



The Max U Approach: Prudence Only, or Not Even Prudence? A Smithian Perspective

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[LINK TO ABSTRACT](#)

Deirdre McCloskey is discontented with the practice of economists. She dislikes that they follow Paul Samuelson instead of Adam Smith. In her opinion, it is a mistake—a mistake she, too, once committed. She once believed that the only character needed for understanding markets is “Mr. Maximum Utility, the monster of Prudence who has no place in his character for Love—or any passion beyond Prudence Only” (McCloskey 2006, 135). She, too, wrote articles populated by the “Max U-er obsessed with prudence” (2006, 375), “Max U, that unlovely maximizer of Utility, *Homo prudens*” (2010, 274). But she changed her mind and she invites others to follow her lead: Max U—a character fettered by the ends-means logic of Prudence Only (2006, 111) does not work, not even scientifically, she claims (135).

Here I do not want to assess the working of Max U as an explanatory device. I focus on McCloskey’s identification of Mr. Maximum Utility with prudence, an identification that permeates her work.² I do not think that works, either.

The strategy I pursue is to contrast Max U with the man of prudence in Smith’s *The Theory of Moral Sentiments* (1759; hereafter TMS). The reason for singling

1. University of Economics, Prague, 130 67 Prague 3, Czech Republic. I would like to thank Niclas Berggren, Marek Hudik, and participants in the George Mason University Invisible Hand Seminar for many helpful comments. Any errors, of course, are my own. I also gratefully acknowledge the financial assistance provided by the International Center for Economic Research.

2. It seems to be a fair characterization of her position despite the fact that, in *Bourgeois Dignity*, McCloskey writes that prudence in the P-Only character of Max U is not necessarily the classical one: “Max U cares only for the virtue of prudence, and even ‘prudence’ defined in an especially narrow way” (2010, 274, emphasis mine).

out Adam Smith is simple. Even though McCloskey (2004, 318) uses the word prudence as a “useful, long-period compromise among the wisdom-words from *phronesis* in Aristotle to ‘maximization’ in the modern economists,” Smith occupies a prominent position in her argument. He is not just one of many in the tradition. He is the founding father of economic science and also, contends McCloskey (2008a), the last prominent figure in the former mainstream of the virtue ethics. In the postscript to *Bourgeois Virtues* outlining her future work, she further stresses Smith’s prominence by saying: “The way forward is to go back to the blessed Adam Smith, or at any rate to his project...of a commercial yet virtuous society. And humanistic economics” (2006, 514). Smith’s TMS therefore seems to be the ideal locus for probing McCloskey’s claim about Max U being *P*-Only.

The chief question I want to address is whether the processes underlying the virtue of prudence in Smith correspond to the decision making process McCloskey ascribes to Max U, or in other words, whether the process of decision making described by Smith can be interpreted as a version of utility maximization.

What is prudence? Preliminary remarks

McCloskey’s description of prudence is rich yet elusive. The elusiveness is perhaps a consequence of her rich talk. Still, I can see three notable aspects. First, she links prudence with “*P*-Only motivations” (2006, 411), “*P* variables of... pleasure, ...profit, ...power” (407), and she writes about “Prudence-Only axioms of strict self-interest” (497). Second, she believes prudence fulfills an “executive function” (256); it denotes “know-how” (66, 253), ends-means logic or instrumentality (111). And third, she identifies prudence with the lack of regard of one’s own character: “Max U does not value even himself as a person, and leaps at the chance to hitch himself up to an Experience Machine” (135). Max U does not value Max the man but only the utility of the consequences of his actions (258).

Combination of the three perspectives gives us a character that is not particularly attractive. McCloskey offers an example: “Albert Speer, Hitler’s official architect and from 1942 minister of production, was a very saint of Prudence Only, an *echt* efficiency expert” (2006, 284). Does this concept of prudence fit in well with Adam Smith?

Adam Smith left his readers with a multi-faceted concept of prudence, too (Vivenza 2004, 113-114). He too associates prudence around self-interest. Prudence deals with “The care of the health, of the fortune, of the rank and reputation of the individual, the objects upon which his comfort and happiness in this life are supposed principally to depend” (TMS, VI.i.5). It is recommended to us by the concern for our own happiness, our selfish affections (VI.concl.1), not by

concern for the happiness of other people. “The prudent man is not willing to subject himself to any responsibility which his duty does not impose upon him. He is not a bustler in business where he has no concern; is not a meddler in other people’s affairs” (VI.i.13). For many interpreters the concern for oneself is the main attribute of prudence (Griswold 1999, 132; Stigler 1971; Raphael 2009, 65; Otteson 2002, 153ff.).

Smithian prudence also implies deliberation about consequences. Samuel Fleischacker (1999, 66) argues that prudence is primarily an intellectual virtue—a synonym of what Aristotle called *phronesis*.³ Not all actions spurred by the concern for ourselves are necessarily prudent. Prudence requires that we “deliberate soberly and coolly” (TMS, VI.1.12), not act impulsively. Prudence comprises “[s]uperior reason and understanding, by which we are capable of discerning the remote consequences of all our actions, and of foreseeing the advantage or detriment which is likely to result from them” (IV.2.6). There is no prudence without knowledge.

Obviously, some of Smith’s statements about prudence correspond to features of Max U. Yet it would be hasty to draw the conclusion that Smithian prudence and McCloskey’s *P-Onlyness* coincide. Prudence in Smith must be understood in the context of his general system of understanding human conduct. And I believe that any closer inspection of the system reveals there is more that separates than unites prudence in Smith and Max U.

The idea that Smithian prudence is a rich concept is not new. Amartya Sen (1986, 31) stressed that prudence goes well beyond self-interest maximization. Charles Griswold (1999, 206) writes that prudent man is not *homo oeconomicus*—which I take to be a synonym for Max U. The prudent man needs to learn what is best for him (Den Uyl 1991, 128). He is not driven by the always already-given utility of foreseen outcomes (Shaver 2006, 196; Otteson 2002, 55); his character stands before him as a project that he carries out in dialogue with the supposed impartial spectator of his conduct.

In what is perhaps TMS’s single most important paragraph about prudence, Smith says clearly that there is more to prudence than interest in one’s fortune and the superior reason and understanding. Prudence involves “self-command, by which we are enabled to abstain from present pleasure or to endure present pain, in order to obtain a greater pleasure or to avoid a greater pain in some future time”

3. Den Uyl (1991, 129) challenges this view and argues prudence is rather a moral virtue. Similarly, Raphael (2009, 65) points out that what distinguishes ordinary prudence from benevolence is not the intellectual component but the object of the virtue. Both prudence and benevolence imply rational pursuit of interests—in the former case one’s own interests, in the latter case the interests of others.

(IV.2.6). Self-command is not an incidental attribute of prudence. It is from self-command that all virtues derive their principal lustre (VI.iii.11).

Self-command implies that, within the human being, there is a commanding part and a commanded part; it implies a tension within the self and therefore richer psychology than Max U can typically offer. The richer psychology suggests that a prudent person looks upon herself as she looks upon others, and sympathizes with her sentiments toward her own behavior—she values her character. Such intra-being reflection and romance is lacking in Max U.

Adam Smith and the two types of virtues

For Smith, human conduct is to a large extent about following rules. He identifies two types of rules that people apply in decision making: “The one, are precise, accurate, and indispensable. The other, are loose, vague, and indeterminate, and present us rather with a general idea of the perfection we ought to aim at, than afford us any certain and infallible directions for acquiring it” (III.6.11). Only the rules of commutative justice belong to the former category and can be compared to the rules of grammar (VII.iv.1). The rules of all other virtues are loose, vague, and indeterminate and resemble those rules “which critics lay down for the attainment of what is sublime and elegant in composition” (III.6.11).

Both types of rules can be understood as instructions about what to do if certain initial conditions hold. There is, however, a difference in what the initial conditions stand for. In the rules of commutative justice they tend to fully represent all the relevant attributes of the situation. In the rules of other virtues, the conditions that predicate the rule describe only a fraction of relevant initial conditions. A rule of prudence prescribing saving part of one’s income does not imply we always have to save if we have some income—it only indicates that usually there is duty to do so because the other relevant conditions, which may be difficult to ascertain, typically hold as well.

The two kinds of rules also differ in how they instruct behavior. The loose, vague, and indeterminate rules function as pointers indicating what should be done but leave it open for the actor to assess the recommendation on other grounds. The ultimate reason for action exists outside of the rule (Raphael 2009, 55). Smith contends:

We do not originally approve or condemn particular actions; because, upon examination, they appear to be agreeable or inconsistent with a certain general rule. The general rule, on the contrary, is formed, by finding from experience, that all actions of a certain kind, or circum-

stanced in a certain manner, are approved or disapproved of. (TMS, III.4.8)

Such a rule is a report that specific cases have been found on other grounds to be properly approved of; it is not itself the ultimate reason for approval. It is a rule only under a summary view (Rawls 1955, 19). It is formed from “experience and induction” (TMS, VII.iii.2.6) and a strict adherence to it would thus be “the most absurd and ridiculous pedantry” (III.6.9). Its use is justified by the prohibitive cost of ascertaining the proper conditions of the decision situation. The rules of commutative justice, by contrast, do not allow for such freedom. They must always be observed and the person who “adheres with the most obstinate steadfastness to the general rules themselves, is the most commendable, and the most to be depended upon” (III.6.10). They are rules constituting the game (Searle 2005, 9; 2006, 23). They do not summarize what worked in the past within a given game; they determine what it means to play the game.

The last difference between the two types of rules that is relevant for my argument concerns the way they affect decision making. The rules of commutative justice help to circumscribe the boundary of feasibility. They provide a necessary grammar and just as with grammar, their observance often does not require action—one may avoid violation of any rule of grammar by leaving the page blank. Smith calls the respect for the rules of commutative justice the “negative virtue” that may often be fulfilled “by sitting still and doing nothing” (TMS, II.ii.1.9). The rules corresponding to such virtues as prudence, charity, generosity, gratitude, and friendship (III.6.9) are on the contrary positive or active; they recommend what is lovely, becoming, or desirable. They are imprecise pointers helping agents to overcome the problem of limited knowledge of the ends.

So there are the precise, accurate, grammar-like rules of commutative justice, and there are the loose, vague, and indeterminate rules of other virtues. Where does Smith locate prudence? It is abundantly clear that he locates prudence among the other, non-grammatical virtues. The rules of prudence are loose, vague, and indeterminate (III.6.9-11).

Tacit knowledge problem

Smith believed that the loose, vague, and indeterminate rules including the rules of prudence did not provide the ultimate reason for action—there must be something else that primarily recommends behavior in a particular situation.

Most fundamentally it is our sentiments, which includes our passions. Smith considers it absurd and unintelligible to suppose that whether an action is right

or wrong can be primarily derived from reason (VII.iii.2.7). The problem with sentiments is that they do not provide unambiguous guidance either. We experience a clash between affections that are “private, partial, and selfish” (VII.ii.1.47) and sympathy that drives us to seek approbation from our fellow men. However selfish we are there is a principle in our nature that interests us in the fortune of others (I.i.1.1), including the spectators—real or supposed—of our conduct. There is a tension between natural, undisciplined, untaught feelings (III.3.28) and the equally natural search for approbation, a tension that instructs us to adjust our passions to “that pitch of moderation, in which the impartial spectator can entirely enter into them” (I.i.5.8).

Smith shows that in assessing our own conduct we follow a strategy like the one we use to assess the conduct of others (III.i.2). Both processes are driven by sympathy. In our own conduct we want to be guided by sentiments that real spectators of our situation can sympathize with and approve of. Smith argues that “nothing pleases us more than to observe in other men a fellowfeeling with all the emotions of our own breast” (I.i.2.1).

Knud Haakonssen (1981, 53) explains how the search for approbation operates in three distinct sympathetic moves. We first put ourselves into the shoes of a spectator of our situation. The second move consists of imagining to what extent the spectator can sympathize with our take on the situation and approve of our sentiments. We try to discover which of the possible interpretations the spectator would adopt and what moral sentiment triggered by the interpretation would thus be appropriate. We try to gain impartial perspective on the propriety of our motives but also imagine gratitude of our future self who will bear the consequences of our action. Virtuous conduct requires not only appropriate perception of the situation but also correct knowledge of ends-means relationships. In the last move we sympathize with the spectator’s approval or disapproval of the original sentiments and thereby make the spectator’s sentiments our own. Griswold (1999, 121) shows that the pleasure we take in mutual sympathy with the spectator should be understood aesthetically, as a “disinterested attraction to harmony, concordance, system, and balance.”

The search for approbation by real spectators is just the beginning of the process, though. The man of virtue strives not only to imitate sentiments of those who happen to see and judge his behavior, he strives to have wise and virtuous sentiments. “Man naturally desires, not only to be loved, but to be lovely” (TMS, III.2.1). The question is how one can discover what is lovely—how to see one’s own situation from the position of a well-informed and less partial spectator. This poses a cognitive challenge to the agent. Only the “[a]ll-seeing Judge of the world, whose eye can never be deceived, and whose judgments can never be perverted”

(III.2.33) has absolute certainty about her interpretation, the certainty that is denied to human beings in their earthly lives.

The difficulty of finding an adequate interpretation can to some extent be alleviated by a process of “free communication of sentiments and opinions” (VII.iv.28). The only prerequisites are that the grammar of the communication be correct and that people transcend the base desire to persuade (VII.iv.25), endorsing the desire to be worthy of belief (VII.iv.24). Smith sees it as a natural process aimed at achieving a “certain harmony of minds” (VII.iv.28). Just as people seek praiseworthiness not only praise, they desire that others who accept their interpretation do so because it is worthy of acceptance. They invite others to look into their hearts, and they strive to look into the hearts of others. It is not a merely imaginary process; it is a real encounter whereby one tries to learn about perspectives available to the spectators of his situation while explaining the circumstances of his case available only to him.

The intersubjective standard emerging in the dialogue is never final, but it typically points in the likely direction of the impartial spectator’s position relative to that of the greater part of mankind. It enables us to meaningfully apply a criterion: sentiments are assessed as praiseworthy if they deviate from what is ordinary towards the consensus emerging out of the well-intended free communication, and as blameworthy if they deviate in a direction away from that consensus. This is much more modest a criterion than the benchmark of perfect propriety but also is much less cognitively demanding. It only requires knowing the direction pointing to the ideal, not the ideal itself. As stressed by Alexander Broadie (2006, 184), our characterization of the impartial spectator is not ideal but is instead the working best; it is only a demigod, not God.

Problem of self-command

The described process—the search for an ever-less-partial approbation—is the basic source of motivation for action. It is not, however, one that impels deep contemplation in most daily activity. It requires judgment about a situation that may be too difficult to obtain for ordinary people in the daily business of their lives. Perfect judgment requires moral perfection. And, as Smith was very well aware of, “The coarse clay of which the bulk of mankind are formed, cannot be wrought up to such perfection” (TMS, III.5.1). We resort to rules, and often without deep contemplation.

What are the loose, vague, and indeterminate rules that help prudent man navigate his life? They instruct him to avoid risk. Writes Smith: “Security, therefore, is the first and the principal object of prudence. It is averse to expose our health,

our fortune, our rank, or reputation, to any sort of hazard” (VI.i.6). The rules do not mean we can never take risk and be entrepreneurial. They only imply that in normal circumstances we should not. They also instruct the prudent man to save. Smith claims that “frugality, and even some degree of parsimony, in all our expences” is what prudence recommends to improve our fortune (VI.i.6). For abstaining from present pleasure the prudent man deserves not only approbation but even applause from the impartial spectator (VI.i.11). Again, that we should save is in no way a categorical imperative. The last example I will provide is the maxim to think things through. Writing about the prudent man, Smith observes: “If he enters into any new projects or enterprises, they are likely to be well concerted and well prepared. He can never be hurried or drove into them by any necessity, but has always time and leisure to deliberate soberly and coolly concerning what are likely to be their consequences” (VI.i.12).

Effective application of rules requires that we know them. But there is more. Smith writes: “The most perfect knowledge, if it is not supported by the most perfect self-command, will not always enable him to do his duty” (VI.iii.1). The fact that some part of the acting person knows what should be done does not guarantee that the person will behave accordingly.

In a similar context, Jonathan Haidt (2006, ch. 1) uses a metaphor of a rider on an elephant. I find it quite useful here. In the metaphor, the course of action is determined primarily by the elephant, which is the more powerful part of the pair. The rider observes and only gradually apprehends the necessary knowledge, in the form of rules. With the rules she can steer the elephant onto the right path in situations where it misinterprets prevailing conditions. The rider, though not particularly mighty, can learn to become very important. Smith acknowledges that “the violence and injustice of our own selfish passions are sometimes sufficient to induce the man within the breast to make a report very different from what the real circumstances of the case are capable of authorising” (TMS, III.4.1). Frequently, the elephant runs loose, and it is then that the commanding part of the person, the part that has carefully learnt “in all [her] sober and cool hours” general rules of morality (VI.iii.1), should see the opportunity to guide behavior. The stronger the commanding part becomes, the greater her self-command.

The prudent man is not morally perfect (Griswold 1999, 205). His decision making is as complex as of the man of perfect virtue “[w]ho acts according to the rules of perfect prudence, of strict justice, and of proper benevolence” (TMS, VI.iii.1). He can impartially judge a situation, but the lenses through which he spectates the world filter away all other persons from his interpretation. McCloskey (2008b, 181) would say he lacks other-regarding and sacred concerns. In a competitive game metaphor, prudence would denote excellent understanding of the game, selecting the most effective way to individual success but not actively caring about

others. The only goal of the prudent man would be to win within the limits of fair play—he would have the grammar right but his composition would lag behind.

Prudence, says Smith, should be regarded as “a most respectable and, in some degree, as an amiable and agreeable quality...[which] commands a certain cold esteem, but seems not entitled to any very ardent love or admiration” (TMS, VI.i.14). The love and admiration is not very ardent because the care for ourselves is what nature first recommends to us and therefore is not difficult to cultivate (Otteson 2002, 143). In this perspective prudence can be viewed as a stage of moral perfection (Hanley 2006, 30; 2009, 95).⁴

Max U

Max U is very different, although it is not easy to say what exactly he is like. He seems to have no particular character. McCloskey calls him “a Machiavellian-Hobbesian-Mandevillian-Benthamite-Samuelsonian-Beckerian maximizer of utility specialized in the one virtue of prudence only” (2011). In my reading of McCloskey, Samuelsonian economics stands for the wide stream of economics that students typically learn at graduate programs. She is not very specific.

If this is the case, Max U can maximize any goals. Economics today is often understood as a domain-unspecific method applicable to any choice in the presence of scarcity where the choice is characterized by consistency (Sugden 1991, 751; Lazear 2000, 100). When economists use the term utility maximization they do not imply anything particular about preferences. Especially, they do not claim that people have “little utility generators in their heads. Still less do they make it axiomatic that utility is the same as income” (Binmore 2005, 817). As Sen observed thirty-five years ago: “if you are consistent, then no matter whether you are a single-minded egoist or a raving altruist or a class conscious militant, you will appear to be maximizing your own utility” (1977, 323). Utility is an empty drawer suitable for storing any kind of mental content. Anyone capable of ranking alternatives on a single scale and capable of choosing accordingly can be described as Max U (Buchanan 1979, 25; Gauthier 1975, 414; Lutz 1999, 153).

McCloskey would probably agree. She acknowledges that other-regarding and sacred goals (McCloskey 2008b, 181) can be made part of Max U: “It’s easy

4. Besides ordinary prudence Smith also mentions “superior prudence” that combines prudence with “many greater and more splendid virtues” supported “by a proper degree of self-command” (TMS, VI.i.15). The superior prudence is, however, a different species of virtue referring to wise policy making rather than to wise pursuit of private goals (Raphael 2009, 68).

to include 'love' in economics. Just put the beloved's utility into the lover's utility function" (2006, 108).

What else then characterizes Max U if not selfishness? McCloskey writes that the choice of Max U is purely instrumental; there are no dilemmas in the choice (2006, 355). Max U values things for "their capacity to yield utility" (135), or in other words, their capacity to conduce to the given end. He always chooses only means but never ends. For Max U the choice problem is simply given, as it is to an observing economist; no judgment is necessary on either side. Max U confronts no dilemma. Perhaps he stands in the position of the impartial spectator, super-knowledgeable and seeing everything in its proper light. Or maybe he is far from that position, but deludes himself so thoroughly that he confines himself entirely to his interpretation, singular and crisp. He need not contemplate which solution of many should be selected; he need not hesitate to ponder the situation, because, to his mind, he has the right interpretation. For Max U no sublime composition is necessary, as he only executes according to a mathematical grammar.

In executing an optimization problem set out in a microeconomics textbook or exam question, the solver, acting as Max U, follows a set of rules that are precise and accurate. Perhaps it is a Lagrangian problem: Take a derivative, set it equal to zero, solve for the unknowns, apply the rules of algebra, check the second-order conditions, and so on. Perhaps it is a more complicated, Kuhn-Tucker set of rules. Regardless, the procedure is pretty much confined to execution according to a mathematical grammar. But, again, Smith said unequivocally that prudence is not grammatical. Only commutative justice is grammatical. Prudence is listed among "the other virtues" (TMS, III.6.10), whose rules are loose, vague, and indeterminate.

For Max U, no problem of self-command ever arises. Max U has no internal structure; he is unitary. There is no commanding and commanded part, no rider and no elephant. The agent is not a weak individual that struggles with powerful forces trying to corrupt her character. Max U is a synonym for an algorithm that transforms inputs into outputs. He is a single preference ordering, as McCloskey would put it (2006, 343).

Summary

The Smithian man of prudence is not a perfectly virtuous character. In some important way he is selfish. But Max U is not necessarily selfish. Economists often put unselfish arguments into the utility function, and, when they do, it is still Max U.

To a prudent man the decision is not simply given. Decision entails interpretation and judgment (Klein 2012, 22, 145-147). The prudent man struggles to approximate the position of the impartial spectator to see the most relevant aspects of his situation and to achieve harmony with his sentiments. Max U acts on the premise that he is always already there and sees no beauty in standing in such a position.

And finally, the prudent man can use grammar-like optimization only in situations where he has access to the position of the impartial spectator—in other words, where his passions do not blur his interpretation. In most cases he applies loose, vague, and indeterminate rules that supposedly, hopefully, summarize what worked in similar situations in the past. For Max U, on the other hand, constrained optimization is the only method he can apply. His being consists of a set of grammar-like algorithms.

McCloskey argues that economists forgot about all virtues except for prudence. I see no virtues in Max U economic discourse at all. Max U cannot be identified with prudence in Smith or any single other moral virtue. Max U is not the man of prudence; the two are not even distant relatives but rather different species. Max U proceeds as from a position of settled interpretation. The rules that exist in his world are grammar-like instructions. There is no tacit knowledge, and no judgment is needed. Max U knows neither virtues nor vices; he is an automaton. He is a unitary being dwelling in a single, settled interpretation, with no internal quarrels and no dilemmas. None of this makes him necessarily useless as a tool. But it definitely alienates him from prudence.

McCloskey's identification of Max U with the virtue of prudence is not persuasive. The Smithian prudent man is among McCloskey's "speaking and listening and interpreting animals" (2006, 191); he is not a pre-programmed input-output robot. The gap between utility maximization and the virtue discourse seems to be too large to be bridged by even the most generous interpretation.

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