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# What Adam Smith Really Thought Should Not Matter

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A COMMENTARY ON Matthias Hühn and Claus Dierksmeier (2016), “Will the Real A. Smith Please Stand Up!” *J Bus Ethics* 131(1): 119–132,  
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## ABSTRACT

Hühn and Dierksmeier argue that a better understanding of Adam Smith’s work would improve business ethics research and education. I worry that their approach encourages two scholarly sins. First, anachronistic historiography in which we distort Smith’s ideas by making him answer questions about contemporary debates in CSR theory. Second, treating him as a prophet by assuming that finding out what Smith would have thought about it is the right way to answer such questions.

**MATTHIAS HÜHN AND** Claus Dierksmeier make extensive and effective use of scholarship in the history of ideas to refute the greed is good caricature of Adam Smith that has become received wisdom among business ethicists. This is a valuable negative service since the persistent misrepresentation of Smith by our discipline is not only a collective failure of scholarship, but has also legitimated a distorted view of the role of ethics in a market economy.

However, I am not persuaded of what the authors claim is their positive contribution: that a better understanding of ‘the real A. Smith’ leads to better normative business ethics research and education.

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Instead, I worry that Hühn and Dierksmeier repeat – and encourage in others – the same scholarly sins that created the caricature of Smith. The sin of *anachronism* concerns the flawed historiography of assuming that past thinkers were asking the same questions as we are and so have relevant answers to the challenges of our time. This inevitably generates scholarly caricatures. The sin of *propheteering* stems from seeing Smith (or anyone else) as an authority, that is, as someone whose views are the standard for right and wrong. This trains business students to accept the logical fallacy of appealing to authority. It also distracts researchers from developing proper arguments for their normative positions. Instead of trying to justify why a particular view of managerial responsibility is correct, they focus on explaining why we ought to believe that Adam Smith believed it. This, in turn, gives a further impetus to anachronistic readings of Smith.

### **I. The Sin of Anachronism**

Hühn and Dierksmeier (2016: 119) conduct a valuable literature survey and conclude that the overwhelming majority of business ethicists think that “Adam Smith established and defended the proposition that the worlds of ethics and economics are unrelated and that, in effect, society fares best when allowing individual self-seeking to roam freely.” They contrast this with the view of professional scholars in the history of ideas, who present Smith as a sophisticated moral philosopher and moralist of commercial society.

In this view, Smith stands for values and virtues, for moral reason and a socially embedded rationality. Instead of reducing the economic agent to but an impersonation of a rational pursuit of self-interest, Smith’s view of the individual would be that of a socially minded, politically spirited, and contextually oriented person, constantly judging and being judged from the perspective of an ‘impartial spectator’ (Hühn and Dierksmeier 2016: 120).

I entirely agree with Hühn and Dierksmeier that there is really no intellectual debate to be had about which of these is the real Adam Smith. However, I would add to their analysis that these dramatic differences in understanding can be attributed to different historiographies. There is an essential continuum in methods in the history of ideas between those who lean more to interpreting the thinkers of the past as far as possible in their own terms (i.e., as participants in a conversation with their contemporaries about the intellectual challen-

ges of their time), and those who lean towards interpreting them in modern terms (i.e., in terms of their relation to ourselves). Professional scholars of the history of ideas, generally trained in the humanities, overwhelmingly take the former approach—what the preeminent historian of economics, Mark Blaug (1990), called ‘historical reconstruction’ or the ‘relativistic’ approach. Practising economists, in contrast (including Blaug himself), are more attracted to the project of ‘rationally reconstructing’ the ideas of past thinkers from our present point of view, for example, to trace the evolution of economic ideas over time. Such an approach is legitimate and can be illuminating. Nonetheless, there is a risk that such rational reconstructions can degenerate into an anachronistic form entirely dominated by the perspective of the present. Blaug (1990: 28) defines this ‘doxographic historiography’ as “the attempt to fit all texts into some recent orthodoxy to show that all those who have ever worked in the field have in substance treated exactly the same deep, fundamental questions.”

The caricatured version of Smith that Hühn and Dierksmeier complain about appears to be the product of such doxographic historiography, specifically the enthusiasm of a handful of amateur historians of economics associated with the ‘Chicago School’ (notably George Stigler) to fit Smith into a view of the history of economics as essentially always concerned with the questions they thought ought to define their discipline: how competitive markets convert the interaction of self-interested individuals into general prosperity (see Evensky 2005: chap. 10). As Stigler (quoted in Meek 1977: 3) put it in his banquet speech at the bicentennial of Smith’s *Wealth of Nations*, “I bring you greetings from Adam Smith, who is alive and well and living in Chicago.”

My concern is that Hühn and Dierksmeier’s own paper may encourage business ethicists to misread Smith in the same way the Chicago economists did – by assuming Smith was concerned with the same questions that we are. Hühn and Dierksmeier claim that a large part of the value of their paper is to make the real A. Smith more available for contemporary business ethics teaching and research, and they mention specific topics like customer retention, CSR theory, and corporate governance. Their proposal is anachronistic. I have a great deal of admiration for Smith and I think he had many interesting

things to say about the challenges of *his time*, including the moral challenges presented by the rise of commercial society (Wells 2013). But he was writing about and for a quite different world than we inhabit: without democracy, with empire and slavery, with few large corporations and (notwithstanding his famous pin factory example) few factories.<sup>2</sup> Smith wasn't trying to answer the same questions as the Chicago economists. But neither was he trying to answer the kind of questions about the ethics of large profit-making organisations that we contemporary business ethicists are so concerned with. If we read Smith in search of answers to our questions we will end up putting words into his mouth. We will not be engaging with the real A. Smith but a peculiar caricature of our own creation.

Here, for example, Hühn and Dierksmeier's (2016: 130) attempt to discover Smith's answer to questions about the social responsibility of managers raised by Milton Friedman (1970) leads to a most peculiar and strained reading of Smith's ideas:

Smith's localised ethics, exemplified in the 'circles of concern' and sympathy, also clarifies the civic duties of business persons, showing that it is morally permissible, even advisable, for future leaders to stay not only within their field of professional expertise, but to – pace Friedman – also direct their attention to the local community in which their business exists.

By itself the risk of anachronistic scholarship would not be worth making all this fuss about. The greater problem is the implicit assumption Hühn and Dierksmeier share with the Chicago economists: that reading Smith is important because finding out what Smith believed matters for whether we should believe it. This makes Smith into a kind of *prophet* of capitalism, someone whose views should command assent simply because they are his and whose writings have the authority of scripture.

## II. The Sin of Propheteering

The Chicago School economists used their misreading of Smith to defend the essential continuity between the 'father of economics' and their own analytical framework and assumptions, notably the idea that a market economy is a morality free zone. Hühn and Dierksmeier

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<sup>2</sup> That Smith entirely missed the industrial revolution rumbling into motion around him (Blaug 1996: 34) is a particularly significant blow to his authority as the prophet of capitalism.

succeed in challenging this misuse of Smith but they identify its problem as bad scholarship. Therefore, their solution is to switch out the bad scholarship for good and identify what a properly Smithian analysis of business would look like. Hence,

[W]e show that Smith, far from being an advocate of a value-free or even value-averse conception of economic transactions, stood for a virtue-based and values-oriented model of business. *Accordingly*, we argue current management education and the pedagogy of business ethics ought to be changed, and certain strategic conclusions drawn for business practice (Hühn and Dierksmeier 2016: 119, emphasis added).

[W]e attempt to show how, from the truly Smithian perspective, the relationship between morals and markets – all but severed in the theorems built on the ‘Chicago Smith’ image – can be restored on a micro, meso-, and macro-levels (Hühn and Dierksmeier 2016: 126).

I have already identified one problem with this approach: anachronistic (‘doxographic’) history of ideas. However, a more obvious problem is that it is an appeal to authority that mistakes exegesis for argument. In the quotations above (and throughout the paper) Hühn and Dierksmeier seem to believe that they have provided a justification for changing how business ethics (and economics) should be taught and researched when all they have actually done is discuss what Smith (might have) thought of these topics. The logical connective ‘accordingly’ indicates the gap where an argument is necessary but missing. The implicit assumption is that Smith got things right, and we will get things right too – about the responsibilities of managers and so forth – if only we read him properly.

When made explicit this assumption is clearly untenable. We should not be training our students to go along with the logical fallacy of appeals to authority—especially not in an ethics course intended to equip them with the intellectual skills and backbone to challenge malpractice and ethical complacency in hierarchical organisations. It also undermines normative business ethics research. First, it distracts us from developing good arguments for our positions. (It may also limit the kind of positions we even permit ourselves to consider.) Instead of demonstrating why Friedman’s limited fiduciary model of corporate responsibility fails and ours is superior, we argue instead about the irrelevant issue of whose side Smith would be on. Second, all this attention to what Smith might think of us drives researchers to read

Smith in anachronistic ways, undermining the scholarly foundations of the enterprise.

### III. Conclusion

The academic business ethics community was mistaken to allow the likes of Friedman to get away with claiming that managers ought not to care about anything but profits (in part) because Adam Smith said so. Shamefully we even copied this greed is good caricature of Smith into our textbooks (e.g., Crane and Matten 2016: 92; Velasquez 2014: 176). We should correct that mistake. We absolutely must not repeat it from the other direction.

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