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A NEWSLETTER FOR THE CAUX ROUND TABLE FOR MORAL CAPITALISM
NETWORK LOOKING AT BUSINESS ABOVE THE CLUTTER AND CONFETTI



Pegasus

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Introduction

In recent years, our thinking about great and small issues and arrangements has been swayed by the concept of “narrative” – this person’s narrative and that person’s narrative. The result seems to have been a marginalizing of truth and the search for abiding realities. We tell stories, rather than test hypotheses for their reliability as “theory.”

To be sure, stories are what ground us in many ways – in childhood, in entertainment, in our feelings and even moral judgments about life. Tell me a story that so-and-so is bad and most likely, I will rather instinctively not trust their motives or their words.

What story do you believe about the origin of Covid – lab leak or just bad dumb luck in having the virus jump from animal to human in a wet market?

What story do you believe about the cultural authenticity of Ukrainians – Putin’s or Zelensky’s?

In this issue of *Pegasus*, we flip the presentation of capitalism and communism from science to storytelling. What if Adam Smith and Karl Marx were storytellers, compelling ones, but only storytellers? What is their storyline? How does the story end? How do we feel about those in business in one story, but not the other? What are their stories about “capital?”

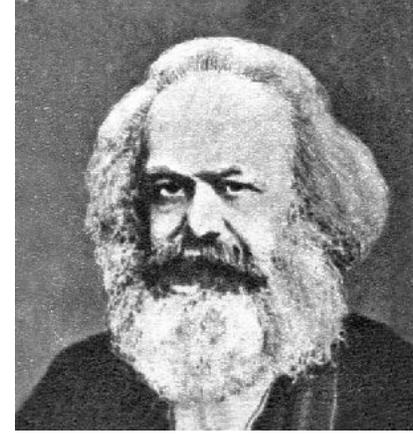
The question, I think, we should ask ourselves, quietly and inwardly, after hearing their stories is: while each story holds together and has a moral norm to convey, how much should they be allowed to drive our understanding of reality?

Stephen B. Young
Global Executive Director
Caux Round Table for Moral Capitalism

Adam Smith and Karl Marx

Storytellers

Stephen B. Young



What if Adam Smith and Karl Marx were only storytellers? Spinners of tall tales? Only quasi-historians like Homer, with his *Iliad* and *Odyssey*, giving us moral examples of Agamemnon, Achilles and Odysseus and the authors of the Old Testament?

This is not to say that storytelling has no importance for our lives. Stories educate us as children in most important ways. They provide role models – good ones to be emulated and bad ones to reject. Fairy tales can reassure us and give us confidence in living or they can scare us deeply and burden our lives with dystopia and dysfunction, as they cause us to question ourselves, become pessimistic about our life outcomes or program ourselves to distrust those around us.

Stories link us to reality. They teach us about relationships – between us and what is not us. Through building awareness of relationships, they lead us to finding meaning in our lives and the cosmos. In many ways, we are fashioned internally by what we see and discover about the world outside our heads.

The proto-Indo-European root word for narration or telling a story (*gnarus* in Latin) is *gne-ro* or “to know.” A root word for story is “to see.” Stories are our links to the world – what we can see and what we can know.

Adam Smith’s story in his book, *The Wealth of Nations*, is, at bottom, a simple one of making our lives better. Karl Marx’s story in *The Communist Manifesto* and *Das Kapital* is a dark, scary and frightening tale of oppression and exploitation.

Adam Smith tells us a story about improving our lives – individually and collectively. He starts with an objective, which he calls *bon marche* or low prices. Low prices are a boon to society. If market prices are low enough, even the poor can buy goods and services. Low prices upset status hierarchies. They make possible more equality of economic well-being and so minimize the economic power of the rich to monopolize consumption. His story tells us how to bring about conditions providing for *bon marche*.

Smith presents his story as the result of an investigation of research into how goods and services are made and sold. He gave his famous book the revealing title *An Inquiry into the Nature and Causes of the Wealth of Nations*.

The ancient Greek word for history carried the meaning of inquiry.

For Smith, using wealth to increase production resulted in lower prices. Plentiful goods sell more cheaply than scarce goods. Scarcity favors the rich and plenty favors the people. So, Smith wanted to tell us all how to bring about abundance to be shared by all.

Smith begins his story by telling us how to make lots of pins – very old-fashioned straight stick pins, mostly used in sewing clothes. Smith says that 10 workers each assigned a special task, coordinated with the tasks assigned to 9 others, could make some 48,000 pins a day. Each pin was subject to 18 separate manipulations before ending up as a salable product – whitened and stuck in a piece of paper next to other pins for sale to a customer. The 18 different steps in the manufacturing process were assigned to the 10 workers who were assisted in their enterprises by specially designed tools and machines.

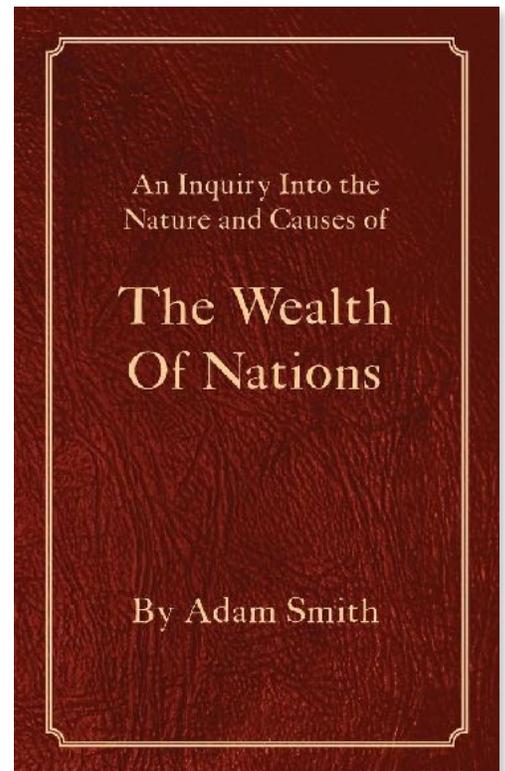
Now, any one of those workers making pins all alone could not have made, say, 20 pins in one day.

The price to be charged to sell 48,000 pins is much, much less than that charged to sell only 20.

The lower prices resulting from more production create new demand for the pins. Following the chain of consequences of providing society with so many more pins at very affordable prices, we can easily infer that the cheaper pins enabled many more women, even poor women, to sew more and to sew better, either making more money for themselves with their craft or improving the social appearance of their families.

The reality revealed by this story is the social achievement – more productivity – of the factory system of production or the benefits made possible for humanity by the Industrial Revolution.

Smith takes time to tell us how the new system of specialization of function and division of labor works its magic. First, in specialization, each worker becomes more expert and dexterous, able to produce more, faster. With specialization comes improvements in the manner of work, saving time and materials. Better methods are invented by those who have their shoulders to the wheel, their noses to the grindstone. Specialization makes possible the invention of machines to perform specific tasks.



Smith then adds more chapters to his story of how to create wealth using the division of labor. His story becomes even more prosaic, a sort of handbook with dos and don'ts on how to create wealth using the factory method of industrial production.

First, he tells a story about human nature, about who we are and how we act. He highlights our self-interest in getting ahead in life, our egocentrism. But he describes just how our concern for self leads us into social relationships with others, pointing out that we cannot provide by ourselves for everything we want to have for ourselves. We need others to produce what we want to consume.

Thus, Smith's story becomes that of our necessarily reaching out to others, getting along with them, taking advantage of what they can do for us. Just as a newborn baby needs its mother, so do we need society. Smith calls this mutual dependence the propensity to "truck and barter" – we exchange with others what we have for what we need and they, in turn, part with what they have to get what we have to give them. We live and prosper by means of mutually beneficial transactions.

Our self-love necessarily unites us with others on terms to be negotiated between the parties to the relationship.

Then, Smith adds details as to how we can gain benefits from relationships or transactions. First, we produce more than we need so that we have something to exchange for that which we don't have but want. Secondly, we apply our talents and skills to produce more and better goods and services for which there is social demand. We seek to improve our ability to meet the needs of others – in quality and quantity – but also, most importantly, in our ability to increase the number of those interested in entering into exchange transactions with us.

The next chapter in Smith's story tells us about markets – where we can benefit from others. He says the larger the market, the more potential customers there will be whom we can cultivate. He adds that modes of transportation – roads, rivers, canals, boats and wagons – help determine the size of a market's catchment area – more people or fewer people.

The following chapter starts to tell us the story of money. Money expands market size. People don't need to make and possess goods or offer services to become part of a market if they have money. Money can be exchanged for goods and services. The more money in circulation, the larger the customer base.

But to be reliable, money must maintain its value over time. It must be a "store of value." To exchange goods for money which then loses value reduces what we can get from others for our goods.

The next chapter in Smith's story tells us about prices. In markets, money prices – not barter exchanges – determine how much of what we want we can get. Our use of a market as a buyer

is what can we buy. As a seller, its principal utility for us is how much can we sell. Money prices determine what buyers can get and what sellers can earn.

Now, for a factory or any other workplace – a farm, a store, etc. – the organizer of the workplace needs workers. Smith names the contribution of workers to the economy as labor. And labor too has its price. People won't work for free in the normal course of life. The price of labor is wages to be paid in money.

Factories also need machines and raw materials. These supports for production must be bought, usually with money, as well.

Now, Smith notes the source of money for the organizer of a workplace is the revenue in the form of money, which comes to the enterprise in return for its output. From the revenue, the organizer takes money for wages, machines, raw materials and other supplies and other expenses of whatever nature. The amount of money remaining to the organizer is profit, measured in money and stored for future use as money.

Smith adds to the story at this point an observation that money can be lent to others – another exchange transaction of mutual benefit. The price paid to the owner of money for its temporary use is interest.



Smith then embellishes his story with more chapters, describing different dynamics of the total system of production, including government policies and laws.

He shares insights on how the price of money – the interest rate – varies with risk and the prospects of success. He describes how competition among sellers moves prices lower for the general benefit and prevents a few sellers from gathering in a disproportionate share of money in circulation. He talks about the concentration of economic power, as organizers of enterprises accumulate too much “stock” – what is needed to run an enterprise – land, workers, machines, raw materials, etc. – and so dominate markets to the detriment of consumers and other enterprises.

He shares this anecdote: “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices.”

He tells us about natural inequalities among workers and companies – some apply themselves more diligently and more cleverly and so prosper. He discusses how the price of land – rent – responds to demand and location.

Smith writes a separate part on “stock,” going into great detail. He calls “capital” that which generates revenue for an enterprise. He links the size of stock to the capacity to organize the division of labor. The more stock, the more labor can be dedicated to specialized functions. Only with the use of capital can the organizer, of any work, either add to or improve machines, which facilitate and abridge labor or make a more proper division and distribution of functions.

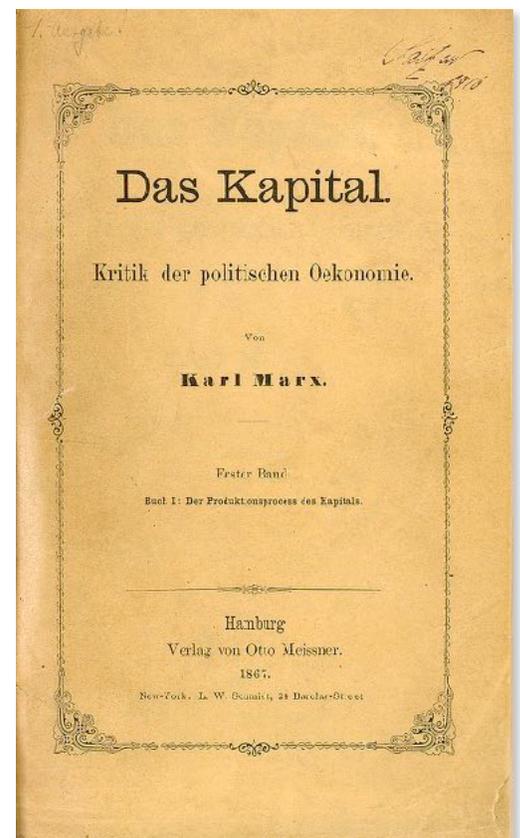
He tells us that society also accumulates stock, such as the money in circulation, all the enterprises and all the goods and services sold. In another separate part, he has chapters which tell us the story of how defense and justice, education and religion, contribute to society’s “stock” supporting enterprise and wealth creation.

He then describes how different nations or people have different stories of their own about how and what they produce, with some creating more wealth than others. His story is that the rise of commerce and towns brings prosperity to a nation.

Then, he describes how government interacts with markets and production through policies of mercantilism, which he abhors, imposing tariffs on imports, collecting taxes and borrowing money. He tells us what a government policy is and then describes its consequences, good and bad, as coherent or incoherent, with his storyline of our getting to *bon marche* or low prices for the common citizen. Smith’s narrative is that the function of government is 1) to enable the people to provide for themselves a plentiful revenue or subsistence and 2) to supply the state with revenue sufficient for public services.

Smith then tells the stories of two different systems of political economy: the commerce system, which is modern and the agricultural system. He points out the mistake of confusing money with wealth, creating a short-sighted government policy to “heap up” gold and silver and not facilitate the expansion of productive capacity. He notes that trade in commodities is done at a considerable profit, while trade in gold and silver is “scarcely ever attended with any.”

Karl Marx’s story is one of deliverance from evil. It is very Old Testament in the architecture of its narrative – years of slavery under Pharaoh, the arrival of a deliverer inspired with divine truth, a long struggle and then, finally, arrival in the promised land of milk and honey. In Marx’s recapitulation of the Old Testament story, Communist Party members, as the vanguard of humanity, lead the chosen people out of their wage slavery into a new land of peace and well-being: The workers “have nothing to lose but their chains. They have a world to win.”



Marx's story echoes two dark fairy tales written by the Brothers Grimm – the oppression of Snow White by a stepmother who practices witchcraft and of Cinderella by her stepmother and two cruel stepsisters.

Marx's story is also quite Manichean, a Lord of the Rings, scorched-earth, take-no-prisoners, all-consuming war between good and evil. This Manichean undercurrent in Marx's secular narrative reflects the New Testament story told in the Book of Revelation, where Gog and Magog wage war against God, who defeats them and brings about a New Jerusalem. For Marx, the evil power in his titanic and relentless struggle for justice is money, which corrupts our souls and turns us into the undead. The redemptive power associated with deliverance and happiness is labor, which, like finding a vocation, confers honor and integrity.

Further, Marx's narrative is gnostic in its themes – victory in the struggle against evil comes from learning an esoteric wisdom – the workings of dialectical materialism in history, learning, which he, as an enlightened guru, can pass on to those initiated into the cult of communism.

Marx puts his story in *The Communist Manifesto*, written in 1848 with Friedrich Engels.



Then, some years later, he wrote a sequel called *Das Kapital*, in which he invents some characters who carry out the extraction of value from workers.

The Communist Manifesto starts off by animating an idea – communism. Marx presents communism as a living, moving force in our lives – a hero to him. He writes that the established political actors in Europe – the Pope, the Czar, Metternich and Guizot and police informants – are acting in concert to kill off this agent of their doom.

Then, Marx tells us that the story of history has been class struggles between oppressor and oppressed in constant opposition to one another, “carrying on an uninterrupted, now hidden, now open fight...” At this time, he tells us the warring protagonists are the bourgeois and the proletarians – the first being the capitalists, owners of the means of production and employers of wage labor and the second, workers who are “reduced to selling their labor power in order to live.”

The rise of the bourgeoisie has simplified class antagonisms, Marx tells us: “Society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other – Bourgeoisie and Proletariat.”

Marx portrays the capitalists as really, really bad people: “The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations. It has pitilessly torn asunder the motley feudal ties that bound man to his “natural superiors” and has left remaining no other nexus between man and man than naked self-interest, than callous “cash payment.” It has drowned the most heavenly ecstasies of religious fervor, of chivalrous enthusiasm, of philistine sentimentalism, in the icy water of egotistical calculation. It has resolved personal worth into exchange value and in place of the numberless indefeasible chartered freedoms, has set up that single, unconscionable freedom – free trade. In one word, for exploitation, veiled by religious and political illusions, it has substituted naked, shameless, direct, brutal exploitation.”

“The bourgeoisie has stripped of its halo every occupation hitherto honoured and looked up to with reverent awe. It has converted the physician, the lawyer, the priest, the poet, the man of science, into its paid wage labourers. The bourgeoisie has torn away from the family its sentimental veil and has reduced the family relation to a mere money relation.”

“All that is solid melts into air, all that is holy is profaned and man is at last compelled to face with sober senses his real conditions of life and his relations with his kind.”

Marx describes a world order. His story is global: “The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere ... The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. ... In one word, it creates a world after its own image.”

This is a big, big story. Nothing small or parochial, but one implicating the fate of humanity itself.

But, continues Marx, as the bourgeoisie has created this order, it has created proletarians: “In proportion as the bourgeoisie, i.e., capital, is developed, in the same proportion is the proletariat, the modern working class, developed – a class of labourers, who live only so long as they find work and who find work only so long as their labour increases capital. These labourers, who must sell themselves piecemeal, are a commodity, like every other article of commerce and are consequently exposed to all the vicissitudes of competition, to all the fluctuations of the market.”

“Owing to the extensive use of machinery and to the division of labour, the work of the proletarians has lost all individual character and consequently, all charm for the workman. He becomes an appendage of the machine and it is only the most simple, most monotonous and most easily acquired knack, that is required of him. Hence, the cost of production of a workman is restricted, almost entirely, to the means of subsistence that he requires for maintenance and for the propagation of his race. But the price of a commodity and therefore also of labour, is equal to its cost of production. In proportion, therefore, as the repulsiveness

of the work increases, the wage decreases. Nay more, in proportion as the use of machinery and division of labour increases, in the same proportion the burden of toil also increases, whether by prolongation of the working hours, by the increase of the work exacted in a given time or by increased speed of machinery, etc.”

“Modern industry has converted the little workshop of the patriarchal master into the great factory of the industrial capitalist. Masses of labourers, crowded into the factory, are organised like soldiers. As privates of the industrial army, they are placed under the command of a perfect hierarchy of officers and sergeants.”

Truly, as in a Grimm fairy tale, the bourgeoisie are like heartless, evil stepmothers, abusing those entrusted to their care and devotion.

Marx’s story, as Shakespeare wrote in another context about the death of an evil woman, is “a tale...full of sound and fury.”

But all is not lost for the proletarians, relates Marx. A redeemer has appeared. There is a movement arising to overthrow the evil bourgeoisie. It is composed of a section of the bourgeoisie who have adopted an ideology which permits them to comprehend the big picture of history, as it moves inexorably towards perfect social justice for all. But the redemptive process is one of revolution – the overthrow of the bourgeoisie and all that it controls and values. The redemptive process, says Marx, will “deprive no man of the power to appropriate the products of society; all that it does is to deprive him of the power to subjugate the labor of others by means of such appropriation.” In this happy tale, all the evildoers will disappear.

The redeemers shall, predicts Marx, “wrest by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state; i.e. of the proletariat organized as the ruling class ...”

Once class differences disappear in this process, Marx tell us, government power will “lose its political character of being organized for one class to oppress another.” The redemptive proletariat will “sweep away the old conditions of production and with them, the conditions for the existence of class antagonisms and of classes generally and will thereby have abolished its own supremacy as a class.” In this Heaven on Earth, “the free development of each is the condition for the free development of all.”

In his sequel to *The Communist Manifesto*, *Das Kapital*, a long, rather stodgy compilation of moving parts, Marx adds richness of detail to his narrative on how the bourgeoisie exploits proletarians. He introduces agents who carry the storyline forward. These factors of exploitation are 1) various carriers of value and 2) machines. First, Marx introduces us to exchange value or what buyers are willing to pay in money for a good. Then, there is labor value or what has to be paid to a worker to get labor contributed to the production process. The labor value is what the capitalist must pay for labor power. Now, says Marx, as the story

of production moves along from day to day, labor power is for sale to the capitalist.

Marx also includes labor in commodity value, the value of things. A commodity value is that which a seller will accept from a buyer. So, the commodity value of labor power is whatever a worker will accept, an amount that Marx describes as just enough to survive, not very much at all.

The labor value – not the commodity value – is infused into the good produced.

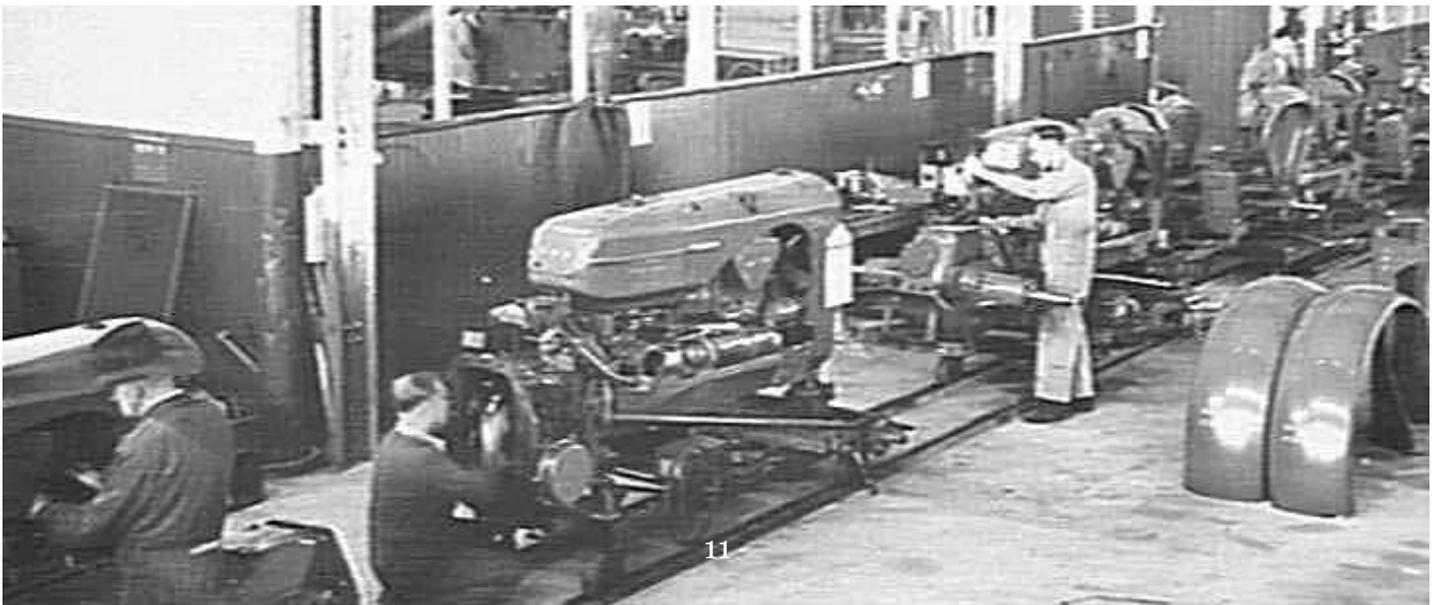
What labor creates also has a “use” value, which is the utility of the good in the eyes of the buyer. Labor power has a “use” value to the capitalist. The “use” value of the good or the labor (a personal service) is also its exchange value in a market, which can be expressed as a sum of money.

So, the exploitation process happens when the capitalist pays less for the use value of labor than such use value can be sold to a buyer for an exchange value in a market. The difference between the exchange value of a good and the money paid by the capitalist to the worker for creating the use value of the good is money for the capitalist. The difference between the money paid as the exchange value and the money paid for labor power is “surplus” value accruing to the capitalist. The amount of the surplus is the amount of expropriation of the value which the proletarians have created.

The capitalist then uses money received from a buyer for a use value to buy more labor power and other means of production and sell the resulting use value of the new goods produced for new money.

Marx put the exploitation process as a formula – $M - C - M$ – money to capital to money.

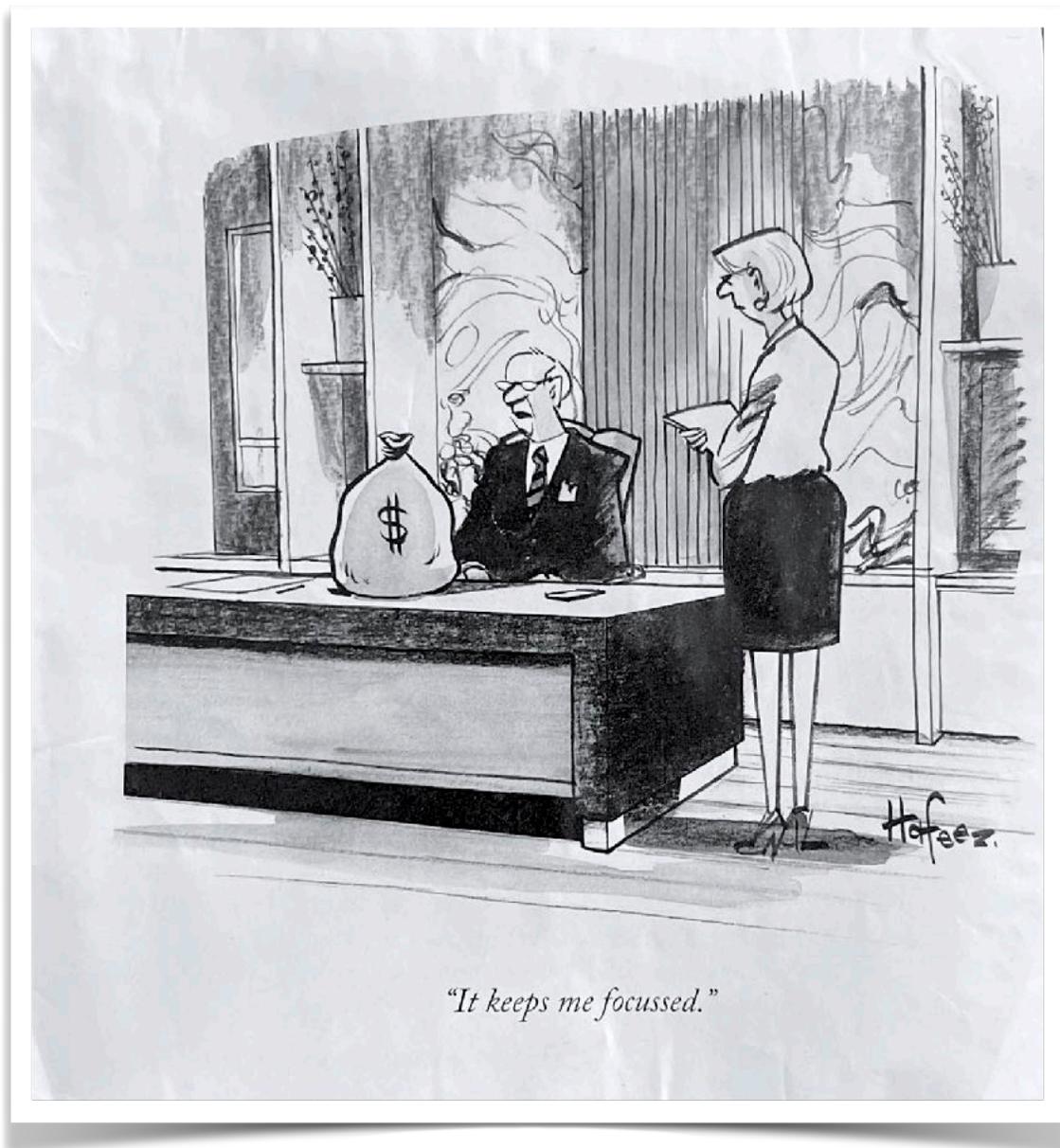
Then, Marx gives a role to machinery. The role of machines in the story of exploitation is to reduce the time needed for a worker to create use value. If the capitalist can introduce new, more efficient machinery, then the time expended by the worker to meet previous production argets decreases. But the worker, for the same wage, must still work his or her shift, creating



with the same wage new use values to be converted by the capitalist into exchange value and money. So, machinery just helps capitalists extract more surplus value from workers. The increase in productivity made possible by machines is, in Marx's telling, just more exchange value for the capitalist, who owns such means of production.

In conclusion, Adam Smith has his story and Karl Marx his. The question for us is which story is more likely to optimize our knowledge about all dimensions of our relationship with reality. Which story opens our eyes more widely to the reality in which we live? Which story helps us learn about our world with greater accuracy and less delusion?

Stephen B. Young is Global Executive Director of the Caux Round Table for Moral Capitalism.



A Tale of Two Stories

Adam Smith and Karl Marx

(With apologies to Charles Dickens)

Michael Hartoonian

Introduction

Leo Tolstoy suggested in his novel, *The Death of Ivan Ilych*, that to the degree you generalize about people, to that same degree you destroy the individual. As we consider the stories of two essential “theories” that changed the world’s perceptions about how economies function, we will see how the narratives constructed by Adam Smith and Karl Marx relate to Tolstoy’s observation and the proposition that culture will always trump the market – despite Marx’s claim to the contrary. Individual virtue is the only foundation for moral government and markets – contemporary business practices notwithstanding.

The two stories of capitalism and communism are still told throughout the world, but have morphed into mythical narratives. One is poorly understood and mostly given up on by capitalists, while the other is an application and preference to feudalism at the beginnings of the Industrial Revolution. One is rooted in the Enlightenment, the other in a romantic scientism, with interesting notions of dialectic materialism. Marx’s doctoral dissertation (See *The Difference Between the Democritean and Epicurean Philosophy of Nature, 1842.*) is quite telling of his complete buy-in to anti-religious doctrines and the acceptance that people are only driven by material motivations. Marx’s ideologies came directly from his professor, Ludwig Feuerbach, who instilled in Marx a distaste for the transcendent nature of religion and the belief that theology must be replaced with a “modern philosophy” of materialism. I would suggest that without Feuerbach, there would be no Marx.

The Use of Stories in Becoming Human

The point of stories, as we can see in the narratives of both Smith and Marx, has always been to establish an identification or link with more perfect ideals, ancestors, values, homeland and character. This identification with powerful myths was and still is a way to get beyond the mundaneness of our puny lives. The stories that revealed quests that gave purpose to life also gave the needed courage to become more than passive observers of life. They are, indeed, the link between the past and future and those who tell stories with a generational covenant in tow are the doers of important work – the work of passing on the “good.” Over the years, I have come to understand that the work of critically identifying and passing on the good should be the first aspiration of being human, particularly since it seems to be necessary

to our chances of survival, even as a species. But this is hard work, with little reward. For the listeners of stories, they must be aware of the fragility, as well as the veracity of claims made referencing history, rationality, logic and aesthetics. One of the sited stories here is fragile and fanciful, the other validated and vindicated by human behavior and history. Yet, both are little understood, even after 240 years.

There is little doubt, in my mind, that both Smith and Marx were in the business of passing on the good by explaining the present. One using careful observations, the other a snapshot of history, portraying a sad and desperate world. One using philosophy and science to suggest that wealth can only be created by healthy, educated and resourceful people who understand that any economic contract is a moral agreement. The other believing in a utopia (“nowhere”), where transcendent virtue and morality are not only vulgar ideas, but any religious, philosophical, historical or aesthetic discipline must be destroyed and replaced with base materialism. One grounded his theory on individual ethics and social morality, the other on a profound misunderstanding of human needs and personal meaning. By the way, if you want to witness a soulless landscape and architecture, visit any city, river or town displaying Soviet aesthetics.

Decision-makers and policy creators should have paid analytical attention to the two stories, but saw in them only what they wanted and changed the theories to fit their mindsets. As time went by, those who created communism out of Marx’s ideas cared little for passing on the good, mainly because they had no idea of its meaning. Capitalists no longer know who Adam Smith was and lost faith in capitalism, also turning to materialism. Most of the people who call themselves capitalists cannot answer the question: “How is wealth created?” In fact, they can’t even define wealth, confusing it with money.

The Power of Narrative in Human Explanation and Meaning

While there is some debate about the role of narrative explanation in human commentary, most philosophers would agree that it is a necessary condition for social research, if and only if we deal with true premises and a logic that allows for an agreed upon subjectivism worthy of verification. But there must be a story, as it were, with the attributes just listed. In this case, some social scientists believe it to be sufficient in understanding human behavior and value preferences. Thus, any social inquiry must eventually come to grips with that mode of explanation called narrative. (see Gallic, 1968, Mandelbaum, 1967, Danto, 1965, and White, 1951).

So, let’s treat the narratives of Smith and Marx as powerful stories. True stories? Well, that has depended on how we understood and understand truth. In a “post-truth” world, with personal illusions flouting about from people like Putin or Trump or from media and other self-serving institutions and with intellectually lazy people, the truth can also be illusionary or entirely what you want it to be. Can the narrative be both necessary and sufficient in the enterprise of social inquiry?

Traditionally, the technique of narrative has been categorized as applicable to history, but then people must know about history or there is no lie detector which leads to the manipulation of truth and the manipulation of people. Furthermore and of significant importance here, is the fact that people use narrative as a way of life, as a response to questions or as one tries to “explain” his/her state of being. “What did you do in school today, son?” “Charlie, why are you going to invest all your savings in an unstable stock market?” “Well, Sarah, what do you think of our president now?” Questions like these are asked every day by citizens who, in effect, call upon narrative for explanation. In most cases, the above questions will elicit a “story-like” response that places events in sequence and describes a change. It is important, at this point, to suggest that in everyday life, these explanations express a philosophical dichotomy that, on the one hand, wants to account for the use and potential of explanation in an empirical fashion and yet, on the other hand, provide insights into the basic nature of being human, which often operates with additional and personal dimensions. Narrative explanation represents a specific example of the ambivalence found in an area of study like history, politics or science, which all explore the nature of people and thus, are caught between the pull of a clearly scientific mindset, which can describe outward behavior, but can neither account for, nor explain causality. There seems to be a need for a mode of inquiry that can effectively pair the processes of description with the processes of explanation. Narrative is or at least can be unifying in that it is something in which all intelligent people indulge. It is true, of course, that intelligent people can indulge in many forms of explanation depending upon the nature of the questions asked and their personal or tribal basis. What is your foundation for understanding Smith and Marx?

The answer, of course, is in the search for (contested) truth. How accurate are the stories using history as a criterion? What has changed? Why? If no person is without some mythic structure through which to “see” the world and builds support for personal advantage, how could one theory be better than another? Absent any agreed upon value structure, can we create stories to our advantage, even when we don’t properly understand our self-interest? Can we come to understand that the narratives we create (about Smith or Marx) are overly reflective of our own mythic thought, detached from human nature and the wisdom provided by a critical study of human culture (knowledge) found in the biological, synoptic, empirical, deductive and aesthetic disciplines?

Smith and Marx and the Question of Wealth Creation

What is necessary to understand is that all “new” stories about almost anything have their precursors. The narratives that Smith and Marx developed rested on their observations of society, people and the values and perceptions they held about how the world works and should work. One of those perceptions was the Enlightenment. The Scottish Enlightenment was a powerful force in Smith’s life, while Marx saw the idea of “intellectual man” as a contradiction in terms. There was simply too much injustice in the world, he thought, to waste time understanding history, people or even any touchstone with human purpose and virtue – action and revolution was needed RIGHT NOW! Steeped in the philosophy of

Feuerbach, Marx believed that humans were manipulated by materialism and could only be made whole through revolution, where all wealth would be owned by all. No need for religion, intellect or even government, since all people could be angels, if given the chance. His utopian notions had no grounding in the nature of being human, in history and, dare I say, in reality. His best anchor was feudalism and some quaint notion that through dialectic materialism, history would end. He could never answer the question: how is wealth created?

Smith, almost one hundred years Marx's senior, had a major focus on wealth, seeing it as self-interest, *properly* understood. His inquiry was rooted in moral sentiments as a necessary condition for wealth creating. He observed that a market can only be "free" to the extent that it is incased in ethics. If not, a market quickly becomes expensive, sluggish and corrupt. Smith understood the subtleties and counterintuitive nature of living and creating wealth in community. This will be his story, which we will read below and which few "capitalists" ever understood. The point must be made that without reading and comprehending *The Theory of Moral Sentiments*, his later book, *The Wealth on Nations*, makes no sense.

Marx also believed in wealth – material wealth, like money and buildings. While his critique of capitalism was very good, he gives no understanding of the creation of wealth, except by some fuzzy notions of surplus profits and exploitation. He was right about exploitation, but it was not a system's failure, but a complete misunderstanding of his concept of justice and its application to individual responsibility, especially the employer, but so too the employee. He never addresses the questions, 1) where does wealth come from? And 2) what does wealth mean? Was it just there to simply be redistributed, in his case through conflict and revolution and then all would be just? By the way, very few modern employers or employees could answer this question either. The self-referenced capitalist will believe that wealth is about taxes (or lack thereof), hard work, luck, good ideas and playing the "system." They see it as totally competitive (zero/sum), not understanding how teams win through cooperation. They don't get the needed tension between private wealth and the common good (the material and moral infrastructure).

Again, **Marx** saw economics as the basic factor in life, the designer of culture, of families, schools and governments. **Smith** saw culture and virtue as the designer of the economy, families, schools, religion and government. The neo-Marxists of the last one hundred years knew that Smith was right and have been fermenting "revolution" by weakening the institutions of culture – if families and schools fail, the economy will fail. The market is always a lagging indicator. It's sad that neo-capitalists don't get this.

Their Stories of Passing on the Good: Two Tales of Justice

The stories of Marx and Smith could be framed in many ways. I choose to use the frame of justice. Recall the power of the narrative (above).

Smith understood justice the way most people of the Enlightenment did. Resting on the

works of classical and 16th and 17th century philosophers and the writings of Christian scholars like St. Augustine and Thomas Aquinas, Smith saw the just person and society as a virtue embedded in the responsibility of the individual. And... and this is of paramount importance, no government (or firm) would be able to administer justice without that virtue within the individual. It would be impossible, no matter the good intentions of the government, to “rule” justly over a population of felons. Without a virtuous people, no government can be just. With virtue in individuals, no government can be unjust. To be clear, rights are an element of justice – by virtue of being human, we have rights. But they are fragile, indeed, without moral sentiments – the active ethical life of all community members. This is Smith’s story. While known as the father of modern economics, he was not an economist. He was a moral philosopher. And for those of us who venture into the market absent a deep understanding of philosophy, do so intellectually unarmed.

Marx’s story is different. While he did study philosophy, law and religion, he then jettisoned those ideas (perhaps he was impatient), overly influenced by one professor, angry because he was asked to leave Germany and later France, to settle in England. Born into a wealthy family, but living his later life in relative poverty, he, no doubt, believed the world unfair (he saw himself a victim). He thought that he was right and was owed – what? I don’t know, maybe the respect of the wise. He had a deep hunger, not so much for justice, which he didn’t seem to understand, but for purpose and recognition. His ideas were irresistible to the uneducated and to others who saw personal power in them – Engels, Stalin, Mao, Putin, etc. – and even some artists, writers and professors.

A World Divided

I would like to end this discussion with a few questions, as I believe we need to continue a conversation on which stories do, indeed, pass on the good to the next generation:

- Why are narratives so powerful in the lives of people, both individually, as well as to the community?
- Why are the stories of Smith and Marx not simply the tales of two different economic systems?
- Do we really understand how wealth (excellence) is created? How?
- Can a system be moral without virtue in every individual in that system?
- Can there be private wealth without public wealth? What about private and public happiness? (As Jefferson said in the Declaration of Independence, see original draft, “... the pursuit of PUBLIC HAPPINESS”).
- Marx’s story is still viable in the minds of many people. Why is that?
- What is the proper relationship between justice and responsibility?

Michael Hartoonian is Associate Editor of Pegasus.



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