity from him such as family, friends, communities and associations. He is dependent on others, whom he does not know for survival thus extends benevolence to them, albeit in a smaller degree for selfish reasons. In today's society, even if a person is not motivated to have close relationships with others because of limited sympathies, that person interacts with others in exchange for something that he needs. This circular relationship works well in today's society. Multiple motivations cause undue stress, additional costs, much needed fulfilment and self-satisfaction, multiple motivations may be too much of a good thing (Kiviniemiet. al., 2002).

Conclusion

The relationship between sympathy and self-interest baffled German scholars in the 1850s to 1890s and is known as " Das Adam Smith Problem". Based on Adam Smith's works, the book An Inquiry into the Cause of the Wealth of Nations first published in 1776 and The Theory of Moral Sentiments published earlier in 1759, there was some incongruence between what the first book is saying which was man being a sentimental and sympathetic creature to what the second book was saying which was the fact that man acts only according to his own self-interest. The two quotations

that were used extensively to debate the issues are taken separately, as those German scholars believed should be the application to both of Adam Smith's books, possibly indicating that the second book was written after Adam Smith changed his mind.

However a closer examination of Adam Smith's work revealed that the statements in the Wealth of Nations may have been misread. Reading about the butcher, the brewer and the baker explains more about cooperation and division of labor, rather than protection of self-interest and disregard for benevolence (Hirschman, 2010). Again, Adam Smith (1776, The Wealth of Nations) writes

“ In civilized society he stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. Man has almost constant occasion to for the help of his brethren, and it is in vain for him to expect it from their benevolence only.”

The relationship of sympathy and self-interest is one of the most powerful motivators in the world today. The two coexist hand in hand in today's society and in every man. Man is interested in others because he is sympathetic towards them and his sympathy is mostly due to his own interests. . This multiple motivation makes today's modern, complex and intricate national and world economies work (Kiviniemiet. al., 2002). Men interact with others in a logical and orderly manner to preserve his self-interest even if he does not sympathize with them at a high level. And while this causes undue disadvantages to man in general, the process still works and will continue to work in the future.

The biggest effect of the “ Das Adam Smith Problem” is the fact that it has opened world economic thought on the validity of Adam Smith’s postulates (Miller, 2012). From being a simple partisan and supporter of free trade movement in the 18th century, Adam Smith has been catapulted to prominence as a theorist that bridged the political, philosophical and economic behaviour of men through his heralded works.

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