

Adam Smith and the Idea of Virtuous Capitalists

Context:

Adam Smith and the other Scottish Enlightenment thinkers were all responding in various ways to the ideas put forward by Thomas Hobbes and Bernard Mandeville (and in a way to those of Machiavelli and Francis Bacon) that modern government should focus more on creating the conditions of material peace and prosperity and focus less on making their citizens virtuous. In fact, Mandeville goes so far as to say that “private vices are public benefits.”

Most Scottish thinkers were rightly horrified by the prospect that we could only have modern, wealth, commercial societies at the cost of our souls. Smith, in particular, spent a great deal of time thinking about the nature of virtue, how commercial societies function, and whether capitalism and the good life could be reconciled.

Economic Insights:

1. Wealth is built on increased productivity, which develops as the division of labor and specialization increase. The division of labor, furthermore, is limited by the size of the market and the existence of good institutions.
2. Within free commercial societies, people improve their own well-being by helping and serving others. Trade is mutually beneficial and to advance our own interests we must advance the interests of others. That is why Smith says that people are led by “an invisible hand” to benefit society.
3. Free trade, exchange, and competition are integral to expanding the market, increasing the division of labor, and serving our fellow men better.
4. The main danger Smith saw to society was through special interest groups and self-seeking merchants persuading the legislature to create rules restricting movement, trade, and competition.

Moral Insights:

1. Happiness is not simply about gaining more wealth or increasing one’s consumption of goods and services. It also requires that people live virtuously.
2. Virtues are essential to happiness and human flourishing. Smith divides them into two categories: the amiable virtues and the severe virtues, depending on how they help us sympathize with an impartial spectator.
3. Smith argues that justice is the most important virtue for society to exist. He divides it into different categories (e. g. commutative and distributive) and emphasizes how commutative justice is what can be enforced by governments, not anything else except under special circumstances