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The Demoralization of Economics:

Can We Recover from Bentham?

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Adam Smith's intentions were to create an ethical system for the middle class. He was in effect following the precept of his friend David Hume, that "Readers as are plac'd in the Middle Station . . . form the most numerous Rank of Men, that can be suppos'd susceptible of Philosophy, and therefore all Discourses of Morality ought principally to be address'd to them" (1741-42, [], *Essays*, p. 546).

The intentions of an author are notoriously difficult to discern, and for many purposes are anyway beside the point. A poet may intend to write The Great Epic of the Dutch Nation, but if he in fact writes a long and silly

poem it is the fact that matters, not his intentions. In her recent, brilliant book, *Adam Smith's Discourse* (1994), Vivienne Brown has observed that the Intentional Fallacy, as it is named in the Department of English, pervades the literature on Smith. According to Brown, all intentionality is to be banished, and the text is to stand alone on its discoverable effects, not on its author's undiscoverable intentions. One can agree with her feeling that Smith's intentions are not a decisive argument yet still think that Brown raises the fallacy to a shibboleth, as the New Criticism in literary studies did. As the New Historicists have noted, a life is a text, and a life as methodical as Smith's often reveals illuminating intentions.

Of course, the effects of Smith's writings, regardless of intent, were to some degree as I claim he intended. Smith has been read often as the Theorist of the Bourgeoisie. One need only notice the Adam-Smith ties the men of Wall Street wear to know this. Certainly *The Wealth of Nations* is a holy text of classical liberalism, even if not studied carefully or critically—this, after all, is often the fate of holy texts.

And intentions are not in this case impossible to discern. There are many signs that Smith wanted to modernize the virtues to suit the society he admired, and at any rate lived in. Smith's ethical engagement with a

commercial age can better be shown than told. His very first appearance in print, so far as we know, is an anonymous encomium to a bourgeois friend, in 1758:

To the memory of Mr. William Crauford

Merchant of Glasgow

Who to that exact frugality, that downright probity and plainness of manners so suitable to his profession, joined a love of learning . . . , an openness of hand and a generosity of heart, . . . and a magnanimity that could support . . . the most torturing pains of body with an unalterable cheerfulness of temper, and without once interrupting, even to his last hour, the most manly and the most vigorous activity in a vast variety of business Candid and penetrating, circumspect and sincere.

Essays on Philosophical Subjects, p.

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This is not an encomium to Profit Regardless. It praises a bourgeois virtue.

An “ethic for the bourgeoisie” is not the same thing as an apology for greed. Smith was hostile to the reduction of ethics to greedy interest, which Bentham finally achieved and which Epicurus, Hobbes, and Mandeville

(whom Smith discussed explicitly and at length) had earlier recommended. Mandeville's system, wrote Smith, "seems to take away altogether the distinction between vice and virtue" (*Theory of Moral Sentiments*, VII.ii.4.6, p. 308) by the simple device of noting that people get pleasure from being thought to be good. "It is by means of this sophistry, that he establishes his favourite conclusion, that private vices [and in particular the vice of Vanity] are public benefits" (pp. 312-13). Bentham makes the same argument, and it emerges in modern economics as the principle that every action is guided by Utility. The fallacy in the argument, which has not been spotted by modern economists in its grip, was first noted by David Hume, followed by Smith: "It is the great fallacy of Dr. Mandeville's book to represent every passion as wholly vicious [that is, self-interested, a matter of vanity], which is to any degree and in any direction" (p. 312). Thus if I get a little utility from love, it "follows" (say Epicurus, Mandeville, Bentham, and Gary Becker) that love is reducible to utility, and we can abandon any account of separate virtues and vices. But I get utility because I love, not the other way around. It does not follow that I love entirely because of utility. I may have gotten some amusement from my children, but I did not have them and love them down to this bitter day entirely or even largely

because they were amusing. And it is therefore not true that virtues such as love, justice, courage and so forth can be reduced without remainder to utility.

Smith of course by no means approved of every activity of the bourgeoisie. He was suspicious of the rent-seeking of merchants, noting that in contrast to the landlords and workers, the interests of the bourgeoisie are “always in some respects different from, and even opposite to, that of the publick” (*Wealth of Nations*, I, xi, p. 10). He viewed the commercial system of tariffs as the result: “clamour and sophistry of merchants and manufacturers easily persuaded [society] that the private interest of a part, and a subordinate part of the society, is the greatest interest of the whole” (*Wealth of Nations* I, x, c. 25). Smith was read this way at the time. Hugh Blair wrote to him on 3 April 1776 commending him: “You have done great Service to the World by overturning all the interested Sophistry of Merchants, with which they have Confounded the whole Subject of Commerce” (*Correspondence*, p. 188). As scholars on the left have repeatedly noted, Smith was not a Thatcherite.

But neither was he hostile to the values of a commercial society. Unlike European intellectuals since the great conversion of the mid-19th

century, Smith wanted to make a commercial society work, not to sit outside it sneering. He believed it was desirable to clothe it with an ethical system. In its nakedness it was mere interest. With Thomas Paine he would say that commerce is "a pacific system, operating to cordialise mankind. . . . The invention of commerce is the greatest approach towards universal civilization that has yet been made by any means not immediately following from moral principles" (quoted in Hirschman 1986, p. 108).

Vivienne Brown disagrees. She and I agree, against the tide of opinion, that Smith is first and last a moral philosopher, that he is read badly if read as a confused precursor of Walras and Edgeworth and Debreu, and that reading Smith is a task for rhetoric, not to be reduced to logic or intentions alone. But she would reject my claim that Smith was making an ethics for a commercial society, the Middle Station in life. For example, she notes that both of Smith's books "contain instances . . . where concern is expressed over the impoverishing effects of commercial society in eroding standards of public decency as well as private morality" (Brown 1994, p. 212). This is correct, but such concern is merely what one would expect from a serious discussion of bourgeois virtue. After all, Smith's writings contain considerably more instances where delight is expressed over the

enriching effects of commercial society in raising ethical standards or public decency. True, Smith was not Ronald Reagan in knee britches. But if we are not to appeal to some social democratic Intention to be read into Smith, and are to stick to the texts, neither is he Tony Benn in a wig. Brown herself argues that Smith and the other Scots were busy showing how “a society may cohere and its people may live decently, in spite of the moral failure [by the highest stoic standards] of mankind at large” (Brown, p. 208). Such a program was characteristic of the Scottish as against the French Enlightenment. It was not utopian, not governed by Hope. Brown does not acknowledge how very bourgeois the program is. Her main conclusion runs against the evidence of the texts: “It is a mistake, therefore, to think that in commending prudence as a lower-order virtue, *The Theory of Moral Sentiments* is praising either economic activity in general or the economic activities associated with what later became known as the middle class” (Brown, pp. 93-94). Her glancing suggestion here that the very idea of a “middle class” is anachronistic and therefore plays no part in Smith’s thought is not a very good argument as one can see from the quotation from Hume I started with (and her suggestion is historicist rather than text-based, being by her own method irrelevant). Indeed she offers no argument against

Smith as an ethicist for a commercial society. She does not tell why the inventor of economics cannot be read in all his works as praising economic activity as a subspecies of Prudence—with reservations, as a moralist for the age, and above all within a system of other virtues, but nonetheless praising it in a way that would have been possible only in a few other times and places outside the Scottish Enlightenment.

The “ethical system” of Smith was, in modern parlance, an ethic of the virtues. That is, it was not a search for a general precept of ethics, such as Kant was at the same time busily pursuing in his walks from home to the office in far-away East Prussia. Rules such as Kant’s categorical imperative (well expressed by any bureaucrat denying you an exception: Suppose I allowed everyone to do that?) or the golden rule or the master instance of utilitarianism are not what Smith sought, or found. He sought and found a collection of virtues. In this he was heavily influenced, as he makes clear in his survey of ethical systems in *The Theory of Moral Sentiments*, by classical stoicism, Epictetus the slave and Marcus Aurelius the emperor. An ethic of the virtues has been explicated in recent decades by Philippa Foot, Elizabeth Anscombe, Iris Murdoch, Susan Wolf, Rosalind Hursthouse, Annette Baier, Alasdair MacIntyre, John Casey, Bernard Williams, Martha

Nussbaum. (It is the only field of modern philosophy in which women's voices predominate.) But it is as old as Aristotle's *Nichomachean Ethics*, and is to be set against Plato's (and Kant's and Bentham's) search for the one Good. Just as ethics is not to be reduced to Utility, neither is it to be reduced to Reason.

In her recent book *Moral Boundaries: A Political Argument for an Ethic of Care* (1993) Joan Tronto argues that "what is now called 'women's morality' bears a striking similarity to the moral thinking of the Scottish Enlightenment" (Tronto 1993, p. 20). "Men were viewed as capable of morally delicate feelings that relied upon particular social conditions for their creation" (Tronto 1993, p. 25).

Smith's *Theory of Moral Sentiments*, which it is of course natural to see as what it claims to be, an exploration of virtues and vices, can be read as treating the four "pagan" or aristocratic virtues and the three "theological" or peasant virtues. The analysis of all virtues into these seven was begun in classical times and completed by Aquinas. The weight of tradition is not a knock-down argument for thinking that the seven contain all the virtues one needs to consider. Especially in view of my theme, Smith may have been mistaken to adhere to these only—it may be that a bourgeois

virtue is hard to discuss in classical or Christian terms. But my thesis here is textual. I claim anyway that the whole of *The Theory of Moral Sentiments* can be divided into discussions of the various seven traditional virtues. The Pagan Four are: Courage, Temperance, Prudence (or Wisdom), and Justice. The Christian Three are: Faith, Hope, and Love.

Or rather, Smith discussed five of the seven. He left off Faith and Hope. I would argue that he did so on the belief that these “theological” virtues were inappropriate to a bourgeois society. Eighteenth-century thinkers—and politicians—were haunted by the religious wars of the previous century, an excess of Faith. In Britain, especially after the Gordon Riots of 1780, they were obsessed, too, by fear of Hope. Faith you can view as backward looking: one sees it, for example, in nostalgia for the Highland clan, such a feature of (British) nation building in (very) late 18th century Scotland. Hope is forward looking, utopian is just the way a saint is utopian. The Hope I see, with Edmund Burke, embodied in the French Revolution.

(If you can stand any more of this sort of intellectual history in which ideas strut around like actors on a stage, I see too a revival of Faith and Hope as political ideas in the 19th century. An astonishing development in

Britain, American, Protestant Germany in the early 19th century was Evangelicalism among the intelligentsia—something that would have been wholly unexpected by urbane deists such as Smith, or atheists such as Hume or Gibbon, or even the traditionally Anglican Dr. Johnson. The theological virtue of Hope reemerged in projects of moral reform by the evangelicals [such as the abolition of slavery]. Eventually both merged in a secular version of Christianity by the name of socialism or a secular version of paganism called nationalism. And all our woe.)

The rest of the seven are arranged in effect along a spectrum, thus:

Courage Temperance Prudence Justice Love

The point I am making is that Smith definitely and clearly put Courage and Love on the edges. Not *off* the edge, like Hope and Faith, but away from the central virtues of a bourgeois society. (Brown again would disagree. She views Smith as a neo-stoic, and argues that Prudence is in Smith a “lower-order” virtue, useful as regulating the mass of mankind but nothing like an adequate ethic for an ethical aristocrat. I agree with her in resisting the Benthamite notion of reducing Smith to the virtue of Prudence alone. But I disagree that his texts are mainly or centrally concerned with ethical heroes and saints, aristocrats or peasants, as against the Middle Station.) The

evidence for Smith's placement of the virtues is I believe thick in his writing. Consider his well-known remark that it is not from the benevolence of the butcher and the baker that we expect our supper (that is, not from love), but from their self-regard (that is, prudence). (Other feminists have pointed out sardonically that someone had to cook the dinner, Mr. Smith [it was Mrs. Smith, his Mom], and that is a matter of Love.) Or consider this less well-known fact, emphasized in Brown, that Smith was indifferent, even hostile, to commercial courage, the virtue of enterprise. He recommended prudential investing, preferably in agriculture. He was not enthusiastic for the thrusting, risk-taking entrepreneurs that, say, Marx and Engels praised so. Smith was not a romantic about capitalism, as some modern defenders of it are (Ayn Rand, for example). I repeat: Smith regarded Love and Courage as dangerous emotions, more passions than interests, as Albert Hirschman has said. It is little wonder that a Scot witnessing the benefits of secularism and peace in a country riven so recently by Love and Courage would take such a line. But in doing so he distanced himself decisively from the aristocratic virtues (above all Courage) and the Christian virtues (above all Love).

The virtue of Prudence in a commercial person is overpraised in Smith (*TMS*, VI.1.6, and *TMS* VI.i.11): “the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator.” Smith is here imagining a rather spiritless Impartial Spectator, who has no taste for novelty or risk. Prudence fits his ideas of economic growth, which were that the Highlands could in time become as prosperous as Holland was in 1776--not that national income would rise as it did by a factor of 12 or more in two centuries.

And yet Prudence is not an ethical nullity. Since the middle of the 19th century Western intellectuals and artists have scorned such a bourgeois character, and have believed that bourgeois life is merely the vice of greed. Prudence is simply dropped from most thinking about ethics that does not start with the concrete virtues, as Smith does, and ask how they work in the world. John Casey notes, “Philosophers here reflect common opinion: to call a judgement ‘prudential’ [or ‘pragmatic’ or ‘bourgeois’] is taken by many people as meaning that it is not ‘moral’” (1990, p. 145). But on the contrary, Casey observes, “We can think of the man of practical wisdom as having moral imagination” (p. 146). My sister late in 1995 objected to my change of gender, and out of love (she believed I was mad) had me twice

seized by the police (after a night of terror each time to be freed for lack of evidence of madness, I am glad to report). She exhibited the virtue of Love. But she had none of Prudence, and her moral imagination concerning the actual and possible outcomes of her intervention was defective. (Justice and Temperance were not much in evidence, either.) St. Paul in his first letter to the Corinthians says famously that you may talk with the voices of men and angels but if you have not love you are as sounding brass and tinkling cymbals. The bourgeoisie answers that you may express Love abiding in all your actions, but if you have not Prudence you are as a runaway truck or an exploding steam engine.

The virtues seen as instruments for other purposes might coexist happily, each useful in its own sphere. Olaf Velthuis puts it this way: "McCloskey herself states that 'the virtues of the bourgeoisie are those necessary for town life, for commerce and self-government'; just as Christian virtues are the virtues necessary to go to heaven, and aristocratic virtues to lead a good life. There seems to be no problem" ("The Instrumental and the Intrinsic," p. 5).

The spectrum of virtues in Smith serves to put Prudence at the center. He wrote *The Wealth of Nations* as a treatise on Prudence. His unpublished

Lectures on Jurisprudence (1762-63, 1766) constitute the germ of a treatise on Justice. *The Theory of Moral Sentiments* of course in its first edition predates *The Wealth of Nations* (though he worked on it again before his death, to a 6th edition: he did not repudiate any of it, and continued in spirit to be what he had always been, a professor of moral philosophy). It can be viewed, as I have said, as a discussion of the entire system of virtues, but also as a treatise of Temperance. The Impartial Spectator of that book is the regulator of the other virtues, just as Temperance is.

Prudence was at the center, with Temperance on one side and Justice on the other. Those were Smith's three, on two of which he wrote long books and on the other of which he could have (the student notes constituting *Lectures on Jurisprudence* are 554 printed pages long in the Glasgow edition). Temperance and Justice are themselves notably bourgeois in his writing. In any event, Temperance, Justice, and Prudence, these three. But the greatest is Prudence.

But something happened between Smith and now. Somehow a view of Economic Man that placed him in a system of virtues got mislaid. The mislaying was in part an episode in the general decline of ethical philosophy, down to what Mark Johnson has called "the nadir of moral

reasoning in this century,” A. J. Ayers’ emotivism, the notion that ethical opinions are merely opinions:

Ethical concepts are unanalysable, inasmuch as there is no criterion by which one can test the validity of the judgments in which they occur. . . . They are mere pseudo-concepts. . . . If I say to someone, ‘You acted wrongly in stealing that money’ it is as if I had said, ‘You stole that money,’ in a peculiar tone of horror.

Ayer 1936, quoted in Johnson 1993, p. 137.

Thus the undergraduate saying “That’s just a matter of opinion. It’s a free country. Everything’s relative.” But there is an earlier and specifically economistic version of ethical nihilism, traceable I think to Bentham. The revealingly brief article on “Morality” in Palgrave’s *Dictionary of Political Economy* (1900) declares, the economist’s “business is to explain, not to exhort. It is therefore beside the mark to speak of economists, as such, preaching a low morality or rejecting morality altogether” (Montague, p. 812). George Stigler could not have put it better.

The villain I am claiming is Jeremy Bentham. My evidence for this as a doctrinal assertion is I admit slender. Bentham is looked on as a hero by ethical nihilists such as Stigler, Becker, or Judge Richard Posner, but

perhaps some other strand of 19th-century thinking explains the divorce of economics from ethics. Doubtless. It would take something more forceful than a man who compared poetry to pushpin and advocated single-sex prisons and a Suez canal to turn the mind of economics away from any virtue but Prudence. Yet the textual evidence in Bentham is plain enough. His *Principles of Morals and Legislation* (1789) called Prudence by his word “utility,” and claimed to prove that “the only right ground of action, that can possibly subsist, is, after all, the consideration of utility” (p. 146). The way he proved this was to reduce each virtue to Prudence. How? Simple. Since, say, Love produces happiness, it must be motivated by happiness. *Q.E.D.* I have already noted Hume’s refutation of this absurdity. Bentham was unknown to Smith, but Smith does discuss in Chapter II of Part VII of *The Theory of Moral Sentiments* (pp. 294-300) “those Systems which make Virtue consist in Prudence,” in particular Epicurean ethics. It indulged “a propensity, which is natural to all men, but which philosophers in particular are apt to cultivate with a peculiar fondness, as the great means of displaying their ingenuity, the propensity to account for all appearances from as few principles as possible” (*Theory*, p. 299). The propensity dominates modern economics. The philosopher

Michael Oakeshott once called Bentham's work "a chaos of precise ideas," a good description of the modern utilitarianism of Stigler, Becker, and Richard Posner.

A demoralized economics is one without what the Dutch economist of culture Arjo Klamer calls "character." The neoclassical "agent" is a Man Without Qualities. Oddly, law-giving ethical systems depend on a denatured agent. The Good Willed person is without "accidents" in Aquinas' sense, so taken away from the world of context and luck and fate, away from actual stories. As John Casey puts it, "The concept of a person [in Protestant Christianity, Kant, and economics after Bentham] ideally coincides with that of a rational agent" (p. vi.). By contrast, "In valuing others for possessing the traditional virtues, one implicitly recognizes and values their personhood" (p. vii). "We all inherit from Christianity, and from Kant, the assumption that there must be some set of principles of conduct which apply to all men, simply as men" (p. 9).

Joan Tronto said about the care ignored in most economic thought what one could also say about the economic activity ignored in most moral thought: "our account of moral life should provide us with a way to respect and deal justly with others. In order to do so, we must honor what most

people spend their lives doing” (p. x). But the separation of spheres around 1800 put an end to Smith’s project of fully ethical though bourgeois human being. Citing Barbara Welter’s class description of “The Cult of True Womanhood,” Tronto draws attention to the 19th-century notion that women are better morally precisely because they are outside the marketplace (p. 1), and notes that morality is also supposed to be corrupted by an association with politics (p. 3). The result is *realpolitik* on the one hand and Sunday-morning moralizing on the other: “to view politics and morality as two separate realms of life will make it extremely difficult for moral arguments ever to have much political power. Jane Addams lost her moral authority when her pacifist leanings [in World War I] seemed a naive type of ‘morality first’ politics” (pp. 8-9; cf. Robert Hariman, ed., on realism in international relations).

Tronto is not without flaws. With many others she supposes that the male realm of long-distance trade was without morality, arguing that it is merely a matter of “unlimited economic acquisition” (p. 27), as though greed were peculiar to modern capitalism. In fact trade always requires morality. It often turns out that the writer is depending on Karl Polanyi’s account of economic history (e.g. p. 32, the only citation to him, to be sure;

she also relies on Habermas for historical proof of the same assertion that the public became more public in the eighteenth century (p. 33); Habermas, like Polanyi, knew very little history). I don't think Polanyi's mistake is necessary for Tronto's own argument. It is not necessary for 18th-century long-distance trade to represent a qualitative break with earlier forms of economy. It can still be true, as Tronto argues persuasively, that at the level of ethical theory the late 18th-century saw a breaking up of a unified view, in which the virtues of the household and the marketplace were the same

But what of it? What does economics lose by being demoralized? I answer from inside economics as a science. My claim is that economics makes grave errors of positive science when it ignores the system of virtues and specializes all ethics to Prudence. Economics since Bentham has been the science of Prudence, and a wonderfully successful one. I am a Chicago-School economist and a great enthusiast for this intellectual program. I wrote once an entire, long book devoted to showing how Prudence can explain much (*The Applied Theory of Price*, 2nd ed, 1985). But I have realized gradually that it is a scientific mistake to set the other virtues aside even when you wish to deal chiefly with Prudential consequences. It is not always impossible to "economize on love," as an economist once expressed

the Mandevillean/Benthamite and anti-Smithian program of modern economics. But in many important cases it is.

A good example is what is known in economics as the Voting Paradox. It is “paradoxical,” notes the economist, that people bother to vote at all in large elections, because Prudence would keep them at home. No one vote will affect the outcome—unless the election to the Senate in Illinois this year is otherwise an exact tie, a vanishingly improbable event. A Prudent man would therefore never vote, if voting had (as it does) the tiniest inconvenience.

And yet people do vote. Oh, oh. Hmm. Some other motive than Prudence must be explaining this very important piece of behavior. Love, perhaps. Or Justice.

George Stigler and I once fell into a quarrel about this at lunch. I said: Your theory that when people get into the voting booth they vote their pocketbooks [Prudence in my present vocabulary] must be wrong. In order to get into the booth in the first place they have to be irrational. He became angry and contemptuous, as was his practice when faced with an argument he could not answer seriously. “It’s an empirical matter,” said he, “One can only know whether it works by running regressions of voting on pocketbook

Prudence.” He was forgetting that the existence of voters is empirical, too, an empirical fact that annihilates his theory of politics before one does the regressions.

Another and more important example is the so-called Prisoner’s Dilemma. Prudence, argued Thomas Hobbes, would lead men in a state of nature to defect from social arrangements. The Hobbes Problem has misled most serious thinkers about society since he posed it. The problem is, Will a mass of unsocialized brutes form spontaneously a civil society? Hobbes’ answer was, of course, No, not without a leviathan state; otherwise one can expect society to be a war of all against all and the life of man solitary, poor, nasty, brutish, and short.

But the Hobbes Problem, when you think of it, is very peculiar. Why would it be interesting to know about the behavior of a mass of unsocialized brutes, when every human being is in fact already socialized? The question does not occur to most men. Women already know that humans, for example, are raised in families, and therefore are already socialized. But men have been fixated on the Hobbes Problem, without making the slightest progress in solving it, for three centuries now. As Annette Baier puts it, “preoccupation with prisoner’s and prisoner’s dilemmas is a big boys’ game

and a pretty silly one too" (1994 [1997], p. 264). Or Carol Rose: "The lapse of community may occur only infrequently in our everyday lives, but this world of estrangement has had a robust life in the *talk* about politics and economics since the seventeenth century" (1994, p. 225). Merely the *talk*.

Even quite sensible men, such as James Buchanan, find fascinating the mental experiment of imagining a human being that could never be. I have even found Adam Smith acceding to its charms: "In order to confute so odious a doctrine [that is, Hobbes'], it was necessary to prove, that antecedent to all law or positive institution, the mind was naturally endowed with a faculty, by which it distinguished in certain actions and affections, the qualities of right, laudable, and virtuous" (*Theory*, p. 318, italics supplied). This is to accept Hobbes' absurd mental experiment as the frame for answering. For it is not true that something true of Hobbes' world is true or relevant or the slightest bit interesting for a world in which people are already some mothers' children or French or economists. And like the Voting Paradox, the Hobbes Problem is contradicted by the most evident facts. People do not always cooperate, but neither do they always defect. In actual experiments they cooperate far above the level predicted by the Solely Prudence model. A bizarre feature of the experiments is that the only

people who do not cooperate at such levels, and who do approach the Benthamite economist's level of defection are . . . economists.

What is wrong with ignoring the system of virtues can be put econometrically. Suppose we propose to reduce all behavior, B , to a function of Prudence, P , which stands for all the variables that economists since Bentham have specialized in loving: Prudence, but profit, price, payment, property, preferences, punishment, the Profane. Being sensible we generously admit that, well, yes, there might be other springs of conduct working at the same time, in cases such as voting or the prisoners' dilemma or the raising of children, the S variables of Solidarity, but society, sociology, sensibility, stories, speech, sanctions, shame, the Sacred. That is, econometrically speaking, we might specify B as a linear function of P and S , with an error term ϵ :

$$B = \alpha + \beta P + S + \epsilon.$$

Very nice, dear. An economist caught in the Benthamite program is going to add, "Not to worry: you see, even without inquiry into S —I leave that to those idiots over in the Department of Sociology or the College of Law—I can estimate the coefficient on Prudence alone, β . I can take $S + \epsilon$ a quasi error term. Isn't that clever! And you know how quickly I can

move to assume it has classical properties! I'm not in the business of explaining all behavior. Give me a break: I propose merely to explain some portion, and in many cases a large portion."

But the economist is making an econometric mistake. The estimation of the coefficients is unbiased only if the error term ε is uncorrelated with the included variable, P . But unless God (blessed be Her holy name) has arranged the world's experiment such that P and S are independent, orthogonal, unrelated in a statistical sense, the quasi error term $S + \varepsilon$ will most definitely be correlated with the include variable, P . There is every reason to believe, however, that in many important cases—the Voting Paradox and the Prisoner's dilemma, to take two, but others also, such as welfare payments, child raising, parent caring, household specialization, consumer behavior, education, technological investment, financial innovation—the virtues buried in the error term will be correlated with Prudence positively or negatively. If the correlation is substantively large (forget about its merely statistical significance, which is scientifically irrelevant), then the attempt to get insight in the Prudence variables will be substantively ruined. The experiment will not be properly controlled. If people who are rich (have high P s standing for, say, Property) also by

accident or the intervention of a latent variable desire lots of education on non-prudential grounds (have high Ss standing for, say, Schooling), then a Benthamite model of why people invest in education will give wrong results. The coefficient β on Prudence will be biased (in this case upward; and the estimate will not even be consistent, statistically speaking: large sample sizes will not make any difference, except to make the economist, by the stupidity of statistical significance, unreasonably confident that he has the explanation in P).

Albert Hirschman, who has been making this point for some decades, puts it this way:

What is needed is for economists to incorporate into their analysis, whenever it is pertinent, such basic traits and emotions as the desire for power or sacrifice, the fear of boredom, pleasure in both commitment and unpredictability, the search for meaning and community, and so on. . . . When one has been groomed as a 'scientist' it just takes a great deal of wrestling with oneself before one will admit that moral considerations of human solidarity can effectively interfere with those hieratic, impersonal forces of supply and demand.

So: Smith's project was an ethical one. Bentham derailed it, and brought economists to think only of P. If economics is going to get serious about being a "positive" science like geology or history it needs to get back to Smith's project of seeing Prudence in a system of virtues, and vices, for a commercial society.

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