

# Economic person of A. Smith

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**Abstract.** The paper presents a model of the A. Smith economic person and its analysis. The relevance of the study and the author's interest in the topic is dictated by the desire to contribute in the development of a promising tool for studying the economic behavior of individuals of the economic person concept, as well as the absence, especially in Russia, of works devoted to examining A. Smith's work from the angle of his teachings about economic person. The purpose of the work is to identify and show the features of A. Smith economic model. The main part of the study presents the basic principles that determine the approach of A. Smith to an economic person. In the section, the results of the study disclose the content of the A. Smith economic model. The characteristic is given to each of the elements developing this model. The specific features of A. Smith economic model are highlighted. The conclusions section provides a general description of A. Smith economic model. It emphasizes its qualitative difference from other, later models of an economic person, which stems from the dominance of an ethical and anthropic component, which implies the priority of the public good over individual gain. In the conclusion section, a result is drawn about the underestimated potential of A. Smith's model about an economic person, which is a tool for describing and searching for a consensus of people interests employed in the field of industrial relations, outside whose development it is impossible to talk about enriching the nation both then and today.

## Introduction

In this work, we want to pay attention to the views of A. Smith on the subject of economic person. The relevance and interest in this topic is dictated by the following:

a) The concept of an economic person is a significant tool in the field of studying the economic behavior of people, which allows us to present in a concentrated form the principles of economic life inherent in various social groups of society. Hence, turning to the sources of conceptualization of this concept will make a modest contribution to the process of studying and developing the category of economic man.

b) A. Smith economic person is not represented in his work in a systematic way, which requires filling this shortcoming in order to solve the following problems: firstly, outside

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the consideration of this topic, the study of the ideological heritage of the English philosopher will be incomplete; secondly, the systematization of A. Smith's views on the subject of an economic person will make it possible to better understand the content he invests in this term and significantly narrow down the number of interpretations of the concept of an economic person that are unusual for the English philosopher; thirdly, turning to the views of A. Smith will allow you to look at the features of the early stage, becoming a mass economic person through the eyes of not just a researcher, but an eyewitness to this process.

So, the goal of our research is to identify and mark in a systematic form the key aspects that form the concept content of A. Smith as the economic person.

In addition to the works of A. Smith [10, 11], the research is based on the works of the following domestic and foreign authors: Belskaya Y. [1]; Laval K. [5]; Paganelli M. [9]; Gigauri M. and Burlakova M. [2]; Latypova A. [6]; McCloskey D. [8] and others.

The following set of methodological approaches was used in the research: systemic, comparative historical, dialectical methods, the principle of historical and logical unity.

## **Basic principles of economic anthropism**

Within the framework of our goal, we single out the principles that determined the approach of A. Smith about an economic person.

The first is the anthropic principle. The focus of the English thinker is a person through whose prism economic relations are refracted. The foregoing does not mean that the English philosopher belittled the role of the latter in the development of the individual, on the contrary, A. Smith believed that people differ from each other in their abilities much less than we think, and the very difference in abilities is largely determined by the division of labor: "This tendency to exchange not only creates a difference of abilities, so noticeable among people of various professions, it also makes this difference useful"[10. V.1., p.18]. At the same time, not economic relations, taken in their abstract form, but the behavior of people, from A. Smith point of view, determines the causes of these relations.

The second is an ethical principle. The English philosopher gives priority not to law, but to ethics in regulating the economic activities of individuals. This circumstance, I think, is dictated by the anthropic principle that subordinates the economy to the human gut, which is based on the "natural inclination of the soul to good." In relation to this feeling, reason (serving as the foundation of law) is secondary, because it is not able to directly contemplate (see) goodness and, therefore, make this or that object pleasant for us [11].

The third principle is selfishness. A person according to A. Smith always acts in accordance with his own interest, which is determined by two factors: a penchant for good and, as Dogan Gechmen showed, the social conditioning of all human passions [3. p.135]. Despite the presence of antisocial passions inherent in people, socially oriented passions prevail in society, without which social stability and social progress are impossible. Consequently, selfishness according to A. Smith does not imply destruction, but the preservation of society through the cooperation of people with each other, based on the interests of all its members.

The fourth principle is thrift. Housekeeping serves one purpose - the development and enrichment of the nation, and not of individuals. In accordance with this, the English philosopher considers and ranks the factors of economic life (inextricably linked with moral and ethical standards that regulate people's daily lives) to promote and impede the growth of social welfare. Among the positive factors, he attributes the philistine virtues of "holy economy" and the ability to control a person's desires and passions. Whereas A. Smith refers to negative factors not only human vices in the face of greed and vanity, but also any external interference in the process of organizing economic life.

## The main components of A. Smith andrology

1) A. Smith's model of an economic person is built on the basis of the following elements: anthropic principle, selfishness, ethics, and economic management. Let us consider in more detail the role of each of them:

A) The anthropic principle plays the role of a pivot in the model of the A. Smith economic person, through the prism of which all manifestations of the individual's vital activity are refracted, including the economic aspect.

B) Egoism acts as the reason that induces the individual to economic activity. According to A. Smith, the content of this reason is formed by two inextricably linked components: the emotional-sensual side of a person's personality and its rational aspect. The first component is expressed in the stimulating interest of an individual in a certain type of economic activity. The second component allows not only to realize one's interest, transforming it into a stable sequence of income-generating actions, but also to realize the interests of other members of society, as a condition for the possibility of achieving one's own interest.

C) Ethics in the model of economic person A. Smith plays a special role. Firstly, it establishes the boundaries of permissible behavior, within which, in spite of the economic contradictions inherent in society, a compromise is possible between various participants in economic relations. Secondly, ethics acts as a tool to foster a sense of social solidarity, so that the whole society wins.

The basis of ethical regulation is egoism. It represents, from the point of A. Smith view, his own economic interest correctly understood by the individual, which is associated with cooperation between people. The latter is much more effective in the final result than the opposition of people to each other, which always ends with the destruction of society and the decline in income of its members.

The mechanism for putting into practice the ethical regulation of the people economic activities is the principle of the "invisible hand". It defines the boundaries of permissible manifestations of the individual interests for business entities, beyond which the costs will always exceed the benefits. Hence, this principle does not regulate anything, but only determines the measure of personal benefit in conducting business. The content of this measure forms the moral sense of man and the degree of social unity awareness. Consequently, the principle of the "invisible hand" lies at the basis of a correctly understood personal interest in the conduct of an individual's business.

D) The last paragraph reveals the economic aspect in the model of A. Smith economic person. Its contents can be represented in the form of the following fundamental provisions:

- The goal of an economic person is wealth. It, from the point of view of A. Smith, is expressed only in physical terms. "It would be too funny," writes A. Smith, "to seriously prove that wealth does not consist in money and not in gold and silver, but in what is bought with money and what is valued for the sake of this ability to buy" [10. T.2., P.16].

- Achieving and increasing wealth is possible through a productive type of labor - increasing the initial value of an item.

- The effectiveness of this labor type depends on the following circumstances:

- Firstly, it is determined by the degree of its division and the size of the market.

- Secondly, the factor stimulating production and labor activity is the favorable geographical location of the region.

- Thirdly, maintaining labor discipline presupposes the existence of "philistine virtues": frugality, industriousness, etc. "Capital, writes A. Smith, increases as a result of frugality and decreases as a result of motivation and imprudence" [10. V.1., p.284].

- The result of production activity in the face of wealth includes individual and social aspects. Considering the question of the these aspects' correlation, A. Smith gives priority

to the social component of wealth, since an increase or decrease in profit on capital depends on an increase or decrease in the wealth of society. Hence, recognizing the existence of socio-economic contradictions between participants in economic activities, A. Smith urges them to follow common sense, which says that the social world, cooperation will always bring each of the social groups more benefits than their confrontation. Indeed, it is based on vicious greed, which always hinders, due to its inherent social discord, the conduct of creative production activities and mutually beneficial exchange.

2) Each of the presented elements plays a significant role in A. Smith economic model. At the same time, the anthropic principle is the most significant of all of them, since it is through person, his moral standards, that the English philosopher and economist refracts the principles of organizing economic life.

3) The features of A. Smith's model of an economic person include: firstly, employment with his productive type of activity, which, unlike unproductive labor, does not disappear "... at the very moment of its implementation" [10.V.1., p.279 ]; secondly, the refusal to associate it with any particular social group. In other words, the economic person of A. Smith is a mass person engaged in a productive type of labor that leads to an increase in the welfare of the nation.

4) The condition for the existence of a economic person model according to A. Smith is the non-interference of the authorities in their economic activities. The point is that the government, not involved in the cause, should not intervene in it and lead it. Firstly, it is burdensome for the government, since it cannot know what is useful for the business at the moment and what is not. Secondly, by virtue of what has been said, the government cannot effectively manage business, which means that it becomes a brake on the path to gaining and growing wealth. Hence, only following one's own interest, the voice of the case, becomes the only source of successful enrichment according to A. Smith of both an individual business entity and society as a whole.

## Results

1. The economic person of A. Smith is not represented by any particular social type, but is a way of describing and analyzing the conduct by an economic entity of a predominantly productive type of economic activity.

2. A. Smith's model of economic person is based on two interconnected pillars: social egoism and thrift.

3. The driver of economic activity according to A. Smith is social egoism, inextricably linked with ethics. It is a relationship between man and society, based on the foundation of a correctly understood personal interest, the realization of which is impossible outside sustainable social relations. In this, A. Smith is qualitatively different from V. Sombart, who not only initially opposes economic man to society, but also sees the source of economic activity in the "thirst for profit" which is foreign to the human being [7].

4. The mass economic person of A. Smith includes various social groups with multidirectional economic interests, for example, owners of capital and workers. The English philosopher does not deny the problem of class antagonisms and proposes to solve it by maintaining a dynamic balance of interests of all participants in production activity. In other words, the capitalist and the worker, which are not giving up their own interests, must constantly strive to give in to each other, in order to ultimately be in mutual benefit from the result of the work they are doing. This approach of A. Smith compares favorably with the violent point of view in solving the problem of class antagonisms, which always leads society into the abyss of social upheavals and disasters.

5. Social egoism, as an important condition for the creative growth of wealth, needs management and constant correction, but not from the position of forces external to the

interests of the cause, but proceeding from the needs of the case itself. The basis of this management is not only the correctly understood essence of the matter, which consists in the willingness for cooperation of each of its participants, but also the constant control of the society (through ethics) so that business entities in practice follow mutually beneficial cooperation arising from the needs of the case. Only in this case, the principle of the "invisible hand", expressed in following the nature of the matter, works effectively. The market itself does not regulate anything, because a person overwhelmed by selfish passions is not capable of sustainable cooperation. Therefore, attributing to A. Smith the concept of a self-regulating market is an erroneous, distorted understanding of his teaching on social egoism.

6. The most important feature of the "economic person" model by A. Smith is its anthropic character. It consists in the fact that the economic aspect of human life is derived and subordinated to the needs of a person, not the economy, which qualitatively distinguishes this model from the later interpretations of an economic person presented in the works of V. Sombart, K. Marx and others.

## Conclusion

The non-economic model of A. Smith economic person that we have presented not only gives an idea of the early, not bourgeois stage of the person business development, but also shows the possibility of an alternative to modern capitalism development of market relations based on the priority of the social enrichment value, rather than individual gain, social harmony, not conflict. All this speaks of the importance and underestimated potential of the ethical and economic heritage of A. Smith. Turning to it will make it possible to contribute to the search for an alternative to modern capitalism (incapable of ensuring the stable existence of society) model of building market relations in the XXIst century.

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