

**December 10, 2014 – 12:00 pm**  
**Policy Seminar with Russ Roberts**  
**George Shultz Conference Room, Herbert Hoover Memorial Building**

**PARTICIPANTS**

Russ Roberts, Michael Boskin, Marcelo Clerici-Arias, John Cochrane, Bob Hall, Eric Hanushek, Lisa Herzog, Stephen Langlois, Tom MaCurdy, David Mauler, John Raisian, Ken Scott, John Taylor, Tunku Varadarajan, Barry Weingast, Matthew Williams

**ISSUES DISCUSSED**

Russell Roberts, the John and Jean De Nault Hoover Research Fellow, discussed his recent book, *How Adam Smith Can Change Your Life*.

Roberts began by noting that Adam Smith's first book, *The Theory of Moral Sentiments*, is often overshadowed by his subsequently written *The Wealth of Nations*. He explained that his purpose is to relate Smith's perspective on human behavior to a contemporary setting. The book was also motivated by Robert's desire to counter society's typical caricature of Smith.

In highlighting a few points from *The Theory of Moral Sentiments*, Roberts pointed out that unlike *The Wealth of Nations*, which deals with trade at a distance, *Moral Sentiments* focuses on interpersonal behavior in small-group settings. Smith addresses why inherently self-interested people behave altruistically and willingly sacrifice themselves for others. Such behavior is attributed to norms of civility, propriety, and virtue. Norms are followed because of what Smith describes as man's natural desire for regard.

Roberts noted that although relevant to a general audience, Smith's ideas encompass important implications for economists. He cites an interview with Vernon Smith, where the argument was made that economists' standard utility maximization framework may fall short and require consideration of how people follow emergent rules. Roberts warned that economists—particularly those developing policy recommendations involving normative positions—ought to refrain from viewing people as mere calculating machines.

Roberts concluded by acknowledging that the flexibility in a utility maximization framework allows moral incentives to be included in models, but emphasized that such an approach, at best, only successfully predicts human behavior rather than truly explaining it. Roberts emphasized that he is not advocating an alternative to economists' utility maximization framework, but rather making the point that economists ought to be cautious when claiming to understand reality as it pertains to human behavior.