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**Economics As a Moral Science: The Political Economy of
Adam Smith
Jeffrey T. Young
Cheltenham, U.K.: Edward Elgar, 1997, 225 pp.**

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Economics As a Moral Science is a common title for books of this genre. The repetition of Young's title is intentional because it evokes a well-known 1969 article of Kenneth Boulding with the same title.¹ Young insists that Boulding referenced Adam Smith in his article because "For Smith as well as for Boulding economics is a moral science."² The central purpose of Young's book is to ascertain in what sense economics was a moral science for Smith, but he does not separate this from an interest in Smith as a moral philosopher.

According to Young, Smith's concept of economics as a moral science shows that a close relationship existed between his moral philosophy and economics. Furthermore, as Young observes, there was a logical flow to the development of his understanding of political economy: first moral philosophy, then jurisprudence, and finally political economy. The progression is from a higher to a lower level of abstraction, passing from moral philosophy to economics through jurisprudence. In Smith's view, morals and economics, despite having their own treatises and "moments," each develop in relation to the other. In fact, Young concedes that his economics took shape in an intellectual climate before the divorce of positive from normative economics. This understanding of Smith's economics may be foreign to many economists, as contemporary interpreters often commit the fallacy of interpreting Smith through their own misinformed understanding of him. "More precisely," Alvey observes, "during the present century Smith has been interpreted by positivists who seek to find in his work what they themselves believe, and not surprisingly they find there a value-free science."³

Given this state of affairs, one may wonder how Smith's view of economics as a moral science could accommodate David Hume's famous is/ought distinction (Smith was Hume's best friend and most vigorous intellectual defender). The answer has two parts. Following Raphael, Young contends that Smith viewed science as an empiricist natural-law philosopher would. Thus, first, scientific empiricism provided Smith with a sufficiently broad concept of science, leaving room for important natural, social, and moral science contributions. It is in this broad sense of the term that Smith thought ethics is a science. Second, normative economic science was grounded in normative moral philosophy, which precluded economists from committing Hume's is/ought fallacy. In his economic reflections, Smith subsumes his moral premises under a concept of human nature, which he then links up with natural-law doctrines.

Understanding Smith's view of economics as a moral science in this way, then, helps the reader to see how he could refer to the moral dimensions of economics and simultaneously maintain the is/ought distinction. Since economics rests on moral philosophy for Smith, there can be no break between *The Theory of Moral Sentiments* and *The Wealth of Nations*. On the contrary, *The Theory of Moral Sentiments* provides the foundational concept of human nature and morality that the disciplines of jurisprudence and economics both require. While understanding Smith's work in this way solves the older is/ought problem; it raises a new problem, namely, that of demonstrating the link bet-

ween his moral and economic thought. One purpose of Young's book is to propose possible solutions to this new problem.

For Smith, the relationship between moral philosophy and economics moves in two directions: from morality to economics and from economics to morality. Moral concerns characterize Smith's economics, but this does not mean that they somehow trump strictly economic ones. Good economics, although not a sufficient requirement, is necessary to ensure the fair treatment of all. For economics to be economics it must be ethical, and for ethics to be ethics it must allow for economically possible situations. According to Young, "Good economics is a necessary, but not a sufficient, input to produce good policy ('good policy' defined as that which promotes the common good)."⁴

In chapters two through four, Young analyzes the first direction, the move from morality to economics, showing how for Smith morality underlies economics. He argues that Smith believes in transcendent, trans-cultural principles of morality. He also establishes the importance of moral virtues for Smith's understanding of political economy. Young explores the connection between prudence, justice, and self-interest (which, when properly immersed in the former, is also a virtue) and explains how these lie at the basis of Smith's value theory and his determination of natural prices.

Concerning the second direction, the move from economics to morality, chapter five shows that Smith employs the Scholastic category of commutative justice. The influence of Aristotle on Smith can be seen through the medieval and rational natural-law theorists (although the medieval tradition changes some of Aristotle's essential traits). Smith's understanding of the system of natural liberty, for example, is just an application of natural-justice doctrine to the phenomenon of exchange. While Smith's view of distributive justice was never formally systematized, in chapter six Young constructs what this may have been by weaving together Smith's scattered comments on the subject. Young develops a coherent concept of distributive justice that fits well with Smith's view of society and political economy. He also adopted another important Scholastic concept: the common good. For Smith, according to Young, both the individual and the government were morally obliged to pursue courses of action that benefited the common good, which was possible because Smith thought the pursuit of wealth and virtue were complementary endeavors.

Now, with respect to the political sphere, Young identifies two possible sequences in human actions. First, a corrupt sequence based on self-interest has the effect of subverting the true public interest and degrading political life, while a virtuous sequence, on the contrary, is rooted in Smith's concept of the

impartial spectator and the common good. The key factor for determining how a society will tend resides in the legislator. A wise and virtuous legislator will orient society toward truth and the good. However, since ends are not achieved without appropriate means, Young adds that “treatises on political economy are a political tactic designed to appeal to public-oriented individuals by showing them the beauty of the system as a whole.”⁵ The other side, then, is that “public virtue is a necessary condition to establish natural liberty, to protect it from faction ... and to guide self-interest into socially beneficial channels.”⁶

Young’s work has the value of showing Smith’s *opus* as a systematic and substantially unified whole in which economic and moral ideas are coordinated and conjoined. In Young’s words, “Smith’s moral philosophy and economics must be viewed as intertwined, parts of a seamless whole. The system of natural liberty that harnessed self-interest for the social good, required justice and prudence as its central virtues and a political culture steeped in public spirit.”⁷

Young’s assessment of Smith reminds me of a brief discussion I once had with Professor Israel Kirzner of New York University. I am grateful to him for permitting me to quote from a personal letter:

You suggest that “moral coordination” is an implicit condition for economic coordination. Now I have, in other papers, expressed my agreement with the central idea with which you conclude your letter: “Economy does not run without a common *ethos*.” Like you, I do not believe that a market economy (and the economic coordination it is able to achieve) is feasible, as a practical matter, without a shared moral framework. So that I agree that a condition for the *practical achievement* of economic coordination is (what you call, if I understand correctly) “moral coordination.”

It is satisfying to see that Kirzner’s concept of moral coordination resonates in the work of Adam Smith. Readers of this journal will profit from Young’s book because it shows how one outstanding thinker understood the relationship between economics and morality.

Notes

1. Kenneth Boulding, “Economics As a Moral Science,” *American Economic Review* 59, 3 (1969). Albert Hirschman published two monographs in French under the title *L’économie comme science morale et politique* (Paris: Gallimard, 1994) and (Paris: du Seuil, 1994). Amartya Sen also published a monograph in French with a similar title, *L’économie est une science morale* (Paris: La découverte, 1999). See my Spanish-language work, *La economía como ciencia moral* (Buenos Aires: Educa, 1997) and the controversy with Peter Boettke over the question, Is economics a moral science? *Journal of Markets and Morality* 1, 2 (Fall 1998): 201–25. Cf. James Alvey, “A Short History of Economics As a Moral Science,” *Journal of Markets and Morality* 2, 1 (Spring 1999): 53–73.

2. Jeffrey T. Young, *Economics As a Moral Science: The Political Economy of Adam Smith* (Cheltenham, U.K.: Edward Elgar, 1997), 3–4.
3. Alvey, "A Short History of Economics As a Moral Science," 56.
4. Young, *Economics As a Moral Science*, 7.
5. *Ibid.*, 201.
6. *Ibid.*, 202.
7. *Ibid.*, 204.

Everything for Sale: The Virtues and Limits of Markets
Robert Kuttner
Chicago: University of Chicago Press, 1996, 410 pp.

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When one of his students objected that his theoretical system did not actually describe reality very well, G. W. F. Hegel is said to have scoffed: "Well then, so much the worse for reality." So Chicago School economists and other defenders of free markets are all but forced to reply, Robert Kuttner contends in *Everything for Sale: The Virtues and Limits of Markets*, in the face of a good deal of evidence that there are significant discrepancies between how markets *ought* to function in theory and how they *actually* function in practice. Such myopia would be humorous, Kuttner feels, were it not for the fact that something like it is shaping a good deal of American economic policy at present. "The ideal of a free, self-regulating market is newly triumphant," Kuttner writes in the book's Introduction: "Unfettered markets are deemed both the essence of human liberty, and the most expedient route to prosperity." But Kuttner, an economic journalist and founding co-editor (with Robert Reich and Paul Starr) of *The American Prospect*, would beg to differ. "The grail of a perfect market, purged of illegitimate and inefficient distortions," he writes, "is a fantasy—and a dangerous one." Not only are perfect markets, for the most part, unrealizable, Kuttner believes, but trying to realize them may well render our society less humane, less democratic, and ultimately more vulnerable to tyranny. In *Everything for Sale*, he examines a number of significantly flawed markets—including the labor market, the market for health care, and financial markets—with an eye toward defending a mixed economy and persuading his readers that the realization of a truly