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Growth and Well-Being, Economic and Human

Abstract:
The aim of this paper is to trace how a perverted understanding of the human – of human nature, growth, and well-being – came to form the foundation for classical liberal economic thought and to identify some of the negative consequences of this development. My suggestion is that, in response to the social upheaval of the 16th, 17th, and 18th centuries that would lead to the rise of capitalism and make possible the industrial revolution, moral philosophers applied to humans and to human society mechanistic principles from the highly successful natural sciences in an effort to make sense of a social world that had ceased to make sense. Thus emerged the impoverished view of the human that lies at the foundation of mainstream economic thinking: *homo economicus* – the human as a rational, utility-optimizing machine, driven by unlimited desires.

Key words:
economic anthropology, economic growth, *homo economicus*, Adam Smith, enclosure

I. Introduction

In making the distinction between *oikonomia* (management or care of the household) and *chrematistike* (wealth-getting or money-making), Aristotle taught, "*Oikonomia* attends more to persons than to the acquisition of inanimate things, and to human excellence (*arete*) than to the excellence of property, which we call wealth."[1] Economies ought to serve human flourishing, and notions of "economic growth" and "well-being" must be

1) Aristotle, *Politics* I, 13.

grounded in a proper understanding of human growth and well-being. Therefore, any economic theory will be only as sound as the philosophical anthropology, that is, the understanding of the human condition and human flourishing, that underlies it, and an economy built upon a distorted understanding of the human can only promote the growth of a perverted humanity. As Aristotle also warned, "We should consider what is natural not in things which are depraved, but in those which are rightly ordered according to nature."[2]

Mainstream economics has long prided itself on being not only an empirical science but even the most empirical and most scientifically rigorous of the social sciences. Yet, it continues to assert and assume unequivocally, as some of its most foundational premises, anthropological claims, especially regarding "human nature", that are flatly contradicted by more than a century of empirical findings by cultural anthropology and other social sciences. Karl Polanyi made this point over 60 years ago and is widely hailed as the founder of economic anthropology, that sub-discipline that critically examines the empirical anthropological claims and presuppositions underlying economic theories. He boldly concluded:

> The nineteenth century attempted to establish a self-regulating economic system on the motive of individual gain. We maintain that such a venture was in the very nature of things impossible. Here we are merely concerned with the distorted view of life and society implied in such an approach. Nineteenth-century thinkers assumed, for instance, that to behave like a trader in the market was "natural," and any other mode of behavior being artificial economic behavior – the result of interferences with human instincts; that markets would spontaneously arise, if only men were let alone; that whatever the desirability of such a society on moral grounds, its practicality, at least was founded on the immutable characteristics of the race, and so on. Almost exactly the opposite of these assertions is implied in the testimony of modern research in various fields of social science such as social anthropology, primitive economics, the history of early civilization, and general economic history. Indeed, there is hardly an anthropological or sociological assumption—whether explicit or implicit—contained in the philosophy of economic liberalism that has not been [empirically] refuted.[3]

Other anthropological assumptions that Polanyi identified as commonly held by orthodox economists but refuted by empirical anthropological evidence, include the notions that the motive of personal gain is "natural", that people "naturally" expect payment for labor, and that people "naturally" seek "to restrict labor to the unavoidable minimum."[4]

Liberal economic theory rests upon a whole host of faulty assumptions regarding "human nature", and hence it is no surprise that the discipline of economics is increasingly finding itself in crisis as the chasm between economic well-being, growth, and development, on the one hand, and human well-being, growth, and development, on the other hand, widens. What is the relationship between the two? Unless economists are able to address adequately this question, their discipline stands at risk of becoming meaningless and empty. Yet, in the main few economists are trained or equipped even to think about such a philosophical question.

This crisis in economics is illustrated by the explosion of the field of "happiness studies", which struggles to find consistent relationships between conventional measures of economic wealth, such as per capita

2) *Politics* I, 2.

3) Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon, 1944), 269; *Primitive, Archaic and Modern Economies*, ed. George Dalton (Garden City, NY: Anchor Books, 1968), 19–20. Emphasis added.

4) Polanyi, *Great Transformation*, 269-73; *Primitive, Archaic and Modern Economies*, 21.

gross domestic product, and the actually experienced well-being of ordinary citizens.[5] Nobel laureates Joseph Stiglitz and Amartya Sen point to a growing gap between pronouncements by professional economists and the concrete, material conditions of life as they are actually experienced by ordinary citizens in their report *On the Measurement of Economic Performance and Social Progress,* commissioned by former French President Nicolas Sarkozy, *Mismeasuring Our Lives: Why GDP Doesn't Add Up*:

> Metrics that seem out of synch with individuals' perceptions are particularly problematic. If GDP is increasing, but most people feel they are worse off, they may worry that governments are manipulating the statistics, in the hope that by telling them that they are better off, they will feel better off. In these cases, confidence in government is eroded, and with the erosion of this confidence, the ability of government to address issues of vital public importance is weakened.[6]

One specific incidence of their point is seen in the growing global inequality in wealth whereby per capita incomes rise but median incomes fall: economists proclaim that aggregate wealth is increasing, but the actual living conditions of the majority are diminishing. There is an old joke about the physician who proclaims that "The operation was a success, but the patient died." But it is no joke when economists and policy makers following them proclaim that policies are working, economies are doing well, and recessions are ending, but the material conditions of people's lives, as they actually experience them, decline.

Professional economists are increasingly recognizing that the traditional measure of economic well-being, namely, per capita gross domestic product, is a very poor indicator of how people actually experience the quality of their material existence, and increasingly governments, such as France and Great Britain, are moving away from GDP metrics, following the Prince of Bhutan, who famously declared that he did not care at all about gross domestic product but only about "gross national happiness".[7] What exactly is the relationship between economic well-being and human well-being, or happiness? The current crisis in economics, which Stiglitz and Sen describe, is presently forcing economists to become once again moral philosophers, as they were until the 20th century, and to address such elementary philosophical questions if they are to regain credibility. Many, like Sen, have turned back to Aristotle for help, taking seriously his warning that thinking that having more and more material goods will make one happy is like thinking that having more and more kitchen utensils will make one a better cook.

The aim of this paper, then, is to trace how a perverted understanding of the human – of human nature, growth, and well-being – came to form the foundation for classical liberal economic thought and to identify some of the negative consequences of this development. My suggestion is that, in response to the social upheaval of the 16th, 17th, and 18th centuries that would lead to the rise of capitalism and make possible the industrial revolution, moral philosophers applied to humans and to human society mechanistic principles from the highly successful natural sciences in an effort to make sense of a social world that had ceased to make sense. Thus emerged the impoverished view of the human that lies at the foundation of mainstream economic thinking: *homo economicus* – the human as a rational, utility-optimizing machine, driven by unlimited desires.

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5) Carol Graham, *Happiness around the World: The Paradox of Happy Peasants and Miserable Millionaires* (Oxford, UK: Oxford University Press, 2009), is one of the better works illustrating this trend.

6) Joseph Stiglitz, Amartya Sen, and Jean-Paul Fatoussi, *Mismeasuring Our Lives: Why GDP Doesn't Add Up*, Report of the Commission on the Measurement of Economic Performance and Social Progress (New York: New Press, 2010), xxi.

7) Karma Ura, et al., *A Short Guide to Gross National Happiness Index* (Thimphu, Bhutan: The Centre for Bhutan Studies, 2012), http://www.grossnationalhappiness.com/wp-content/uploads/2012/04/Short-GNH-Index-edited.pdf.

II. Social/Economic Upheaval: Enclosure

The story begins with the social upheaval that came with the first acts of enclosure in England. Under the medieval system, land was commonly held to belong to all the people. Feudal lords were not considered "owners" of the land in the modern sense: the land was not their private possession to do with as they pleased. Rather, they were the stewards of the land, entrusted with the responsibility of administering it for the common good. As economic historian Richard Henry Tawney notes, in medieval society: "Property is not a mere aggregate of economic privileges, but a responsible office. Its *raison d'etre* is not only income, but service" to the community.[8] No doubt lords often failed to exercise good stewardship, but they were held socially accountable, by the peasants, the church, and even the crown, for making sure that all the people were provided for, that all had proper access to the land so that they could provide adequately for themselves and their families. The medieval notion of a "right to life" entailed a right to livelihood, and in an agrarian economy, that meant the right of access to the land: denial of access to the land, to farm, graze livestock, hunt, fish, or build was a death-sentence.

Two central features of medieval economy were the system of "strip" farming and common pasture lands. First, land was not "owned" by individual families but was assigned by the lords so that there was relative equality in the quantity and quality available to each family. All the best land was divided into strips, and each family received a strip in accordance with its size. Then the next best land was similarly divided and assigned. And so it was that all of the land was distributed equally in both amount and quality. Occasionally, the land would be redistributed as families gained or lost members or as land changed, for example, due to flooding. So the land was divided up into a quilt-like patchwork of "strips", covering the countryside. Second, all families enjoyed access to common pasture areas – "commons" – for grazing their livestock.

Some historians claim that the first acts of enclosure – decrees by which the common strip farms and common pastures were claimed as "private property" – occurred in fifteenth-century England,[9] but some claim the practices already began in the thirteenth century. Others still claim a precedent for such actions occurred when Saxon and Norman conquerors took land from British lords to reward officers and supporters.[10] Indeed, William the Conqueror claimed all the land as his own and parceled it out as he saw fit,[11] and he claimed some lands as his exclusive hunting grounds. In any case, the practice continued and spread into other parts of Europe, especially Germany, well into the nineteenth century and claimed not only the strips and common grazing lands of the peasants but even whole villages and lands of the monasteries, including their schools. So ironically an economic system that would make the right of property one of its sacred cornerstones began with enormous acts of theft – such was what the anarchist Pierre Proudhon suggested when he famously asked, "What is property?" and answered simply, "property is theft." Jean-Jacques Rousseau offers a similar story in his *Discourse on Inequality*:

8) Richard Henry Tawney, *Religion and the Rise of Capitalism: A Historical Study* (1926; Gloucester, MA: Peter Smith, 1962), 149.

9) Tawney, *Religion and the Rise of Capitalism*, 138.

10) E.g., Gerrard Winstanley (leader of the True Levellers, or Diggers), John Barker, and Thomas Star, "An Appeal to the House of Commons, Desiring Their Answer: Whether the Common-people Shall Have the Quiet Enjoyment of the Commons and Waste Lands; or Whether They Shall Be Under the Will of Lords of Manors Still (1649)," in *Winstanley: The Law of Freedom and Other Writings*, ed. Christopher Hill (Harmondsworth, UK: Penguin, 1973), 115, 123-24.

11) Larry Patriquin, "The Agrarian Origins of the Industrial Revolution in England," *Review of Radical Political Economics* 36, No. 2 (Spring 2004): 201.

> The first man, who after enclosing a piece of ground, took it into his head to say, this is mine, and found people simple enough to believe him, was the real founder of civil society. How many crimes, how many wars, how many murders, how many misfortunes and horrors, would that man have saved the human species, who pulling up the stakes or filling up the ditches should have cried to his fellows: Beware of listening to this impostor; you are lost, if you forget that the fruits of the earth belong equally to us all, and the earth itself to nobody![12]

What were the forces behind enclosure? With the collapse of trade throughout Europe, following the fall of the Roman Empire, there was no strong incentive for feudal lords to exploit the peasantry to create surpluses for export in order to purchase luxuries from abroad. In the tenth century the entire annual trade between England and continental Europe could have fit in a few modern shipping containers. The reemergence of trade, spawned especially by the rise of the great Italian merchant fleets, created incentives for the production of surpluses, and those incentives in turn encouraged exploitation of the peasantry, to see the peasantry as a means for the creation of surplus value and profit.

Furthermore, from a modern business perspective, whose concern is primarily profit, the traditional strip system appears highly "inefficient": the strip system was labor-intensive and could not accommodate new technologies, such as the steel-bladed plow. It would seem more "efficient" to devote large tracts of land to single agricultural products, at that time, wool, which was then in great demand on the continent. Indeed, already in the seventeenth century defenders of enclosure claimed that this increased efficiency would eventually benefit everyone—the earliest version of "trickle-down" economics.[13] So, through acts of enclosure, large tracts of land were claimed by feudal lords. They sometimes themselves then became agricultural capitalists, but more often they sold their land to merchants – the "bourgeoisie" – who had gained large profits from the growing trade and who had much stronger aptitudes for profit-making than did the lords.

Enclosure produced several effects. It simultaneously met two needs for the rise of modern economy, or capitalism. First, it created more "efficient" forms of agricultural production. However, to say that it is more "efficient" is to beg the question of what the proper measure of economic "efficiency" should be. Efficiency ordinarily is a ratio of outputs to inputs, or costs, such as kilometers per liter of petrol. What, however, should we consider as our outputs and costs? If the primary output is production for trade and our costs are labor, then indeed enclosure appears very efficient, but if the more important output is sustaining the people and their communities, then enclosure was horribly inefficient. As a result of enclosure, large tracts of land were devoted to the raising of sheep for the highly profitable wool trade. Only a fraction of the peasant farmers (typically 10 to 25 percent) were needed and retained to tend the sheep: most were driven from their traditional lands and communities and left to fend for themselves – there were not yet any manufacturing jobs in the cities to employ these displaced people. As Thomas More described, the sheep devoured the peasants:

> Sheep… These placid creatures, which used to require so little food, have now apparently developed a raging appetite, and turned into man-eaters. Fields, houses, towns, everything goes down

12) Jean-Jacques Rousseau, *The Social Contract and Discourse on the Origin of Inequality*, ed. Lester G. Crocker, trans. Lester G. Crocker and Henry J. Tozer (New York: Washington Square Press, 1967), 211-12.

13) Joseph Lee, the rector of a parish church in Leicestershire, who had himself benefited from enclosure, early and famously advanced the argument defending enclosure on the basis of such improved "efficiency" in *A Vindication of a Regulated Enclosure* (1656). Stephen A. Marglin, *The Dismal Science: How Thinking Like an Economist Undermines Community* (Cambridge, MA: Harvard University Press, 2008), 89.

> their throats. To put it more plainly, in those parts of the kingdom where the finest, and so the most expensive wool is produced, the nobles and gentlemen, not to mention several saintly abbots, have grown dissatisfied with the income that their predecessors got out of their estates. They're no longer content to lead lazy, comfortable lives, which do no good to society – they must actively do it harm, by enclosing all the land they can for pasture, and leaving none for cultivation. They're even tearing down houses and demolishing whole towns – except, of course, for the churches, which they preserve as sheep houses.[14]

The peasants displaced by enclosure would form three new, overlapping social classes and corresponding personality types, unknown in the medieval world: the (permanently) poor, the criminal, and the mad. At the end of the sixteenth century Queen Elizabeth returned from a tour of her kingdom complaining, "Paupers are everywhere!"[15] In less than a century much of England's free, prosperous peasantry, the envy of all Europe, had been transformed into roving bands of beggars and thieves. As Thomas More protested earlier, "you create thieves, and then punish them for stealing!"[16]Furthermore, displaced from the land, severed from their communities, adrift in the countryside or in the anonymity of the newly growing cities, unable to support their families, and even forced to abandon their children, many were driven to madness. Michel Foucault describes, in his monumental study of madness, how initially the poor, the criminal, and the mad were all lumped together as the "unproductive class", but as these groups became sorted out and placed under the jurisdictions of different authorities and disciplines, the madhouse, the poorhouse, and the prison emerged as the West's three distinguishing institutions of confinement at the dawn of the "Age of Reason."[17] Caribbean anthropologist Edward W. Blyden already noted in 1908 that African peoples had early observed that a central and distinctive feature of European culture was its "three permanent elements – Poverty, Criminality, Insanity – people who live in workhouses, prisons, and lunatic asylums."[18] To this list we might add the orphanage, as many parents felt forced to abandon their children, unable to provide for them. More offered some of the most graphic descriptions of enclosure. It was, according to him,

> like a malignant growth, absorbing field after field, and enclosing thousands of acres with a single fence. Result – hundreds of farmers are evicted. They're either cheated or bullied into giving up their property, or systematically ill-treated until they're forced to sell. Whichever way it's done, out the poor creatures have to go, men and women, husbands and wives, widows and orphans, mothers and tiny children.[19]

Second, many from this huge class of dispossessed poor, created by enclosure, would be recruited into England's expanding military, which would build the British Empire. On this point More commented, "Thieves do make quite efficient soldiers, and soldiers make quite enterprising thieves. The two professions have a good

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14) Thomas More, *Utopia* (1516), trans. Paul Turner (Harmondworth, UK: Penguin Books, 1965), Bk. I, 46.

15) Robert Heilbroner, *The Worldly Philosophers: The Lives, Times, and Ideas of the Great Economic Thinkers*, 6th ed. (New York: Simon & Schuster, 1986), 31-32, and Heilbroner, *The Economic Problem* (Englewood Cliffs, NJ: Prentice-Hall, 1968), 66.

16) More, *Utopia*, 49.

17) Michel Foucault, *Madness and Civilization: A History of Insanity in the Age of Reason*, trans. Richard Howard (New York: Random House, 1965).

18) Edward W. Blyden, *African Life and Customs* (Baltimore: Black Classic Press, 1994), 37.

19) More, *Utopia*, 47.

deal in common."[20] Later, in the eighteenth and nineteenth centuries, these dispossessed poor would become the cheap labor that would fuel England's industrial revolution.

Enclosure often met with resistance, not only from the displaced peasants themselves, but also from some of the clergy, such as Bishop Hugh Latimer, members of Parliament, such as John Hales, and even some of the nobility, such as More and Lord Protector Somerset. Often the resistance was violent, such as the peasant revolts in Germany (1524-26), fueled by the Reformation. In England alone between 1610 and 1619 at least 32 rebellions against enclosure erupted,[21] and earlier already Robert Kett, a large landowner who experienced a dramatic change of conscience, led the most famous of these rebellions, which was crushed in 1549: 3500 of Kett's followers were slaughtered on a single day, and Kett was executed for treason. Somerset was executed three years later. Occasionally acts of enclosure were repealed and efforts were made to return land to the peasantry, under Cromwell, for example, but such measures were but temporary.

Polanyi, Heilbroner, and Tawney are among the most prominent economic historians who have described the enormous social disruption brought about by enclosure. Note their common theme: how enclosure entailed the radical overthrow of traditional morality and disruption of society. Polanyi described enclosure as a "catastrophic dislocation of the lives of the common people."[22]

> Enclosures have appropriately been called a revolution of the rich against the poor. The lords and nobles were upsetting the social order, breaking down ancient law and custom, sometimes by means of violence, often by pressure and intimidation. They were literally robbing the poor of their share in the common, tearing down the houses which, by the hitherto unbreakable force of custom, the poor had regarded as theirs and their heirs'. The fabric of society was being disrupted: desolate villages and the ruins of human dwellings testified to the fierceness with which the revolution raged, endangering the defenses of the country wasting its towns, decimating its population, turning the overburdened soil into dust, harassing its people and turning them from decent husbandmen into a mob of beggars and thieves.[23]

Robert Heilbroner commented: "The market system ... was ... born in agony. Never was a revolution less well understood, less welcomed, less planned. But the great market-making forces would not be denied. Insidiously they ripped apart the mold of custom, insolently they tore away the usage of tradition," that is, traditional morality.[24]

Tawney perhaps most succinctly and pointedly described enclosure as "an acid dissolving all customary relationships,"[25] for enclosure entailed not only physical destruction, upheaval, and dislocation, but also, as the passages from Polanyi and Heilbroner too make clear, the radical dissolution of moral constraints upon economic activity, rooted in traditional social relationships and customs. This new class of agricultural capitalists, and then industrial capitalists – the bourgeoisie – adamantly refused to be bound by traditional morality and to bear the traditional responsibilities of the feudal lords in tending to the well-being of the peasants and the community,

20) Ibid., 45.

21) Roger B. Manning, *Village Revolts: Social Protest and Popular Disturbances in England, 1509-1640* (Oxford, UK: Oxford University Press, 1988), 82.

22) Polanyi, *Great Transformation*, 33.

23) Ibid., 35. Emphases added for the sake of later analysis.

24) Heilbroner, *Worldly Philosophers*, 33.

25) Tawney, *Religion and the Rise of Capitalism*, 137.

such as caring for the elderly, the disabled, widows, and orphans. Indeed, they allowed themselves to be taxed rather than bear such personal, moral responsibilities. Thus, those responsibilities fell at first upon the churches and then upon the State, when the needs of the displaced peasantry overwhelmed the parishes. Proudhon and Marx correctly describe the rise of the modern state as the organizing of power in defense of private property, but the modern state arose also in part to fill the moral void created by the bourgeoisie's refusal to bear the feudal lords' social responsibilities of caring for the people.

III. The "Invisible Hand" to the Rescue

Enclosure created, as historian Christopher Hill describes it, a "world turned upside down",[26] and it was important here to devote the first half of this paper to describing the social disruption that enclosure created in order to understand better the enormity of the problem that gave rise to modern economic science: modern economic science arose out of the efforts of moral philosophers to make sense of a social world that had become unintelligible. Traditional social norms had been thrown to the wind, and moral philosophers of the day struggled to formulate new rules for understanding social life to replace those that had been abandoned. Within the moral vacuum created by the social disruption of enclosure, they would forge the rules for a new economic order, and such would entail reconceiving the human and the nature of human flourishing. From where, though, would such rules and concepts come?

Philosophers of nature at the time seemed to be making better sense of the natural world than moral philosophers were able to make of the social world: when one compared Newton‘s physics to Aristotle‘s, as many did, there appeared to be vast, undeniable progress, but when one compared Aristotle‘s ethics to eighteenth-century ethical treatises, it was much harder to make such a claim. So Smith, like other moral philosophers, such as Francois Quesnay, looked for help from the natural sciences. Might the natural sciences have something to teach moral philosophy? Might moral philosophy model itself upon the natural sciences, or even become a natural science itself? Inspired by William Harvey's theory of blood circulation, Quesnay imagined money to be the life-blood of economy and offered the first circulatory theory of currency: money circulates in a healthy body-politic in a manner analogous to the way in which blood circulates in individual organisms, and to this day the metaphor of circulation dominates economists' understanding of money. Smith, however, was taken especially by the revolutionary theories of Newton in physics: they would be central to his efforts to offer a radically new understanding of economic justice.

Smith was impressed by at least three central features of Newton's mechanics: the theory of gravity, the principle of counter-balancing forces, and Newton's ability to assign precise mathematical values to natural forces.

With regard to the first, Smith used, throughout the *Wealth of Nations*, the metaphor of "gravity" to describe how prices operate in a market economy: market prices, that is, the prices at which goods sell once they are brought to market, "gravitate", Smith wrote repeatedly, toward their natural prices, that is, the cost of producing them and bringing them to market. This mechanism thus eliminates "extraordinary profits", one of the chief virtues of a market operating under conditions of "perfect liberty". Thus, government power is not necessary to keep in check the greed of merchants and manufacturers: the natural "gravity" of market price takes care of that.[27]

26) Christopher Hill, *The World Turned Upside Down: Radical Ideas During the English Revolution* (Harmondsworth, UK: Penguin, 1984).

27) Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), Bk. I, Ch. VII.

This principle of economic "gravity" must be understood, however, in conjunction with the second principle from Newtonian mechanics that Smith would import into moral philosophy. Smith followed a long philosophical tradition, including Plato, Aristotle, Aquinas, and many others before him, in seeing that a strong society and healthy economy rested upon justice, and his famous *Wealth of Nations* might be read as a treatise on economic justice, although it seldom is.

That economic well-being rests upon justice, is a point first made by Plato. His *Republic* begins with Socrates asking Cephalus, the father of his friend Polemarchus and a wealthy businessman, what the greatest benefit is that his wealth has provided him. Interestingly, Cephalus replies that his wealth has enabled him to be a more just man: his wealth allows him to give to his friends what they deserve, whereas, if he were poor, his poverty might drive him to cheat and to lie unjustly. That, claims Cephalus, is the greatest benefit of his wealth. The rest of Plato's *Republic* is then largely a refutation of Cephalus, insofar as Socrates claims that Cephalus has matters reversed: wealth is not the basis for justice; justice is not some luxury that wealth affords us. No, rather, Socrates claims, justice is the basis for affluence: without the social harmony that is justice, there will not be the cooperation among people in specialized occupations that is necessary for economic prosperity.

Smith agrees with Plato and the whole classical tradition that affluence rests upon justice. In *The Theory of Moral Sentiment* (1759) he writes: "Justice … is the main pillar that upholds the whole edifice [of society]. If it is removed, the great, the immense fabric of human society … must in a moment crumble into atoms."[28] And throughout *The Wealth of Nations* Smith claims that the greatest benefit of the system of "perfect liberty" that he describes is that it provides the fairest and the most equitable distribution of goods possible.

How, though, is a just society to be achieved? On this point Smith breaks radically from the classical tradition. For thinkers of antiquity and the middle ages, a just society comes from just, virtuous rulers. For Plato, this means that the just society requires leadership by the philosopher-kings, who, among mortals, best understand the true nature of justice. Just rulers, in turn, need to be properly educated, in the manner Plato describes.

The social chaos that marked the beginning of the modern age, however, brought skepticism regarding this tradition of moral education as the way to a just society and a general cynicism over whether a just society was even possible. The classical tradition had defined "politics" as an art of just rulership. Niccolo Machiavelli in one stroke radically redefined it as the artful management of power. He, followed by Thomas Hobbes and Bernard Mandeville, advised political thinkers and rulers not to concern themselves with "man as he ought to be" but with "man as he really is," and "man as he really is," according to their descriptions, is not a very nice person.[29]

Smith, however, did not abandon justice, as did Machiavelli and others following him, but he did suggest that a just society might be possible without virtuous individuals, that is, despite being ruled by individuals who themselves are not necessarily just. Mandeville had already suggested that society might function and even prosper without virtuous individuals, in his famous *Fable of the Bees*, but it was Smith who described the mechanism, built, as we already saw, upon the principles of Newton's mechanics, by which such might occur. To be clear: unlike Mandeville, whom Smith criticizes severely in his *Theory of Moral Sentiment,* Smith thinks that a society of virtuous individuals is certainly desirable and better than one without such individuals, but he nonetheless imagines the possibility of a just and hence prosperous society without them. He writes: "Beneficence … is less essential to the existence of society than justice. Society may subsist, though not in the most comfort-

28) Adam Smith, *The Theory of Moral Sentiments* (1759), ed. D. D. Raphael and A. L. Macfie (Indianapolis: Liberty Classics, 1982), II, ii, 3.4, 86.

29) Albert O. Hirschman, *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph* (Princeton, NJ: Princeton University Press, 1997), 12–14.

able state, without beneficence; but the prevalence of injustice must utterly destroy it." Virtue "is the ornament which embellishes, not the foundation which supports the building," viz., society.[30]

Like the ancients, Smith conceives of justice as a kind of harmony. In *The Republic* Plato describes the just soul as one whose three main parts – the appetites, the will, and the intellect – all work harmoniously together, under the rulership of the intellect (*nous*), for the good of the person as a whole. Analogously, Plato describes the just society as one in which its three main classes – the workers, the guardians, and the philosopher-kings – are all harmonized under the rulership of the latter, with their minds' eyes steadily fixed upon the Form of the Good, for the well-being of the society as a whole. So, too, Smith sees social justice as a sort of harmony, but not like the one that Plato describes.

Furthermore, like the ancients, Smith, too, sees the harmony that makes for a just society as analogous to the harmony that makes the universe a *cosmos*, that is, a thing of beauty. Newton's mechanics so impressed Smith that he looked to it for clues about how a just society might be constructed. Heavenly bodies, such as Jupiter and its moons, remain in harmonious relations as the result of the counter-balance of gravitational pull and centrifugal force. Analogously, might the social harmony necessary for a prosperous society be created by the proper balance between opposing economic interests, namely those of supply and demand? A brilliant hypothesis, even if wrong!

Smith's proposal for a just society, in *The Wealth of Nations*, requires that no one – no ruler, no philosopher-king – needs to think about what justice or the common good is, nor need anyone intend actions in accord with such principles. Rather, each person needs to consider and to intend only his or her own self-interest, as a supplier or as a buyer, and these counter-balancing forces, comprising the mechanism of the invisible hand, which God built into the universe, do the rest, producing social justice without anyone intending it. In Smith's most famous passage, he tells us that a buyer "intends only his own gain" when he makes a purchase, "and he is in this, as in many other cases, led by an invisible hand to promote an end [viz., the social good] which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest [the buyer, and the seller as well] frequently promotes [the interest] of the society more effectually than when he really intends to promote it."[31] As John Maynard Keynes put the matter, Smith's system allows moral philosophers to take early retirement: "The political philosopher could retire in favor of the business man – for the latter could attain the philosopher's *summum bonum* by just pursuing his own private profit."[32]

IV. Economics as Positivist Ethics

Classical theories of ethics, however, saw intent as necessary, if not sufficient, for counting actions as "ethical". Aristotle, for example, defines an ethical act as one in which one not only does the right thing but also does it "for the right reason," that is, with the right intention. Thomas Aquinas is perhaps most to the point: "Any individual act has some circumstance by which it is drawn into the class either of good or bad acts, at least in virtue of the intention.... But if an act is not deliberate ... it is not properly speaking a human or moral act. ... And so it will be indifferent, that is, outside the class of moral acts."[33]

Smith, however, in his *Theory of Moral Sentiment*, claims that only God can look into a person's soul and judge the goodness of one's intentions: humans can only judge the empirical outcomes of actions. "[M]en

30) Smith, *Theory of Moral Sentiment*, II, ii, 18, 86.

31) Smith, *Wealth of Nations*, Bk. IV, Ch. II.

32) John Maynard Keynes, "The End of *Laissez-faire*" (1926), in *Essays in Persuasion* (London, UK: Palgrave Macmillan, 2010), 275.

33) Thomas Aquinas, *Summa Theologiae*, Pt. I of Pt. II, Ques. 19, Art. 9.

in this life are liable to punishment for their actions only, not for their designs and intentions."[34] Smith thus broke radically from the classical tradition of ethics by denying that right intentions are necessary for ethical actions. Thus, from the perspective of classical ethical theory, Smith not only destroyed the long-held connection between economics and ethics, but he actually killed ethics altogether, at least as it pertains to economy, although he certainly never intended to do so. Or, one might say, alternatively, that Smith radically redefined "ethics" solely in terms of the goodness of outcomes, and disregards the agent's motives or intentions. He might, thereby, be considered the father of ethical consequentialism.

If, though, the social good results unintentionally from the self-interested actions of buyers and sellers in the market, then are we not at least implicitly obligated morally to act in self-interested ways? Smith does not say this directly, but it does seem to be the inference that we must draw from his famous passage that speaks of the "invisible hand." Some of his followers, however, have made explicit statements to this effect. For example, Milton Friedman, in his famous dictate, "The social responsibility of business is to increase its profit",[35] clearly transforms profit-making from a simple matter of prudential self-interest into a moral imperative. By the logic of Smith's theory, which Friedman follows, one is obliged ethically and ironically not to act from ethical motivations, at least in the traditional sense, that is, to restrain one's self-interests in consideration of the common, social good. Rather, the highest moral imperative of economic agents – buyers and sellers – is to pursue their own self-interests, their own private profit: failure to do so inhibits the free market from producing a just and prosperous society, what economists commonly term "market equilibrium". As Hermann Heinrich Gossen suggested, in 1854, to act from a sense of the common, social good is to display the hubris of supposing that one knows better than the invisible hand – a.k.a. God – what that common good is: "How can a creature be so arrogant as to want to frustrate totally or partially the purpose of his Creator?" he asks.[36]

The economic system that Smith designed and for which he is so famous, that is, the free market economy, rests upon this principle of counterbalancing forces, which he imports from Newton's mechanics.

The third aspect of Newton's mechanics that so grabbed Smith's attention, namely, Newton's assignment of precise mathematical values to natural forces, Smith did not figure out how to apply to moral philosophy and economics. That task would be taken up by the utilitarians, starting already with Jeremy Bentham, and marginalists. In his "hedonic calculus", whereby he reduces ethics to the optimizing of utility, which he identifies with pleasure and happiness, Bentham suggests the possibility of quantifying the pleasure that drives economic activity, in much the same way that Newton quantified the forces of nature. E. Y. Edgeworth conceived of units of "intensity-time" to measure pleasure—"atoms of pleasure"—comparable to the Newtonian concept of the "foot/pound", which measures physical forces.[37]Later economists, still to this day, will speak of the "util" or "hedon" as a theoretical unit of pleasure.

What might such a unit of pleasure be in the real world of economic exchange? Alfred Marshall suggested that prices function as such measures of utility: monetary units—dollars, pounds, euros – measure the utility that a consumer expects to get through their exchange or the disutility that a worker experiences in accepting a particular wage. Edgeworth thus celebrated that economists had turned moral philosophy not only into a science but into an exact mathematical science, in much the same way that Newtonian mechanics had made

34) Smith, *Moral Sentiment* II, iii, 3, 2, 105.

35) Milton Friedman, "The Social Responsibility of Business Is to Increase Its Profits", *New York Times Magazine*, 13 September 1970; www.umich.edu/~thecore/doc/Friedman.pdf.

36) Hermann Heinrich Gossen, *The Laws of Human Relations* (1854; Cambridge: MIT Press, 1983), 4.

37) Francis Ysidro Edgeworth, *Mathematical Psychics: An Essay on the Application of Mathematics to the Moral Sciences* (1881; n.c: Kessinger, n.d.), 7-8.

natural philosophy into an exact mathematical science: "The central conception of Dynamics and … in general of Mathematical Physics is other-sidedly identical with the central conception of Ethics."[38]

The conception of the social world as a mechanism operating upon scientific laws comparable to those found in Newtonian mechanics, however, required reconceiving the human as a part of that mechanism. Thus was born, perhaps most clearly and explicitly in Edgeworth's *Mathematical Psychics* – the mathematics of the soul! – the conception of the human person "as a pleasure [or utility optimizing] machine"[39]: *homo economicus*. Correspondingly, Edgeworth conceived the human soul as a utility calculator, and economics, for him, thus was the "application of mathematics to the world of the soul".[40] It was ethics made into an exact positive science.

V. Conclusion: Reconstructing Economic Growth, Development, and Well-Being

I have suggested along with Polanyi, at the start of this essay, that an economic theory can be only as sound as the notion of the human that underlies it and that economic theories resting upon distorted notions of humanity can only undermine human growth and well-being. As numerous leading economists, such as Sen and Stiglitz, have argued, the economics profession is currently in a state of crisis: its public credibility suffers because pronouncements by professional economists, and policy-makers following them, are increasingly out of touch with the concrete experiences of citizens. Such a crisis, I claim, can be traced to the impoverished notion of "human nature" that has undergirded conventional economic thinking for the past several centuries and continues to guide so much of contemporary mainstream economic thinking and policy. It is a notion that developed out of efforts to understand theoretically and in accord with the emerging natural sciences of the time the enormous economic transformations affecting Europe, especially England, at the dawn of the modern era, but as a depiction of universal "human nature", it is a notion flatly contradicted by over a century of empirical anthropological findings. According to this notion, humans are but utility optimizing machines, who need not exercise any moral deliberation in their economic decision-making but only calculate their own self-interest, understood as their own optimal utility or pleasure.

Understanding the history of how such a notion arose to prominence might help us then in rethinking the anthropological foundations for new economic theories, with new understandings of economic "growth" and "well-being" that are in better accord with, and hence better promote, human growth and well-being. I have offered here a brief telling of that history.By contrast to the notion of "*homo economicus*", which abstracts the human from any sort of cultural, historical context, the recovery of economics in our current time of crisis requires an understanding of how economic life is embedded within cultural traditions, practices, and institutions and their histories. Such an understanding in turn requires vigorous conversation across disciplinary boundaries, among economists, anthropologists, philosophers, historians, and others. Only in such a manner can economic notions of growth, development, and well-being be brought into closer alignment with human growth, development, and well-being.

38) Ibid., 11. Emphasis in the original.

39) Ibid., 15.

40) Ibid., 9.

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