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### **“Summary of article by Gerald Alonzo Smith: The Teleological View of Wealth: A Historical Perspective”**

"The practice of medicine may require the prescription of an addictive stimulant for the sake of good health. The amount of the stimulant is finite and limited by the end. When, however, one takes a stimulant for its own sake, the desire for it becomes infinite since it is no longer limited by a final goal but is an end in itself. The same is true of the output of the economic process which, rather than being used for the sake of achieving the final goal of life, tends to become the final goal itself. . . . We get hooked on economic growth."(215)

Economists have tended to formulate their perceptions of social welfare based upon the 19th century philosophies of individualism and utilitarianism. Happiness is equated with the consumption of goods: the more goods available and consumed in society, the higher the level of social well being. Individuals are considered the best judge of their own happiness, so the individual's choice of economic goods as expressed in the market place must be taken as given, and is thus beyond analysis. The key to the greatest happiness for the greatest number is to simply allow people to follow the dictates of their acquisitive, self-interested nature. There have been economists in the modern era who have questioned this premise. In what follows, the thoughts of four such economists are examined. Each in his own way rejects the conventional wisdom that economic growth is an end in and of itself. They have all viewed the growth of production and consumption as a means rather than an end. They define that end as life in all of its dimensions, especially the higher, immaterial dimensions.

**J. C. L. Simonde De Sismondi (1773-1842)**

Sismondi was writing during the period of transition from craft production to industrialization, and his views were shaped by the excesses of that time. He was the first economist in modern times to question the notion that growth in economic productivity was an end in itself, tantamount to an enhancement of the public good. He began his analysis by rejecting the notion that the goal of an economy was the maximization of wealth itself. Sismondi turned to the Greeks, most especially Aristotle, for his inspiration. "But at least they [the Greeks] never lost sight of the fact that wealth had no other worth than what it contributed to the national happiness."<sup>1</sup> From this perspective, he disagreed with the conventional economists' standard prescription of expansion of production to ease the massive social misery of the early industrial period.

Sismondi, who coined the term "proletarian," develops his analysis by comparing the disappearing system of craft production, in which a man worked for himself, to the emerging industrial system, in which he works for others. In the former system, an individual who reaped the fruits of his own labor could simply work until the point at which the value of leisure exceeded the value of producing additional goods. For such a person, "it would appear as folly to accumulate still more [wealth], since such a laborer would not be able to increase his consumption in a proportional amount."<sup>2</sup> Moreover, "every craftsman [who] compares the almost imperceptible pleasure that he would receive from a slightly finer suit of clothes with the additional work that such a suit of clothes entails, would not wish to pay this price. Luxury is not possible except when it is paid for by the work of others."<sup>3</sup> Thus, the decision to continually expand production and accumulate wealth is made by those who profit from production, rather than by those who must bear the real cost of production.

Sismondi looked around him and witnessed an expansion of production and technology that was without precedent, but for what purpose? His historical studies had taught him that there was more to a superior civilization than increased material production. He recognized that if this increase in productivity was brought about by an unjust economic system, then it may well do more harm than good.

### **John Ruskin (1819 – 1900)**

Ruskin's investigations into the life of laborers in England quickly led him to the conclusion that something was very wrong with a system that produced so much quantity of so little quality, and brutalized so many people in the process. He denounced the gospel of greed advocated by the conventional political economy of his time. Of all the humanistic critics of his age, only Ruskin attempted to challenge the economic theorists on their own ground and attempted to distinguish true political economy from the "bastard science" which merely attempts to maximize economic productivity.

Like Sismondi, Ruskin turned to the Greeks for a definition of wealth, which he finds in Xenophon's Economist: those economic possessions that aid man in living are true wealth, while those that contribute to the destruction of man's nature are not true wealth - Ruskin labels these "illth." For Ruskin, those possessions that aid man in living are only those that he can use, and in the case of a single being, uses are necessarily limited. Excess in possession, i.e., the accumulation of goods for which man has no use, is ill for that man, and is therefore illth. Thus the accumulation of wealth for its own sake ought not be the final goal for any individual or society.

### **John A. Hobson (1858 - 1940)**

Hobson considered himself a disciple of Ruskin and, like Ruskin, subjected conventional economic theory to the test of humane assessment. More than Ruskin, Hobson accepted that there was some validity in orthodox economic theory. He felt, however, that the discipline had to be moderated by a social ethic and brought under the umbrella of a broader science: the art or science of human welfare.

Hobson focuses first upon the flawed ways in which economists treat consumption. They see consumption as the formal end of an economic process, in which goods are passed from the farmer, manufacturer and trader into the hands of the consumer, where they disappear in privacy and obscurity. The pattern of demand is taken as a given and is thus nobody's concern. Hobson, however, questioned the extent to which current tastes and appetites are reliable indices of

human utility, and further doubts man's capacity to distinguish between the desired and the desirable. One need only "cite the ample evidence of the errors and wastes that are represented in every human standard of consumption."<sup>4</sup> The theory of demand "does not yet accord the disinterested valuations of consumptive processes required by a theory in which consumption is the 'sole end.' For consumption here only enters the economic field as a factor in markets and the determination of prices, not as the means of realizing the purpose of which the whole economic system is directed."<sup>5</sup>

Hobson then attempts to determine what it was that was desirable, or, in other words, what was the ideal "Ultimate End" by which the system could be judged. He identified this ideal as organic welfare, by which he means "good life," including a material component as well as non-material artistic and spiritual factors. The practice of equating current patterns of income and consumption with the desirable or organic welfare in society is not acceptable since the entire system contains large elements of human waste or error. He decried the absence of any study either of the evolution of actual standards of consumption or of desirable standards. The status quo, with its elaborate apparatus of selling and technological innovation, has a built-in bias toward excess production and consumption. When narrow-minded, tunnel-visioned economists blindly accept current consumption as the inevitable and desirable outcome of individual preferences, they describe only a minute portion of the canvas.

### **Richard H. Tawney (1880 – 1962)**

Tawney, like the others, takes the false equation of wealth and consumption with happiness as his starting point. He is troubled by the modern belief that the "principal aim of man, what should be taught to children, ... what merits approbation and respect, is the attainment of a moderate - or even immoderate - standard of comfort."<sup>6</sup> With such a standard, the goal of society must be to produce and then produce more. Yet the philosophical road which views economic productivity as its own end, the road that has given us the greatest increase in productivity since the fall of the Roman Empire, has at the same time produced greater and greater levels of economic discontent. The frenetic rush to produce with no guiding principle other than the accumulation of wealth creates a situation where "part of the goods which are

annually produced, and which are called wealth, is strictly speaking, waste."<sup>7</sup> Tawney compares British industrialism with Prussian militarism, both of which have killed the souls of men by allowing a subordinate social system to dominate their societies.

Like Ruskin, Tawney sees the correct path as one in which the purpose of industry "is to supply man with things which are necessary, useful or beautiful, and thus to bring life to body or spirit. In so far as it is governed by this end, it is among the most important of human activities."<sup>8</sup> He greatly emphasized the centrality of religion, art, literature and learning to human happiness and well being. These are ends which must not be secondary to production and the accumulation of wealth, for "if they are sought second they are never found at all."<sup>9</sup>

## Conclusion

The four economists reviewed in this study have examined the economic system in which they lived and the economic thinking regarding that system, and found both wanting. It is a system in which doing becomes its own justification. We no longer ask "doing what?", or explore "doing what for what?", or analyze "doing what for what and with what?"(232) Man has sought the false remedy of gaining power over things and persons, and thus economic production and power have become their own ends. In pursuing this path, the sickness of society is exacerbated. It is only through returning to a study of man and the appropriate final goal of human association that this sickness can be healed.

## Notes

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1. J.C.L. Simonde de Sismondi, Nouveaux principes d'economie politique ou de la richesse dans ses rapports avec la population, Vol. II, 2nd ed. (Paris, 1827), 140, translation by G.A. Smith; cited by Smith, 218.
  2. Sismondi, 75-76; cited by Smith, 219.
  3. Sismondi, 79; cited by Smith, 219.
  4. John A. Hobson, Wealth and Life: A Study in Values (London, 1929), 328; cited by Smith, 225.
  5. Hobson, 304-6; cited by Smith, 226.
  6. J.M. Winter and D.M. Joslin, ed., R.H. Tawney's Commonplace Book (Cambridge, England: Cambridge University Press, 1972), 60-62; cited by Smith, 228.
  7. R.H. Tawney, The Acquisitive Society (New York, 1920), 37-38; cited by Smith, 230.
  8. Tawney, 8; cited by Smith, 230.
  9. Winter and Joslin, 60-62; cited by Smith, 228.