

Socio-Ethical Inquiry into the Modern Economy

- Dialogue with Legacy of Adam Smith and Karl Marx

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경제에 대한 사회적 가치의 요청과 대안:
아담 스미스와 칼 맑스를 중심으로

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본 연구는 고전 경제학자이자 자본주의와 사회주의 경제 사상의 기초를 놓은 아담 스미스와 칼 맑스가 다른 경제질서인 자본주의와 공산주의/사회주의 경제 체제를 연구하였지만, 근본적으로는 공통적 관심을 가지고 출발하였다는 것을 밝힌다. 맑스와 스미스 모두 ‘어떻게 자기 이익만을 추구하는 경제적 인간이 사회의 공동선에 봉사하면서 도덕적 사회를 만들 수 있는가’를 질문하였다. 이러한 전제 위에서 본 연구는 사회적이며 도덕적인 가치들이 경제의 사회적 기초를 만드는데 주요한 역할을 해야 함을 강조한다. 기실 경제적 질서는 사회-도덕적 가치들에 필연적으로 연결이 되어 있음을 본 연구는 역설한다. 나아가 필자는 이러한 경제적 질서와 사회-도덕적 가치의 연결을 밝히기 위해 근래의 사회철학자들과 경제학자들이 강조한 사회적 가치들을 소개하고 검토한다. 나아가 신자유주의 세계경제에 대한 대안은 무엇인지도 점검한다. 끝으로 경제적 문제들과 사회-도덕적 가치들 사이의 중요한 연결점들이 오늘날 유관 학문분야에서 연구되어야 할 지점임을 본 논문은 주장한다.

주제어: 아담 스미스, 칼 맑스, 자본주의, 경제 질서, 사회적 가치

I. Introduction: The Nature of Economic Life

As modern social philosophers, regardless of individual characteristics and political differences, Adam Smith and Karl Marx both offered theoretical foundations to the Western led capitalism and communism.¹⁾ However, current scholars on globalization and environmental activists claim that the blame for modern economic problems should be placed on the legacy of Smith and Marx. This paper will explore whether Smith and Marx still contribute critical moral interpretations to us who find answers to the problems which we derive from an asymmetrical global economy, which does not have virtues of common good, human dignity, and ecological justice in the world. In addition, globalization social scientist Roland Robertson claims that the world economy suffers from *delegitimation* precisely as the strong national state gains legitimation.²⁾ For this reason, global economy needs a global ethic, which begs the question: under today's changed global conditions, what kind of values should social and religious ethics embody? I will find the answers in "a revolution in values" raised by Karl Marx and "the harmony by spectator (sympathy)" discovered by Adam Smith. With this critical framework in mind, this paper deals with the following questions: What are the ideas of Adam Smith and Karl Marx? What is the legacy of Smith

1) See Robert L. Heilbroner's *The Essential Adam Smith* (New York: W.W. Norton & Company, 1987), Introduction and Werner Blumenberg, *Karl Marx: An Illustrated History* (London: Verso, 2000), Introduction.

2) Roland Robertson, "Globalization and Societal Modernization: A Note on Japan and Japanese Religion," *Sociological Analysis*, 47 (1987): 35-42.

and Marx? To what degree is it possible for us to partake in the socio-economic responsibility for generating a more democratic and ecologically sustainable global community? I will also seek alternatives to capitalist globalization by demonstrating the concepts of “development as freedom” from Amartya Sen and “the nanny state” from Nancy Folbre.

Before analyzing the ideas of both thinkers, we need to consider the social and religious aspects of modern economics. The economic system is not an independent set but is itself an ethical way of life. When economics and other social sciences imagine that they are autonomous forms of value free scientific inquiry, they function as quasi-theologies. In this regard, it is reasoned that economics is still an important arena of religious ethics.³⁾ However, modern economics calls for a separation of economic theory and moral issues. Economics has become a value-free science which analyzes and explains the mechanisms of economic processes, but it is not just one dimension of existence; it refers to the entire household of the world.⁴⁾ In this regard, theology also

3) For the Greek philosopher Aristotle, economics was a moral science, a sub-division of ethics as it was for Adam Smith. In Aristotle's the *Nichomachean Ethics* and the *Politics*, economics is a part of ethics and politics. See Kurt W. Rothschild, *Ethics and Economic Theory* (Aldershot, UK: Edward Elgar Publishing Company, 1993), Jeffrey T. Young, *Economics As a Moral Science: The Political Economy of Adam Smith* (Cheltenham, UK: Edward Elgar Publishing Company, 1997) and John K. Galbraith, *A History of Economics* (London: Hamish Hamilton, 1987).

4) The classical economists thought they had discovered the human-social equivalent of Newton's laws of motion (Hirschman, 1997). However, according to R. H. Tawney (1972), economic relationships reflect the deep moral sensibilities of people. Economic theory as an essentially normative discipline cannot be dissociated from ethical considerations. See Albert O. Hirschman, *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph* (Princeton, NJ: Princeton University Press, 1997); R.H.Tawney, *Tawney's Commonplace Book*

has to do with the economics, because God is related to the entire world, the whole of reality.⁵⁾ At a minimum, regardless of the huge differences, it is reasoned that religious language and economic language refer to the same world.⁶⁾ Summarizing the ideas of Adam Smith and Karl Marx, we can know that perhaps the main task of theology and ethics in relation to modern economy is to understand the world not in terms of the usual spirit/material dichotomy, but in terms of studying the same world.

II. The Nature of Modern Economy

1. Modern Economy as Order of Good: Adam Smith (1723-1790)

Adam Smith is often described as the “founding father of economics.” However, his major works, *Theory of Moral Sentiments* and *the Wealth of Nations* have to be seen as part of a broader movement of inquiry

(Cambridge: Cambridge University Press, 1972); Harvey Cox, “The Market as God.” *The Atlantic Monthly* (March 1999): 18-23; Robert Nelson, *Reaching for Heaven on Earth: The Theological Meaning of Economics* (Savage, Md.: Rowman & Littlefield Publishers, 1991) and *Economy as Religion: From Samuelson to Chicago and Beyond* (University Park, PA.: Pennsylvania State University Press, 2001).

- 5) The family of terms derived from the Greek for household, *oikos*, displays this unity: economics, ecology, ecumenics; and “stewardship” translating *oikonomos*. Property as a form of power is *dominus*, translated “lord.” It is worth thinking through here that Jesus was called “Lord”; and that the idea of property is also connected to notions of domination. See Jon P. Gunnemann, “Thinking Theologically about the Economic,” *Christian Ethics: Problems and Prospects*, Lisa Sowle Cahill and James F. Childress, eds. (Cleveland: Pilgrim Press, 1996), 315-333.
- 6) Jon P. Gunnemann, “Capital Ideas: Theology Engages the Economic,” *Harvard Divinity School Bulletin* (2000): 99-109.

into human nature and modern society associated with the growth of commercial society and early capitalism, Adam Smith is concerned with human good as it relates to the divine order. All thinkers in the eighteenth century accepted the teleological world-view that was ordered by divine providence- benevolent God-in such a way that all things worked together harmoniously.⁷⁾ In this respect, Smith also states that both human beings and Nature follow general rules that “are calculated to promote the same great end, the order of the world, and the perfection and happiness of human nature.”⁸⁾ Because of the presence of the Invisible Hand (Nature, Deity, Being, or God), humanity is always working toward order and ultimate good, whether they realize it or not. As opposed to self-interest working against order, in this model, self-interest works towards the common good — what is profitable and good for one, is for the most part also profitable and good for society. Thus, although it is more profitable for an individual to divide labor and exchange with others what they cannot alone make cheaper, this also

7) European thinkers in the eighteenth century accepted a teleological worldview that the universe was ordered by a God's providence. In this way, all things worked together harmoniously. The Scottish social philosopher, Adam Ferguson wrote, “If it be true that men are united by instinct, that they act in society from affections of kindness and friendship, if it be true, that even prior to acquaintance and habitude, men, as such, are commonly to each other objects of attention and to some degree of regard ... it should seem that ... the foundations of a moral apprehension are sufficiently laid and the sense of a right which we maintain for ourselves is by a movement of humanity and candor extended to our fellow creatures.” Quoted in Adam Seligman's *The Problem of Trust* (Princeton, N.J.: Princeton University Press, 1997), 110. See also Adam Ferguson, *An Essay on the History of Civil Society*, 5th ed. (London, 1782), 57.

8) Adam Smith, *Theory of Moral Sentiments* (Cambridge, U.K.; New York: Cambridge University Press, 2002), 116.

causes innovation and propagation of society. In most cases, however, one is generally unable to see either their self-interest or beyond individual events to see the greater design which Nature has laid out.⁹⁾ Thus, one does not necessarily see one's self as working towards this order and common good. Underlying this design is the idea that Nature intends one to work for one's own self-interest, while still being sympathetic to the other. One balances between one's own self-interest (prudence) and acts towards others (benevolence). The 'Impartial Spectator' keeps this balance by being the "great judge and arbitrator of conduct."¹⁰⁾

The *Theory of Moral Sentiments* is Smith's theory of how human morality is constructed through sympathy. The notion of sympathy does away with the contrast between self-interest and benevolence. He offers a complex social psychology in which human actions are harmonized by our need for society itself for the approval of others. Humans arrive at moral sentiments through interaction with others and by imagining what others are thinking. One is able to have sympathy, pity, and compassion for the other based on one's own experience of what they believe to be appropriate behavior in a given situation. In the same way, one is able to reflect on one's own actions to see whether others will approve of them as appropriate. The opening line of *Theory of Moral Sentiments* proclaims, "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the

9) Smith, *Theory of Moral Sentiments*, 98.

10) Smith, *Theory of Moral Sentiments*, 145.

fortune of others, and render their happiness necessary to him, though he derives nothing except the pleasure of seeing it.”¹¹⁾ Much of his work is an exposition and defense of this statement.

To Smith, perfection and happiness are the human counterparts to the divine’s design and order. One reaches them by full participation in that order. Because the divine is working toward the human good of all, perfection is reached when one is able to feel the most benevolence and sympathy for others. Smith states, “To feel much for others and little for ourselves... constitutes the perfection of human nature: and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety.”¹²⁾ Universal benevolence can be a source of happiness when one realizes that the Being is in control and directs all towards the greatest

happiness.¹³⁾ A good man is the one who realizes that their desires are also the desires of the other and the desires of the Being. Humanity therefore is more concerned with reward and punishment and nature is concerned with virtue and vice.¹⁴⁾ But because of this design, the two are not all together separable - virtue is related to reward and punishment to vice. One should be both benevolent and prudent. Those who are virtuously prudent and industrious are rewarded with wealth; those who are truthful and benevolent are rewarded with esteem and love from their peers.¹⁵⁾ With this in mind, love and wealth become

11) Smith, *Theory of Moral Sentiments*, 9.

12) Smith, *Theory of Moral Sentiments*, 77.

13) Smith, *Theory of Moral Sentiments*, 141.

14) Smith, *Theory of Moral Sentiments*, 116.

signs that one is properly participating in the order.

This idea of prudent and industrious behavior is expounded in *the Wealth of Nations* where the main question, “Why are some nations wealthier than others?” is answered by saying that they are more orderly as reflected in their productivity and wealth. The wealth of nation comes from increased value supplied by labor to the process of production, especially in manufacturing. Capital improves productivity of labor. Wealth is produced by labor, but labor is more productive because of contribution of capital. The good person, in *The Wealth of Nations*, becomes that who is productive, educated or skillful and trades with others based on their own self-interest while at the same time working for the general good. The good nation is comprised of such persons. Part of the ordered design is that it is human nature to desire exchange. Exchange is good for both one’s self and one’s peers. What is good for one’s situation is also good for the neighbor with whom they trade with as long as those trades are fair. From the want to exchange, the division of labor arises.¹⁶⁾ Those who divide labor have “increased powers” and “greatest improvement” because they are falling in line with the greater order and are rewarded with power and wealth.¹⁷⁾ Those members who are frugal and industrious are able to increase their capital, increasing their wealth and the wealth of society.¹⁸⁾

15) Smith, *Theory of Moral Sentiments*, 115.

16) Adam Smith, *The Wealth of Nations: An Inquiry into the Nature and Causes* (New York: Knopf: Random House, 1991), 168.

17) Smith, *The Wealth of Nations*, 161.

18) Smith, *The Wealth of Nations*, 240. English government works against order. By restricting the market, the government has been able to restrict the ability of

By the private frugality of individuals, and their “universal, continual, and uninterrupted effort to better their own condition,” capital can be replaced and society can be returned to its natural balance and order.¹⁹⁾ According to Smith, individuals will eventually restore the market to its natural state of moving towards good. For Smith, human beings have a natural sense of merit and demerit built within them.²⁰⁾

In sum, Adam Smith offers a complex social psychology in which human economic behaviors are coherent with the approval of others. Hence, our actions, even if self-interested, always include attention to the happiness of others and so there is a natural harmony of interests. In this view, the rational choices of individuals combine to produce the functional integration of the economy as a whole. Although I believe that Smith’s view does explain the motivations for human moral actions, in doing so it assumes that human desire is to always act toward the common good. However, it does not explain why humans are led to act immorally and go outside the system of order and where the Invisible Hand is when such actions occur.²¹⁾ Next, Smith’s markets are small and local. Those who trade share a common world of meanings. How, then, could we achieve commutative justice in global markets? Contrary to his effort, Smith helped to develop modern capitalist ideology, in which economic choices motivated by self-interest ultimately

persons to freely, naturally, and equally earn capital. Smith believes that although government can “retard” natural progress and improvement, ultimate control lies in the power of the people.

19) Smith, *The Wealth of Nations*, 242.

20) Smith, *Theory of Moral Sentiments*, 110.

21) Smith, *Theory of Moral Sentiments*, 142.

lead to the production of the goods consumers want and a corresponding rise in society's wealth. Most economists argued that Karl Marx took over the analytic framework of Smith and employed it to arrive at radically different conclusions arguably implicit in the framework, but surely far removed from the intent and spirit of Smith.

2. Capitalism as Alienation: Karl Marx (1818-1883)

Karl Marx begins by turning Hegel's political philosophy 'upside down.' In contribution to *the Critique of Hegel's Philosophy of Right* and its Introduction, Marx claims, "Hegel subjectifies the predicates, the objects, but he subjectifies them in separation from their true subjectivity, the subject."²²) In order to make clear the notion of civil society of Marx, we need to review theory of the modern state and civil society of G. W. F. Hegel first.²³) According to Baynes, "Hegel located "civil society" (*bürgerliche* Gesellschaft) as the second moment of "ethical life" (*Sittlichkeit*) between the family and the state. He broke with Kant who saw "civil society" and the state interchangeably, contrasting both to "natural society."²⁴) In detail, Hegel did not think that civil society is reducible to self-interest.²⁵) He declares, "The creation of civil society

22) Karl Marx and F. Engels, "Contribution to the Critique of Hegel's Philosophy of Right," in *The Marx-Engels Reader*, ed. Robert C. Tucker (New York: W.W. Norton & Company, 1978), 18, 301-2.

23) See Hegel, *The Philosophy of Right*, trans. T. M. Knox (Oxford: Oxford University Press, 1952), 266,148, 276, 452, 133, and 278.

24) Kenneth Baynes, "A Critical Theory Perspective on Civil Society and the State," *Civil Society and Government*, Nancy L. Rosenblum and Robert C. Post, eds. (Princeton: Princeton University Press, 2002), 124.

(is) the achievement of the modern world.” Hegel intended to prove that the modern state would overcome the divisions and conflicts which characterize civil society.²⁶⁾

However, in Marx’s judgment, the political state could never achieve the integration of personal freedom and social benefits. The political system does not create the people but rather the people create the political system. The real being that evolves in history is the people or civil society. According to the Marxist philosopher Georg Lukács, Marx’s major contribution was to explore the task of changing the world in the revolutionary praxis, “the notion of practical critical activity,” of the proletariat, exhibiting a new form of consciousness.²⁷⁾ Instead of society being an expression of the state in-the-making (Hegel’s view), the state is an expression of society in-the-making. Thus, what appears in Hegel’s account to be separate from and super ordinate to the particular interests of individuals in civil society is a derivation of them.²⁸⁾ The realization of what Marx calls true democracy entails overcoming the alienation between the individual and the political community, through resolving the dichotomy between the egoistic interests of individuals in civil society and the social character of political life. This can only be

25) Tom G. Palmer, “Classical Liberalism and Civil Society: Definitions, History, and Relations,” *Civil Society and Government*, 56. See also Hegel, *The Philosophy of Right*, 124, 189.

26) Hegel, *The Philosophy of Right*, 253-5 (§182). Hegel calls this the “state based on need.”

27) See Georg Lukács, “Reification and the Consciousness of the Proletariat,” *History and Class Consciousness* (London: The Merlin Press, 1971), 78.

28) Marx and Engels, “Marx on the History of His Opinions,” in *The Marx-Engels Reader*, 4.

achieved by effecting concrete changes in the relations between state and society. In *The German Ideology*, Marx sees that each class, in its struggle to dominate other classes, tries first to conquer the state, the political power, “in order to represent its interest as... the general interest.”²⁹⁾ Such conflicts are always class struggle, for the class is the only real unit in an individualistic society. For Marx, therefore, the state is an illusory community. It is in civil society that the real struggles of history are fought.

Marx vehemently opposed the mechanistic and reductionist standpoint according to which human beings’ mental activity was nothing more than matter in motion. To Marx, the external world is a humanly created world that is molded and changed by means of human beings’ theoretical-practical activity. Thus the key concept in Marx’s new view of humanity was *praxis*, a Greek word, which is usually translated as “activity” or “practice.” While traditional philosophers would have stressed the mind’s contemplation of ideas, Marx emphasized the senses in interaction with the material of nature. It follows from the preceding definition of *praxis* that the basic form of human activity should be labor, the action of making products, i.e., of producing objects from the material of nature. He writes, “The worker can make nothing without nature, without the sensuous external world. It is the material wherein his labor realizes itself, wherein it is active, out of which and by means of which it produces.”³⁰⁾ Marx argues that the product or object is not

29) Marx and Engels, “The German Ideology,” in *The Marx-Engels Reader*, 161.

30) Marx and Engels, “Economic and Philosophic Manuscripts of 1844,” in *The Marx-Engels Reader*, 72.

simply external to and separated from the nature of the worker. Marx believes that as active beings humans externalized themselves through the objects they made, that is, they literally “poured themselves into” the products of their labor.³¹⁾

For Marx, the capitalist system subverted the essential aspect of human praxis, that the object produced by the laborer was the objectified form of his own species-life. When that object was taken from the worker and treated as a commodity to be bought and sold, it became impossible for the worker to see himself in that product. The worker too began to treat the product of his labor as a dehumanized, hostile, and alien object. Not only was the worker alienated from the product of his work, he was also alienated from the activity of producing itself. Thus, the essential human act of producing was distorted. Alienation had affected the very heart of human existence. A key question in Marx’s analysis on capitalism is where value is created. Marx’s answer is to look at the value that labor of workers adds to the commodity. The added labor power which in capitalism has become a commodity is what adds the value, and increases the capital-but only because of the social relations between capitalist and laborer. To Marx, thus, capital is not a thing, but a social relation which appears in the form of

31) According to Marx, the essential human activity was labor, and labor was always a social activity. Humans could not produce as isolated individuals. Consequently, Marx argued, the basic form of humanity was not the individual but the community. When Marx spoke of human nature, he was not referring to the human individual but to human society. Borrowing a term from Ludwig Feuerbach, Marx spoke of “species-being” or “species-life” as the basic element of human nature. We are human only in community or society because it is only in a social setting that we can produce the objects of labor.

a thing. This is unique to industrial capitalism: productive capital depends on the creation of surplus value by labor.

For Marx, thus, capitalism ultimately brought about a destruction of the “species-life.” Working was no longer experienced as a communal activity done for the good of the whole society. Work lost its role as an essential human activity and became simply a means of maintaining physical life. The end result of this failure of the socio-mutual character of work was the destruction of the ideas of “species-life” and the alienation of one person from another. Instead of seeing oneself in the other, the fellow human being would be seen as foreign, alien, and even hostile. Consequently, the whole of human relationships would be distorted through the alienating influence of capitalism.

The clearest consequence of capitalist alienation was the creation of two radically different and antagonistic classes – “the property owners and the propertyless workers.” Marx was convinced that the dehumanizing contradictions of capitalism were so great that they could only be overcome through the destruction of capitalism itself. That demise could only be accomplished through revolution. The goal of revolution was the destruction of the capitalist material conditions which caused human alienation. The first step toward revolution was to allow capitalism to create a class of totally dispossessed persons: the proletariat. Marx finds in the proletariat the universal character, which Hegel sought in the ideals embodied in the rational state. The Proletariat localizes within itself all of the worst evils of society. It lives in conditions of poverty which is not the natural poverty resulting from lack of material

resources, but is the artificial outcome of the contemporary organization of industrial production. Since the proletariat is the recipient of the concentrated irrationality of society, it follows that its emancipation is at the same time the emancipation of society as a whole. Marx proclaims, “A total loss of humanity--can only redeem itself by a total redemption of humanity. ... Just as philosophy finds its material weapons in the proletariat, so the proletariat finds its intellectual weapons in philosophy.”³²⁾

Communism, Marx states, is not a separate party, opposed to other groups of the working class. The Communists’ objectives are those of the proletarian class itself: to unite all proletarians by a strong class-consciousness which will allow them to overthrow the bourgeois supremacy.³³⁾ He writes, “Nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes: society regulates the general production and thus makes it possible for me to do one thing today and another tomorrow.”³⁴⁾

3. The Critique of Smith and Marx: *Homo Economicus*

Whether intentionally or not, regardless of Smith and Marx’s efforts, the notion of modern economy has been relatively narrowed, there is no thoroughly satisfactory theory of economy, capital, and value of la-

32) Marx and Engels, “Contribution to the Critique: Introduction,” in *The Marx-Engels Reader*, 64-65.

33) Marx and Engels, “Manifesto of the Communist Party,” in *The Marx-Engels Reader*, 486.

34) Marx and Engels, “The German Ideology,” in *The Marx-Engels Reader*, 160.

bor, and, since the nineteenth century, interest in developing such a theory has flagged. Furthermore, neoclassical economics has evolved as a system of private property, free exchange, and competition in the marketplace to satisfy people's needs. Thus, rationality and common morality have been tied to self-interest. At the same time, capitalism gives power mainly to owners of capital-capitalists-rather than to the workers who contribute labor rather than capital to the production process.

In *Case against the Global Economy*, co-author David C. Korten points out that Adam Smith helped to develop modern capitalist ideology, in which economic choices motivated purely by self-interest ultimately lead to the production of the goods consumers want and a corresponding rise in society's wealth. In this view, the rational choices of individuals combine to produce the functional integration of the economy as a whole. "The liberal economic model, which Smith's name is invoked to legitimize, is in fact much like the model he opposed as inefficient and contrary to the public interest."³⁵⁾ Likewise, Swiss theologian Hans Küng highlights that, to Adam Smith, "The motivations (especially economic motivations) stemming from self-interest are to be controlled by prudence, and the interplay of economic actions is to be balanced out by justice. But the basis of all moral judgment and also of moral self-examination must be benevolence."³⁶⁾ Ethicist Thomas E.

35) Jerry Mander and Edward Goldsmith, eds., *The Case Against the Global Economy and for a Turn Toward the Local*(San Francisco: Sierra Club Books, 1996), 188.

36) Hans Küng, *A Global Ethic for Global Politics and Economics* (New York & Oxford: Oxford University Press, 1998), 195.

McCullough understands that for Smith, “Man was a social creature, moved by his egoism but also by altruism,.. his moral man was the British middle-class image of the perfect gentleman. Social convention, property, and respect for the moral rules of the game restrained the individual in his pursuit of self-interest.”³⁷⁾

Thus, in *For the Common Good*, Herman E. Daly and John B. Cobb understand modern economic lives as the notion of *Homo Economicus*. Modern people as *Homo economicus* try to pursue the unending quest for personal gain. It is insatiable. Daly and Cobb write, “Economic theory builds on the propensity of individuals to act so as to optimize their own interests ... Economists typically identify intelligent pursuit of private gain with rationality, thus implying that other models of behavior are not rational.”³⁸⁾ Modern economic thought is “anthrocentric through and through.”³⁹⁾ Daly and Cobb claims, “Economic theory builds on the propensity of individuals to act so as to optimize their own interests, a propensity clearly operative in market transactions and in many other areas of life. Economists typically identify intelligent pursuit of private again with rationality, thus, implying the other models of behavior are not rational.”⁴⁰⁾ Thus, driven by self-interest, the modern economy

37) Thomas E. McCullough, *The Moral Imagination and Public Life: Raising the Ethical Question* (Chatham, N.J.: Chatham House, 1991), 37.

38) Herman E. Daly and John B. Cobb, Jr., *For the Common Good: Redirecting the Economy Toward Community, the Environment, and a Sustainable Future* (Boston: Beacon Press, 1994), 5. Additionally, I question views of John Cobb's works that overemphasize the importance of politics over economy and present social ethics, which cannot be applied to nature.

39) Daly and Cobb, *For the Common Good*, 107. See their introduction.

40) Daly and Cobb, *For the Common Good*, 5.

should depend on a community that shares such values as justice, fairness, or wellbeing, and “other virtues whose authority will not long withstand the reduction” to the level of individual.”⁴¹⁾ Bellah and his co-authors in *The Good Society* also see capitalist market system not as autonomous but as a certain institutional order made by us.⁴²⁾ Economic individualism “eliminated moral philosophy from the social plane. The market was neutral and amoral. Morality was now confined to the private sphere.”⁴³⁾ McCollough also says, “The individualism of current economic theory is manifest in the purely self-interested behavior it generally assumes. It has no real place for fairness, malevolence, and benevolence, or for the preservation of human life or any other moral concern.”⁴⁴⁾ As Daly and Cobb emphasize “a vision of a shift of power from the nation-state both upward to regional agencies and downward to smaller communities...this redistribution of political power can occur healthy only as economic life also decentralized.”⁴⁵⁾ New York Times columnist Thomas Friedman also points out, “The challenge in this era of globalization is to find a healthy balance between preserving a sense of identity, home and community and doing what it takes to survive within the globalization system.”⁴⁶⁾

Critical of modern industrialists, the British-American futurist Hazel

41) Daly and Cobb, *For the Common Good*, 50.

42) Robert Bellah, et. al., *The Good Society* (New York: Alfred A. Knopf, 1991), 22.

43) McCollough, *The Moral Imagination and Public Life*, 159.

44) Daly and Cobb, *For the Common Good*, 159.

45) Daly and Cobb, *For the Common Good*, 355-56.

46) Thomas L. Friedman, *The Lexus and the Olive Tree* (New York: Anchor Books, 1999), 42

Henderson in her book, *Paradigms in Progress*, claims,

The irony is that the challenge of eco-philosophy and the challenge from the so-called Third World are equally aimed at both major methods of macroeconomic managing industrialism, i.e., centrally planned, socialist societies and free-market, mixed models of capitalistic industrialism. Indeed, both share the same underlying goals of industrialism, and most of the economist followers of both Adam Smith and Karl Marx, from left to right, share their enthusiasm for industrialism as the best answer to human aspirations.... The goal of industrial economic development is still dominant. The notion has barely dawned among them that global environmentalism and its underlying eco-philosophy constitute a major overarching paradigm that will from now on compete with economism and industrialism in East and West, as well as North and South, in the 21st century.⁴⁷⁾

To Henderson, it is clear that both Marx and Smith arrive at an understanding the aims of industrialism: “modernization, technological efficiency and determinism, materialism, secularization, and generally expanding industrial production and rationalization of its methods around the Planet.”⁴⁸⁾ Proclaiming the twenty-first century as a turning point, Henderson claims, “It is time to give a decent burial to both Karl Marx and Adam Smith and reframe the old debates in much broader contexts and interdisciplinary terms.”⁴⁹⁾ According to Henderson, Adam Smith

47) Hazel Henderson, *Paradigms in Progress: Life beyond Economics* (Indianapolis: Knowledge Systems, 1991), 73-75.

48) Henderson, *Paradigms in Progress*, 29.

49) Henderson, *Paradigms in Progress*, 91.

and Karl Marx are all failures. She claims, "I summed up this emerging global view as 'The End of Economics,' since economics (from left to right) was primarily concerned with industrialism as a method of producing material goods efficiently and with greater technological virtuosity."⁵⁰) Henderson contends,

Most of the edifice of knowledge and culture in industrial societies is shockingly belittled by such new worldviews growing out of our rising awareness of our dependence on the planetary biosphere.... (To him) Humanism too has been accused of vulgar anthropocentrism—a charge it has found unavoidable.⁵¹)

It is clear that we need new ideas and a new morality that will allow us to live in this new phase of human history which we are moving into. It is a question of our recognizing new trends and new goals here on earth over the next few hundred years. What has happened to us on earth in terms of globalization?

III. Toward Capitalism with Human Face

Global capitalism involves the hastened internationalization of technology, a new international division of labor, i.e., the exploitation of cheap labor, economic integration processes, and a decline in the importance of the nation-state. Catholic social ethicist David Hollenbach asserts, "Growing global interdependence is putting pressure on the independence and sovereignty of states from a number of directions."⁵²)

50) Henderson, *Paradigms in Progress*, 53.

51) Henderson, *Paradigms in Progress*. 72.

We increasingly interact with our fellow human beings through dehumanized and competitive commodity relationships. In the light of Smith and Marx, we should not think that there are only two sectors of society, the state and the market place or the public and private. Adam Smith sees civil society as a social interaction of individuals who are essentially autonomous. In essence, this type of social system is based on the members' mutual needs, especially economic. Likewise, Marx also understands that civil society is the arena in which democratic attitudes have to be developed. My alternative is deepening democracy by democratizing the economic system. According to sociologist Anthony Giddens, the deepening of democracy also depends on "the fostering of a strong civic culture."⁵³⁾

In this regard, a Nobel Prize-winning economist Amartya Sen in his book, *Development as Freedom*, recognizes democracy as "creating a set of opportunities." To him, it is evident that "there has never been a famine in a function in multiparty democracy."⁵⁴⁾ Thus, Sen explores the relationship freedoms in the economic sphere and social and political freedoms.⁵⁵⁾ According to Sen, "Development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of

52) David Hollenbach, S. J., *The Common Good and Christian Ethics* (Cambridge: Cambridge University Press, 2002), 55.

53) Anthony Giddens, *Runaway World: How Globalisation is Reshaping Our Lives* (London: Profile, 2002), Lecture 5 "Democracy." For the notion of "deepening democracy," see UNDP, "Deepening Democracy in a Fragmented World," in *Human Development Report* (Oxford: Oxford University Press, 2002).

54) Amartya Sen, *Development as Freedom* (New York: Knopf, 1999), 178.

55) Sen, *Development as Freedom*, 14.

public facilities as well as intolerance or over activity of repressive states.”⁵⁶⁾ Sen claims that beyond the accumulation of wealth and the growth of GNP, “development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy.”⁵⁷⁾ All in all, he gives a great emphasis on the notions of “responsibility requiring freedom” and “relevance of our shared humanity.”⁵⁸⁾ *Development as Freedom* closes by underlining the development of the more comprehensive “human capability” over the more limited “human capital,” because “human beings are not merely means of production, but also the end of the exercise.”⁵⁹⁾ Therefore, society should invest in humans. Amartya Sen broadens the idea of economics, precisely development.

Next, Smith and Marx both emphasize that the meaning of goods remains socially determined. In this regard, we need to reevaluate the meaning of nonmarket works disregarded by modern economics. For example, in education, “The corporate model, based on head-to-head competition and survival of the fittest, has become the prototype for all government and, more recently, educational institutions.”⁶⁰⁾ Critical of perverse incentives created by unrestricted global competition led by the increasing mobility of capital, Nancy Folbre in her book, *The Invisible Heart: Economics and Family Values*, proclaims, “The invisible heart of teaching is showing students how to love learning so much

56) Sen, *Development as Freedom*, 3.

57) Sen, *Development as Freedom*, 14.

58) Sen, *Development as Freedom*, 282-3.

59) Sen, *Development as Freedom*, 296.

60) Mander and Goldsmith, ed., *The Case Against the Global Economy*, 61.

that they will keep on doing it for the rest of their lives.”⁶¹⁾ Emphasizing the importance of caring work and caring labor in the market, she suggests a model of the ‘family state,’ whose goals are to encourage family values of caring and sharing and to support cultural values of love, obligation, and reciprocity.⁶²⁾ Ultimately, this promotes a “nanny state” as a kind of welfare state, which strengthens family values. Folbre points out that where familial values are confused, people must reward those who care for other people. She asserts, “Moral values and social norms are probably evolved because they encourage cooperative behavior that is productive in the long run to market.”⁶³⁾ In such a market, values of fairness and reciprocity can be principle virtues.

IV. Conclusion

Economy is not only economic, but also political and cultural, since modern economy is also reconstructing the ways in which we live, and in a very profound manner. Like Smith and Marx, I also think that the meaning of goods remains socially determined. Thus, we need to reevaluate the meaning of nonmarket works. A new value system must be infused throughout our political, economic, education and religious institutions. The main task of religious and theological studies in relation to modern economy is to understand the world not in terms of the usual spiritual/material dichotomy, but in terms of studying holisti-

61) Nancy Folbre, *The Invisible Heart: Economics and Family Values* (New York: New Press, 2001), 155.

62) Folbre, *The Invisible Heart*, xvi and 108.

63) Folbre, *The Invisible Heart*, 30.

cally a conceptually integrated world.

This study offered an analysis of the relation between socio-ethical values and the modern economic order. Despite Adam Smith and Karl Marx's effort, the notion of modern economic possibilities has been narrowed. I admit that there is no thoroughly satisfactory theory of economy and interest in developing such a theory has diminished since the nineteenth century. Modern economics has been the most value free and laden social science. Economists have no reference to either divine or morality. They have assumed that an understanding of human nature and behavior has little with socio-moral values. However, this study demands that economics is not as value free as most economists assert.

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• **ABSTRACT** •

In this study, I examine classical economic thinkers, Adam Smith and Karl Marx. They questioned how we can create a moral society that serves the common good when people as economic agents are self-interested. By exploring these writers' social thoughts, I show that social values work as the major role in building the moral base of economic life. Economic order is inevitably related to ethical values. However, many scholars in social sciences too often fail to connect socio-moral values and economic life. This study deals with significant elements that lead to a better understanding of the relation between economic order and social values. I will also seek alternatives to capitalist globalization from current social thinkers. I conclude that the important and rich relation of socio-moral values to economic problems must be reconsidered today.

Key words: Adam Smith, Karl Marx, Capitalism, Economic Order, Social Values
