Abstracting Less, Understanding More: Two Smiths, One Interpretive Turn

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Abstract: The analytical framework developed by Vernon Smith through experimental economics validates key theoretical insights about interpretation and meaning that Adam Smith originally articulated. Through systematic analysis of Vernon Smith's experimental research program, three fundamental aspects emerge that characterize this interpretive approach: the role of shared meanings in exchange, the contextual nature of economic knowledge, and the importance of interdisciplinary engagement. Experimental research has provided robust empirical evidence for these principles, particularly through studies of market institutions, property rights evolution, and social exchange. The convergence between classical political economy and modern experimental methods suggests important directions for future economic research, particularly in understanding how social context and intersubjective meanings shape economic outcomes.

I. INTRODUCTION

The relationship between theory and empirical evidence in economics has evolved significantly over the past half-century, particularly in how economists understand the role of interpretation and meaning in economic behavior. While mainstream economics has traditionally emphasized formal mathematical models and macro-level quantitative analysis, a growing body of research suggests that understanding economic phenomena requires greater attention to how actors interpret their social and institutional context. This paper examines how Vernon Smith's experimental research program has provided robust empirical validation for theoretical insights about interpretation and meaning that were initially articulated by Adam Smith, demonstrating convergence between classical political economy and modern experimental methods.

Recent developments in experimental economics have highlighted the limitations of treating economic agents as purely rational maximizers operating in an asocial context. These observations have led some leading scholars to call for paternalistic measures to address the flaws in human rationality (Thaler and Benartzi 2004; Chetty et al. 2014; Sunstein and Thaler 2003; Rizzo and Whitman 2019). Experimental economics has methodologically contributed to these critiques of price theory, but Vernon Smith's work accepts these methods and offers an alternative model of rationality that implies very different policy prescriptions. His theory of rationality aligns with earlier theoretical work in Austrian economics and economic sociology that emphasized the interpretive dimension of economic action. However, while mainstream economists often dismissed these theoretical perspectives as unscientific, experimental methods have provided rigorous empirical evidence for many of their core claims.

This convergence between experimental findings and interpretive theory raises important questions about the nature of economic knowledge and the appropriate methods for studying economic phenomena. In particular, it suggests the need to reconsider how economists conceptualize rationality, market efficiency, and institutional development. Rather than treating these as purely technical matters amenable to formal modeling alone, the evidence increasingly suggests the crucial role of shared meanings, social learning, and both informal and formal institutions in shaping economic outcomes. In contrast, as Wilson (2025, p. 151) points out, "Samuelson's foundations of economic behavior cannot distinguish the cause of someone's action from the consequences of their action, which means that the consequences of our actions hang in the air without explanation." We need explanations of human behavior that cohere with the agent's understanding of their actions.

The interpretive turn in Austrian economics, also known as Austrian hermeneutics, is a shift towards emphasizing the role of interpretation, meaning, and context in economic theory. This approach draws on insights from hermeneutics, a theory and methodology of interpretation, to understand economic phenomena. Key aspects of the interpretive turn include: 1) Recognizing the importance of shared meanings and intersubjective understanding in economic action (Lavoie and Storr 2011; Storr 2010). Economic actors rely on cultural frameworks and social rules to interpret and navigate the economic landscape (Storr 2013). 2) Drawing on hermeneutic philosophy and emphasizing the situated, contextual nature of economic knowledge (Lavoie and Storr 2011; Storr and Choi 2019), Austrian hermeneutics examines how interpretive communities shape economists' understanding (Boettke 2011) while advocating for a meaning-centered, culturally-attuned approach (Dienstag 2016a) that illuminates the social embeddedness and contextual rationality of economic life (Lewis and Chamlee-Wright 2008; Stein and Storr 2023). 3) Engaging with insights from the humanities and social sciences to enrich economic understanding with thick descriptions of institutions and human decision-making (Chamlee-Wright 2011; Storr 2011). This interdisciplinary approach helps capture the complexity of human action (Dienstag 2016b). Many Austrians did not and do not take these insights seriously (Storr 2011). This article argues that these ideas, firmly rooted in Adam Smith, have gained greater appreciation and respect in the mainstream of economics through the works of Nobel Laureate Vernon Smith.

Experimental economics, through its empirical findings, challenges the traditional rational actor model by demonstrating that individuals often behave in ways that deviate from strictly pecuniary rationality. Hermeneutics also questions the assumptions of rationalism by emphasizing the role of interpretation, meaning, and context in human behavior. Both approaches advocate for a more nuanced and realistic view of human action. Smith and Wilson (2019, p. 11) highlight this point clearly, saying:

> Sentiments provide a framework that well prepares us to examine and study context to understand social processes and directs us away from focusing only on outcomes and their payoffs, whose social meaning can only be derived from the context. Although the intellectual route has been much different, focusing on the consequences of actions describes much of the recent history of piecemeal learning in experimental economics. Sentiments, I contend, integrate our modern relearning into a consistent whole. Smith's model is consistent with the contemporary findings in experimental economics and does not require modification in the light of evidence. Sentiments do, however, require a contemporary interpretation in their applications to modern findings.

Vernon Smith's empirical findings have validated key theoretical insights about interpretation and meaning in economic behavior. I focus on three fundamental aspects that characterize the interpretive approach: the role of shared meanings in exchange, the emergence of rationality through social interaction, and the importance of interdisciplinary engagement. By examining how these themes manifest in experimental research on market institutions, property rights evolution, and social exchange, I demonstrate how modern empirical methods have confirmed theoretical perspectives that were long forgotten in mainstream economics and marginalized among some Austrian economists.

This idea's implications extend beyond the specific findings of experimental economics to raise broader questions about the nature of economic theory and methodology. If economic behavior is fundamentally interpretive and socially embedded, this suggests the need for research approaches that can capture these dimensions while maintaining scientific rigor. This paper's convergence between classical political economy and modern experimental methods indicates promising research directions, particularly in understanding how social context and intersubjective meanings shape economic outcomes.

The article proceeds as follows. First, I explore the roots of interpretive economics through the overlap between Adam Smith and Vernon Smith in Section 2. Then I explore Vernon Smith's contributions to the literature on shared meaning and intersubjective preferences in Section 3. This knowledge is situated within a particular context as articulated in Section 4. Then, I describe the interdisciplinary strands of Vernon Smith's research in Section 5. The article in Section 6 closes with a call for economists to interpret human behavior differently.

II. THE INTERPRETIVE TURN OF ECONOMICS FROM ADAM SMITH TO VERNON SMITH

Adam Smith's work, particularly in *The Theory of Moral Sentiments* and *The Wealth of Nations*, presents a sophisticated understanding of the socially embedded nature of economic activity (Smith 1998). His work anticipates several key themes in contemporary interpretive and institutional economics.

First, in *The Theory of Moral Sentiments*, Smith (1853) develops a theory for understanding how shared meanings emerge through social interaction. His foundational insight is that moral and economic judgments arise through intersubjective validation: "Every faculty in one man is the measure by which he judges of the like faculty in another. I judge of your sight by my sight, of your ear by my ear, of your reason by my reason, of your resentment by my resentment, of your love by my love. I neither have, nor can have, any other way of judging about them" (1853, p. 23). Smith establishes the epistemological premise that knowledge is at least in part inherently social and interpretive.

Smith elaborates on this theoretical framework by analyzing how general rules of conduct emerge from social interaction. He argues that "Our continual observations upon the conduct of others insensibly lead us to form to ourselves certain general rules concerning what is fit and proper either to be done or to be avoided" (1853, p. 184). Crucially, these rules become internalized as "a sense of duty, a principle of the greatest consequence in human life, and the only principle by which the bulk of mankind are capable of directing their actions" (1853, p. 188).

The institutional dimension of this intersubjective understanding is apparent in Smith's economic value and exchange writings. In *The Wealth of Nations* (1904), Smith argues that value itself is socially constructed through his observations of the inhabitants of Cuba and St. Domingo, who "used to wear little bits of gold as ornaments in their hair and other parts of their dress. They seemed to value them as I would do any little pebbles of somewhat more than ordinary beauty" (p. 73). Economic value derives from shared social understanding more than inherent properties. The physical properties of gold indeed make it a more desirable medium of exchange than milk, but this is not a sufficient condition for the social convention to emerge.

The theoretical sophistication of Smith's framework is further evident in his assertion on the relationship between law and social expectations. In his *Lectures on Justice, Police, Revenue and Arms,* Smith (1869, p. 7) argues that "The foundation of contract is the reasonable expectation, which the person who promises raises in the person to whom he binds himself." He uncovers how legal institutions themselves rest on a foundation of shared social understanding of institutions.

Moreover, Smith provides a theory for understanding how these shared meanings evolve through social interaction. His observation that "Human society, when I contemplate it in a certain abstract and philosophical light, appears like a great, an immense machine, whose regular and harmonious movements produce a thousand agreeable effects." Smith (1853) suggests a systematic understanding of how social institutions emerge from individual interactions. Humans in this framework are not like chessboard pieces to be freely moved or unbounded from societal rules and emergent conventions.

Regarding language formation, Smith (1853, p. 507) argues that even rudimentary communication requires social coordination, saying "Two savages, who had never been taught to speak, but had been bred up remote from the societies of men, would naturally begin to form that language by which they would endeavour to make their mutual wants intelligible to each other." The language generated through this process may be limited by the individual's physical abilities to create words or hear the speech of others. Still, the emergence of language is a spontaneous order.

This insight has found robust empirical support in contemporary behavioral economics. Vernon Smith (2018) confirms how Smith's concept of fellow feeling provides crucial insights into experimental results that defied an overly simplistic model of rational choice theory. Additionally, Smith's theory of moral sentiments provides crucial insights into experimental results involving trust and cooperation (Smith and Wilson 2017).

Vernon Smith (2024, p. 4) demonstrates how Adam Smith's understanding of shared meanings and social interpretation continues to illuminate contemporary economic behavior, saying, "Whatever might cause our sympathy, or to excite it, nothing surpasses the mutual simultaneous pleasures of fellow-feeling with another." This interpretation is further developed in Vernon Smith (2013b), which demonstrates how Smith's concept of the impartial spectator facilitates the understanding of how economic actors develop shared notions of fairness and proper conduct.

Second, Adam Smith's work presents rationality not as an innate cognitive trait but as an emergent property arising from social interaction within institutional contexts. This theoretical framework, articulated in *The Theory of Moral Sentiments*, begins with a fundamental observation about human development: "Were it possible that a human creature could grow up to manhood in some solitary place, without any communication with his own species, he could no more think of his own character, of the propriety or demerit of his own sentiments and conduct... than of the beauty or deformity of his own face" (1873, p. 129). Smith establishes the foundational premise that rational judgment requires social context.

Smith develops this insight through several interconnected arguments. First, Smith demonstrates how commercial interaction generates rational economic behavior, noting in *Lectures on Justice, Police, Revenue and Arms* (Smith 1869, p. 254) that "When people seldom deal with one another, I find that they are somewhat disposed to cheat... When a person makes perhaps twenty contracts in a day, he cannot gain so much by endeavouring to impose on his neighbours." Second, he extends this to intellectual development itself, arguing that "Genius is more the effect of the division of labour than the latter is of it. The difference between a porter and a philosopher in the first four or five years of their life is, properly speaking, none at all. When they come to be employed in different occupations, their views widen and differ by degrees."

In *The Wealth of Nations*, Smith (1904, p. 175) further demonstrates how rational economic conduct emerges through social coordination, observing that "foreign trade enriched the country, experience demonstrated to the nobles and country gentlemen, as well as to the merchants; but how, or in what manner, none of them well knew." These arguments anticipated Hayek's (1945) later observations about how competitive market systems generate knowledge unknowable to solitary individuals and central planners.

Two key observations further elaborate the social and institutional dimensions of rationality. First, Smith (1853, p. 263) argues in *The Theory of Moral Sentiments* that "This natural disposition to accommodate and to assimilate, as much as I can, our own sentiments, principles, and feelings, to those which I see fixed and rooted in the persons whom I are obliged to live and converse a great deal with, is the cause of the contagious effects of both good and bad company." Second, Smith (1869, p. 253) notes in *Lectures on Justice, Police, Revenue and Arms* that "It is commerce that introduces probity and punctuality... These virtues in a rude and barbarous country are almost unknown."

This theoretical framework has found robust empirical support in contemporary behavioral economics, as clearly articulated by Vernon Smith (2005a, p.143):

> To paraphrase Adam Smith, people in these experiments are led to promote group welfare enhancing social ends that are not part of their intention. This principle is supported by hundreds

> of experiments whose environments and institutions (sealed bid, posted offer and others besides CDA) may exceed the capacity of formal game-theoretic analysis to articulate predictive models. But they do not exceed the functional capacity of collectives of incompletely informed human decision makers, whose autonomic mental algorithms coordinate behavior through the rules of the institution—social algorithms—to generate high levels of measured performance.

Both kinds of rationality have influenced the design and interpretation of experiments in economics. Thus, if people in certain contexts make choices that contradict our formal theory of rationality, rather than conclude that they are irrational, some ask why, reexamine maintained hypotheses including all aspects of the experiments—procedures, payoffs, context, instructions, etc.—and inquire as to what new concepts and experimental designs can help us to understand the behavior better. What is the subject's perception of the problem that he/she is trying to solve?

Smith and Wilson (2018) show how seemingly irrational behavior in ultimatum games reflects deeply embedded social norms. Vernon Smith (2018) provides a comprehensive theoretical synthesis, further developed by Campbell and Smith (2021), showing how bounded rationality emerges from social interaction rather than pure individual calculation.

Vernon Smith (2020) and other prominent economists (McCloskey 2016) have challenged the neoclassical focus on individual utility maximization, validating Adam Smith's original insight that rational economic conduct develops through social interaction within institutional frameworks. Adam Smith showed that economic knowledge is an emergent property. In *The Theory of Moral Sentiments*, Smith articulates a theory of economic behavior that emphasizes its inherently interpretive nature, arguing that economic understanding develops through what he terms the "impartial spectator," a socially constructed lens through which individuals evaluate their conduct. Smith argued that when an individual "views himself in the light in which he is conscious that others will view him, he sees that to them he is but one of the multitude... If he would act so that the impartial spectator may enter into the principles of his conduct...he must...humble the arrogance of his self-love" (Smith 1853, p. 97).

In *The Wealth of Nations*, Smith extends this social-institutional framework to market behavior, demonstrating how economic knowledge is embedded within trust and social understanding networks. His famous observation about the butcher, brewer, and baker illustrates this point. While we appeal to their self-interest, this appeal requires sophisticated social knowledge about "their advantages" rather than "our own necessities" (1904, p. 118). This contextual understanding is further elaborated in his observations of banking, where he notes that currency value depends on social "confidence in the fortune, probity, and prudence of a particular banker."

Smith's *Lectures on Justice, Police, Revenue and Arms* expands this theoretical framework by examining the institutional foundations of economic knowledge. His observation that "Property and civil government very much depend on one another" (1969, p. 8) exemplifies his understanding of how economic institutions are embedded within political frameworks.

These ideas have been systematically developed and empirically validated in Vernon Smith's research program. Vernon Smith (2010b) explicitly connects experimental findings to Adam Smith's understanding of how economic knowledge emerges from social exchange. This theoretical bridge is extended in Vernon Smith (2013a), which corroborates how Adam Smith's model of social behavior provides crucial insights into experimental results that defied traditional game theory predictions.

The methodological implications of this theoretical lineage are explored in Vernon Smith (2005a), which systematically documents how economic knowledge emerges through actual social interactions rather than abstract theoretical reasoning. The empirical validation of Adam Smith's original insights is further developed and shows how classical price formation theory, grounded in social interaction and contextual knowledge, better explains market behavior than neoclassical assumptions of perfect information (Inoua and Smith 2022). Most recently, Vernon Smith (2024) analyzed how Adam Smith's theory of economic behavior was embedded within a broader framework of social understanding and moral sentiment.

Third, Vernon Smith's interdisciplinary scholarship exemplifies productive integration of moral philosophy, psychology, and economics (Smith 2018; Jaworski et al. 2010), particularly through his experimental economics program that draws on Smithian insights (Smith 1986) to explain deviations from neoclassical predictions (Smith 2020). His work emphasizes how Adam Smith's framework illuminates the emergence of market rationality through social interaction, even absent complete individual understanding (Smith 2015b), while demonstrating how social rules and institutions shape economic behavior (Smith 2005a).

Through their complementary analyses, Adam Smith and Vernon Smith demonstrate how economic behavior emerges and remains embedded in complex social contexts, shaped by shared meanings, institutional frameworks, and evolutionary learning processes. Smith (2020, p. 344) says:

> we summarize and review Adam Smith's (1759; hereafter TMS) non-utilitarian model of human sociability and apply it to simple two-person trust and ultimatum games. Smith's model was based on inferred causal sources of individual action that had observable consequences, and he was always quite clear that he was modelling the agent's experience of his/her relationship with other agents. Those relationships had important consequences for the welfare, stability and efficacy of society that he pursued in TMS.

This rich understanding continues to inform interpretive approaches to economic analysis.

The Austrian critiques of positivist economics during the 1970s were not a departure from the mainline tradition of political economy (Boettke et al. 2016), but were instead rooted, perhaps unknowingly, in Adam Smith's understanding of human nature. Nevertheless, I contest the position advanced by Lavoie that this perspective "could be put on a more solid philosophical foundation if Austrians employed Gadamer's philosophical hermeneutics (Storr 2011, p. 85)." Instead of sowing the seeds of dissatisfaction with positive economics through Gadamer and Habermas, Austrian economists should have pursued a deeper engagement with Adam Smith's work. I acknowledge the concerns raised by Vaughn (1998, p. 133) that, "hermeneutics makes the old arguments for the unchallenged supremacy of the free market open to challenge." Positivism seemed to be a powerful theory to defend the market order. The more formidable threat to market theory did not emerge from George Mason University economists, but from Kahneman et al. (1990), who received the Nobel Prize in the same year as Vernon Smith. Kahneman employed market mechanisms, including double auctions, to undermine the notion that trade eliminates the endowment effect, as the Coase theorem suggests. In response, Smith (2005a, p. 136) argues,

> The inference [by Tversky and Kahenman] ignores the demonstrated capacity of motivated subjects to find equilibrium outcomes by repeat interaction in market experiments without cognitive awareness of this capacity, and their capability of achieving better outcomes in two-person anonymous trust interactions than if they applied traditional game-theoretic principles... Predominantly both economists and psychologists are reluctant to allow that naive and unsophisticated agents can achieve socially optimal ends without a comprehensive understanding of the whole, as well as their individual parts, implemented by deliberate action.'

Smith's stance is unambiguous. The problem lies not with the ecological rationality of agents but with the oversimplified models employed by paternalists and numerous free-market economists. What requires modification are the models themselves, not the agents' rationality. To properly confront the challenges presented by behavioral economics, a more sophisticated framework for understanding human rationality is essential. Humanomics offers the potential to challenge these scholars using their own methodology. For those skeptical about the potential of this research program, review the journals that publish Vernon Smith's work in the reference section of this paper.

III. SHARED MEANINGS AND INTERSUBJECTIVE UNDERSTANDING IN ECONOMIC ACTION

Vernon Smith exhibits how shared meanings and intersubjective understanding fundamentally shape economic action, without deploying this philosophical jargon. Instead, his theoretical perspective, grounded in Adam Smith's concept of the impartial spectator and mutual sympathy, illuminates how economic actors develop shared understandings through social interaction, challenging conventional frameworks focused solely on individual utility maximization. Smith and Wilson (2019, p. 11) say,

> The core message we develop from Sentiments is that humans are other-regarding in their personal interactions because we learn to follow rules of conduct that permit us to live in the company of our fellow human beings. Such rules are situation-sensitive to the effect of our actions on the benefits and hurts of others, as well as to our own self. The human capacity for fellow feeling, in particular for mutual fellow feeling, is the primary mechanism through which we are socialized creatures.

Before proceeding, it is important to clarify the relationship between two key concepts: the social aspect of rationality as revealed in experimental settings, and the interpretive processes through which shared meanings are constructed and deployed. While these are analytically distinct, they are fundamentally interconnected. As Lavoie and Chamlee-Wright (2000) demonstrate, all rational deliberation occurs within cultural parameters, and what appears as rational depends on cultural understanding rather than asocial calculation. Economic decision-making is inherently interpretive—entrepreneurs must read complex social texts rather than simply respond to objective signals. The social rationality observed in experimental economics emerges precisely through these hermeneutical processes, as economic actors navigate meaning-rich environments using culturally embedded interpretive capacities (Lavoie and Chamlee-Wright 2000).

Laboratory studies demonstrate the role of shared meanings in economic behavior. Kimbrough et al. (2010) display how participants develop common interpretations of legitimate possession, exchange practices, and cooperative norms through social interaction and dialogue. In ultimatum games where participants have exit options, actors quickly develop mechanisms for more even distributions than game theory suggests (Weg and Smith 1993).

The significance of shared meanings manifests distinctly across personal and impersonal exchange contexts. Research uncovers how experimental subjects construct shared conventions and mutual understanding around property rights and exchange relationships, with different intersubjective frameworks emerging in village-level personal exchange versus merchant-room impersonal exchange (Smith 2011; Crockett et al. 2009). More broadly, social distance and recognition influence economic decision-making (Hoffman et al. 1999).

Market interactions emerge as a crucial site for the development of shared understanding. Smith (1999) demonstrates how traders develop common expectations through market experience, with shared trading experience reducing market bubbles and facilitating more efficient outcomes. Far back into his career, Vernon Smith (1976, p. 278) realized that, "The explanation is that with information on each other's payoffs, the way is open for 'equity' considerations to modify self-interest choices."

Smith's research carefully considers the temporal and cultural dimensions of shared understanding. For example, he argues that hunter-gatherer societies developed sophisticated systems for transmitting shared cultural practices and knowledge (Smith 1992a). Later, Kaplan et al. (2018) revealed how different groups converge on varying levels of cooperative equilibria through repeated interaction. This evolutionary perspective is enriched by Smith (2005b) showing how moral understandings and social conventions emerge through interactive processes. Smith (2003) explains how context gives meaning to outcomes, with actions as signals of rule-following conduct rather than mere utility calculations. Smith (2021, p. 122) says,

> The important learning from these experiments is that other-regarding actions trump and robustly survive instructional treatments designed strongly to encourage self-interested actions. This powerful finding demonstrates the strength of human sociability, and robustly falsifies the traditional economic and game-theoretic modeling based on self-interested action.

Vernon Smith shows that economic action is embedded in systems of shared meaning and intersubjective understanding. These shared interpretive frameworks emerge through social interaction within specific institutional contexts, shaping how economic actors understand and respond to market situations, property rights, and exchange relationships. To quote Wilson (2025, p. 123), "Property is a speech act, jointly attended to by other people who have been taught by the previous generation of mentors the circumstances under which I can claim this cow as mine." Smith and Wilson's empirical findings have profound implications for economic theory and policy, suggesting that attempts to understand or influence economic behavior must consider the social processes through which shared meanings emerge and evolve.

IV. THE SITUATED AND CONTEXTUAL NATURE OF ECONOMIC KNOWLEDGE

Economic knowledge's situated and contextual nature emerges as a fundamental principle in the experimental economics literature. Smith (2010b) verifies that economic behavior and understanding cannot be divorced from their social, institutional, and historical contexts, challenging simplistic notions of context-free economic analysis. Social behavior emerges through historically contingent norms rather than abstract game theoretic predictions, as evidenced by systematic empirical analyses of institutional development in distinct cultural contexts (Smith 2010a, 2015a).

Experimental economics affirms the contextual nature of economic knowledge. Houser et al. (2004) demonstrate that minor variations in experimental procedures can produce statistically significant changes in behavioral outcomes, with ultimatum game offers varying from 44.4% to 27.8% based on procedural modifications. This sensitivity to context extends beyond mere procedural variations to encompass broader institutional frameworks, anonymity conditions, and social framing (Hoffman et al. 1994). The path-dependent nature of institutional development becomes clear in Kimbrough et al. (2008), showing how prior institutional experiences significantly impact future economic performance, even when institutional structures are identical.

Economic knowledge develops through practice rather than abstract reasoning. Market participants often achieve efficient outcomes without consciously understanding the equilibrium properties, highlighting the role of tacit knowledge and experiential learning (Smith 2003). Different institutional contexts can produce different behavioral outcomes despite identical underlying economic incentives (Smith 1989).

The social embeddedness of economic behavior manifests in studies of market institutions and exchange contexts. Identical monetary payoffs lead to different behaviors when the social context changes, with variations in group size, resource conditions, and social environment significantly affecting outcomes (Kaplan et al. 2018). The contrast between personal and impersonal exchange contexts provides compelling evidence for how economic knowledge is situated in social relationships (Smith 2011, 1992b). Studies of futures markets demonstrate how institutional frameworks mediate knowledge formation and price discovery (Porter and Smith 1995). In contrast, investigations of different auction rules and market institutions reveal variations based on institutional context (Smith 1986). This contextual understanding extends to developing property rights and other fundamental economic institutions (Smith 1992a).

The methodological implications of this research are significant for experimental economics. Laboratory conditions create contexts that influence subject behavior regarding using other people's money in experiments (Smith 2010a). The varying outcomes across experimental sessions and between different institutional frameworks demonstrate the importance of considering the context in economic research (Knez et al. 1985).

Economic knowledge is fundamentally situated within and shaped by specific social, institutional, and historical contexts (Smith 2018). This understanding has profound implications for economic theory and policy, suggesting that attempts to develop context-independent economic principles may be fundamentally misguided. Instead, economic inquiry should carefully consider the specific institutional frameworks, social relationships, and historical circumstances within which economic behavior occurs.

V. INTERDISCIPLINARY ENGAGEMENT: ENRICHING ECONOMIC ANALYSIS WITH HUMANITIES AND SOCIAL SCIENCES

Vernon Smith's research program presents a sophisticated interdisciplinary approach to economic analysis, integrating insights from moral philosophy, particularly through engagement with Adam Smith's *The Theory of Moral Sentiments* (Smith and Wilson 2017), while also drawing upon archaeology, anthropology, and biblical studies to understand economic development patterns (Smith 1992a). This methodological pluralism extends to incorporating evolutionary psychology, cognitive science, and neuroscience within experimental economics frameworks for analyzing social behavior and decision-making (Hoffman et al. 1998; Smith 1999) while simultaneously engaging with philosophy, sociology, and institutional work to examine the emergence of property rights and economic conventions (Kimbrough et al. 2010). Through this multidisciplinary approach, Smith illustrates how economic theories emerge through empirical testing and dialogue across interpretive frameworks (Smith 2010b), substantially enriching our theoretical understanding of economic phenomena.

A particularly significant strand of interdisciplinary engagement involves the integration of anthropological and historical perspectives. Vernon Smith presents research about property rights in hunter-gatherer societies and the evolution of legal institutions to inform economic research (Smith 2004), a theme later expounded upon by his frequent coauthor Bart Wilson (2020). This historical-anthropological approach is complemented by engagement with evolutionary psychology and cognitive science, leading to more nuanced understandings of economic behavior and institutional development (Smith 2020). Smith integrates neuroscience, evolutionary psychology, and anthropology insights with experimental economics and classical economic theory (Smith 2003). Interdisciplinary engagement can enhance our understanding of economic phenomena, supporting Hayek's assertion that economic expertise requires knowledge beyond the discipline's traditional boundaries (Smith 2005b).

Interpretive approaches can uncover crucial dimensions of economic behavior that may elude purely quantitative methods, mainly through research that merges experimental economics with qualitative analyses of chat room transcripts (Kimbrough et al. 2008). Smith's exploration of chat logs and discourse highlights how participants construct shared understanding, directly confronting the common assumption that words are not data (Smith 2011). This methodological advance significantly deepens our comprehension of economic behavior by integrating rigorous experimental control with attention to social and interpretive factors.

The integration of qualitative methods extends to historical and textual analysis, particularly in research combining quantitative experimental economics with careful interpretation of historical texts and investigating how subjects attribute meaning to actions (Smith and Wilson 2017). This methodology recognizes that economic explanations have an irreducibly narrative character, requiring interpretive frameworks and imaginary constructions to make sense of economic history rather than relying solely on formal models and quantitative data.

The culmination of these research efforts illustrates an integration of multiple disciplinary perspectives into economic research. His research program synthesizes diverse intellectual traditions, including moral philosophy, anthropology, evolutionary psychology, and cognitive science. This approach manifests itself in several key ways: by incorporating neuroscientific insights into experimental economics frameworks, applying anthropological perspectives to understand property rights evolution, and using qualitative methods, including discourse analysis of experimental chat logs. Smith's methodological innovations particularly shine in his integration of interpretive approaches with conventional quantitative approaches, demonstrating how narrative evidence and textual interpretation can illuminate crucial dimensions of economic behavior that might elude purely quantitative study.

VI. WHAT SHOULD ECONOMISTS DO NOW?

The convergence between Adam Smith's philosophical insights and Vernon Smith's experimental findings parallels Haidt's (2001) empirical confirmation of David Hume's armchair speculation. Just as Haidt validated Hume's (1896) claim that reason is "slave of the passions," Vernon Smith's experiments confirm Adam Smith's understanding of human sociality and market behavior. This highlights why contemporary scholars continually draw on Enlightenment thinkers. The Scottish Enlightenment produced more anthropological or observational commitments that generated testable hypotheses about human nature.

Hirschman (1997) and Boulding (1993) recognized that the Scottish Enlightenment tradition was critical for developing a more humane economics, one that worked with rather than against human passions. Vernon Smith and his collaborators provide empirical evidence for what has long been known but forgotten: humans are fundamentally social beings whose rationality emerges through interaction. As Haidt (2006) demonstrates, the complexity of Hume and Smith requires retooling in light of scientific progress, which confirms that we have become too comfortable with overly simplistic models.

The humanomics framework attacks behavioral economics' oversimplifications while avoiding the utilitarian economists' aggregation fallacies. It recognizes what the Austrians attempted to articulate: that apparent irrationality often reflects deeply embedded social competencies that enable mutually beneficial exchange. Culture and society are not merely constraints that bind homoeconomicus. These social constructs are the fabric of civilization, and we do not check these cloaks of society at the door when we enter the lab or the office. New economic theory, it seems, often results from reading old books with fresh eyes.

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