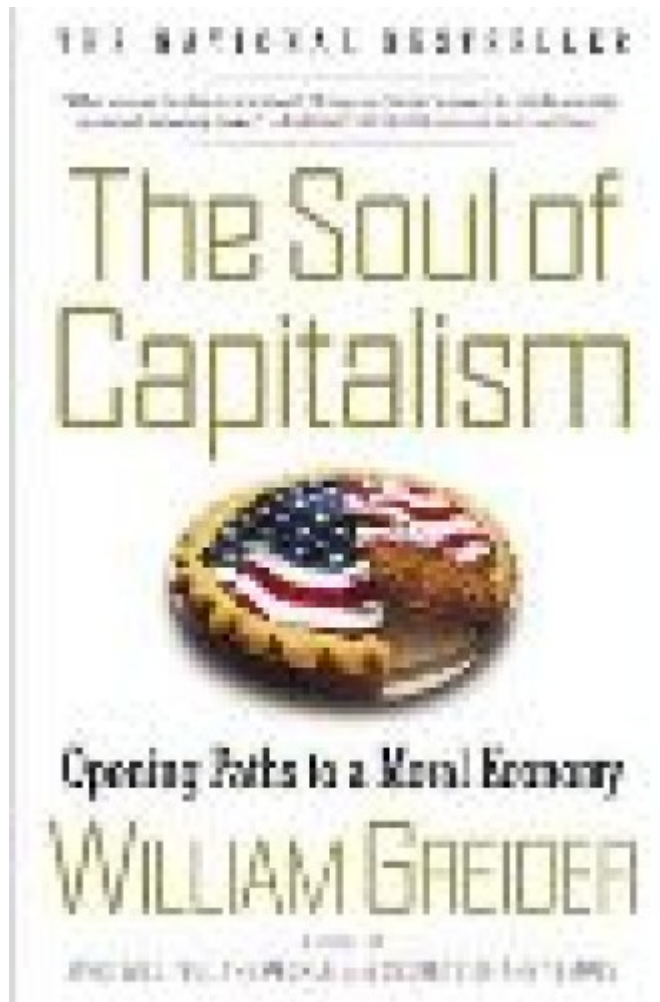


# Taming the beast

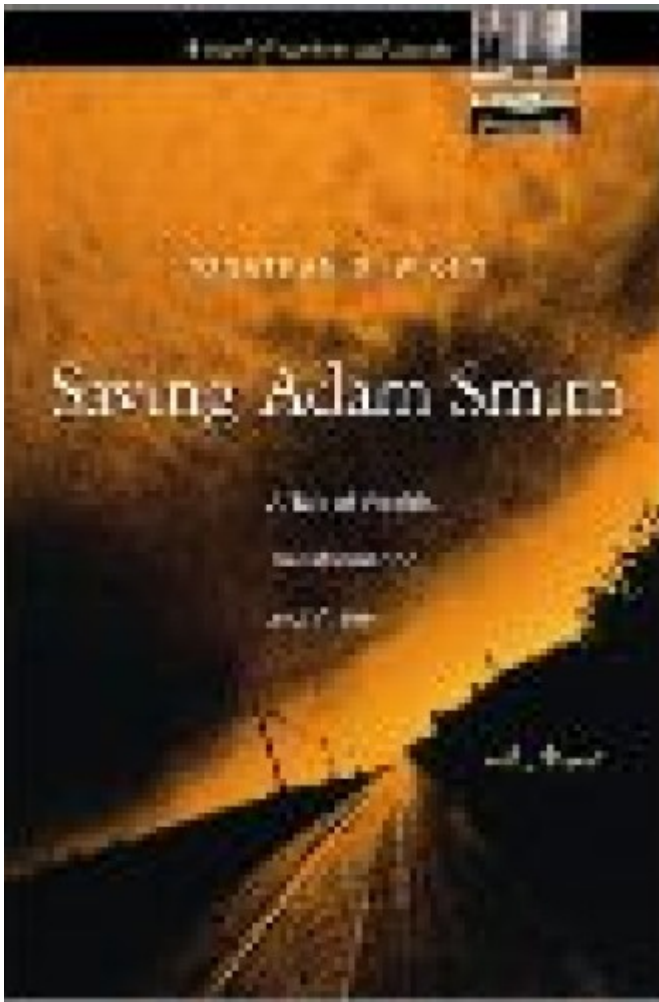
By [Douglas A. Hicks](#) in the [March 23, 2004](#) issue

## In Review



## **The Soul of Capitalism: Opening Paths to a Moral Economy**

William Greider  
Simon & Schuster



## **Saving Adam Smith: A Tale of Wealth, Transformation and Virtue**

Jonathan B. Wight

Financial Times/Prentice Hall

In the compelling story of capitalism the protagonist is the free individual who willingly exchanges his or her stuff for other people's stuff. The land of capitalism is a kind of peaceable kingdom in which the wolf and the lamb meet voluntarily in the marketplace to engage in fair competition. Even this whimsical image suggests, however, that capitalism depends upon prior rules of what is acceptable and what is not. Without some prohibition against violence, the wolf could simply eat the lamb for lunch. Adam Smith, the great moral philosopher and founder of classical economics, tells us that the market requires a moral-legal foundation. "Justice," he writes, "is the main pillar that upholds the whole edifice" of society, including the economy.

Part of capitalism's story is the claim that it provides the maximum in freedom. It allows individuals to choose how they allocate their time, where (and if) they work, and what they do with the money they earn. How could any freedom-loving person object to such a scenario?

But many people do not experience freedom in the current economy, as William Greider and Jonathan Wight point out. Indeed, Greider and Wight share the profound conviction that we are constrained by economic forces in ways that negate our personal agency. Economics should be just one part of the good life; instead, powerful economic forces now create pressures on individuals and families to pursue material gain at the expense of other important human ends.

Greider, a senior journalist at the *Nation*, and Wight, an economist at the University of Richmond, understand that capitalism is more than a technical economic system and that it is supported by more than rational argument. In its current form, a complex set of narratives undergirds capitalism. These range from the ways in which Economics 101 is taught on university campuses to the commercials and ads that pervade every aspect of contemporary life.

Greider and Wight's strategy is to fight narrative with narrative. Greider has collected a series of stories of people and organizations that have begun to reform and humanize parts of our economic system. In an even more explicitly integrated narrative, Wight has written a novel about the economy, in which an economics graduate student gains his education from a resurrected Adam Smith. Both Greider and Wight provide interesting accounts, but Wight's is the more morally and analytically coherent of the two.

Greider's *The Soul of Capitalism* follows up on his bestselling *Who Will Tell the People? The Betrayal of American Democracy* (1992). Unlike his book on global capitalism, *One World, Ready or Not* (1997), his latest analysis of the economy is limited to an American perspective. Greider confronts the ways in which our democratic, entrepreneurial and altruistic impulses conflict with our self-interested, consumerist and competitive urges. "Here is my notion of patriotic obligation," he writes. "Americans will not become fully realized as a people—as a society that fulfills its potential—until we learn, in the spirit of Walt Whitman, to embrace our contradictions, all of them."

This American-centered view is peculiar, given Greider's fundamental argument about the daunting, impersonal and, now, transnational nature of economic forces. But whether national or international, the economic system Greider presents lacks responsibility and accountability. One beast that must be domesticated is the publicly held corporation. Greider helpfully reviews corporations' status as persons in the U.S. legal system and the ways in which corporate and political power are intertwined.

The recent CEO scandals are merely a symptom of wider problems with the role of corporations, Greider notes. While limited liability allows corporations to take significant risks for the sake of innovation, it also encourages corporate recklessness. Weak antitrust laws enable large corporations to have the power of monopolies or oligopolies, though such power actually tends to discourage innovation. Many economists agree, Greider points out, that the current capitalist system doesn't live up to its own free-market justification.

Corporations are not sufficiently accountable to their shareholders, he asserts. One important dimension of the problem—and here those in churches and the academy should take self-interested notice—is that managers of mutual funds, largely comprised of 401(k) accounts, often have little voice in corporate governance. Fund managers have strong incentives to acquiesce to corporate executives, since they fear that if they express dissent the executives will take their companies' retirement funds elsewhere.

The current economic system as a whole, like corporations in particular, fails to take a long-term perspective on economic life. The stock market encourages short-term speculation, pressuring corporate leaders to focus on quarterly earnings statements in lieu of taking more prudent steps to assure long-term strength. Greider also explores the strain on the environment that current modes of production and consumption create. The environmentally informed view requires attention to reusable inputs and final products. In his chapter on "consuming the future," Greider cites intriguing examples of firms and individuals who have put the concept of reusability to creative use.

Greider portrays the economy as a system in which individual people have very little voice or decision-making power over their own lives. He tells the stories of workers who would love to improve their working conditions (or even make their companies more efficient), but who work for corporations too large to care about their views.

Would-be socially responsible investors find it difficult to invest in ways consistent with their values—though things are looking better on this front. Citizens who try to promote public-works projects through their local or federal governments find that their efforts are crowded out by pork-barrel projects benefiting powerful corporations.

Most at home in exposing and criticizing institutional systems for their shortcomings, Greider is less convincing in his attempts to construct a hopeful economic future. His assertions that stockholders in 401(k) plans can have a voice in corporate governance or that small-scale, employee-owned firms can compete successfully with corporate giants lack specificity and support.

The book highlights steps that individuals and groups can take to become economically empowered. Not wanting his strategies to be labeled “tired liberalism,” Greider is reluctant to specify what role the government should play in “opening paths to a moral economy.” For example, his chapter on public works is effective in denouncing pork-barrel spending dressed up as something beneficial for the public, but his constructive agenda is thin on what the government should do to provide a sound infrastructure and even a safety net for its citizens.

Greider does his best to highlight hopeful, albeit mostly small-scale, efforts by “pioneers” who are attempting to reform the economy, people in for-profit and not-for-profit organizations as well as academics. These stories constitute both the strength and the weakness of his book. While he is able to present many perspectives that play a part in a more humane economic narrative, these voices are not always fully integrated. While Greider’s main points are admirable and on target, his book needs to be supplemented by the more thorough economic analyses of contemporary economists he cites, including Herman Daly, Amartya Sen and Edward Wolff, and historical giants such as Smith, John Maynard Keynes and Joseph Schumpeter.

Wight’s seems an unlikely book to have been written by an economist. Economists are often criticized for their fictional assumptions about human nature, but *Saving Adam Smith* is intentionally fictional. Wight brings Adam Smith back to life in the form of a Romanian-born auto mechanic. This ploy highlights the fact that Smith’s advice runs counter to conventional thinking about the economy and society. It is also a reminder that anyone can have a valuable perspective on economic problems.

Wight sets out to recover Smith's complex moral understanding of the modern economy. If Greider's key institution for reform is the corporation, then Wight's is the guild of economists. Economists have lost sight of the humane foundations of their discipline, Wight suggests, and they should—figuratively, at least—bring Smith back to life.

Wight is not the only current thinker to emphasize Smith's importance. Indeed, scholarship on Smith is enjoying a sort of rebirth in an age when it seems that economics has lost its philosophical and moral bearings. Reading at least portions of Smith's two master works, *The Wealth of Nations* and *The Theory of Moral Sentiments*, should be a part of liberal arts education. Wight goes further than other authors in bringing Smith into the present. I can only imagine that Smith himself, an advocate of putting the "moral imagination" to good use, would find this amusing.

The protagonist in *Saving Adam Smith* is Richard Burns, an assistant professor of economics at a fictional liberal arts college who is struggling to finish his dissertation. Burns is the promising young star who is to carry on the great economic tradition that touts the virtues of the free market. He is even nominated for the Adam Smith award in economics. The problem is that neither Burns nor the discipline of economics understands Smith's legacy.

Burns is writing a dissertation that bears on many of the problems of a complex and globalizing economy—the kinds of issues that Greider addresses in a more straightforward way. Are the massive forces of the global economy dehumanizing the workplace? Have corporations lost their sense of moral purpose? Does the pursuit of material happiness create envy and destroy community? Are people motivated only by self-interest?

Wight's setup enables him to appeal to the father of classical economics to address these questions. We learn that Smith's approach to economics fits within his wider framework of a good and just society. Smith's famous "invisible hand" metaphor for how the pursuit of self-interest can lead to overall social benefit takes for granted the conditions of justice, trust and community that allow for mutual exchange. If people are not first virtuous, they cannot be trusted in the economic sphere.

Wight doesn't stop with bringing Smith to life. In a humorous scene Smith debates the meaning of justice around a poker table with his interlocutors Rousseau, Voltaire, Hume and Quesnay. Almost without realizing it, the reader receives a

primer in Enlightenment approaches to justice in times of social and economic transformation. Smith's voice comes through the clearest.

Wight asserts that Smith's framework can help modern readers fit economic life into the moral foundations of society. Greed and the pursuit of material things usually corrupt the moral sentiments. The father of economics believed that "the great source of both the misery and disorder of human life seems to arise from over-rating the differences between poverty and riches." Happiness does not come from wealth alone: "The pleasures of the rich, consisting of vanity and superiority, are seldom consistent with perfect tranquility."

The complexity of Smith's thought emerges in the novel. Smith believes that although the pursuit of wealth does not do much to produce happiness, the effort to enable people to escape abject poverty is both a legal and a moral requirement. For example, Smith's concern about the numbing effects of factory work led him to be an early and vocal advocate of universal public education.

While some of the literary devices Wight employs can seem a little heavy-handed, his narrative holds together. Students of economics will learn a great deal in this book about the thought of Adam Smith and the moral foundations of the economy. The plotline itself makes for a good read. As he explains in his notes, Wight frequently adapts direct quotations from Smith's works into the story. Appendices point interested readers to fuller examination of Smith's own texts and further reading on Smith.

*Saving Adam Smith* can help save us from both the folly of vain material pursuit and the heartless neglect of people in need. One should not look to a historical figure, even a brilliant one, for answers to all of the questions of the current age. Still, one wishes that Wight had considered in more detail the question of what Smith, an advocate of limited government in his own day, would consider the appropriate involvement of government in guaranteeing equality of opportunity for citizens.

Greider and Wight both affirm the virtues of capitalism by denouncing unjust practices perpetuated in its name. In this sense they are prophets calling us to a more humane society that embraces only the best of capitalism.

Taking Greider's and Wight's insights to heart, we realize that there is, in fact, no single story of capitalism. There is and should be room for individuals, like the "pioneers" in Greider's tale and the Romanian-born auto mechanic in Wight's, to find

their own voices in economic and political life. Even in tough economic times and when citizen voices seem little heeded in politics, there are ways to shift the story away from material pursuit for its own sake. Wight reminds us that the narrative which places the economy inside the bounds of morality is as old as capitalism itself.

Christian readers should realize that the moral roots of economic life are even older than that. But so, too, is the misappropriation of Christian concepts for capitalist ends. The church needs to have a more nuanced and critical conversation about which parts of economic life contribute to freedom and which do not. In that endeavor Smith is an excellent conversation partner.