

DAILY TROJAN

Nobel laureate visits Dornsife's speaker series

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February 13, 2017

Nobel laureate Vernon Smith, commenting on society's most basic structural elements, said that "the rules of property and modern conventions have ancient origins." Commerce has existed since prehistoric times, and even primitive tribes increased their economic wealth through methods like specialization.

Smith, a professor of economics and law at Chapman University and a senior fellow at the Cato Institute, gave a lecture to students and faculty on Monday at the University Club. He received his Ph.D. in economics from Harvard University and has taught at several prominent universities, including Stanford University, Brown University and California Institute of Technology.

Smith's discussion centered on Adam Smith's theory of moral sentiments as an explanation for various game theory models that have confounded economists since the 1990s. Hosted by the USC Dornsife Institute for New Economic Thinking, the talk is the first in this semester's series.

Smith began by exploring the underpinnings of the Enlightenment, noting that prominent economist Adam Smith may have been profoundly influenced by Isaac Newton's theories.

"I like to think of people in the Scottish Enlightenment as applying Newtonian thinking to social, political and economic life," Smith said, relating Adam Smith's theory of the "invisible hand" to Newton's theory of the invisible force of gravity.

"There are all kinds of order out there in our social, political and economic life. Where does this order come from?" Smith said. "Part of it is that we're influenced by things that we're not aware of. We learn things without even realizing we are."

He then explored several fundamental ideas behind the theory of moral sentiment, including that humans may not be completely rational actors and are instead prone to altruistic behavior. Smith showed this by examining the results of his tests on game theory.

Smith's lecture ultimately explained an alternative way of viewing economic phenomena, saying that modern economists tend to explain the results of their studies by superficially altering predictive economic functions. His theory, however, harkens back to Adam Smith's 18th century thesis, prescribing a deeper cause as the root of our capacity for altruistic actions.

Viren Rupani, a sophomore majoring in business administration, said that attending these events gives him the opportunity to hear about cutting-edge economic theories.

"I've always been really fascinated by economics," Rupani said. "Usually in class you get to learn about classical textbook theories, but when you come to lectures like these you get to see what new developments are happening in the field and learn new insights."

Rupani also commented on how basic structures of human interaction can be applied to economics through Smith's theory.

"I found the synthesis between Adam Smith's theory of moral sentiment and the basis for human interaction to be very interesting in how they potentially relate to the realm of economics," Rupani said. "You can synthesize these fields and see how they come together to provide a much more comprehensive view of how human interaction takes place in the marketplace."