

## Cultural and Individual Value Correlates of Capitalism: A Comparative Analysis

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Kasser, Cohen, Kanner, and Ryan (2007) examine presumed psychological costs of American Corporate Capitalism. They argue persuasively that the institutions and ideologies of ACC foster a set of values based in self-interest—financial success, consumption, and competition. Drawing in part on my work on the cross-culturally stable conflicts among values, they argue further that these emphases of ACC cause a de-emphasis on the opposing values: concern for others in the wider community, interpersonal closeness, and autonomy. If they are correct, the measured value priorities of American citizens should differ from those of members of other societies in ways that reflect the impact of ACC. Moreover, the basic value orientations that characterize American culture should differ measurably from those of other societies. I will assess the extent to which this is true, based on my cross-cultural research.

### ACC Compared with Other Varieties of Capitalism

There are various types of capitalism. Why study ACC? Among the reasons Kasser et al. give for their choice are that ACC is the type of capitalism “that currently has the largest worldwide influence” and that it is “most likely to influence people in the future.” The “varieties of capitalism” literature casts some doubt on both these assumptions (e.g., Hall and Soskice, 2001; Peck and Theodore, 2005). At different times during recent decades, the capitalisms of Japan or of Germany have appeared to be ascendant. Nonetheless, the choice of ACC is a good one, not only because most of the audience reading this article lives under this form of capitalism. Empirical data indicate that ACC represents a polar type on a continuum of capitalisms (Hall and Gingerich, 2004).

Varieties of capitalism theory view firms as the key actors in the economy. The central problem facing firms is coordination with other actors, with labor unions, other firms, sources of finance, of new technology, of educated workers, etc. One way firms can coordinate is through planned interaction with other actors in which they pursue their goals strategically. Another is through the free operation of the forces of market competition. The balance between these two types of coordination varies across political economies.

At one extreme, in economies such as ACC, market competition is the primary source of coordination. Kasser et al. describe the American system as based

on the premise that society benefits from the highest quality and quantity of goods and services when all compete with each other and pursue their own self-interest. At the other extreme, in economies such as in Germany, coordination is based primarily on strategic interaction. Optimal outcomes ensue when the actors in the economy work more collaboratively toward their goals. In the process, they form credible commitments to one another through information sharing, monitoring, sanctioning, and deliberation.<sup>1</sup>

Hall and Gingerich (2004) developed an index that locates national economies on a dimension running from competitive market coordination to strategic coordination. They locate 20 capitalist countries on this dimension. I will use their scores for these countries to examine how the American variety of capitalism, as compared with other capitalist systems, reflects and/or influences the value priorities of individuals and the culture of societies. Of course, national characteristics other than type of economy influence values. Particularly important is national wealth (Inglehart and Welzel, 2005; Schwartz, 2006a). Across the 20 capitalist countries, location on the strategic vs. competitive coordination dimension does not correlate with gross domestic product per capita ( $r = 0.04$ ). Hence, comparisons of culture and values across these countries are free of the potential influence of national differences in affluence.

The first column of Table 1 presents the scores of the 20 countries on the Hall and Gingerich (2004, p. 14) index. Low scores indicate coordination largely through competitive markets. High scores indicate strategic coordination among the actors in the economy. The most competitive, market-driven form of capitalism appears in the USA. So ACC is indeed the most extreme form of competitive capitalism by this measure. This form of capitalism also characterizes other Anglo countries, though to a lesser extent. Austria and Germany are at the strategic coordination pole.

To clarify the meaning of location along this dimension of capitalism, consider the variables that went into the index. The index includes two broad types of variables. The first concerns corporate governance. Scores are higher where managers or dominant shareholders have greater power relative to ordinary shareholders, where the proportion of firms with a single controlling shareholder is larger, and where the value of the equity

<sup>1</sup>The varieties of capitalism literature calls these ‘liberal market economies’ vs. ‘coordinated market economies.’

**Table 1.** *Strategic Coordination and Cultural Orientations in 20 Capitalist Countries*

Country	Strategic vs. Competitive Coordination <sup>a</sup>	Cultural Value Orientations					
		Harmony	Mastery	Egalitarianism	Hierarchy	Intellectual Autonomy	Embeddedness
Austria	1.00	4.31	3.92	4.89	1.75	4.90	3.11
Germany	0.95	4.58	3.9	5.04	1.85	4.91	3.06
Italy	0.87	4.62	3.81	5.27	1.60	4.91	3.46
Norway	0.76	4.40	3.85	5.12	1.49	4.68	3.45
Japan	0.74	4.21	4.06	4.36	2.65	4.78	3.49
Belgium	0.74	4.35	3.84	5.2	1.69	4.64	3.25
Finland	0.72	4.34	3.66	4.90	1.80	4.93	3.37
Portugal	0.72	4.27	4.11	5.21	1.89	4.53	3.43
Denmark	0.70	4.16	3.91	5.03	1.86	4.77	3.19
Sweden	0.69	4.46	3.81	4.90	1.83	5.09	3.12
France	0.69	4.21	3.72	5.05	2.21	5.13	3.20
Netherlands	0.66	4.05	3.97	5.03	1.91	4.85	3.19
Spain	0.57	4.47	3.80	5.23	1.84	4.99	3.31
Switzerland	0.51	4.40	3.74	5.06	2.06	5.32	3.04
Australia	0.36	3.99	3.97	4.79	2.29	4.35	3.59
Ireland	0.29	3.77	4.04	4.90	2.09	4.54	3.41
New Zealand	0.21	4.03	4.09	4.94	2.27	4.65	3.27
Canada	0.13	3.91	4.08	4.85	2.04	4.58	3.38
United Kingdom	0.07	3.91	4.01	4.92	2.33	4.62	3.34
United States	0.00	3.46	4.09	4.68	2.37	4.19	3.67

<sup>a</sup>High scores indicate strategic coordination, low scores competitive coordination (scores from Hall and Gingerich (2004: p. 14).

market relative to the gross domestic product is smaller. That is, concentrated power in small markets facilitates successful strategic planning, whereas dispersed power in large markets is conducive to coordination through the forces of market competition.

The second type of variable concerns labor relations. Scores are higher the more employees (unions) and management engage in strategic wage bargaining, when bargaining occurs at the level of the firm rather than the national or intermediate levels, and the longer workers stay in firms rather than moving from one firm to another via competitive labor markets. That is, extensive wage bargaining at the local level and low labor turnover characterize economies high in strategic planning.

### Capitalism and National Culture

To examine relations of capitalism to national culture, I use my theory of cultural dimensions (Schwartz, 1999, 2004). The theory specifies seven cultural value orientations, validated in studies across 74 countries, for comparing cultures.<sup>2</sup> Six of these orientations are relevant to the Kasser et al. arguments about cultural correlates of ACC. A first pair of opposing orientations

concerns cultural preferences for regulating the use of human and natural resources. According to the **Harmony** orientation, groups and individuals should fit harmoniously into the natural and social world, avoiding self-assertion aimed at exploiting or changing it. In contrast, the **Mastery** orientation encourages groups and individuals to master, control, and change the social and natural environment through assertive action. It views seeking competitive advantage through such action as legitimate. Cultures high on Harmony emphasize such values as world at peace, unity with nature, and protecting the environment. Cultures high on Mastery emphasize ambition, daring, and success.

Kasser et al. describe the pursuit of self-interest, maximizing profit, and economic growth as central to the ideology of ACC and to the everyday activities of American firms and individuals. Others are often viewed in terms of how they can be used for one's own purposes. Exploitation of resources in the interests of progress and change takes precedence over preserving natural resources and protecting the immediate welfare of people whose interests conflict with one's own. Thus, to the extent that a political economy resembles ACC, we would expect its accompanying culture to be higher on the Mastery orientation but lower on the Harmony orientation. Columns 2 and 3 of Table 1 report the scores of the capitalist countries on these orientations. As expected, the strategic vs. competitive coordination index correlates positively with Harmony ( $r = 0.83$ ,  $p < 0.001$ ) and negatively with Mastery ( $r = -0.52$ ,

<sup>2</sup>For details of the conceptual derivation of these dimensions and the methods used to measure them, see Schwartz (1999, 2004, 2006a).

$p = 0.01$ ).<sup>3</sup> America has the lowest Harmony score and is tied for second on Mastery.

A second pair of opposing cultural orientations concerns the preferred societal approach for eliciting cooperative, productive activity, and managing interdependencies among actors. The **Egalitarianism** orientation emphasizes socializing individuals to accept others as morally equal, to transcend selfish interest, and to cooperate voluntarily with others out of an understanding of long-term mutual interests. It depends on the internalization of other-concern values. The **Hierarchy** orientation relies on differential, hierarchical allocation of roles and resources to groups and individuals as the legitimate, desirable way to regulate interdependencies. People are expected to meet role obligations, accepting external social control. Cultures high on Egalitarianism emphasize such values as equality, social justice, honesty, and loyalty. Cultures high on Hierarchy emphasize authority, social power, wealth, and humility.<sup>4</sup>

An unequal distribution of resources, legitimized by a competitive ethos, characterizes ACC. This is the inevitable result when capitalists, laborers, and consumers, each starting with different levels of resources, seek to maximize their own outcomes in the competitive market without concern for the outcomes of others. Market forces that privilege the strong rather than internalized values that promote collaboration with others govern most economic transactions. Columns 4 and 5 of Table 1 report the scores of the capitalist countries on Egalitarianism and Hierarchy. The strategic vs. competitive coordination index correlates positively with Egalitarianism ( $r = 0.33$ ,  $p < 0.08$ ) and negatively with Hierarchy ( $r = -0.60$ ,  $p < 0.01$ ). America is the second lowest on Egalitarianism and second highest on Hierarchy.

The final pair of opposing cultural orientations concerns the nature of relations and boundaries between the person and the group. The **Autonomy** orientation views people as autonomous bounded entities and who should cultivate their own uniqueness and express their own preferences. Of two subtypes of autonomy, intellectual and affective, the **Intellectual autonomy** subtype is relevant to ACC. It encourages individuals to pursue their own ideas and intellectual directions independently. The contrasting cultural orientation of **Embeddedness** views people as entities embedded in a group who should identify with the group and its goals, find meaning through participating in its shared way of life, maintain group traditions and solidarity, and restrain potentially disruptive actions. Cultures high on Intellectual Autonomy emphasize such values as broadmindedness, curiosity, and creativity. Cultures

high on Embeddedness emphasize social order, respect for tradition, security, and obedience.

Kasser et al. argue that, contrary to common assertions, ACC undermines rather than promotes personal freedom. It glorifies the importance of financial success, holds up models few can match, advertises products people must strive to obtain, and pressures people to work harder, longer, and with less choice than they desire. Through such practices, ACC promotes responsiveness to external expectations and deprives people of opportunities to cultivate their own interests. It thus conflicts with the cultural orientation of Intellectual Autonomy. Less clear from the Kasser et al. analysis is whether American culture should be characterized by a relatively high Embeddedness orientation. The pressures they describe to conform and to meet external expectations prevalent in the society fit such an orientation. Moreover, the logic of my theory of cultural orientations suggests that cultures low in Autonomy are high in Embeddedness. The data in columns 6 and 7 of Table 1 support these expectations. The strategic vs. competitive coordination index correlates positively with Intellectual Autonomy ( $r = 0.56$ ,  $p < 0.01$ ) and negatively with Embeddedness ( $r = -0.45$ ,  $p < 0.05$ ). America has the lowest Intellectual Autonomy score and the highest Embeddedness score.

In summary, the more similar the economic system of a capitalist country to ACC, the more its culture is characterized as high in the Mastery, Hierarchy, and Embeddedness orientations and as low in the Harmony, Intellectual Autonomy, and Egalitarianism orientations. Among wealthy capitalist economies, the USA ranks as most extreme culturally on three of the six orientations and as second most extreme on the other three.<sup>5</sup> Other Anglo cultures, whose capitalism is also quite competitive, show a pattern of cultural orientations similar to but less extreme than the American. These cultural data strongly support the Kasser et al. inferences about the nature of American culture.

### Capitalism and Individual Value Priorities

Thus far, I have discussed the cultural orientations to which individuals in capitalist societies are exposed. I turn next to the value priorities of the individuals

<sup>3</sup>The reported  $p$  values are 1-tailed in the predicted direction.

<sup>4</sup>Showing humility toward superiors and demanding it of inferiors fosters smooth functioning in hierarchies.

<sup>5</sup>The Confucian and feudal heritage of Japan, may account for its high scores on Hierarchy, Embeddedness, and Mastery orientations and its low score on Egalitarianism, relative to other advanced capitalist countries. I do not report comparisons with available data from 76 cultures from all inhabited continents because effects of capitalism would be confounded with a multitude of other factors. Nonetheless, it is interesting to note that American culture is in the top quartile of all these cultures on Mastery and the bottom quartile on Harmony.

in these societies. Drawing on my theory of individual differences in values, Kasser et al. reasoned that Americans are likely to attribute especially high importance to Power and Achievement values because they “echo the self-interested, competitive, financially-acquisitive . . . desires characteristic of ACC’s central tenets.” Power values refer to the broad goal of control over resources and people—wealth, status, and authority. Achievement values refer to the broad goal of personal success through demonstrating competence according to social standards. Kasser et al. posit that ACC leads to internalizing both these self-enhancing values.

The structure of relations among basic individual values, verified in cross-cultural studies, reveals that the pursuit of self-enhancement values generally comes at the expense of an opposing set of values. Kasser et al. use this finding to reinforce their argument that the ideology and institutions of ACC undermine concern for the welfare of others in the broader community (Universalism values), developing and maintaining close relations with family and friends (Benevolence values), and feeling worthy and autonomous (Self-Direction values). Kasser et al. note that the individual value priorities they believe to characterize ACC are associated with poorer mental health and development.

Table 2 reports the mean ratings of these values in the capitalist countries. The strategic vs. competitive coordination index correlates negatively with the average importance individuals attribute both to Power ( $r = -0.35$ ,  $p < 0.07$ ) and Achievement ( $r = -0.73$ ,  $p < 0.001$ ) values. Americans attribute more

importance to Achievement values than any other national group, and are second in Power values. People in all the other competitive, Anglo countries also attribute relatively high importance to Achievement values. Results are less consistent for Power values.

The findings for Power are surprisingly weak, considering the Kasser et al. arguments. The distinction that I make between Achievement and Power values may explain this (Schwartz, 1992, 2006b). I theorize that people pursue Achievement values in order to be admired and approved by others, a motivation that the social comparison pressures under ACC strongly promote. People pursue Power values in order both to control uncertainty and to enjoy the fruits of control. Only the latter component of Power values is relevant to ACC. The uncertainty control component, links Power values to Security values in the motivational value circle. Security values are unrelated to the coordination index ( $r = -0.10$ , n.s.)

The coordination index correlates positively with the average importance individuals attribute to Universalism ( $r = 0.66$ ,  $p < 0.01$ ), Benevolence ( $r = 0.26$ , n.s.), and Self-Direction ( $r = 0.64$ ,  $p < 0.01$ ) values. Americans attribute less importance to Universalism and Self-Direction values than all the other national groups. They are seventeenth in Benevolence values. People in the other competitive, Anglo countries also attribute relatively low importance to Universalism and Self-Direction values.

The findings for the mean importance of Benevolence values to individuals in a country are weak and

**Table 2.** *Strategic Coordination and Mean Individual Value Priorities in 20 Capitalist Countries*

Country	Strategic vs. Competitive Coordination <sup>a</sup>	Mean Individual Value Priorities					
		Power	Achievement	Universalism	Benevolence	Self-Direction	Conformity
Austria	1.00	1.97	3.64	4.55	4.77	4.92	3.25
Germany	0.95	2.06	3.68	4.68	4.95	4.83	3.23
Italy	0.87	1.50	3.64	4.89	4.96	4.97	4.23
Norway	0.76	1.65	3.68	4.60	4.97	4.74	3.69
Japan	0.74	2.29	4.05	4.27	4.44	4.78	3.87
Belgium	0.74	1.72	3.41	4.66	5.05	4.60	3.83
Finland	0.72	1.96	3.62	4.63	4.80	4.62	3.72
Portugal	0.72	1.95	4.13	4.67	4.88	4.65	3.60
Denmark	0.70	2.06	3.62	4.42	4.96	4.79	3.33
Sweden	0.69	1.82	3.65	4.72	4.67	5.02	3.05
France	0.69	2.10	3.59	4.62	4.75	4.77	3.42
Netherlands	0.66	1.98	3.77	4.54	4.90	4.80	3.51
Spain	0.57	1.57	3.52	4.87	4.90	4.91	3.55
Switzerland	0.51	1.88	3.57	4.70	4.86	4.96	3.32
Australia	0.36	2.13	4.08	4.32	4.77	4.48	4.10
Ireland	0.29	1.92	4.12	4.25	4.78	4.59	3.87
New Zealand	0.21	2.04	4.08	4.46	4.83	4.71	3.65
Canada	0.13	1.93	4.2	4.38	4.70	4.61	3.79
United Kingdom	0.07	2.18	4.09	4.37	4.83	4.58	3.77
United States	0.00	2.20	4.34	3.91	4.72	4.39	4.16

<sup>a</sup>High scores indicate strategic coordination, low scores competitive coordination (scores from Hall and Gingerich (2004: p. 14).

inconsistent. This suggests that ACC does not have the negative impact on developing and maintaining close relations with family and friends that Kasser et al. postulate. Although free-market, competitive capitalism apparently undermines concern for the welfare of those outside one's close circle (Universalism values), it affects pro-social motivation toward members of the in-group (Benevolence values) only weakly, if at all.

The most important social function of values is to promote and preserve cooperative and supportive relations among members of primary groups (Schwartz and Bardi, 2000). This is especially critical within families, where socialization focuses on developing positive relations, loyalty, and identification among family members. Even in highly competitive societies, people are first socialized in the family and develop and maintain friendships throughout life. Because people tend to identify with members of their in-groups and often experience them as extensions of the self, benevolence values may remain important in such societies as well. Indeed, in all six Anglo societies, Benevolence is the most important of the six basic individual values (see Table 2). The "I-it" and "exchange relationships" that the target article associates with ACC probably refer to relations outside the in-group.

Table 2 also reports ratings of the importance of Conformity values. Kasser et al. did not discuss the possible impact of ACC on such values. However, the pressures to work hard and to meet life-style and consumption expectations that ACC exerts through advertising and media images may well increase the importance of Conformity values. The country means in the last column of Table 2 suggest that this is so. The strategic vs. competitive coordination index correlates negatively with the average importance individuals attribute to Conformity values ( $r = -0.44$ ,  $p < 0.05$ ). Americans are second in the importance they attribute to this value.

### Conclusion

An analysis of the culture and of the individual values prevalent in 20 capitalist countries lends substantial support to the Kasser et al. inferences about the likely psychological effects of ACC. Compared with societies characterized by more strategic collaboration among actors, more competitive, market-driven societies show a stronger cultural preference for self-assertive, mastery of human and natural resources rather than relating harmoniously to them. More market-driven societies also show a relative preference for allocating roles and resources hierarchically and unequally as the way to motivate and elicit cooperative behavior rather than cultivating their members' understanding of mutual interests. Finally, the culture in these societies encourages individuals less to pursue

their own ideas and intellectual directions independently but more to find meaning through participating in the way of life of the groups in which they are embedded.

Individual value priorities in more market-driven societies also support most of the expectations derived from the Kasser et al. analysis of ACC. Individuals in these societies attribute more importance to Achievement, Conformity, and Power values and less to Universalism and Self-Direction values than individuals in societies with more collaborative economies. The current data suggest, however, that concern for the welfare of close others does not relate to the type of capitalism.

Kasser et al. speak of the psychological costs of ACC. With the cross-cultural perspective afforded by values data from 76 cultures, we can also tentatively comment on some moral implications of competitive capitalism. Values are desirable guides in life (Rokeach, 1973; Schwartz, 1992), guides to best possible living (Rohan, 2000). Values widely seen as especially important might therefore be considered morally more desirable. Values widely seen as less important might be considered morally less desirable. Across the 76 cultures, as well as across individuals within most countries, Benevolence, Self-Direction, and Universalism values rank as the 1st, 2nd, and 3rd most important, respectively, of the ten basic values. Conformity, Achievement, and Power rank 5th, 6th, and 10th. Thus, more competitive, market-driven economies may increase the importance of the values generally considered less morally desirable and decrease the importance of two of the three most morally desirable values. This too may be a cost of ACC.

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## Adam Smith's American Dream: Time to Take Stock

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The essay by Tim Kasser and colleagues exploring the psychological ramifications of the American Business Model is past due. As the authors emphasize, the United States—a social experiment that has been running now for over two centuries—is often championed as the exemplar of a free market society. So how are we doing? What are the values and costs of the American capitalist model? Putting ideology aside, what does the balance sheet tell us about the civil society we have built? What are the behavioral principles that underpin our chosen market model? How may we better understand them? And how does the model serve the individual and the social order in our rapidly changing, information saturated, world? It is time to take stock.

My own approach to these questions has been first to look back, to better understand the dynamics of our contemporary market model. After all, there is nothing mysterious about capital markets. Market societies have arisen as a natural by-product of human social evolution. With the adoption of a few rules such as honesty in competition, respect for private property and the ability to exchange goods for money, a market culture is essentially the ordering of human instinctual striving through traditional sharing practices. This was the essential insight of the Scotsman Adam Smith, the patron saint of American capitalism, who during the nascent days of the republic first championed the social value of harnessing the instinctual drives of curiosity and self-interest, within the social framework of the market's give and take, to create a self-regulating economic order.

It is important to recognize that Adam Smith's theory of economics is grounded in a thorough understanding of human behavior. This should come as no surprise, for Smith was a diligent student of human conduct throughout his life and, as a young man, was

a professor of moral philosophy at Glasgow University. (Indeed in modern day parlance Smith would probably have considered himself more a psychologist than an economist). Thus, Smith's most famous book, *A Inquiry into the Nature and Causes of the Wealth of Nations*, published in 1776, drew heavily upon his earlier, and to my mind more important, work, *The Theory of Moral Sentiments* (1759), in which he outlined his comprehensive understanding of human psychology.

Smith's concept of a market economy draws upon a familiar model in psychology, that of homeostasis. Smith asserted that in the give and take of a free market society, the instincts for survival and self-preservation—the self-interest, curiosity, and ambition that are the engines of personal profit and economic growth—will be balanced by the powerful need to seek and obtain the sympathetic support of others for one's enterprise. In Smith's optimistic vision, in a market-based economy, greed and similarly undesirable behaviors of the self would be held in check by the powerful human need for love and neighborly social acceptance, resulting in the provision of “universal opulence” for all. “The man whom we naturally love the most,” wrote Smith in *The Theory of Moral Sentiments*, “is he who joins to his own original selfish feelings the most exquisite sensibility and sympathetic feelings for others.” Thus in reality Smith's “free-market” society is not laissez-faire—a term coined by Herbert Spencer, a century later—in the sense of being unbridled, but is one predicated upon a dynamic tension between commercial liberty and a set of social structures that are now rapidly eroding. The world in which we live has changed from Adam Smith's time, and the dynamic contingencies that shape Smith's economic model have changed with it.

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