



Adam Smith: Understanding Self-Interest

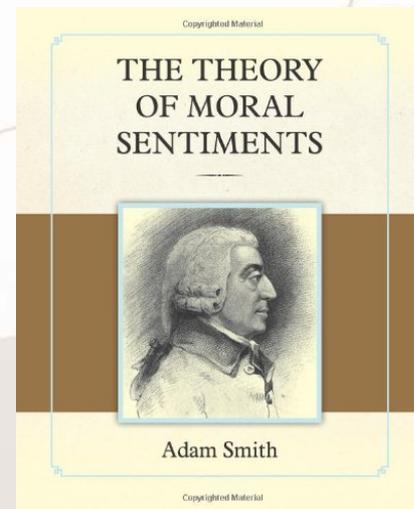
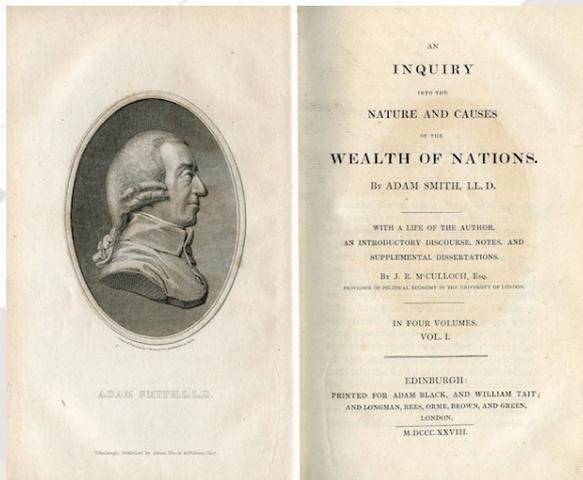
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Why This Topic?

- “The Adam Smith Problem in Reverse: Self-Interest in The Wealth of Nations and The Theory of Moral Sentiments”
 - Maria Pia Paganelli
 - *History of Political Economy*, 40:2, 2008
- Self-Interest or Benevolence?



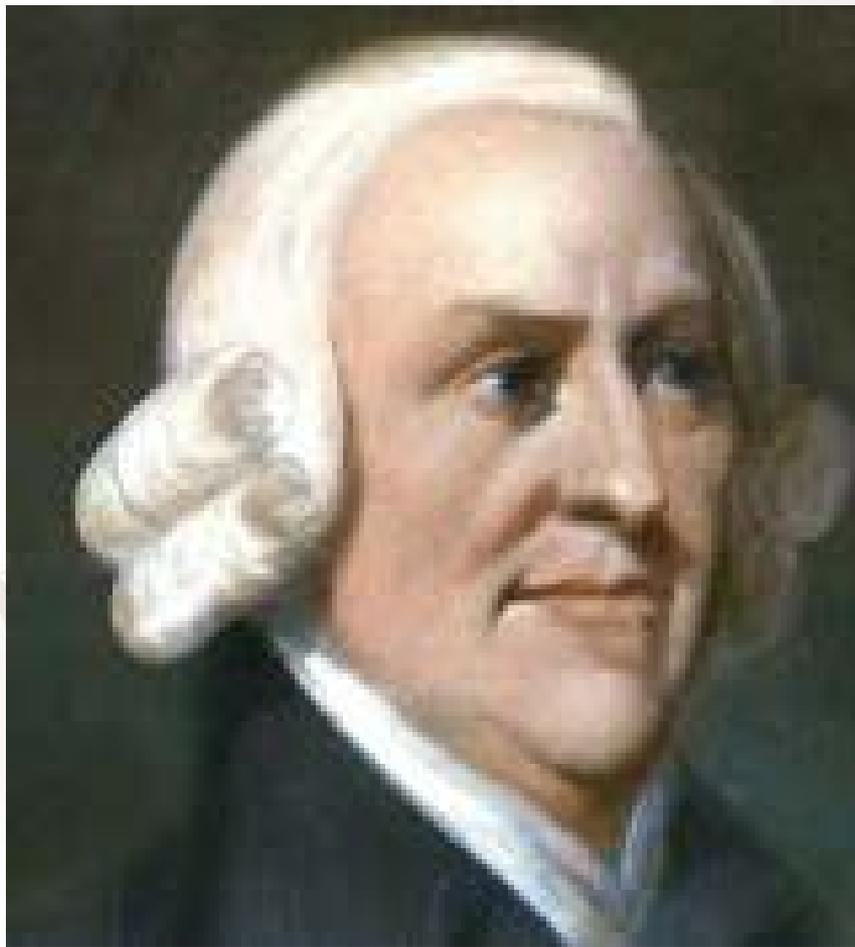


Adam Smith Problem

- Traditional: *Wealth of Nation* promotes **self-interest** and *Moral Sentiments* promotes **benevolence**
- Paganelli promotes that *Moral Sentiments* is more pro self-interest than *Wealth of Nations* is



Adam Smith



- 1723-1790
- Scottish Enlightenment
- *The Theory of Moral Sentiments* (1759)
- *The Wealth of Nations* (1776)



An Invisible Hand

- As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, **neither intends to promote the public interest, nor knows how much he is promoting it.** By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by **an invisible hand** to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.



Butcher, Brewer & Baker

- It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.



Problems with Self-Interest

- Both books note issue of excessive self-interest
- MS: People so concerned with self-interest that they prefer themselves to others
 - Much more personal condemnation
- WN: Greed of merchants (rapacity)
 - Focus is on groups trying to control individual
- Excessive self-interest damages society and the individual
 - Trinkets of frivolous utility but no happier than a beggar
 - Choice – save a little finger or save China? What would most people choose?



Focus on Self

- Is self referring to just one person or to a person's family?
 - Just the butcher or it is the butcher's family
- Most would consider it to be the family
 - Household unit
- What would you choose – your finger or China?
 - Problem: Realistically, how likely is this choice





Importance of Praise

Moral Sentiments

- What constrains our self-interest?
 - Need to be praised
 - Desire to be esteemed
 - Fit within society
 - Fit with our God
- “Though it be true, therefore, that every individual, in his own breast, naturally prefers himself to all mankind, yet he dares not look mankind in the face, and avow that he acts according to this principle.”



Kardashian Critique?





Need to Promote Charities

What about the Girl Scouts?



Kim Kardashian has supported the following charities listed on this site:

Alzheimer's Association

American Foundation for AIDS Research

Diamond Empowerment Fund

Dream Foundation

Elizabeth Glaser Pediatric AIDS Foundation

Elton John AIDS Foundation

Generation Rescue

I Heart My Girlfriends

Make It Right

Mattel Children's Hospital

Operation Once in a Lifetime

Race to Erase MS

Skin Cancer Foundation

Soles4Souls

The Salvation Army

True Colors Fund

We Advance





But What About Mark Harmon?



Mark Harmon has supported the following charities on this site:

Clothes Off Our Back

Entertainment Industry Foundation

Hillsides

Kids Wish Network

Ronald McDonald House Charities

Stand Up To Cancer

The Children's Center OKC

14th Annual Mark Harmon Celebrity Weekend To Hit Oklahoma



Rules of Conduct

- Desire to be approvable and to be approved
 - Effective constraint
- Society generates rules of conduct
- MS: "Great conquerors are often regarded with foolish wonder and admiration; those of petty thieves, robbers, and murderers, with contempt, hatred, and even horror upon all occasions."
 - Supposed to act a certain way but if you can do it on a large enough scale, the rules no longer apply to you





First Day Economics

- Scarcity - choices
- Opportunity cost – incur costs
- Competition – compete for best outcome
 - Regulator of the economy
- **Cooperation** – rules of the game
- Government – to help enforce the rules of the game
- Self Interest works with both competition and cooperation to bring about equilibrium



Cooperation

Rules of the Game

- Don't cheat, lie or steal
- Provide the good/service you say you will
- Pay a fair wage
- Pay taxes
- What else?
- If I do a poor job, another self-interested individual will compete against me



Does Culture Matter?

How does **Common Experience** change rules?

- *I Love Lucy* – 67% share of U.S. households
- Who Shot J.R.?
- Television reduced and in some cases removed regionalism
- Automobile reduced differences
- Food is one area that still exhibits regionalism
- What about the Internet?





Culture Clash

What Happens When We Go Global?

The Impact of Culture on Negotiation

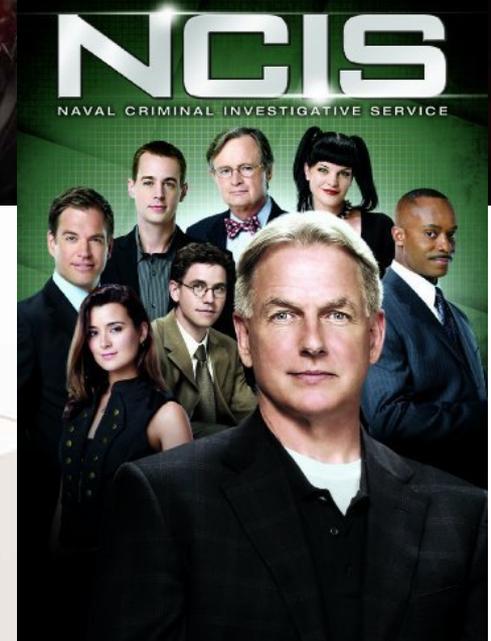
Negotiation Factors

| | | | |
|--------------------|------------|---|--------------|
| Goal | Contract | ↔ | Relationship |
| Attitudes | Win/Lose | ↔ | Win/Win |
| Personal Styles | Informal | ↔ | Formal |
| Communications | Direct | ↔ | Indirect |
| Time Sensitivity | High | ↔ | Low |
| Emotionalism | High | ↔ | Low |
| Agreement Form | Specific | ↔ | General |
| Agreement Building | Bottom Up | ↔ | Top Down |
| Team Organization | One Leader | ↔ | Consensus |
| Risk Taking | High | ↔ | Low |



Internet

World is smaller (flat); Culture creep





Communication

- “It took thirty-eight years before 50 million people gained access to radios. It took television thirteen years to earn an audience that size. It took Instagram a year and a half.”
 - Quote from *Jab, Jab, Jab, Right Hook*



Selfies

2013 Word of the Year (Australian origin)

- Person has control over how he/she looks
- Easy to create; easy to share
- Studies show
 - 30% of photos taken by 18-24
 - No more family album
 - Lots of selfies correlates with lower social support



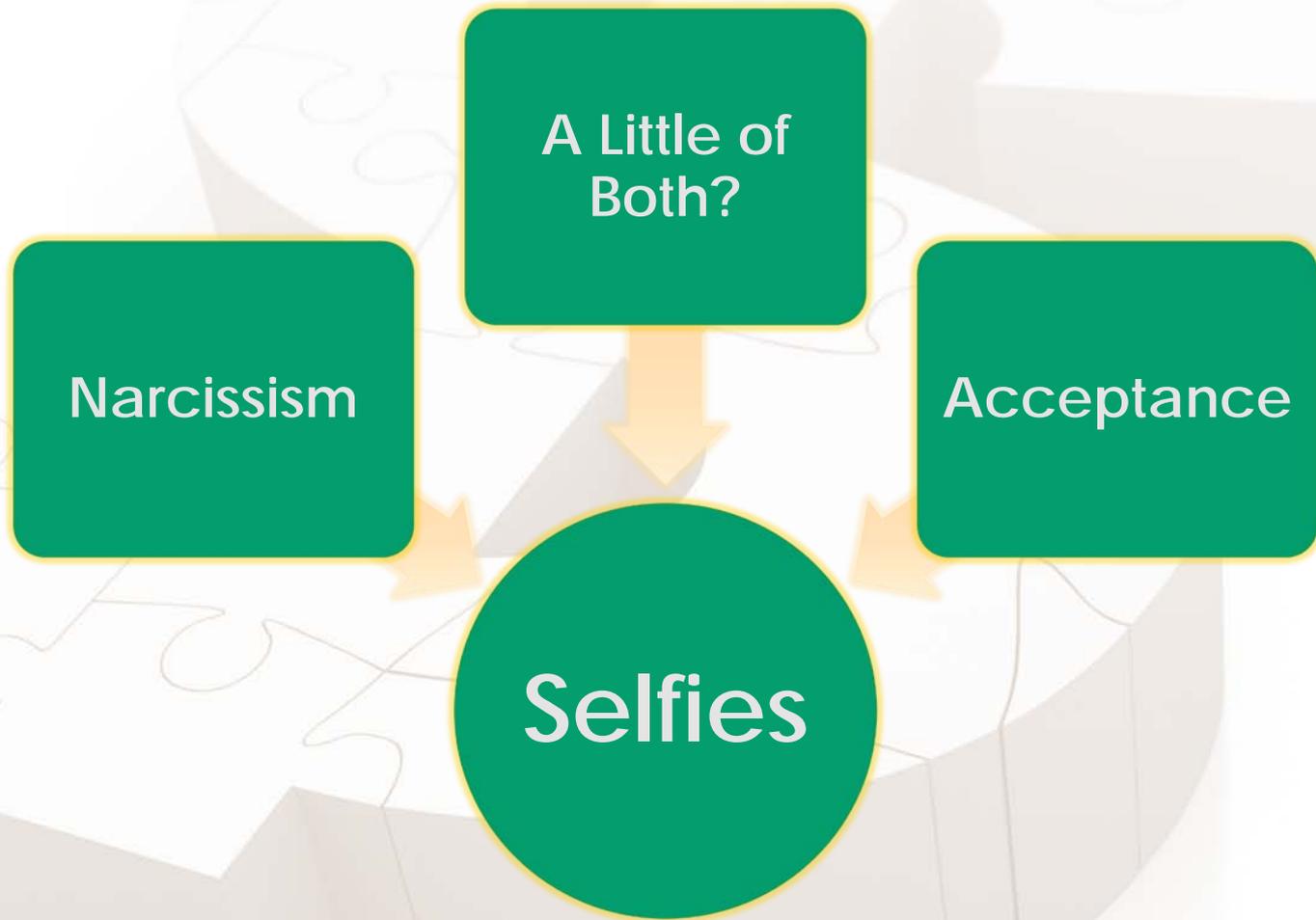


Social Media

- Facebook – tell a story
- Twitter – have a conversation; listen well
- Instagram – make art
- Pinterest – dream world, inspiration, motivation, wants and desires
- Tumblr – get animated
- Snapchat – selfies; no history; funny
- Speed
- Delivered in various forms
- Reach an audience deeper and faster



To Lead or To Follow?





Need to Share

Acceptance

- “Creating content that allows us to share our experiences, thoughts, and ideas in real time is becoming an intrinsic part of life in the twenty-first century.”
 - Quote from *Jab, Jab, Jab, Right Hook*





Selfie Stick

No need to interact with others

- Why must you prove you were there?
- Museum ban – bump into art
- California Screamin' roller coaster stopped when passenger took out selfie stick mid-ride (Friday, June 25, 2015)





Narcissism

- Self-objectification
- Value from appearance not personality
- Inflated view of oneself and lack of concern for others
- Celebrity – talented or not?
- How many views on YouTube?
 - Recall that Lucy had 67% share
 - 1 million views on YouTube is a lot
- I want to be approved for how I look and where I am so LIKE my picture



Porn Culture

- Only way for a female to be attractive?
- Is it different from seeing a supermodel on the cover of a magazine?
- How does it affect self esteem?
- Does it set unrealistic expectations?





Children's Play

- Undirected play
- Make up a game with other kids
- Creativity
- Instead – play dates and competition
- Are children learning how to interact in society?





Back to Moral Sentiments

- “Though it be true, therefore, that every individual, in his own breast, naturally prefers himself to all mankind, yet he dares not look mankind in the face, and avow that he acts according to this principle.”
 - Our society is so much bigger now – global scale – that we seek acceptance on that scale
 - Social media allows us to present ourselves in a larger environment
 - Selfies are about **documenting** that we matter, that we care, that we should be **accepted**
 - A way to share so we are not **alone**



Selfies allow you to be

- Actor
- Director
- Producer
- Set Designer
- Marketer
- of your story





Monetize Selfies

- The story of you becomes the story of a brand
- Show what a business has
- Show how cool a business is
- Another form of advertising and marketing
- Connecting with customers
 - Reduce switching costs
 - TOMS
 - Bloomingdales

STRIKE A POSE LIPS EYES CHEEKS SKIN SCENT SECRET WEAPONS EXPRESS YOUR SELFIE SWEEPSTAKES

SELFIE TIP
FOR A FOOLPROOF SELFIE SMILE, CHOOSE A CREAM OR MATTE LIPSTICK ONE SHADE DARKER THAN YOUR BARE LIPS THIS DEFINES YOUR POISE BUT LOOKS TOTALLY NATURAL.

EXPRESS your SELFIE SWEEPSTAKES

- 1 UPLOAD YOUR BEST SELFIE TO INSTAGRAM WITH THE HASHTAG **#BLOOMIESSELFIE** FROM 04/16-04/27
- 2 ONE LUCKY WINNER WILL RECEIVE A \$1,000 BLOOMINGDALE'S GIFT CARD.

SEE OFFICIAL RULES



What is the story?

- We cooperate on the rules of the game
 - Globalization changes who is in the game
 - Social media is just other ways to communicate
 - Selfies are visual documentation
 - A picture is worth a 1000 words
 - Still desire to fit in and show that you belong in the game
 - Share with family because family is far away
 - Share with friends because family is small
 - To show we matter



Take the Test

- Narcissistic Personality Inventory
- <http://personality-testing.info/tests/NPI.php>



Thank You

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