

## **THE FREEDOM CENTER'S *COMMERCIAL SOCIETY*: *ETHICS, ECONOMY, AND ENTREPRENEURSHIP IN NEW CLOTHING***

In mid-October, 2019, the Freedom Center's David Schmitz and Cate Johnson released the fourth version of *Ethics, Economy, and Entrepreneurship*. Its title is now *Commercial Society*, the phrase that Adam Smith favored back in the 1770s. The subtitle is *A Primer on Ethics and Economics*.<sup>1</sup> It now has a legitimate publisher, which its previous three versions failed to obtain: Rowman & Littlefield International.<sup>2</sup> No longer is it being published out of Schmitz's and Johnson's house here in Tucson.<sup>3</sup>

There are other changes as well. The typos and boners ("Alfred North Whitefield") are gone. The list of the fields of philosophy is gone. The "Overviews" and "Learning Objectives" at the start of the chapters are gone. The occasional "Further Reading" entries are gone, replaced by sporadic footnotes and by "Discussion and Exercises" at the chapter ends that get more perfunctory as one nears the end of the book. The bizarre "summary" on the back cover has given way to flattering words from the authors' colleagues and cronies. The chapters inside are numbered now, and there are more of them. There is a certain amount of new material, some of it useful (*CS* pg 259 on cash flow or pp 269-72 on types of loans/credit and on bankruptcy), some of it tendentious ("Corruption," ch. 51), some of it misleading (Xiaogang anecdote, *CS* pg 63f). There is still no bibliography, but there is an index – spotty and inadequate<sup>4</sup>, but still, an index.

In other words, the low-hanging fruit (from our point of view) has mostly been removed.<sup>5</sup> More important, perhaps, there has been a *lot* of rewriting, or at least retouching, generally without affecting the substance of what is said, but often improving how it is said.<sup>6</sup> The smarmy tone has been toned down somewhat, as befits a book pretending to membership in a scholarly series.<sup>7</sup> There are fewer gratuitous, overt attacks on unions, government, regulations, etc. (Which is not to say that there are *no* swipes at same.) There has also been some re-arrangement, quite major in a few cases, and (IMO) usually for the better – or at least more aligned with the views of the authors.<sup>8</sup> And there is a section "about the authors" at the very end, where Johnson trots out her scholarly bona fides and Schmitz his academic positions etc. The overall result is that the book is now about 30 pages longer than *EEE* version one.

What is NOT new is the following:

- The authors still fail to acknowledge that they are propounding just *one* view of economics or that their book is not a basic, mainstream introduction to the subject (high-school students are highly unlikely to realize the significance of the names and topics listed in the description of the "Economics, Polity, and Society" series that follows the title page);
- The authors still fail to offer any serious treatment of other economic views or theories (though they do at least mention Keynes at one point, and Marx, as in the previous versions of the book, is a useful punching-bag for them);
- The authors' treatment of ethics is still so shallow and thin as to be almost grotesque (unlike their tribal god, Adam Smith, who wrote his *Theory of Moral Sentiments* before his *Wealth of Nations*, the authors of this book offer no psychological or philosophical

basis for their ethical assertions, other than the need to stay out of jail (!), feel good about yourself, trust your business or trading partners, and other similar nostrums);

- The authors continue to promote entrepreneurship without adequately warning the student of the likelihood of failure or the damage to one's relationships with family, friends, and business partners from borrowing money to start a business – as the authors advocate – that then fails;
- The authors continue to denigrate ordinary employment and the central role of ordinary business in actual economies (this is how to make non-entrepreneurial students feel bad about themselves, if that is one of their objectives);
- In the light of the unfolding tragedy of global climate change, the chapter on negative externalities (*CS* ch. 28, “Cost to Bystanders”) has become a bad joke – kind of like protecting the china while the house burns down;
- The authors are still just going through the motions in Part IV of the book, “Management of a Commercial Society” (formerly “Economic Institutions”), which concerns government involvement in measuring and stabilizing the economy (they finally wake up when they get to chapters 50 and 51, on “Public Choice” and – new material! - “Corruption,” where they can go after bureaucrats and government power).

In short, though more presentable than *EEE*, *Commercial Society* is still a bad textbook, dishonest about its one-sided agenda, misleading about entrepreneurship, and inadequate as an exposition of either ethics or economics.

---- Patrick Diehl

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<sup>1</sup> One notes the lack of any mention of “entrepreneurship” on the front cover, but – no surprise – the title of the very first chapter is “Ethics, Economy, and Entrepreneurship” [italics added].

<sup>2</sup> Interestingly, it's the London office of Rowman & Littlefield International, not the NYC office, that issued the book – interesting because the FC seems to have a strong connection to right-wing British academics. Also interesting because documents that KOC! got (weirdly enough) from TUSD show that Schmidt and Johnson approached the same publisher's U.S. office several years ago about publishing *EEE* and apparently got turned down. This time around, the book has apparently been smuggled in under the skirts of a high-sounding series called “Economics, Polity, and Society” edited by a couple of GMU/Mercatus Center types. All the other titles in the series seem to be collections of essays on subjects dear to the hearts of right-wing libertarians like market process theory, public choice, regulatory policy, Hayek, and James Buchanan. Strange company for a high-school textbook!!

<sup>3</sup> But we still have no access to the online version of the book/course or the materials in it.

<sup>4</sup> For instance, *Earl Warren* is in the index as the source of a colorful but non-substantive quotation, but *Elizabeth Warren* is not, even though she is quoted at some length and quite substantively. Then there is the entry, “trolley”... And so on.

<sup>5</sup> Mostly. The Neanderthals are still there, on *CS* pg 29. The absurd assertion in *EEE* version one (pg 24) that “we became wisest of primates at least 40,000 years ago” is replaced by “modern humans appeared at least 40,000 years ago.” (Of course, there is absolutely no agreement about just when *homo sapiens* became “modern,” or even just what that would mean!) The rest of the loopy *EEE* version one “Prehistory of Commerce” section, which went on about how the “idea of entrepreneurship” and “making deals with strangers” was what made us “fully human,” has all been dropped. But the text of the “Learning to Cooperate” section is used with only minor changes (e.g., the qualification, “So far as scholars can see from currently available evidence...,” is added before “the Neanderthals weren't entrepreneurs”). And there is a six-line footnote defending the view that “modern humans' (unlike the Neanderthals) were” innovators” – note that, as elsewhere, the authors equate “innovation” with

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“entrepreneurship.” This is inarguably a false equation, but the authors have to make it in order to claim that Cro-Magnon hunter-gather groups were somehow “entrepreneurs,” and that there is some kind of factual basis for the authors’ origin myth of trade being at the very heart of humanness and for their consistent deification (following Adam Smith) of entrepreneurship. The present footnote, which is far longer than six lines, may seem a bit over the top, but we need to recognize that we are dealing with a quasi-religion here, with its own supporting mythology, and that we need to name what is going on, however arcane it may seem.

<sup>6</sup> The rewriting often extends even to the rewrites of *EEE* version one found in *EEE* version three, though most of the latter are adopted substantially as-is, apart from minor retouching.

<sup>7</sup> The egregious final chapter survives intact, however. Didn’t want to lose *all* of that high-school, coach-at-half-time flavor, I guess.

<sup>8</sup> For instance, the *EEE* subchapter focusing on Bastiat, “Government as a Framework for Progress...” (*EEE* version one pp 53-58) is moved to *CS* pp 85-89 (=ch. 14), where (IMO) it fits in better; *EEE* version one pp 214ff, “Saving and Borrowing,” has been taken out of the treatment of public, large-scale institutions and moved to *CS* ch. 54, in the part of the book on “Personal and Business Finance,” which is where it should have been in the first place; and *EEE* one parts V and VII, “Innovation” and “The Entrepreneur,” are combined into *CS* part VII, “Innovation and Entrepreneurship.”