

The 250th anniversary of *The Wealth of Nations*

This year it celebrates *the prosperity of nations* his 250th birthday. In March 1776 Adam Smith published his groundbreaking work, the birth certificate of the modern market thinking. The economic principles which Smith described contributed to unprecedented prosperity growth in the past centuries. But they also sparked controversy. Proponents praise capitalism as engine of progress. The critics point on inequality, ecological depletion and the systematic passing on of costs on society and the living environment.

The problem with Smith's legacy, however, is not capitalism itself, but the amputation of his moral foundation. Although Smith in was the first moral philosopher, becomes he is often reduced in the public debate to one sentence about self-interest and an 'insight-bare hand'. His lesser-known but for Smith's more important work, *The Theory About moral feelings* thereby disappear from image.

That has the debate on utility and necessity from sustainable investing narrowed down to pro-namely an economic discussion. Especially asset owners such as pensioners funds have made their plea for sustainability investing in recent years mainly economically defended, while there is a clear moral compass lies in the actions of legitimizes pension funds. Without that investors continue to defend themselves on the foundation for their responsible choices and remains expensive-sustainable investing in the best case structural, and in the worst case, marketing.

And that is exactly where Smith offers a solution. In *The theory of moral sentiments* intro-Smith introduces the 'impartial spectator': the imaginary, inner observer who forces us to distance ourselves from our direct interests. What would be a reasonable, uninvolved outsider of my Find action? That inner judge reduces our impulse, corrects our self-sights and reminds us of what is appropriate and is just, Smith states.

That is an important point, because it reaches undermines the image that Smith a nothing-advocated ruthless capitalism. He was not a preacher of unbridled self-interest. Absolutely, self-interest is a core concept in *The prosperity of countries*. But the function only within limits: justice, protection of one's own honor, self-control and moral self-regulation. You may pursuing your own well-being, writes Smith, but never by causing damage to others bring. A principle that is central later on to come to stand in liberal thought. Profit is legitimate, as long as it meets the moral floor respects. Whoever reduces Smith to profit-maximization reads him selectively.

Now is the perfect time for Smith's two to be read as a whole: the economic vision of *The prosperity of nations* cannot do without the moral compass *The theory of moral sentiments*. There are three current reasons for this. First, because Europe faces a fundamental challenge. The European Union is essentially a true-community based on the legal-state, human rights, a social market economy and sustainability. In a world of geopolitical rivalry is the temptation large to make those values negotiable to promote strategic autonomy or competitiveness. But as Smith teaches us, economics undermines external power without moral limits finally undermines its legitimacy.

A second reason is that the disregard from *The theory of moral sentiments* to currently a fundamental argument for support for sustainable investing struck away by pension funds. Capital allocation is never value-free. Who invests on behalf of hundreds of thousands or Millions of people make implicit choices. about what is socially acceptable. That presents pension funds with the challenge to achieve the best possible return for to combine their participants with tailor-reasonable investment choices

The third important reason is that pension-funds are required to the preferences of to map out their participants and these to involve in policy making. Smith's 'impartial spectator' gets such a concrete form in the assessment of partial participant preferences. When participants indicating human rights or climate is heavy to let it weigh, is that a signal that not can be set aside. That provides a strong justification for a sustainable price. In this way, pensions close funds the gap between people and market, not out of idealism but out of responsibility.

The anniversary of *The Wealth of Nations* calls for a deepening of the movement towards sustainability that the last decades has been deployed. Whoever detaches the economy from morality, ultimately undermines the bearing-right off the market itself. Smith wrote with *The prosperity of countries* is not a manual for the unrestrained pursuit of profit. If we pull his two books apart, we are left with a caricature. we read if they are together, then we learn under which conditions values profit socially accepted remains.

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