

PART 7: THE IMPORTANCE OF ADAM SMITH FOR LIBERALS, CONSERVATIVES, AND BUSINESS

**Adam Smith 1: Things Work Out on the Basis of Individual Autonomy**

See "means and ends", "means rationality", and "ends rationality" above.

In 1776, Adam Smith published what is among the top five most influential books in Western history, "The Wealth of Nations". Smith offered analyses of economic and social life. Nearly all Smith's analyses supported free enterprise and free market capitalism. Contrary to modern Right Wing business myth, ALL of Smith's writing was skeptical of business people and their motives. Smith assumed all business people would try to cheat and subvert the free market whenever they could, would collude to cheat whenever they could, and that their cheating did real harm both directly and indirectly by not allowing the free market to provide as much benefit as it could. I agree. Smith made sense of business and made sense of the good of the nation. Smith was considered a Liberal. I think of him that way.

One argument has great influence: If we let individual people and SMALL-and-MEDIUM sized business firms buy and sell as they wish, seek labor or leisure as they wish, hire and fire as they wish, open and close establishments as they wish, all happening under conditions of fair competition and fair play, then, in the long run, the result is the greatest wealth, prosperity, and security that can be had. This result comes automatically without any planning and without the need for state help or restriction. Indeed, no amount of planning by business people, state officials, the clergy, or clever intellectuals, can lead to a better outcome. All interference will lead to a worse result. All conniving by business people will lead to a worse result. All programs to help business people will lead to a worse result. Smith's claim was like magic: "Automatic for the People" (REM).

In the early and middle 1900s, economists carefully examined the conditions that lead to this beneficial result, compared ideal with real, and found that real comes close enough for most markets most of the time. They also found that some forces, such as big business and collusion between business firms, are enough to distort reality away from what is needed for the best outcome. In those cases, modest state interference does lead to a better result than the free market alone. Conditions that thwart the free market are common enough so that some real markets, such as finance, stocks, and pharmaceuticals, needs some state regulation constantly.

Smith's argument showed that conditions can arise to lead to the greatest good even in the modern world. We did not have to rely on old institutions such as churches and the aristocracy. Some new institutions could do the job too. The new institutions arose out of the interaction of free individuals. They did not arise from Church doctrine or from tradition about aristocracy. We could move forward in the modern world. We could move forward by letting individuals act freely and interact freely, always, of course, by playing fair and following the rule of law. Originally this point was not an attack on old ways, religion, the aristocracy, or the state. Old ways could have a place in the new system as long as they did not interfere with the free action that led to overall good.

Smith's argument also showed that new institutions did not result from planning by individual people, not even smart individuals, or by planning of officers in institutions such as priests in the Church or aristocrats in Parliament. The new institutions arose by themselves without planning. They arose better when not planned.

Smith's insight had some unexpected implications for both Liberals and Conservatives and for the line between practical and moral. Rather than go right into those implications, I say a bit more about Smith here, then go into the implications in the next section.

Smith was highly critical of business and business people, and easily saw through misuse of Liberal ideas to excuse bad business. Smith had a deeper and broader sense of human nature than that: people are simply rational, all people always choose to do what brings the most good, nobody puts him-herself so far above the collective good as to do damage, nobody cheats, and nobody connives. People do all the bad things listed and people rarely do enough of the good things listed. When Smith criticized business people, Smith showed deep insight into how people put self-interest above common good and for how little weight people give common good. Smith would not have been surprised by the vast ballooning of modern entitlement programs, and he would have advocated that we end them. He would not be at all surprised by corporate welfare, government programs to help business, and tax breaks for the rich, so that the middle class, working class, and poor support the rich, and he would have advocated we end all that too.

At first, Liberals took Smith as vindication. Modern institutions are just as good as old institutions. We can make sense of individual acts, individual interactions, and all institutions. Individuals are important; start analysis with individual acts; think how individual interactions form patterns; think of community and the state in terms of interactions of individuals. The state should be limited. State watching over free individuals should be strictly limited. Free action leads to good results. Any undue coercion leads to bad results. We can make sense of acts by how free they are, always within the limits of fair play and rule of law. We can make sense of individual interactions by how well they lead to stable patterns of greatest good. We can judge institutions by how well they help and hurt. We need not get rid of all old institutions but we can make sure old institutions don't get in the way too much. We can cherish old institutions for their help, their tradition, and their beauty.

We have not reached the ideal world of Smith yet, a world made entirely by a free market that works under the conditions needed to bring about the best outcome automatically. Rather than think in terms of this unreachable paradise, we need to think about the real world of business and politics and what to do in the arena of that real world. We can use the ideal world as a guide but we must not be fooled into chasing an ideal world, and living in a reflection of that ideal world, as do people who idolize celebrities, religious ideologues, and political ideologues.

## **# Adam Smith 2: Make Sense: Ends (Morals), Means (Efficiency, Practicality), and Passions**

If you understand the difference between means rationality versus ends rationality, and between morals versus practicality, then you may skip this section.

We have goals and we have actions (means and strategies) we take to meet goals. An effective efficient means is "practical". An ineffective inefficient means is impractical. We can judge goals in terms of their rationality, we can judge means in terms of their own rationality, and we can judge the complex of goal-and-means but its rationality. We can compare goals and means for their rationality. We should not confuse goals and means. We should strive to have the best goals and means but still we should not confuse them. We often wrongly slip into seeing goals mostly in terms of practicality and impracticality.

Goals can be of many kinds but among the most important, if not the most important, are moral goals such as goodness and fairness. It is important to be able to state your moral goals and the approximate hierarchy of your moral goals, which are more and which are less important.

Usually we say that the most rational means is the most practical means, that is, the most efficient and effective means. We say that a means that is not efficient, effective, and practical is irrational. If you want to go to the twentieth floor of a building, you can take the elevator. It is impractical and irrational to build a hot air balloon from scratch. If you also want to help your health, you might walk up all the twenty flights of stairs.

Not all goals are compatible. We cannot pursue power and morality. Not all means are compatible. We cannot try to achieve power both by being big and strong and by being friendly and helpful at the same time to all people.

Some goals are moral goals such as fairness to employees and some goals are not moral but still pretty good such as making a profit over a five year plan. We tend to think that moral goals are higher, more urgent, more important, and more enduring than non-moral goals. We tend to think that we cannot live well if we ignore moral goals and we don't get our moral foundation squared away. We see other goals in terms of moral goals, as means to moral goals, as when we want the nation to prosper so that we can find jobs for everyone and eliminate poverty. Some goals are mixed together and it is hard to sort out what is moral and what is means to moral. We think of family as a high goal in itself, as means to other moral goals such as serving God and serving love, and as a moral goal in itself. We have similar mixed feelings about romantic love and patriotism.

Not even all moral goals are compatible. We cannot be both fair and egalitarian all the time. Suppose we have cookies to give to children, some of which children are twice as big as the others. We cannot be loving, just, and fair all at the same time. This conflict among moral goals is among one of the most vexing of human issues and, at the same time, one that makes human life most interesting. You have to get used to the idea that there is no simply single consistent moral view.

We have to balance moral goals against other goals, as when we would like not to steal but we are poor and have to feed our children, or when we don't want to harm anyone but we have to shoot a robber or

else we will be "robbed blind". We have to balance all goals against practicality. I would like to spend my money on music and books but I have to pay for heat in the winter. We have to balance moral goals (morality), other goals, and practicality, all at once. We don't like thinking that we have to balance any morality against anything else, and especially we don't like thinking about the practicality of morality, but in the real human world, we must.

Some goals come from human nature and some goals come from our particular societies and cultures. The two sources of goals mutually affect each other. I say no more about this topic here.

People intuitively know all this and make allowance for it. People try to sort out goals, moral goals, non-moral goals, social goals, various means, and all the conflicts. People try to act as practically as they can (efficiently as they can) to meet a balance of various goals. People try to do this in the context of other people and of institutions such as business firms and the courts. Considering how hard it is, we actually do a great job. Of course, we do not do a perfect job, we do not do a good enough job, and we always can do better.

The issue now becomes the implications of Smith's analysis for the relation of practical rationality to ends (goals) rationality, the relation of means to ends.

### **Adam Smith 3: Practical Rationality Eats Moral Rationality; Means Eats Ends**

Suppose we are logically consistent, take Smith really seriously, and can insure conditions under which the free market does lead to the greatest wealth and good automatically without need for intervention by the state, business organizations, or watchdogs; and, in fact, any intervention hurts more than it helps. In some ways, this situation would be a wonderful result. In some ways, this situation leads to a horrible result.

Adam Smith would have been unhappy with the points here. Smith was a moral good person who also wrote about the best ways to get people to act morally in modern society.

-No state interference for any reason.

-Laws are not needed. Police are not needed. Public fire departments are not needed.

-Everyone gets a job and everyone gets paid according to ability, training, and effort. When natural resources are enough and technology is enough, everybody lives fairly well. Everybody has a house, maybe a lawn, a car, maybe a boat, and can send his-her children to college.

-Every business firm can make the average rate of profit. Firms go bankrupt only because of natural events such as floods and through bad management or because their owners are inept.

-Everyone has a place to live that is meager or sumptuous according to his-her job, that is, according to his-her talents, education, and effort.

-If anybody lives in poverty, that person is stupid, deliberately did not get an education, or is lazy. In the modern technological world with many resources, and ample opportunities for education, the most likely explanation is that the person is lazy. Poor people are poor because they want to be poor because they are lazy.

-While there might be some short term hereditary class differences, those don't matter nearly as much as the social mobility (up and down) that comes of different ability, education, and effort. There are no consistent differences by ethnic group, religious group, gender, religion, or age.

-There are no busts and booms (recoveries and recessions), or, if there are, they do more good than harm. So the state does not need to interfere to do anything about booms and busts.

-The state cannot do anything to make the economy prosper better. The state should not try to make the economy more prosperous or bigger or wealthier or anything else.

-We don't have to worry about meeting moral goals through the state or through any public institutions. We don't have to worry about the poor because there are no poor other than people who are not very bright or don't try. No group suffers prejudice because prejudice is not an economically sound practice for business firms. Any business owner who does act with prejudice soon goes out of business through competition with smarter rivals.

-People don't have to worry much about balancing their moral goals, other goals, and the means to achieve goals. If people simply strive as practically as they can, they automatically meet their goals as much as they are able. People have to be satisfied with what they get according to their levels of ability, training, and effort.

-Wealth, usually measured in a currency such as dollars, becomes the effective measure of the greatest good. Whatever economy leads to the greatest output over the long run is the best economy. It is best not only by being most efficient but by giving us more of what we want including more of our moral goals.

-There is not much difference for individuals between moral goals and other goals as long as people use the most practical means to achieve either. If you wish to help people with diabetes and you contribute to the most effective research program, that goal-and-action is not much different than if you wanted to build a bigger house and you hired the most cost-effective builder.

-This is the most important implication: In effect, practical (means) rationality replaces moral (ends) rationality. As long as people use their resources most effectively, then how much morality we get and how much of anything else we get is automatically what gives the greatest overall benefit. Whatever

blend of moral goals, other goals, and practicality that arose is also the most moral because it has led to the greatest good. What is most practical, most efficient, for the whole, what leads to the biggest money economy for the whole, automatically leads to the most good for the whole, and so it is the most good. It is not only practically the most good but morally the most good.

-If we want to judge between two actions or programs, we ask which most practically (efficiently) uses similar resources to produce the most wealth, and that is the action or program that is most good and most moral.

-It is no longer necessary to ask what makes sense. What makes sense arises automatically out of the system of people each seeking their own self-interest (their own sense).

-“Make sense” becomes “makes a profit” or “gives me a good reliable well-paid job”. We don’t have to think about what makes sense or does not make sense. The market decides for us.

-In the 1960s, hip people used to say, “If it feels good, do it”. The intent was to give up worrying about moral puzzles and arbitrary social conventions so instead you could simply trust your evolved body and evolved sensibilities. In the context of Smith-carried-far, the slogan would be, “If it makes money, do it”. Give up worrying about morality and social convention to simply trust the free market. If drug dealing or prostitution makes a profit, do it.

-If carried on long enough, people would not have to think very much in moral terms at all. Just do what comes practically and efficiently, and that is good enough.

-If carried on long enough, society would not have to deal with moral issues at all. There are no moral issues for society to decide. The biggest moral goal of society is to encourage people to act practically and efficiently.

-Self-interest is good because it leads people to seek their goals, to seek their goals effectively, and to interact. Without moral guidance, it becomes hard to tell self-interest from selfishness. So, quite soon, selfishness becomes good. In the words of the character Gordon Gecko from the movie “Wall Street”, “Greed is good”.

While not directly entailed by the logic above, these points can be implied:

-Big firms are big because they have had unusually smart owners. There is no inherent advantage to bigness. Size does not confer any advantage that helps keep big firms big and helps keep competing firms small. The bigness of any big firm or group of big firms does not impose unfair competition on any medium sized firms or small firms. Any small firm could grow big if it had unusually smart owners. The presence of big firms does not distort the economy away from fully fair (perfect) competition and the beneficial outcome of fully fair competition.

-If big firms are more efficient at producing and selling products and services, then it is consistent with this logic to buy from big firms. Anything that is better at making and selling is not only practically good but morally good.

-People should act on their desires, in the most efficient way possible.

-Moral desires may be among all desires. You may desire to save helpless animals just as much as you may desire to buy a giant smart TV for your living room. Each person has to figure out the balance between his-her moral desires and non-moral desires.

-However, there is a feeling about the system that people should act on their impulses. If the system will come out well when people act on their desires, then there seems little point in planning. If people should act on their impulses, then, overall, likely they will act less on moral desires, or hardly at all on moral desires, and act more on non-moral desires. People tend to become superficial consumers of entertainment, food, cosmetics, and short term goods such as TVs. There is a tendency for people to shift their moral concerns over to authoritative sounding people such as in the media, politics, a big church, or in education.

If this outcome scares you, you are not alone. Few sane reasonable rational people think this is a good outcome. Most people know that something has gone wrong. One benefit of carrying the logic to its conclusion is that it forces us to see something has gone wrong and to look for what went wrong. In this essay, I don't go into what went wrong. I only note that something did go wrong and point out how this situation affected Liberals and Conservatives.

Of course, we don't live in this world. Despite free market fantasies, most of us would not want to live in this world. Not even die-hard free market Conservatives now hold up this world as a goal. So what is the relevance?

Bad people, and people who are already confused, use the points here to confuse people further and to make them susceptible to propaganda and manipulation. Ideological blocs, political parties, advertising agencies, and business firms all use this confusion to control people. An adept manipulator of these points does not take all the points of this world at once. An adept manipulator picks what he-she thinks would help the party or firm, emphasizes that, and discards the rest. Even if the emphasis leads to an internal contradiction, or even if the emphasis leads to contradictions with points that were overlooked, the manipulator still selects and emphasizes. In fact, there was a historical reaction against hyper-Smith, and adept manipulators also select from that reaction to confuse and manipulate us. Adept manipulators use both hyper-Smith and anti-hyper-Smith. Liberals and Conservatives select differently. How and why they pick differently is a topic for the rest of this essay.

Stephen Colbert used to make fun of hyper-Smith, reaction to hyper-Smith, and selections from them, when he still had his "fake news" show on HBO after Jon Stewart and the Daily Show.

A kind word for economists: I don't know of any intelligent reputable economist who believes the real world approaches the above bad fantasy. Don't get angry at economists. Economists are pretty good at showing how the real world departs from this fantasy and at pointing out how we still need to use our humanity to make decisions, especially moral decisions. Economists don't agree on which parts of this model work best and which parts fail but they do agree that, on the whole, it alone is not enough, we need to better model the real world, and we can't give up our individual integrity.

This obvious unreal model forces us to compare real and ideal. It forces us to see how the real does not live up to expectations and to look for how we can improve the real without doing more damage than is already met in the real. It forces us to see when the state might do more damage than the market when the state tries to correct mistakes of the market. It shows us how sometimes the state really can help, as in regulation of financial markets. In these ways, the ideal has been a great help even though it is obviously far from the real and far from what we want.

#### **Adam Smith 4: Business Firm Competition and Consumer Choice**

Without going into details, in Smith's idea of the economy, competition plays a key role, perhaps the key role, in how interactions move the system toward the greatest practical good for society as a whole and thus to greatest moral good. Without competition, firms do not adjust quantity and prices so quantity is greatest and prices are lowest. Without competition, firms collude to keep quantities limited and prices high. With competition, firms are forced to provide goods at the lowest prices, are forced to provide as many goods as they can make at those prices, and are forced to provide the highest quality goods they can make at those prices.

Consumer choice goes along with producer competition, and, in fact, drives producer competition. It is consumers choosing between goods offered by producers that forces producers to make the most, and the highest quality, goods for the lowest prices. Consumer choice creates producer competition, it "drives" producer competition, and steers it in the direction that consumers wish to go.

Without competition between workers for jobs, laborers also could get higher wages than they should, higher than their productivity warrants. However, labor is not usually in a position to manipulate the amount of labor offered (supply, quantity) and the wage rate the way that firms can manipulate supply and prices, so ideas about competition usually apply more to firms than workers.

Smith never trusted business people and he accused them of conniving whenever they got the chance. This is why Smith stressed competition and consumer choice. Smith knew competition broke collusion and allowed the system to work. Business people connived precisely to avoid competition and to twist the market to their favor. Little has changed since Smith.

I like the ideals of producer competition and consumer choice very much. It is a sign of our modern times how even these good ideas can be twisted to bad ends.

When I think of a free autonomous self-determining person, I see someone who values integrity, knows moral ideals and has principles even if it is not all perfect, knows the issues facing his-her country, and chooses wisely according to the duties of a citizen. I have to confess I am a little guided by my boyhood images of frontier people and cowboys and cowgirls but I think I have grown up enough so that this ideal of a free person means something more than media images.

Some people think of the business person carving out a market and building a business empire like the early computer pioneers or like John D. Rockefeller, the sports hero (heroine), the artist, the journalist, or "Mr. Smith Goes to Washington". But those have always been mere images to me. They got their value by approximating, and borrowing from, the real free autonomous self-determining person. They should not be mistaken for that person. We should not take lesser reflections of the free autonomous self-determining person for him-her. We should not think that moral crusade or power make us a free self-determining savior. Yet this is what we do think, and we act it out in a way that hurts real freedom and that distorts the economy.

Somehow, again without details, the idea of the choosing consumer became the primary model of the free autonomous self-determining individual of Liberal ideals and democratic political ideals in a modern capitalist nation. Although people still have the ideal of free autonomous self-determining individuals, their vision of that person now is the consumer making choices. When you buy a cup of coffee, you are Daniel Boone or Davy Crocket. When you choose a car, you are Texans taking a stand at the Alamo or you are the Mexicans who tried hard to be fair and just and not to massacre the Texans. The careful consumer is important in the ideal of Adam Smith but Smith would never have mistaken some modern hipster buying a loaf of ancient grains natural bread for a free autonomous self-determining person who is the foundation of a good state. We should not make that mistake either but we do often.

The problem gets even worse because, in real modern capitalism, in fact the consumer does not really have much choice, is not really all that free and does not really make all that much difference. We get all puffed up about what free people we are every time we buy a TV when we are from that. Educated consumers do make a real difference and they are absolutely necessary but the consumer does not, and never can, replace the free autonomous self-determining person.

Consumers face a vast array of stuff but that does not mean they have choice and does not mean they can find the best option. Nor does it mean their choices drive business to compete to lead to low prices and large quantities of high quality goods. The greater the array of goods that differ only in puzzling details, and the less the consumer can know about the puzzling details, the more the consumer falls into confusion from which real choice is not possible but any choice is a glorified escape. A plethora of stuff means consumers don't really have much of a choice, and, whatever consumers choose, business firms are not really competing to give a lot of high-quality products and services at lost costs. Think of options with telephones and telephone plans. Think of cable TV. Think of which airline to fly or car to buy. Sometimes choice-competition works well enough. I think it works well enough for cars but not at all well for telephone plans and cable TV. Even then it does not make you Davy Crocket.

The supposedly choosing consumer is not necessarily even really a choosy consumer or smart chooser. He-she simply pretends to choose. The choosing consumer goes through the motions of choosing and so thinks he-she has made a significant choice that impacts how the economy and the world work. We are satisfied that a consumer who thinks he-she has chosen, even one who doesn't really have a choice, thinks he-she carries on the ideal of the free autonomous self-determining person needed as the bed rock of a free democracy.

This replacement of the original free autonomous self-determining individual by the consumer does not make sense. It would not make sense even if the consumer had a big choice and the choice made a big difference but the consumer does not have that much choice, and, although the choice makes some difference, the choice does not make that much difference. So the replacement makes even less sense. To replace the free person by the business mogul or the moralistic crusader also makes no sense. I find these results sad. I think the only way to be like the original free autonomous person is by carrying out the duties of citizenship, including researching issues and candidates yourself, and making a choice apart from a political party and based on more than a single issue. Stop fooling yourself with myths that make you feel glamorous, free, important, and justified.

Trying to recover your freedom, autonomy, and self-determination in a modern political system in which the choice at the polling booth makes little more sense than the choice of a cup of coffee and the non-choice of cable provider also makes little sense. For now, it is all we've got.

Smith would have been unhappy with this modern remolding of the ideas of competition, choice, and the free autonomous self-determining choosing person. Smith was a good Liberal.

#### **# Adam Smith 5: Hyper-Subjectivism.**

The drift of Smith's thought can support a position that Smith would abhor. This view is an example of a Liberal idea that turns into something bad, even its opposite, when pushed too far. This idea can come from places other than market based analysis, and, before Smith, it did come from other places, but, after Smith, the biggest underlying support for bad subjectivism is indirectly from the market based view of people and society.

We can criticize how people get what they wish for, we can criticize their effectiveness and efficiency in getting what they wish for, but we cannot criticize what they wish for, what they value. What they wish for is what they wish for. Their wish is theirs and theirs alone. What we wish for defines us and what they wish for defines them. We can judge the wishes of another person from the outside - to judge is something we do; but we cannot truly judge the desire of another person unless we are on the inside of the desire, unless we share the desire and we act on it about as does the other person - and nobody can really do that. I am an absolute subject and you are an absolute subject.

In the soft form, this insight is correct and does some good. Some people like apples while others like cherries, and that's that. Some people like sex face-to-face while others like it front-to-back ("doggy

style"), and that's that. There is no need to argue, arguing would do no good, and arguing could do much harm. In this soft form, the idea supports individual difference, autonomy, and choice.

If we push the idea further, it can get annoying. Some people like rough sex. If the sex partner does not understand quickly enough, accidents happen. Some people like getting drunk every night or popping pills all through the day. If they become alcoholics or drug addicts, that is what they chose. Some people would rather rob banks or go on welfare than work to make a living. Some people like to lie or are compulsive liars.

You can never really know another person. No other person can ever really know you. Between all people is an absolute gap that can never be overcome absolutely. There is no bridge over these trouble waters. We are a self and everyone else is an "other". We can think we overcome the gap but we only fool ourselves so we can get along enough to do what we want and get what we want. Even when this idea is pushed only this far, the idea confuses people enough to get them completely off track unless somebody with better sense pulls them back on track.

To hear how the soft version can be charming but has sinister undertones and could slip easily into sad smug isolation, listen to their version of "Bucket T" by The Who.

We believe in this god and you believe in that god. There is no comparison or discussion. You have to do what you have to do on the basis of your belief and we have to do what we have to do. If you get in our way, then too bad for you and your god. May God help whoever believes in the true him.

Some people like power, and that is that. Power means using other people. The other people have to look out for themselves. If they do not have what it takes to look out for themselves, then too bad for them. They are only others anyway.

Some people like the Left Wing and others the Right Wing. There is no objective way to decide so you just have to take sides. Some people like Democracy and some people like the Empire. You just have to decide what you like and live with whatever is in power at the time.

There is no objective morality. Morality is only a ruse that some people use to control other people.

The idea that we are alone in our subjective preferences is one way to worship our selves and our own minds. It is an example of how well-intended ideas can turn ugly.

Through a few refractions, likely this idea lies behind the modern artistic obsession with serial killers and with criminals who think in their own way. It lies behind the theme of getting into the mind of someone else, usually to hunt the other. Sometimes we get lost in the other mind. It is one way we turn insanity and evil into another kind of rationality and into fake-heroic upside down goodness. "Better to reign in Hell than to serve in Heaven".

When Conservatives later took up arguments from Smith about the goodness of the free market, they inherited the tendency to push the argument too far. Conservatives want the parts of the argument that support their view of the market and their view on the universal goodness of business but want to reject parts that make morality, religion, and their view of the state subjective. They cannot give good reasons for where to draw lines. Conservatives don't know the damage they do when they push the market vision of isolated human nature and of a society made by such individuals, but they do damage anyway. Conservatives pushing the market based view of human nature and society have done more damage in modern times than Liberals using similar ideas to promote individual autonomy.

#### **# Adam Smith 6: What Liberals and Conservatives Did Not Like about Adam Smith.**

What Liberals and Conservatives liked and took from Adam Smith is best left for later sections after some history in the early to middle 1800s.

#### **# Adam Smith 7: What is Worth Keeping about Adam Smith.**

Please see my writing on economics for what I think is worth keeping from Adam Smith. We can avoid the crazy implications of Smith. I would rather work on the basis of Smith's key ideas than the basis of the views of Democrats or Republicans. We should rely on the free market as much as possible. We should recognize that real life does not meet the conditions that lead automatically to greatest welfare and greatest good by the free market alone. We should accept that big business firms, and the bigness of the modern world economy and modern technology, distort the real economy away from the ideals of Smith. The difference is big enough that we want to help. When we help, especially with the state, we too-often cause greater harm than the original harm, usually by making big business and entitlement recipients into clients of the state. Even so, the state should interfere in some markets such as financial markets. We have to keep the brunt of unemployment and bad jobs from falling on one-or-a-few groups as "fall guys". None of this is easy. None of it can be done perfectly. We will always have some pain. We should have less pain than now, pain both from the faults of the market and from interference by the state.

#### **Refrain: Key Liberal Questions: "Make Sense" and What That Implies**

Current Liberals, especially in the Democratic Party, need to ask themselves and other Party members what "make sense" means. What does it mean to make sense in practical terms and moral terms? When does moral making sense trump practical making sense, and vice versa? When can we afford or not afford moral policies? When does the attempt to make sense morally in one way lead us to not make sense morally in other ways? Which way wins? When does a program make sense and when does it not?

What is (are) the best interests of America? Why are we not there? How do we get there from here? How does a capitalist economy really work, including the good and bad? Can a real capitalist economy support our schemes? Do we do more good than harm always?

In the old Liberal tradition and the new Conservative tradition: Is a program cost effective? If it is not cost effective, then why do we want to do it? What moral considerations really override all costs? What moral considerations do not override their costs?

People, including Liberals, can support programs that are not cost effective but still worthwhile for moral reasons such as health care for children and free meals at school for children (I believe both the programs are cost effective, but I raise them here on purpose as something easy to think about not in cost effective terms).

But even morals can cost too much. We can't afford to extend the life of everyone over 70 with massive medical care. Cost is not only monetary but costs to society, morals, attitude, freedom, and creativity. So Liberals have to ask if the moral gain from a program is really worth the cost in terms of money, a distorted economy, enabling bad behavior by recipients, luring people onto state support, jealousy by non-recipients, the feeling of unfairness by others, feelings of guilt by recipients, and getting people used to the state as problem solving parent. These are real LIBERAL questions. They are not reserved for Conservatives to use when whining at Liberals.

People are not rational angels capable of using a program only to the extent it truly benefits them and it does not hurt the country. People fall into greed and laziness. Enough people always do that so that it makes a huge difference. Natural greed ruins programs that would otherwise be cost effective and-or would otherwise be worth it morally. Anticipate this, and don't go with programs that are likely to lead to badness. If a program does lead to badness, admit this outcome, and kill the program. This is not a Conservative way of thinking; it is a Liberal way of thinking.