

## Pulled Up Short with Stanton Wortham

# Is Adam Smith a friend of social justice?

*Featuring Ryan Hanley with Stanton Wortham (host) and Greg Kalscheur (commentator)*

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**Stanton Wortham** 1:37

Welcome back to Pulled Up Short. We're very excited for this episode to have with us, Ryan Hanley, who is a professor in the Political Science Department at Boston College, and also Father Greg Kalscheur, who is the Dean of the Morrissey College of Arts and Sciences at BC. Thanks to both of you for joining us. And we look forward to hearing what it is you have to say. Ryan, I understand that you're going to talk to us a bit about Adam Smith and his unexpected beliefs about collective good.

**Ryan Hanley** 2:08

That's right. It's an honor and a pleasure to have an opportunity to talk about Smith with you both, to be part of this podcast, and to be talking about Smith at this remarkably interesting political moment that we're living through right now.

**Stanton Wortham** 2:21

Great. So please tell us what it is that you found in Smith that is going to pull us up short.

**Ryan Hanley** 2:32

Relatively early in my academic career, way back when when I was doing my dissertation research, I had the happy experience of discovering (and I think a lot of scholars have this sort of discovery) that the truth belies the stereotype. Adam Smith is a man whose reputation precedes him. He is famous today as one of the founding fathers of the modern science of economics, as well as one of the founding fathers of an ideology that's come to be associated with his name - that of modern capitalism. As a result, people turn to Smith expecting to find certain things that we tend to associate with capitalism today. The truth, though, is that Smith himself is interested in a very different set of questions. The pulled up short moment comes out specifically in the fact that Smith was interested in questions that we associate today, not with capitalism, but on the other end of the political spectrum - certain ideas that we tend to associate today with progressivism, social justice concerns on the left, and especially with the conditions of the least well off among us.

**Stanton Wortham** 3:41

If I understand correctly, you're able to articulate this by looking back in Adam Smith's career and exploring his reaction to Rousseau, who, of course, is someone who was particularly concerned with inequality and some of the moral excesses of capitalism.

**Ryan Hanley** 3:57

Yes, that's right. Rousseau today remains one of the most important, one of the most vociferous, one of the most powerful critics of the moral and practical dangers of social inequality and wealth inequality. Rousseau codified those observations in his remarkable text of 1754/1755, called *The Discourse on Inequality*, and there, Rousseau powerfully shows the ways in which the modern system of commercial society has led to a bifurcation, with in the unforgettable words of its conclusion, "The rich enjoy a super abundance of superfluous luxury goods, while the starving poor lacked necessities." That, for Rousseau, was a powerful indictment of the system that he saw then emerging in Western Europe. What's remarkable to me - and I share this interest with several other scholars, especially recently - is that Smith too gravitated towards these arguments.

Smith held the chair of moral philosophy at his alma mater, the University of Glasgow. He was unpublished until the age of 33, when he had an opportunity to write a book review, and the local journal, *The Edinburgh Review*, asked him to write about some of the most important books speaking to the economics of the time. Everyone expected that he would praise some of his Scottish friends: David Hume, an important philosopher and writer in economics, who had been defending what we think of as free market principles. Everyone expected Smith to say, "Go read some more Hume." What he in fact says is, "Go read Rousseau." Rousseau's book had been published only a year before. Smith was one of the first in Britain to have read it. He was so enthralled by the book that he went on in his book review, not only to recommend it to his readers, but to translate three very important and powerful passages from it. Here, what you have is this moment where I think Smith was pulled up short reading Rousseau. And I have to say, I was pulled up short as a scholar of Smith reading Smith on Rousseau. There is this moment where Smith recognizes that there's a serious argument worth engaging that's coming from what might be seen as 'the other side'. And to Smith's great credit, he decides to get to the bottom of things and say, "Hey, let's take this seriously" and look at exactly the claims Rousseau was making about the ways in which the poor has disproportionately suffered under the emerging economic system.

**Stanton Wortham** 6:42

That's very interesting. You're clearly right that my impression of Smith would have placed him in opposition to Rousseau, as being someone who would be in favor of market systems and their outcomes, even if that means inequality. But you're saying that if you actually go look at the record, Smith has this early engagement in his career with Rousseau, and that he finds compelling some of Rousseau's critiques of inequality and the excesses of capitalism. Can you tell us a little bit more about what exactly he agreed with Rousseau about and why?

**Ryan Hanley** 7:17

Yeah. Maybe the easiest way to put it is that Smith and Rousseau agreed on the problem, but they had very serious disagreements on how exactly one ought to solve the problem. That is, I think they shared a conception of ends in common, but disagreed on the means - the ways by which we might ameliorate the problem and reach the ends that they both shared. By that, specifically, what I mean is that Smith was a deeply sympathetic figure. In fact, the very concept of sympathy lies at the heart of his moral philosophy: the aim of trying to feel what other people are feeling. Throughout his works - his early engagement with Rousseau in that letter of 1755; the book review; his first major work (his book that he wrote four years later) *The Theory of Moral Sentiments*, where he lays out his moral philosophy; and the book for which he's famous today, *The Wealth of Nations*, his work on economics of 1776 - in all of these, we find a very pronounced emphasis on sympathy. Indeed, I think the point of departure for his engagement with economic issues is a very pronounced emphasis on this concern (that he shares with Rousseau) that the end that any well functioning economic system ought to ameliorate the conditions of the least well off, and specifically, to be able to provide the poorest among us with the necessary goods requisite for living a decent and dignified life. I think Rousseau and Smith were in lockstep on that particular conception, and that all the ways we talk about socialism versus capitalism today can obscure that fundamental consistency.

Where they differ, and they do differ, is very much on the question of the means by which we ought to try to achieve that end. For Rousseau, and for many thinkers that have then followed in his wake, there's a much larger role for political institutions to take an active role in ameliorating these conditions and indeed, by redistributing wealth in ways that might be seen as more equal. Smith, in sharing this particular concern, disagreed that that would be the most effective mechanism by which we might reach these ends of ameliorating the conditions of the least well off. For Smith, it was less direct government intervention, which he was, in fact, a critic of in certain ways (though he in fact defended it in other ways). But for this particular question: how exactly can a free market system serve to better the conditions of the poor? What he turned to was less direct government intervention, that is 'the visible hand' of the state, and instead, his famous metaphor of 'the invisible hand.' This is the idea, perhaps more than any other, that's associated with Smith today. But it's often misunderstood. When Smith actually invokes the invisible hand, he uses it less to defend the sorts of nasty selfishness or sordid greed that sometimes gets associated with that popular metaphor. Instead, and especially in his first usage of the term, he very much understands the invisible hand as the mechanism that will serve to distribute goods, and in fact, distribute goods to the least well off.

### **Stanton Wortham 10:38**

So you're going to have to help me understand that a little bit better. I mean, I understand your notion that the two of them, Rousseau and Smith, agreed on the end of trying to ameliorate suffering at the bottom of the income distribution or the wealth distribution. But this idea that Smith can do that without any sort of direct government intervention, just by letting markets run - to contemporary sensibilities for a lot of people, it seems as if he's contradicting himself. There's some sort of conflict. He claims to be adopting an end of justice, but he really isn't creating a mechanism to be able to do it. Am I misunderstanding there?

**Ryan Hanley** 11:19

No, that's a great question. I love the way you phrased it, because it captures something extraordinarily important in Smith, but also in our own age. Your language of winners and losers captures something that's intimately familiar to so many of us today, when we serve a contemporary society, as it did to Smith, as it did to Rousseau, back in the 18th century. I think to good, principled, decent people today, society looks as if there are those at the top and those at the bottom - the winners and the losers - and many decent people can't help but ask, "How is it that some have so much, while others seem to have so little?" Smith recognizes that that is truly a facet of a wealthy and opulent society. But one thing that he wants us to do is to rethink what it is that we want out of, and especially we as decent people, a system of economic arrangements. Is our principal concern to narrow the gap that distances the winners from the losers, those at the top from those at the bottom? Or is it to make sure that those at the bottom, however far they may or may not be from those at the top, are abundantly supplied with the necessities of life that enable them to live in decent and dignified ways?

Smith himself answered that in a very specific way. He said that what matters most is not the gap between the winners and the losers, the top and the bottom, or what we think of as the discrepancies between the top quintile and the lowest quintile today. What matters is whether those at the lowest quintile are sufficiently supplied with the necessities of life. As a result, he changes the question a bit from Rousseau. The question is not, "How do we solve inequality?" The question is, "How do we solve the problem of poverty? What is necessary to do to make sure that those at the bottom are well supplied? And it's that conceptual shift that Smith makes away from Rousseau, pivoting away from him, that leads him to encourage us to see the world in a bit of a different light - to say that if the problem we're after is ameliorating poverty rather than inequality. Instead of using the visible hand (government) to redistribute goods, perhaps what we need to do is to think about how these goods are distributed in the first place, even prior to the redistribution that we might ask for them. This brings us to this image that he uses: the invisible hand. Now, the invisible hand is a very famous metaphor, and it had a long prehistory. But the way Smith himself uses it is in fact describes the way by which, even the "sordid selfishness of the rich" was beneficial to create the redistribution that we would have wanted by nature in the first place. Maybe we could talk a little bit more about the invisible hand, even at this point in the conversation since it strikes so clearly to the heart of the matter here.

**Stanton Wortham** 14:32

I'm interested to hear how and why he thinks that works, but let me first see if I'm understanding the larger picture. So Rousseau and Smith agree fundamentally about one end of a political economic system, which is that it needs to allow people who are less fortunate to have enough resources, enough material goods so that they can live dignified lives. Rousseau might see other problems with inequality, but Smith agrees with him about that type of inequality- the kind of inequality that forces a group of people to be so far deprived that they're not able to lead dignified lives. Smith is saying that in order to solve that problem, what you're calling the problem of poverty, he thinks the right route is not over-government intervention, but some invisible hand. So you are going to have to help me out here

because to me, it seems like if you just let a market run, some people are going to end up with so little that they can't live a dignified life. Why does he think it's going to work out?

**Ryan Hanley** 15:35

Yeah, it's a great question. So one thing that Smith is operating with is a rejection of one of Rousseau's fundamental assumptions. For Rousseau, the assumption is that the pie is finite. That is to say, any distribution of goods is necessarily zero-sum. If some have more, others necessarily have less. This is Rousseau's point of departure for his economics. Smith wants us to rethink that, to some extent. Smith wants us to think in terms of economic growth- the fact that some have more and get more may, in fact, not mean that others have less, but that others get more as well. One of the ways he brings that out is in fact with his language of the invisible hand.

Smith only uses this very famous metaphor twice in all of his writings. Smith publishes two books, as I mentioned before, the famous one of 1776, *The Wealth of Nations*, and his first book on moral philosophy, *The Theory of Moral Sentiments* of 1759. And it's in that first book, only four years after that book review, that he first uses the phrase "invisible hand." And the argument that he makes there is that despite the greed of the wealthy, it's the very fact that the wealthy want more and attempt to consume more, that puts in place mechanisms of production that make it possible to provide more for everyone in a society. When I work with my students, as I'm sure they would tell you, they know that I like to quote passages, work through the texts, and get into the nitty gritty. I'll try and be respectful of our listeners now and not go on a long ramble of Smith's wonderful prose. But I think here's one place where looking at the text can really help, Stanton, to get to the question that you posed precisely, which is: How does it work? He gives us this microcosm snapshot in *The Theory of Moral Sentiments* when he discusses the invisible hand, which I should add here presents right on the heels of a bunch of quotations of Rousseau. There he describes what the "rich do in an opulent society," and he doesn't have many good things to say about them. Here, he says, "The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the soul and which they propose from the labors of all the thousands whom they employ be the gratification of all their own vain and insatiable desires."

I'll just pause here and speak in my own name. Smith is saying nothing positive about the moral character of these wealthy people. They are explicitly driven by "selfishness and rapacity." They think only of themselves and "their vain and insatiable desires." They have no thought for other people. They want more and more and more. Smith calls this what it is: this is a vice, this is greed, this is not morally beneficial. That though is where Rousseau ends, and now Smith wants to show us another side to this. By trying to get ever more and more, the wealthy end up putting in place certain mechanisms that lead them to be able to generate the opulence and the consumer goods that they want. Smith tells us that these vain insatiable desires "lead them to divide with the poor the produce of all their improvements." Here comes the metaphor. "They are led by an invisible hand to make nearly the same distribution of the necessities of life, which would have been made had the earth been divided into equal portions

among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society and afford means to the multiplication of the species." The claim that Smith is putting out front there is not that we're going to ameliorate or eradicate inequality. Far from it. Inequality, Smith seems to presume, to some degree, will be an inevitable feature of modern life. What he wants us to see as the "invisible benefit" that's operating underneath the surface here. Not that inequality will be eradicated, but that when the wealthy achieve those mechanisms that enable them to have their ever more and more that the least among us are able to enjoy the "necessaries of life," thanks to the distribution of these necessities through these mechanisms.

It's important to see that Smith is not again claiming that there would be equality of goods across the board. Necessaries is often contrasted in 18th century political economy - and this will be the one small digression I'll make into technical terminology - necessities is contrasted with conveniences, or super fluidies, or what we might call luxuries. So Smith agrees that there will be inequality of luxuries. Not everyone will get the latest and fastest iPhone at the same time. But when it comes to what's really important for the basic necessities - food, clothing, shelter, and not just the things that keep the body alive, but also the things that are necessary for the recognition of dignity in a society - that the distribution of these things will be made possible through the super abundance that comes from the growth produced and generated by these desires of the "rich driven by these vain desires."

**Stanton Wortham** 21:44

So there are two ways I could read the argument you're making about Smith. One of them would be that Smith and Rousseau agree on one thing about the importance of dignity and enough for the poor to overcome poverty, but they just have fundamentally different positions. In other words, Rousseau thinks that inequality is in and of itself bad, not just because it makes poor people live undignified lives, but because there are other problems with it. And Smith believes that the primary danger is the lack of dignity, and once we overcome that, all the other stuff that comes with inequality is tolerable. So one way to read them is to say they have just different views of what's appropriate in society.

Another way to read what you're saying is that Smith comes up with an alternative formulation that actually gets the best of both. In other words, Smith, you're telling us, is not just defending capitalism against socialism, he's capturing the best of what socialism brings, which is an insight about the necessity of dignity for all. And he's combining it with a perspective on capitalism. And so he has a synthesis of the two, which is superior to Rousseau's position. So which of those would you defend? Do you think Smith is giving us something qualitatively different and better by getting the best of both? Or do you think he's just articulating a different view and people will vary in their responses to it?

**Ryan Hanley** 23:11

Yeah, I guess the way in which you would outline them, I would incline more towards the second, which is the best of both worlds view, which one might restate as something of a synthesis. We took as our point of departure in this conversation, our contemporary terms of socialism and capitalism,

which we today associate, of course, respectively, with the progressive left on the one hand, and the libertarian right on the other. Progressivism and libertarianism, socialism and capitalism: those are all terms that only come out in the 19th and 20th centuries, and of course from, post date, Adam Smith and Rousseau writing in the 18th century, and the Enlightenment. One of the things I think that we gain when we go back to these texts, and we in fact, go back to them with our questions today in mind, but not necessarily our categories, is that we see that they can work productively beyond the limitations of our categories today. Socialism and capitalism today are oil and water. They just don't mix. They've become fighting words in our contemporary political parlance, as we saw throughout the 2020 election, and indeed, for a long time before. What I find really interesting about Smith is that he's not so reductionist, that is to say this real interest in social welfare and the well being of the least well off, he manages to combine with an economist's appreciation of the utility and efficiency of markets for achieving certain ends. So I meant what I said at the beginning when I said that Smith uses the mechanisms we associate with the right - free markets - to achieve the sorts of goals that we today tend to associate with the left, that is social welfare, social justice, and a preferential option for the poor. As such, I think Smith, in fact, opens up really creative new horizons for us to go back to today, as we try and navigate this horrific partisan divide and this bifurcation that we have in our country, and indeed, globally, where it doesn't seem like we have common ground. I think Smith gives us a really interesting way of moving forward and opening up new questions and new horizons that compel us to rethink the limitations of the ideological categories that we've been working with in many ways up to now.

**Stanton Wortham** 25:38

That's great. I mean, this is something I certainly didn't know about Adam Smith, admiring Rousseau and agreeing with him that a central goal of the economy is to allow dignified lives for the poor. So that has brought me up short. At this point, I would love to invite Father Greg in to engage with you about some of the implications he sees for the argument.

**Greg Kalscheur** 25:59

Thanks, Stanton. This was fascinating. So thank you, Ryan, for all that you've said. It's been interesting to learn more about this distinction between Rousseau's focus on solving the problem of inequality and maybe Smith's desire to solve the problem of poverty. I'm curious about whether or not Smith had a sense of there possibly being too much inequality. Now today, we often hear that if there's such a significant gap between the rich and the poor, there's not going to be the kind of proper functioning in society that we would hope for. There's not going to be concern for the well being of the least, so that everybody can flourish and everybody can experience the dignity that is theirs as a human being. Smith, as a moral philosopher, had this sense of sympathy and the importance of virtue for a flourishing society. Was he concerned about too much inequality perhaps undermining sympathy? Or the vice of the rich, leading to some operation of the invisible hand becoming too much vice for a virtuous society to function?

**Ryan Hanley** 27:04

Yeah, that's a great question. And to answer it point-blank: absolutely. Both as an economist and as a moral philosopher, I think Smith was deeply concerned by the prospect of what you're rightly calling too much inequality. As an economist, he says in *The Wealth of Nations* that one of the things that we need for this system to work is to make sure that there's not a two tiered system of inequality where we simply have the have-much's and have-less's. That is to say, there has to be a graded system, in which we don't have rigidly defined castes in which people are simply one or the other. But there has to be some sense, not just of social mobility, but also of in-between ranks, so that we're not just in the position of thinking about two classes, two factions with very different interests. That's Smith wearing his economist's hat talking about what we need to make things work.

But as a moral philosopher, and to go back, Greg, to the point that you just raised about sympathy. Absolutely. Smith worried tremendously about what happened when we reach a position in which we can no longer recognize the humanity in other people, and we see them simply as beings, unlike us, as opposed to focusing upon what we have in common with them. And that, of course, can happen for a lot of different reasons: partisan affiliation, all sorts of questions of identity that go well beyond simple questions of wealth. But Smith recognizes that for a well-functioning democracy, we need to be able to have that recognition of our fundamental similarities with others, especially those who are different from us, and especially those with whom we disagree. If we corrupt that sympathy, whether because of extreme inequalities of wealth or extreme focus on ideological identifications or other sorts, then we're in very precarious waters. I think that may be in fact one of Smith's most important lessons for us to hear today. Because I think again, many of us recognize that we've reached a point in our civic discourse where sympathy has broken down. I think if anybody wants to see why we might be concerned about that, Smith is a very good person to go back to.

### **Greg Kalscheur 29:26**

In a related way, do you have a sense as to how in the popular imagination and maybe in certain aspects of the academic imagination, we've separated Smith of *The Wealth of Nations* from Smith of *The Theory of Moral Sentiments*? How did that happen?

### **Ryan Hanley 29:41**

Yeah, it's a head scratcher that keeps us up late at night when we get together at conferences, because it's both a tragic shame for, speaking as a historian, we've just gotten the full record wrong. It's also a tragic shame insofar as Smith has been co-opted for certain ideological purposes that I don't think are authentic to him. I think it's a very complex story as to how that happened. Some of it has to do with the simple fact that the rise of industrial capitalism in the 19th century and some of its champions took on Smith's mantle and only read one of his books and forgot about the second book. Some of it has to do with resuscitations. I grew up in America in the 1980s. I can still remember Adam Smith ties being worn by Republican members of Congress during the Reagan years. They wanted to champion the original herald of free markets, and I think they were right to do so. Smith believes in free markets. But his reasons for believing in free markets aren't the same as some of the other reasons that came out from the 80s. Again, I always think back to the movie, (now I date myself) *Wall Street*, when the figure

Gordon Gekko stands up and says, "Greed is good." I think Smith got lumped in with that particular side of things, forgetting that he is this theorist at the same time and always had a virtue of sympathy of conscience and the impartial spectator. The only good news that comes out of all of this is that it keeps people like me in business in trying to set the record straight and tell the real truth, which I think really can speak productively to our current moment.

**Greg Kalscheur** 31:29

Maybe one final question, and this may be asking for historical anachronism, but this whole discussion of Smith and Rousseau has kind of resonance for me with a discussion in Catholic social thought after the fall of communism. So in John Paul II's *Centesimus Annus* in 1991, there's this rhetorical question, "Did did capitalism win in the wake of communism?" There's this interestingly complicated answer. There's a way in which free markets or free economies have won, but then he goes on to say this: "If by 'capitalism' is meant a system in which freedom in the economic sector is not circumscribed within a strong juridical framework, which places it at the service of human freedom and its totality, and which sees it as a particular aspect of that freedom, the core of which is ethical and religious, then we don't want to say that capitalism has won." Any reaction to that from the context of the Smith-Rousseau debate?

**Ryan Hanley** 32:34

Too wonderful that that's where you chose to end, because I can't wait to teach my course here at BC in the spring where I'll be teaching an undergraduate course on capitalism and socialism. In that course, we'll start with Rousseau, then we'll move to Smith, and then we'll move to Marx, and then we'll move to Hayek. So by then, my hope is that the students will have seen the key voices on both sides of the debate: Rousseau and Marx, of course, on one side, and Smith and Hyack, on the other. But one of the joys of teaching at a Jesuit Catholic University is that we'll end with a segment on Catholic social thought, in which we'll be reading John Paul II most assuredly. But as well, the way that these questions have now been complicated in the 30 years now, since *Centesimus Annus*, and I'm looking very much forward to working through, among other things, Pope Francis' encyclical, *Fratelli Tutti*, in a serious way, which I really need to do over the break, so I can be ready to teach it this spring to my undergraduates.

But one of the things that I hope that students - and this has been my experience in teaching John Paul II and his encyclical, after reading these works - is that Catholic social thought, likewise works in many ways towards a third way. Clearly, with the experience that he had in Poland and in communist Eastern Europe, the experience of a certain form of socialism was writ large in John Paul II's political conscience, and he recognized its dangers, but he was acutely sensitive to the dangers of capitalism, precisely because of his conception of human personhood, to which you alluded very nicely in that quotation. I think even though Smith was through and through a Protestant and not a Catholic, I think in many ways Smith is playing on that same team. He wants us to think seriously about the anthropology of the person to understand that we are not simply rational utility maximizers, but people deeply concerned to the core of our beings with ethical questions, with questions of dignity,

and indeed with fundamentally religious questions, which I think are central to Smith as well. So while Smith is not a Catholic thinker, one of the things he does is open up this third way in similar ways to the ways in which they're being opened up in Catholic social thought today. I couldn't be happier than to have an opportunity to put that before my students and for us to have it out and to see how the evolving doctrine of Catholic social thought, even with and especially with the most recent encyclical by Francis, continues these conversations and forces us to think about economic goods as one among many in which we should never lose sight of the fact that human personhood has to remain central to our understandings of political and economic well being.

**Greg Kalscheur** 35:27

Sounds like it'd be a great class.

**Ryan Hanley** 35:28

I hope you'll come sit in if you feel moved at one point.

**Greg Kalscheur** 35:31

That'd be great. Thanks, Ryan.

**Ryan Hanley** 35:33

Yes, thank you very much. I appreciate you sitting in on the conversation.

**Stanton Wortham** 35:36

So this is wonderful to have an opportunity to rethink this somewhat tired but very powerful and pernicious opposition between capitalism and socialism, where you either have to be a devotee of Adam Smith or an enemy of his. The notion that you all have articulated, that maybe there is another way to get some of the ethical and spiritual goals that we're all after by taking advantage of benefits in markets without embracing some of the dangers. It would be great if we could work that out. We really appreciate your bringing it to us, Ryan. So thanks to Ryan Hanley and Greg Kalscheur for a great session today, and we will see you all next time.

Thanks for listening to this episode of Pulled Up Short. We hope it's provided an opportunity to reflect on unexamined assumptions and consider alternative ways of thinking about and being in the world. Hope to have you with us next time.