LESSONS ON HAPPINESS FROM ADAM SMITH

Ever the past few years, I have written about great leaders like Gandhi, Ben Franklin, Steve Jobs and others who have shown great leadership. Recently, I have been reading about others who may not have led a nation or an organisation, but from whom we can nevertheless learn great leadership lessons. Adam Smith, the Scottish philosopher and economist, the father of modern economics and the man who coined the term “the invisible hand of the market” is one of them.

Smith remains one of the most important thinkers in addressing a question that is still as pressing today as it ever was: How can human values and the needs of business work together to create prosperous and civilised societies?

When we think about capitalism, it’s often either thought of as a positive system or a negative one. Those who believe that capitalism is a negative force in the world might point to consumerism as the root of all evil that corrupts and enslaves the minds of many.

For Smith, the reality was much less black-and-white. Corporations, he believed, don’t corrupt our world; they simply serve our appetites and supply whatever it is we demand. The answer to society’s problems does not lie in getting rid of capitalism, but instead in learning how to make better use of it.

Smith (1723-1790) was born in Kirkcaldy, an industrial town in Scotland. At the age of 14, he attended the University of Glasgow before going on to study at Oxford. In 1748, he taught at the University of Edinburgh, where he met and befriended the philosopher and economist David Hume.

In 1759, Smith published the first of his notable works, The Theory of Moral Sentiments, a book which examines how we can lead a good life.

In 1776, his best known work, An Inquiry into the Nature and Causes of the Wealth of Nations (known as The Wealth of Nations) was published, and is considered a seminal work that shaped modern economic thinking.

At the time, a nation’s economic wealth was determined by the amount of gold and silver it possessed, but Smith argued that the true wealth of a nation was measured in its production and commerce.

Today, we refer to this measurement as the gross domestic product.

CAPITALISM IS GOOD?

In the age of consumerism, Smith believed that capitalism was ultimately a force for good in the world. The creation of wealth has allowed societies to look after their weakest members through the provision of wealth helped societies look after their weakest members through the provision of wealth.

But Smith also felt that capitalism is a negative force in the world might point to consumerism as the root of all evil that corrupts and enslaves the minds of many.

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Smith believed it was necessary for great leadership at all levels – to enforce contracts, protect patents, prevent unfair practices, prevent cartels, encourage innovation, and provide for public goods such as transportation, bridges, light-houses, public safety, security and global mobility. This requires, honest, upright and high integrity leadership.

I believe it may be the same in our companies. Problems in organisations do not arise from having too many choices or from the systems we deploy. The issues are generally centred around bad leadership and lack of clarity. Fixing our core issues may not necessarly need a transformation of our outer core; it may be enough to look inside and fix ourselves.

BEING HAPPY

At the core of his work, Smith was driven by a desire to discover the best ways to make individuals and nations happier. His Wealth of Nations was really an extension of The Theory of Moral Sentiments, and is still recognised today as the first and most important book written on political economy.

Ultimately Smith sought to guide himself and others in the pursuit of true satisfaction. While we might think that material gain and status is what leads to a fulfilled life, he disagreed. Fulfilment comes when we are able to perform good work in the world and know that we are admired and respected because of our actions. In Smith’s own words: “Man naturally desires not only to be loved, but to be lovely (worthy of being loved).”

Being good is not some empty idea that holds us back from doing well and succeeding in life. On the contrary, qualities such as giving, and other wholesome behaviours, are the very things that increase our chances of success, happiness and contentment.

Conversely, greedy pursuits for status, money and fame leave us in danger of feeling isolated and inadequate, feeling neither lovely nor loved.

Adam Smith

Some of Smith’s advice to us on being happier includes the following:

- Most of us are inherently self-motivated and think about ourselves but surprisingly, “we also care about other people’s happiness.” This means that as we do good, we become happier when we care about others.
- We desire to be loved and to be worthy of love. This requires us to give and help others, which brings joy and happiness.
- Pursuing money for its own sake is much more likely to bring about sadness than happiness.
- “Self-delusion is the source of half the disorders of human life.” We need to guard against this at all times.
- Emotional intelligence is key to our happiness. When we successfully interact emotionally with others, we increase our levels of happiness. So, we need to enhance our emotional intelligence at all times.

SMITH AND TRUST

Smith is recognised as the father of modern economics and his most famous work has been described as the “bible of capitalism”. He didn’t just work to understand how economics and its systems functioned, but how they could play a role in best serving human values.

To help achieve this and to cultivate civilised societies, there is one quality that acts as the foundation upon which all others are built: trust.

In his book, How Adam Smith Can Change Your Life: An Unexpected Guide to Human Nature and Happiness, Russ Roberts highlights the importance of trust in society, writing: “When you can trust the people you deal with — when you don’t have to fear that your trust will be exploited for someone else’s gain — life is lovelier and economic life is much easier. How does trust get created? By the myriad of small interactions we have with each other when we honour our word and pass up the chance for opportunism.”

I believe trust is also one of the key deficits we have in many organisations, and possibly, in nations. In fact, on a daily basis, we have more than 20,000 interactions (words we speak, our body language, our facial expressions etc.) with people around us. These 20,000 moments define our leadership, influence and levels of trust in us. Smith seems to have figured this out almost 250 years ago.

FINAL THOUGHTS

Reading Adam Smith’s work reinforces in me these three important necessities that the world needed almost 250 years ago, and which it still needs today in abundance: leadership, happiness and trust. Let us all work hard to be better leaders and followers, to be happier people and to trust our employees and leaders. And to ensure Smith’s dream of a better world continues to endure.