

Title: Economic Development and moral behaviour: does the road to virtue cross the road to fortune? Adam Smith's analysis

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Abstract

This paper aims at linking economic development and individual behaviours, in Adam Smith's thought. We show that Smith distinguishes between different paths of development, these paths depending on the presence of moral characters in the society.

Nowadays, so called revisionists commentators- using V. Brown's phrase (1997)-, who seek to place Smith in historical context highlight a significant link between moral behaviour and economic development. As a result, it appears to be a pre requisite to national opulence: Fitzgibbons (1995) and Evensky (1992, 1993) suggest that virtuous prudent men in *The Theory of Moral Sentiments* contribute to the growth of wealth in *An Inquiry into the nature and the Origin of the Wealth of Nations*. Reisman (1976), Sen (1993) and Prasch (1991) assert that human mismanagement involves declining state; mismanagement comes from projectors, immoral men. According to these commentators, what Smith calls in 'the order contrary to the natural course of things' or 'retrograde order' *An Inquiry into the Nature and the Origin of the Wealth of Nations* leads to the impoverishment of the nation.

Now, the problem is Smith's arguments lead one to something rather different: European nations did follow this order contrary to 'the natural course of things', and, this didn't prevent them from increasing their wealth. Smith only writes that economic development is 'slower' and 'uncertain', that is not to say it is impeded.

In fact, Smith's arguments suggest that projectors slow the accumulation of capital down, because they destroy parsimony. Fortunately, thanks to usury laws, prudent men obtain most of the funds they need on credit market. So, when Smith wrote his book at the end of the Eighteenth century, projectors' investments was low relatively to prudent men' investments. It would not be the case if usury laws were abolished: according to Smith, prudent men would be evinced from the credit market and projectors would remain the chief undertakers. In this case only, retrograde order would impede economic development.

In this paper, we follow revisionist commentators in considering that two major books Adam Smith's can be seen as part of an integrated consistent body of thought. Like them too, we disagree with those commentators for whom Smith was optimistic about economic development. But we don't think that Smith so real pessimistic about economic development in a capitalism system.

Indeed, when projectors are absent and prudent men numerous, development follows the 'natural course of things', associated, in Smith's sense, with an optimal growth process and rapid development (part I). If projectors are present, development is conform to the retrograde order. We intend to show that projectors' investments affect the speed of economic development, especially through its impact on the accumulation of private capital. This leads us to distinguish i) the case in which usury laws are maintained, and ii) the case where they are abolished. The difference rests upon the presence or absence prudent men. A special interest is thus the first case, where path of development is not efficient - because of the projectors -, but where the enrichment of society is not impeded - thanks to the prudent men (part II). The more numerous projectors are, the more parsimony is destroyed, and the more the economic delay is significant. The third path of development is the retrograde order, lead by projectors and without prudent men (part III).