

## Editorial | The Fallacy of *Adam's Fallacy*

Duncan Foley's best-selling *Adam's Fallacy: A Guide to Economic Theology* (Cambridge, Mass.: The Belknap Press of Harvard University Press, 2006) criticizes a popular understanding of economics that is attributed to Adam Smith: the idea that market competition transforms selfishness into regard and service for others. In book 1, chapter 2 of *Wealth of Nations*, Smith wrote what has become one of his most quoted passages and the inspiration for Foley's critique:

It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.

This passage is offensive to many because it seems to prefer selfishness to benevolence. The passage seems also to contradict the theme of sympathy as the basis for moral judgments in Smith's earlier text on moral philosophy, *Theory of Moral Sentiments*. (However, like most modern commentators, Foley does not explore Smith's literary corpus as a whole, beyond *Wealth of Nations*.) Such apparent contradictions in Smith's views on human nature comprise what has come to be called the "Adam Smith Problem," as Robert Black explains in the previous issue of this journal (9, no. 1). How, after all, can ethically oriented ideas of sympathy and benevolence be reconciled with the pursuit of self-interest? By consulting the "impartial spectator" within,

replies Smith in *Theory of Moral Sentiments*, who “dares not, as self-love might suggest to us, to prefer the interest of the one to the interest of the many.”

What Foley calls “Adam’s Fallacy” is what previous commentators, including Robert Heilbroner, his late colleague at the New School for Social Research and author of the classic book *The Worldly Philosophers*, have labeled the “Adam Smith Problem” but with a subtle new twist. In fairness, Foley thinks that many of Smith’s claims in *Wealth of Nations* are not fallacious at all. For example, he writes, “it is undoubtedly true that self-interest is a powerful motivating force for human beings (though far from being the only one).” “It is also true that harnessing the pursuit of self-interest through competitive capitalist markets can be (though it is not invariably) a powerful mechanism for fostering progressive technical change and producing material wealth.” He thus carefully avoids the popular mantra that *all* pursuit of self-interest through competitive markets is morally suspect. But, alas, the story does not end here.

What precisely is “Adam’s Fallacy”? “For me,” insists Foley, “the fallacy lies in the idea that it is possible to separate an economic sphere of life, in which the pursuit of self-interest is guided by objective laws to a socially beneficent outcome, from the rest of social life, in which the pursuit of self-interest is morally problematic and has to be weighed against other ends. This separation of an economic sphere, with its presumed specific principles of organization, from the much messier, less determinate, and morally more problematic issues of politics, social conflict, and values, is the foundation of political economy and economics as an intellectual discipline.” In other words, Adam’s fallacy is a rationalization used to encourage toleration and active support of the fundamental institutions of capitalism, private property, and the market. One could almost substitute *myth* for *fallacy* and speak of “Adam’s Myth,” if Foley has been understood correctly, which might be a more apt description, given the importance he places on the “theological” or the worldview dimension of Smith’s thought. But this rationalization, we are told, fails on moral, logical, and psychological grounds.

The moral fallacy of Smith’s political economy is that “it urges us to accept direct and concrete evil in order that indirect and abstract good may come of it.” (This is how Adam’s fallacy is a theodicy of sorts.) The logical fallacy is “that neither Smith nor any of his successors has been able to demonstrate rigorously and robustly how private selfishness turns into public altruism.” And, finally, the psychological failure of Smith’s rationalization is “that it requires a strategy of wholesale denial of the real consequences of capitalist development, particularly the systematic imposition of costs on those least able to bear them, and the implacable reproduction of inequalities that divide people from

one another in society.” These failures in Smith merge together, claims Foley, to form the “seductive and dangerous” Adam’s fallacy, which is a pithy, if not veiled reference to the “*Weltanschauung* of laissez-faire capitalism.” Adam’s fallacy, insists Foley, “is not just Smith’s dubious moral argument, but the way of looking at capitalist economic life and relations that stems from it.” This particular imposition of a lens, it seems to me, is reminiscent of the cultural hermeneutics of the Frankfurt School, the circle of German Marxist scholars who interpreted literature, art, culture, politics, gender, and social relations through a Marxist frame. Beyond this, Foley’s criticism raises several questions of fact: What direct moral evil does Smith urge us to accept? How does market competition impose costs on those least able to bear them? How does market competition foment social strife and increased balkanization in society? As questions of fact, these questions should be answered with facts and not with philosophy or worldview.

Is it fair to ask whether Smith actually commits Adam’s fallacy? The problem is this question cannot be answered on the basis of Foley’s book because he provides insufficient textual evidence for the claim. He defers to “better qualified scholars” to make “this case textually on the basis of the *Wealth of Nations*,” which allows him to take up a philosophical/hermeneutic approach rather than the more rigorous historical/textual approach. “I have ventured beyond the texts of the authors in question and pursued my own imaginative reconstruction of debates behind the debates, and the sometimes unconscious ground from which political economic knowledge arose. This is my own take on economics and exploits the great figures in the history of political economy shamelessly for my own ends. Be warned.” If Adam’s fallacy is Smith’s rationalization for laissez-faire capitalism as Foley argues, what shall we call Foley’s “imaginative reconstruction” of economic history? How about “Foley’s Myth”?

—Stephen J. Grabill, Ph.D.