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Adam Smith: Providing Morality in a Free Market Economy

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Requirements for Commonwealth Interdisciplinary Honors in Political Science and Economics

Bridgewater State University

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Project Abstract

Adam Smith's *Theory of Moral Sentiments (TMS)* and *Wealth of Nations (WN)* appear to suffer from an irresolvable tension: *TMS* extols human sympathy whereas *WN* extols the consequences of self-interest. This paper takes a comprehensive approach, adding to scholarship on what has become known as the "Adam Smith Problem." There are traditionally four different approaches to the "Adam Smith Problem" in the secondary literature; economic, political, moral, and "principles" approach. Through a textual analysis of *TMS* and *WN* that focuses on prudence, the nature of happiness and Smith's rhetorical style, this inconsistency between his two texts disappears. The emphasis Smith places on prudence in *WN* can only be properly understood when one considers its foundations in sympathy found in *TMS*. In surveying the secondary literature, a second, larger question emerges on how to reconcile Smith's economic, political, and moral thought more generally. It becomes probable Smith favors economic and political structures fundamentally for moral reasons suggesting that *WN* and his *Lectures on Jurisprudence* must be read subsequent to *TMS*. This also suggests that political and economic institutions are built upon a base informed by morality. By demonstrating the integral connection between morality and markets, Smith provides his reader with the means to critique educators, economists, and skeptics of capitalism. One such skeptic of free markets is Michael Sandel, who, in his book "What Money Can't Buy: The Moral Limits of Markets," rejects the trend of "market triumphalism" based on two objections: the corruption objection and the fairness objection. Arguing for the moral interpretation of Smith, the paper seeks to respond to Sandel's objections from Smith's point of view, appealing to his definitions of beneficence and justice.

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Chapter One: Introduction

Adam Smith is generally known as the “father of economics” for his text *Wealth of Nations* (*WN*), but many economics students would be surprised to learn that he is also a moral theorist. In fact, during his entire teaching career at Glasgow University (1751-1764), he was a professor of Moral Philosophy, not Economics or Politics. The label Adam Smith received subsequent to his death thus does not seem to suit his multidisciplinary approach in life. For many scholars the hardest issue in studying Adam Smith is the lack of cohesion in his voluminous works, especially between his *Theory of Moral Sentiments* (*TMS*), which is based on human sympathy and *WN*, based on self-interest; hence, the development of the term the “Adam Smith problem.” Most philosophers (both modern and ancient) have some underlying theory that is apparent in all their work, but, at least on the surface, this is not so in the case of Smith. Two solutions seem immediately available: to either read and understand Smith’s texts in isolation, or to read and discover some uniform theory throughout Smith’s varied works. The first approach seems to be the easiest way out, as it does not require looking into Smith’s underlying theory, but instead assuming his texts and ideas only operate in separate and distinct areas of society. This method is called “compartmentalization, as it argues that *TMS* operates in the private sphere, *WN* in the economic, and Smith’s idea of the “Science of the Legislator” in the political (Kalyvas & Katznelson 2001, 577).

Indeed, this had been the approach to the “problem” up until 1897 when August Oncken produces the first work asserting the problem should be put to rest. Before 1897, the general consensus was that Smith is deliberately contradictory; he may have begun his life as a proponent of human sympathy or morality in *TMS*, but his later work in *WN* demonstrates a belief in self-interest as the basis for human motivation (Otteson 2000, 51). Otteson, in “The

Recurring Adam Smith Problem,” gives a clear historical account of the development of this problem and its solutions. He writes, “the conclusion many nineteenth-century scholars drew was that Smith’s two books were simply inconsistent. Smith may have been a great economist, but he was no philosopher” (Otteson 2000, 51). However, the work that Oncken produced corrected a purely historical and causational error, without actually showing whether Smith did change his mind throughout the course of his life. Otteson argues, “the import of the Adam Smith Problem was the allegation that Smith’s books offer conflicting conceptions of human nature. The two books seem to agree that self-love or self-interest is a part of nature, but do they grant it the same significance in their respective accounts” (Otteson 2000, 52)?

The “comprehensive” approach takes up the question presented above and assumes that a theory presented in one of Smith’s works should be supported in another, and does not presume Smith to have purposefully been inconsistent. The comprehensive approach will be the one expanded upon here and used in this project in order to contribute to the solutions to the “Adam Smith problem.” The main research questions addressed in this project are, first: in what manner and to what extent does Smith combat the problem of selfishness in his *Theory of Moral Sentiments*? Secondly, in what manner and to what extent can it be said that the self-interest present in *Wealth of Nations* is based on sympathy present in *Theory of Moral Sentiments*? This paper argues that Smith is successful in combating the problem of selfishness through examining the exercise of sympathy. In addition, self-interest as presented in *WN* is based on sympathy in *TMS* when analyzed in light of the connecting virtue of prudence and this provides a possible solution to the “Adam Smith problem.”

Since Oncken, there have been many authors and theorists who try and resolve the Adam Smith problem, each having recourse to different works to present a solution. Generally, there

are four different ways to answer the problem: the economic approach, political approach, moral approach, and principles approach. In attempting to resolve the first problem, theorists simultaneously respond to two larger questions in Smith's thought, that is; how does Smith conceive the relationship between the economic, political, and moral spheres in society? Which sphere will most successfully combat the tension between self-interest and sympathy in liberal society?

Economic Approach

The economic approach to Smith operates under the assumption that Smith's primary concern and contribution is the way in which economic systems are constructed. If the economic institutions are ordered correctly, then morality and politics will naturally develop and will be secondary concerns. In addition, some in this tradition prefer to leave the tension between *TMS* and *WN* unresolved, relying primarily on Smith's economic reasoning and reinforcing this dichotomy.

Vernon Smith, in "The Two Faces of Adam Smith," asserts that Smith is deliberately inconsistent in his two main texts; "It is true that Smith failed to put his two books together into a single coherent system of thought" (Smith 1998, 17). Vernon Smith agrees with other authors that the argument implicit in the "Adam Smith problem" rests on the tension between "noncooperative self-interest and other-regarding sympathy" (Smith 1998, 2). However, in responding to this tension, he argues, "these views are not contradictory if we distinguish impersonal market exchange and personal exchange" (Smith 1998, 2). Impersonal market exchange occurs in the public sphere with trading partners for the purpose of "wealth creation," whereas personal exchange occurs in the private sphere with friends, family, and other close

acquaintances for the purpose of gains from “reciprocity” (Smith 1998, 2). Both modes of action are motivated by different incentives, one by public and monetary gain, and the other by private and social gain. The only point in which he sees the two converging is in their dual reflections of self-interest. Thus, the propensity to trade for self-gain is the main motivation for all human exchanges.

Although Vernon Smith argues for these two different exchanges as established in *TMS* and *WN* he does not make any reference to sympathy or any other normative position identified by Smith. Instead, he uses biological and historical development to explain the basis for social exchange: “although the cultural forms of reciprocity are endlessly variable, functionally, reciprocity is universal. We do beneficial things for our friends, and implicitly we expect beneficial acts in kind from them” (Smith 1998, 4). By asserting reciprocity to be the foundation of private social motivation, Vernon Smith simultaneously designates Smith as a utilitarian. He believes individuals view their actions in terms of how much they will gain in return. These do not have to be material gains, but could be favors or recognition. Vernon Smith’s interpretation here maintains Smith’s designation purely as an economist and one that did not take other human motivations into account.

Although Vernon Smith can be considered an established representative of the economic approach to interpreting Smith, not all economists view Adam Smith in this way. James Alvey in “Adam Smith’s Higher Vision of Capitalism” challenges economists to take a second look at Smith and “take seriously the study of human values” (Alvey 1998, 447). Alvey firmly refutes the claim that Smith was primarily concerned with economic outcomes and argues for a larger role for government in promoting the civic morality of the people. In the introduction to his article, Alvey states the three duties of government for Smith, which are defense, law and order,

and then a third category of “public works and certain public institutions” (Alvey 1998, 441). Traditional interpretations of Smith have led many to believe he was an advocate for purely “negative liberty” as provided by government and this seems consistent with Vernon Smith’s approach (Alvey 1998, 442).¹ However, while a system of internal and external law and order will provide for the security and liberty of the people, they must first be *prepped* for the consequences of so much freedom (Alvey 1998, 442, 443). Consequently, this concern for the provision of these negative liberties by the government leads Smith to advocate for positive duties by the government – mainly education. If a system of natural liberty is going to be expected to last, government must provide an education that “encourages the prudent use of freedom... this education is not sufficiently provided to the public by the private sector: moderation, a type of self-command, is a sort of public good requiring government support” (Alvey 1998, 443, see also 446). In addition to promoting virtue, Alvey argues that Smith recognizes the consequence of loneliness in large commercial societies, and thus to promote a more “communitarian” society proposes this “civic education” (Alvey 1998, 444, 446). Thus, the type of scientific education Smith demands from government produces prudent citizens, who will engage with each other to foster a greater sense of community. Why does Smith advocate a primarily civic education versus a moral education? Alvey argues Smith’s main goal is to produce “great statesmen,” who, with “superior prudence,” “constitutes the noblest... of all characters” (Alvey 1998, 446 [directly quoting Smith]). It is especially significant that this argument is made by an economist, as it introduces the real possibility for the “Adam Smith problem” to be approached by multiple disciplines and marks a trend away from classifying him

¹ On the distinction between positive and negative conceptions of liberty see Isaiah Berlin (2002, 166-217).

solely as the father of modern economics. Alvey actually more closely aligns with the position taken by some political scientists who also argue the centrality of the political sphere in Smith.

Political Approach

Those arguing for the political approach look mainly to Smith's *Lectures on Jurisprudence* for the justification that Smith is primarily concerned with the political sphere of society. The main crux of their argument is the centrality of politics for Smith, and the view that politics, if properly ordered, determines economic or moral outcomes. It is thus the job of the legislator, in some cases, to actively promote the private virtues and sympathy of the people. With regard to the relationship between *TMS* and *WN*, many in this tradition argue that Smith's political theory is responsible for the cohesion of the two texts.

Dennis Rasmussen (2006) sees the political sphere as solving a major paradox in Smith's works, while also creating positive outcomes for society. While Smith identifies a principle in man's nature for economic exchange, he simultaneously disagrees that greater liberty to exercise this tendency will make men happy. Rasmussen writes, "according to Smith, the desire to better our condition is the main engine driving economic growth in commercial society, yet he admits that this desire also tends to disrupt people's tranquility, which he sees as the key component of all true happiness" (Rasmussen 2006, 309). However, this does not mean Smith abandons the conception of economic liberalism he helped to promote. Smith, according to Rasmussen, is ever a realist, who recognizes "a life of perfect, unalloyed happiness is simply unattainable" (Rasmussen 2006, 313). Therefore, it appears that "Smith judges a society not by whether it ensures peoples complete happiness – because this is impossible – but by the degree to which it *promotes* their happiness, if only by keeping them from being miserable" (Rasmussen 2006,

314). In order to illustrate the best means to this end, Rasmussen utilizes Smith's conception of the four stages of history, these four stages of socioeconomic development being: hunter/gatherer, sheparding, agricultural, and commercial (Rasmussen 2006, 314). What makes the successive stages an "improvement" for Smith is the relative increase in liberty, which in turn leads to a better sense of security. When individuals feel free to use their income and property in what manner they choose, and feel sure that they are protected from any obstruction to this activity, they feel secure enough to invest or grow, thus leading to the greater prosperity of the nation (Rasmussen 2006, 314). Going back to Smith's concession that perfect happiness is unattainable, Rasmussen demonstrates that Smith believes in a government which would be most likely to *prevent* misery, not necessarily guarantee any degree of happiness. In other words, "the surest way of promoting people's happiness, for Smith, is to provide them with liberty and security" (Rasmussen 2006, 314). Thus, in pre-commercial societies where there is a sense of dependence and insecurity, people are least likely to be happy (Rasmussen 2006, 315). According to this line of reasoning, governments and political institutions in fact have the power to support or hinder social progress and that is why Smith places greatest emphasis on the political sphere (Rasmussen 2006, 315). Rasmussen thus effectively turns around prior theories that Smith is primarily concerned with wealth and economic outcomes. While he wants to promote wealth creation, Rasmussen demonstrates Smith does so because of the political benefits that come from commercial governments. Governments both create and are affected by the four stages of society, but the political goals of liberty and security are at the heart of Smith's concerns and reasons for supporting commercial liberalism.

While Donald Winch argues for the same emphasis on politics, he does so from a perspective of a "science of the legislator," which places politicians in a position to bridge the

economic and moral divide. Winch believes Smith “suggests a form of statecraft that seems to belie the very nature of the *Wealth of Nations*, whether seen, anachronistically, as a contribution to ‘positive’ economics, or as a critique of contemporary economic policies from a position that later became known as economic liberalism” (Winch 1983, 501). The idea of statecraft as a science practiced by politicians originates from the *Lectures on Jurisprudence*, which Winch explicitly believes acts “as a bridge between the two main published works” (Winch 1983, 502). The reason the role of the legislator has previously been ignored, Winch argues, is because of the historical shift in political economic theory to divide the “science from its application” (Winch 1983, 511). If one is to understand how Smith’s political theory bridges the gap between economics and morality, it requires “reconstructing Smith’s politics” from the “discarded remnants” in all of his works (Winch 1983, 502).² Winch challenges the previous understanding of Smith as advocating a small role for government. In fact, Winch believes Smith actually supports politicians engaging in some economic policy making (Winch 1983, 510). Beyond just having the power to do this, Winch takes a step further by asserting the legislator has a “special obligation” to interfere with the economy in cases where there is a “possibility of disturbances to public order and to the authority and stability of government, as well as the long term progress of opulence” (Winch 1983, 510).

This approach seems to be consistent with an argument advancing the connection between politics and economics, but how does Winch conceive Smith’s relationship between politics and morality? Winch actually suggests a somewhat Aristotelian reading of Smith, in that Smith’s legislator have a relationship with the philosopher (Winch 1983, 502). Smith makes a

² The reason there is no text on Smith’s political thought is because he burnt the manuscript detailing his thoughts on law and government with his close friends, chemist Joseph Black and geologist James Hutton, days before his death (Haakonssen 2006, 4).

distinction between a politician, who will be guided by momentary passions, and the legislator, whose actions will be governed by general principles, with the role of the philosopher being to “encourage the development of the public-spirited attitudes of the legislator at the expense of those of the politician by enunciating general principles” (Winch 1983, 503). The ends of the legislator in economic affairs are to promote the “public order” and “opulence,” while the ends of the legislator in the social sphere are to “seek to remove disabilities, curb excessive powers and accommodate legislation to existing states of opinion, while seeking to change those states of opinion, where pathological, through education and example” (Winch 1983, 504). In this way, Winch argues for a much more active role played by the legislator, as a leader by example, but also as forming the morality of the public.

While John Danford argues for the same emphasis on the political sphere, he disagrees with Rasmussen that Smith believed governments would bring about the political ends of liberty and security. Instead, Danford understands Smith to be advocating for economic arrangements in order to combat the ills caused by “political men” (Danford 1980, 674). While Smith still treats liberty and security as end goals for society, he believes this can only be achieved when equality is promoted in society through a free market economy. Stating that Smith favors free market economic systems because they produce equality beneficial for society seems to be at odds with conventional thought on the subject. Before explaining how this is so, Danford first begins by refuting some common critiques of the free market system by those who argue it in fact destroys equality. The biggest proponent of this position is R.H. Tawney (1965), who believes an unrestricted economy to be “inhumane, because without restricting the abilities of the specially talented, the less well-endowed will find themselves always subject to direction, or humiliation, by their natural superiors” (Danford 1980, 676). The dangerous next step in that reasoning is an

argument for material equality and redistribution by way of a centrally planned economy.

Danford concedes that yes, material differences will occur in a free market economy, but is not this better than enhanced religious or political differences, which would give way to greater conflict (Danford 1980, 694)? Thus, material inequality is in a way much safer than the alternative. The problem with critics like Tawney, Danford argues, is that they misunderstand Smith's conception of equality.

As Danford states, Smith understands men to be equal in their nature, in their "sentiments and aspirations;" "not in what men need, nor even in what they can do, but in what they wish for or aspire to – that is, in their goals," which Smith identifies as "ease, security, and peace" (Danford 1980, 690, 692). Thus, the "equality of aspirations" Smith proposes of "ease, security, and peace" eliminates any goals of glory and honor in the political sphere and destructive to natural liberty in the free market system (Danford 1980, 692). If men are focused on these common goals, the political sphere in commercial society "can be reduced to merely a matter of administration" (Danford 1980, 692). In a capitalistic system, everyone would be free to pursue their personal happiness without seeking to do so by political gains, favors, or know-how. By taking away the destructive outcomes of a political sphere based on competition and power, the administrative style of government "is a consistent and powerful justification for a world devoted to easing the human condition materially and thereby, emphasizing the softer and more human side of human life" (Danford 1980, 695). Therefore, Smith is primarily concerned with the political sphere, but to the extent that he wishes to suppress the common disadvantages of a political sphere that is too influential over private life.

Moral Approach

In resolving the Adam Smith problem, those arguing for the moral approach look to *Theory of Moral Sentiments* as informing Smith's subsequent thought on societal development. Theorists in this camp believe without a strong understanding of the development of individual ethics and the intervening practice of sympathy, that self-interest present in the economic sphere would run rampant. Thus, they argue that Smith's main concern in the ordering of economic and political institutions is how they affect and are affected by morality.

Jerry Evensky clearly lays out this position in his article, "Adam Smith's *Theory of Moral Sentiments*: On Morals and Why They Matter to a Liberal Society of Free People and Free Markets." Evensky begins by pointing out the main problem in human nature concerning Smith, and that is self-interest; "Smith recognized – as many of his predecessors and contemporaries from Thomas Hobbes and the Physiocrats – that an unfettered freedom to pursue self-interest could undermine a constructive liberal society" (Evensky 2005, 110-111). Unlike someone like Thomas Hobbes, however, Smith did not believe a strong state or political institutions could force individuals against the current of self-interest; the change must come from within. Evensky argues, "Smith believed the source of this security must be a system of justice that establishes and enforces principles of *interpersonal behavior* that insure individuals' security" (Evensky 2005, 111, emphasis added). Thus, there should not be reliance on institutions alone to secure liberal order, but instead a dependence on "self-government" and the "ethical maturity of the citizenry" (Evensky 2005, 113). The purpose of *Theory of Moral Sentiments*, according to Evensky, is to provide for a "civic ethics" to prepare individuals to engage peacefully and prosperously with each other as citizens and consumers (Evensky 2005, 113).

Smith ultimately believes that a society of free people possess the best means to prosperity and progress, but why is this the case? Evensky argues that ethical values, reflected as

“social norms,” change, which contributes to the “ethical maturity” of all, and ultimately leads to societal progress as social institutions are affected by this evolution (Evensky 2005, 119-122). This is, of course, assuming societal norms change for the better and not the worse, and for the most part they will change for the better because of the way in which individuals engage in moral evaluation. The ethical system in *Theory of Moral Sentiments* is based on the notion of mutual sympathy and personal moral evaluation, which over time contribute to better morals and individuals become aware of each other and how their behavior affects others (which will be expanded upon in the following chapter) (Evensky 2005, 115-122). For the purposes of Evensky’s article, he truncates *Theory of Moral Sentiments*, highlighting how societal norms change and how individuals may come to affect these values; “even as an individual is shaped by society, the experience, imagination and reason of each person creates a unique perspective from which that person can act on and affect the extant social constructs” (Evensky 2005, 122). Thus, while highlighting how this process occurs, Evensky also emphasizes the importance Smith places on individual morals in shaping societal institutions. Morality is ultimately important because “if a society of free people and free markets is to avoid the Hobbesian abyss, justice must be enforced not by institutions and police, but by self-government – that is, by citizens who share and adhere to a common, mature standard of civic ethics” (Evensky 2005, 128-129). To combat the problem of self-interest Smith presents, people must be able to practice a moral system which forces them to look outside themselves and care about their fellow man. Therefore, in the course of events, individual morality develops in the private sphere, which comes to affect economic and political institutions (Evensky 2005, 112). Evensky clearly supports the view that Smith, in his understanding of society, is most concerned with the development of morality.

“Principles” Approach

There are few examples of the principles approach and all are grounded upon a different “principle,” but one of the clearest examples of this method is presented in James Otteson’s (2002) article, “Adam Smith’s First Market: The Development of Language.” Otteson argues that the key to understanding *TMS* and *WN* and the inherent tension between the two is to go back and first understand the model Smith presents in his short essay entitled, “Considerations Concerning the First Formation of Languages, and the Different Genius of Original and Compounded Languages.” In that essay, Smith develops a theory of linguistic development that Otteson believes informs his theories about social institutional development more generally (Otteson 2002, 65). Smith begins by conjecturing about the initial development of language and concludes that it was unintentional and natural. Contrary to Rousseau, Smith does not believe savages must possess an antecedent ability to generalize, but just a natural ability to associate similar things and phenomena in the world, gained by experience (Otteson 2002, 68). Upon establishing this preliminary system of language and general rules, civilized man may change, add, and adapt the language to best fit an expanding and evolving knowledge of the world (Otteson 2002, 71). There are thus three features to the development of language: “first... general rules establish themselves insensibly; second, this process happens slowly; and third, it is motivated by a desire human being have” (Otteson 2002, 71). This system, Otteson argues, sounds exactly like the process of development Smith offers in both *TMS*, in the moral sphere, and in *WN*, in the economic sphere. Thus, Otteson contends that the “invisible hand,” present in all three systems of development, is the “germ of a single, fundamental organizing concept for the central parts of Smith’s corpus” (Otteson 2002, 78). All human social institutions thus function like a marketplace, where individuals may exchange ideas and sentiments which will change general rules, but will not dismantle the system established from that initial natural

growth (Otteson 2002, 80). Although Otteson does away with the historical inconsistency in Smith's work, he nevertheless does not seem to believe there is a real tension between self-interest and sympathy in Smith. He asserts the same desire in all men to be "the desire of each individual to satisfy his interests, whatever they are and in whatever arena they would be satisfied" (Otteson 2002, 80). Thus, while providing a useful way in which to understand the fundamental principle of social institutional development in Smith, he does not provide a way in which to assess how Smith conceived the relationship *between* these institutions.

Each approach taken above demonstrates a focus or emphasis on a particular area in Smith's thought that they argue predominates his entire works. Those in economics choose to highlight Smith's contribution to theory of economics and his justification for unfettered markets, denying a serious connection between his works. However, as shown above, not all economists take this approach, as in the case of James Alvey. The political approach emphasizes the role of the legislator and the state in properly ordering society and adopts a civic virtue formulation of Smith. The moral approach adopts Smith's moral theory as the underpinning of the rest of his texts and fundamentally believes there is not a tension between *WN* and *TMS*. Lastly, the "principles" approach takes one idea, such as the invisible hand (or unintended consequences) and argues this to be the connecting force between his books. As demonstrated above, the "Adam Smith problem" is widely and hotly debated among scholars and there are several approaches and nuances within those approaches that different authors adopt.

Methodology

The methodological approach taken in this project is textual analysis, specifically the approach taken by Leo Strauss in his *Persecution and the Art of Writing* (1988). Strauss' method

requires a few things from the reader: that they suspend all personal judgment, only understand terms and phrases as the author defines them, and do not rely on external information to understand the primary text. In addition, students employing the Straussian method should grasp the difference between an author's exoteric (direct) and esoteric (indirect) meaning, and understand why philosophers sometimes choose to write covertly. Strauss believes an indirect dialogue affords the author a few things: protection from persecution, a way to express knowledge without exposing it as opinion, and an access to students interested in philosophical education. For Strauss, the implications of an author's thought are much more telling than their strict literal interpretation. The key to reading a text critically is not to count words but actually understand what an author is trying to convey. Reading this way is most conducive to a philosophical education, as it is not about forcing students one way or the other, but guiding them toward the truth step-by-step.

Chapter Overview

As demonstrated above, the inherent tension between Smith's two greatest texts, *Theory of Moral Sentiments* and *Wealth of Nations*, is between sympathy on the one hand and selfishness on the other. In the second chapter, *TMS* is treated separately, and in the third chapter *WN* is analyzed within the context of the implications of *TMS*. The fourth chapter addresses a contemporary critic of free markets and offers possible responses through Smith's perspective.

The larger research question of the second chapter is: in what manner and to what extent does Smith, in *TMS*, combat the problem of selfishness through his moral theory? Since much of *WN* is based on considerations of the self, it is important to first demonstrate how his moral theory combats this tendency in human nature. The chapter begins with an analysis Smith makes

of other systems of moral theory, which then come to inform his own moral theory laid out in the second half of the chapter. Smith's moral theory is primarily based on imagination and sympathy. Individuals use their imagination to enter into another's situation in order to sympathize with their behavior. Sympathy for Smith here is not empathy, but a tool individuals use to gauge their own feelings and moral evaluations of others. From these individual evaluations come rules of conduct in society regarding ideas of prudence, justice, benevolence, and self-command; Smith's four cardinal virtues. In developing a moral theory, Smith creates something as close to human nature as he sees it. The culmination of his moral theory is thus a practical tool which individuals can use to conduct evaluation of themselves and others: the mental yardstick; which is to say a guiding tool between what actions are inappropriate, average, and nearing perfection.

The research question in the third chapter then moves to address the "Adam Smith problem:" in what manner and to what extent can it be said that Smith's economic theory in *WN*, based on self-interest, has its foundations in his moral theory in *TMS*, based on sympathy? The chapter begins by analyzing prudence, which is self-interest corrected, and its foundations in *TMS*. It becomes clear that while *WN* is based on self-interest, Smith meant self-interest as prudence, which is not rightly understood without recourse to *TMS*. Prudence has its foundations in social norms, which are moral standards determined through the ethical evaluations of society. The best way to realize this connection is through the rhetoric of *WN*. While *WN* is an economic treatise, through looking at Smith's rhetoric style in *TMS* and his pedagogical motives there, it is clear he uses the same style to implore moral teachings in *WN*. After going through three examples there, the chapter then moves to demonstrate how the mental yardstick in *TMS* is also used in *WN* in terms of private economic decisions and to direct the course of political economy.

Therefore, if it proves to be true that *WN* has its foundations in Smith's moral theory in *TMS* it becomes possible to assign an order in which Smith should be read (*TMS* first, *WN* and *Lectures on Jurisprudence* after). Additionally, this conclusion opens the door to critique critics of capitalism, educators who divorce his thought and economists who ignore his moral teachings.

The fourth chapter takes up one of the critics of free markets, Michael Sandel, who in his book *What Money Can't Buy: The Moral Limits of Markets* criticizes "market triumphalism" on two dimensions. Firstly, he argues markets corrupt the good being bought and sold, displacing important non-market norms and damaging the good's intrinsic value. This is what he calls the "corruption objection." Secondly, he argues in some cases markets coerce individuals into participation or they bar individuals from participating. This is what he calls the "fairness objection." After establishing Sandel's position, possible counter-arguments are presented from Smith's perspective. Regarding the first objection, Smith, instead of condemning markets themselves, would most likely point to a deficiency in public morality, specifically in the virtue of beneficence. Since beneficence is a social virtue cultivated by domestic education, the nature of the domestic education is explained and then a standard is set up by which the public could potentially evaluate markets in the future. The second objection invokes concerns about justice; therefore, this leads to examination of Smith's definition of justice and his position on ideas of distributive justice. Although Smith would most likely agree with Sandel's concerns, he would nevertheless defend markets and argue that "market triumphalism" is not the source of the issues. Regardless of whether Smith's responses would satisfy Sandel, Sandel cannot deny Smith's concerns with moral consequences of markets. Indeed, correcting the misconception regarding the divide between Smith's moral and economic theory becomes the main point of this project.

Finally, chapter five concludes by summarizing the major points made in the previous chapters and also offers some unanswered questions left open as a result of research done in this project for further investigation.

Chapter Two: Combating Selfishness in *Theory of Moral Sentiments*

“Though it may 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” (TMS II.ii.2.1).³

In one of Smith’s more vivid examples in his *Theory of Moral Sentiments*, he describes a man on the brink of action, caught between a desire for revenge and knowledge of the consequences. Smith describes the simultaneous considerations running through his mind, the anticipation mixed with some feeling of hesitancy. What keeps this man from acting? Smith would say that he begins to view his conduct “in the light in which others are apt to view it” (TMS III.4.12). What might follow the act of revenge but shame, remorse, denial, and perhaps disgust? In his *Theory of Moral Sentiments*, Smith ultimately argues that sympathy *fixes* selfishness because, as social creatures, men are principally concerned with the thoughts and actions of others. Sympathy is man’s inherent sense of right and wrong, and by practicing sympathy men naturally cultivate rules which are not “formed like the decisions of a court of judicatory,” but “fixed in our mind by habitual reflection” (TMS III.4.11-12). Sympathy forces men to look at the judgment of others, which is “of great use in correcting the misrepresentations of self-love” (TMS III.4.12). The man chooses not to act because his standard of “right,” principally influenced by his natural sentiments, keeps him from gratifying his deepest passion.

Criticism of Moral Systems

In order to identify the problem and solution of selfishness, one must first look at the criticism Smith offers of four distinct systems of morality. By analyzing the faults of Zeno,

³ Smith’s numberings in *Theory of Moral Sentiments* correspond to part, section, chapter, and then the section within that chapter. So, for example, the quote above II.ii.2.1, is from Part II: Of Merit and Demerit, Section ii: Of Justice and Beneficence, Chapter 2: Of the sense of Justice, of Remorse, and of the consciousness of Merit, in the first section.

Hutcheson, Epicurus, and Mandeville, Smith suggests what he finds is the proper degree of selfishness in society.⁴ While Smith finds that the systems of Zeno and Hutcheson raise the bar for human action too high, the systems of Epicurus and Mandeville set the bar too low. The first two view men as part of a great whole who act with regards to the preservation of this whole, while the latter two view men as isolated individuals who act only with regards to their self-interest. Smith, by looking at these four systems, concludes that men are naturally self-interested, but that this self-interest is regulated to a certain point by sympathy.

Zeno and Stoicism

Smith first addresses issues prevalent in Stoic philosophy regarding the individual to demonstrate its inconsistency with human nature. Stoic philosophy teaches men that they are all pieces of a whole and their actions should always be directed with a view towards preserving that whole. Smith agrees up to this point with the Stoics, because nature demonstrates that “the prosperity of two [is] preferable to that of one, that of many, or of all, must be infinitely more so” (TMS VII.ii.1.18). Thus, men would naturally defer individual actions if the ends were inconsistent with the whole of society. However, where the Stoics differ from Smith, is in the determination of the preservation of the whole. For the Stoics, a wise and powerful God is the director of all human actions, and individuals find their purpose in life from his direction alone (TMS VII.ii.1.18). Man may pursue their own ends and self-interest, but should he find himself in a disagreeable condition and God recommends no course of action to extricate himself he “ought to rest satisfied that the order and perfection of the universe required that [he] should in

⁴ In the analysis that follows, the exclusive concern is with Smith’s understanding of these thinkers and not the accuracy of his understanding. This concern is justified on grounds that the goal of this project is to arrive at a better understanding of Smith’s own thought which is understood in terms of how Smith presents his own moral, political, and economic thought.

the mean time continue in this situation” (TMS VII.ii.1.18). The same doctrine applies for others; when men see other men in desperate situations, they may help if a course of action is presented to them, but insofar as God provides no solution, “[he] might be assured that it tended most to the prosperity and order of the whole, which was what we ourselves, if we were wise and equitable, ought most of all to desire” (TMS VII.ii.1.18). Furthermore, should man be endowed with a glimpse of God’s plan, they would theretofore happily place themselves into that life ordained for them (TMS VII.ii.1.20).

Men who follow the Stoic teachings can only prepare themselves for life, but can never be the authors of it. Whatever storm befalls man, he may only accept the outcome with some level of comfort that he is part of God’s grand scheme, therefore, “riches or poverty, pleasure or pain, health or sickness, all is alike” (TMS VII.ii.1.20). Hence, Smith concludes that the Stoic philosophy leaves men *indifferent to life*. Furthermore, not only are men indifferent to their own outcomes, but are indifferent to all of mankind’s outcomes. Smith, in his critique of Stoicism, alludes to a wise man, who possesses the ability to see God’s great plan. This wise man realizes that Providence’s grand scheme consists of a chain, which is never-ending, and in which every outcome receives equal weight (TMS VII.ii.1.39). Thus, for Stoic philosophers, *all events are equal and all acts are equal*. Smith clarifies this point by saying the man who “stretched out his finger, to give the example which they commonly made use of, performed an action in every respect as meritorious, as worthy of praise and admiration, as when he laid down his life for the service of his country” (TMS VII.ii.1.39). In the extreme, this commitment to the whole and indifference with regards to action, might actually justify suicide. If God presents more choices leading to the rejection of life, man should therefore take his own life with indifference, and

vice-versa (TMS VII.ii.1.26-27). Thus, in Stoicism, men neither have control over their circumstances, nor feel a need to change them.

Although Stoics believe suicide can, in some cases, be reasonable, Smith rejects this notion and argues that suicide can never be justifiable. Smith contends that suicide runs contrary to nature and characterizes it as a “disease” (TMS VII.ii.1.34). Self-destruction should never be a willing option in life and is a product of the “refinement of philosophy” (TMS VII.ii.1.34). Thus, where there were not motivations or thoughts of suicide before, Stoic philosophy not only creates them, but recommends suicide as a duty. Necessarily, Smith believes that no circumstance should prompt men to kill themselves and that men should have a proper degree of self-worth to prevent them from self-destruction. Secondly, by pointing out the enormous indifference felt by Stoics, Smith conversely demonstrates a need for some *inequality and passion for action*; some actions must carry more weight than others. Smith reveals that

by nature the events which immediately affect that little department in which we ourselves have some little management and direction, which immediately affect ourselves, our friends, our country, are the events which interest us the most, and which chiefly excite our desires and aversions, our hopes and fears, our joys and sorrows (TMS VII.ii.1.44).

At its core, Stoic philosophy provides no opportunity for pride, accomplishment, or differentiation. Without these things, what prompts men to feel motivation for life? Although Smith agrees that men should care about the whole, he disagrees that they should do so from the sole direction of God or neglect themselves so entirely that they willingly persist in a circumstance of poverty, pain, or sickness. Smith concludes that “the plan and system which Nature has sketched out for our conduct, seems to be altogether different from that of the Stoical philosophy” (TMS VII.ii.1.43). Stoics completely ignore the natural feelings of ambition and

comfort, which propel men to rank themselves above others with regards to their actions and accomplishments, and to fight tooth and nail against all forms of displeasure.

Hutcheson

The system of virtue consisting in benevolence, clarified by Francis Hutcheson, bears some resemblance to Stoic philosophy. Men are influenced by a Deity and possess a supreme regard to the whole, however, individuals initiate their own actions and outcomes, and do so from a desire to imitate the love and generosity of God (TMS VII.ii.3.2). The end goal of benevolence is to arrive “at that immediate converse and communication with the Deity to which it was the great object of this philosophy to raise us” (TMS VII.ii.3.2). For Hutcheson, men give praise to each other for actions producing the most benevolence and censure for actions producing the least (TMS VII.ii.3.9). In addition, when evaluating actions, men also look to the motivations for action; “the mixture of any selfish motive, like that of a baser alloy, diminished or took away altogether the merit which would otherwise have belonged to any action, it was evident ... that virtue must consist in pure and disinterested benevolence alone” (TMS VII.ii.3.6). All motivations for action should be directed toward the public good and in that regard; those actions which do the most good for the most people are necessarily considered better. Thus, Hutcheson shares a cord with the Stoics, in that by promoting “the general happiness of mankind” and “regarding one’s self but as one of the many” men achieve “the perfection of virtue” (TMS VII.ii.3.10).

Unlike Stoicism, benevolence offers a degree of recognition, gratitude, and reward, which all men crave and Smith believes “is a notion supported by many appearances in human nature” (TMS VII.ii.3.4). However, the rigidity of this system poses a problem for Smith.

Hutcheson argues that any degree of self-love essentially makes any benevolent action void and any attempt at self-appraisal is considered contemptible (TMS VII.ii.3.12-13). However, for Smith, the idea of a “perfection of virtue” contradicts human sentiments. Men are naturally flawed and have varying motives for action besides the prosperity of the whole; thus, by Hutcheson’s standards, a virtuous man will never exist on earth (TMS VII.ii.3.18). He disagrees with Hutcheson, believing that some level of self-interest is natural and could be, in some cases, praiseworthy (TMS VII.ii.3.16). By this reasoning, even actions which may have selfish motivations but positive outcomes can still produce some good and should not be judged all bad. Smith argues that the public good should not be “the sole virtuous motive of action, but only that, in any competition, it ought to cast the balance against all other motives” (TMS VII.ii.3.18). Once again, Smith points out that while the preservation of the whole might be the ideal motivation for all human action, one cannot and should not expect mankind to behave according to this expectation.

Epicurus

On the opposite end of this spectrum is Epicurus, who advocates a system in which men pursue pleasure and avoid pain and only act on and for these reasons. Accordingly, “the tendency to procure pleasure render[s] power and riches desirable, as the contrary tendency to produce pain [makes] poverty and insignificance the objects of aversion” (TMS VII.ii.2.2). In this system, the pain or pleasure felt by the body is fleeting, but both are enhanced by the faculty of the mind (TMS VII.ii.2.4). Men attain a perfect situation of tranquility, therefore, by maintaining pleasure in both the mind and the body (TMS VII.ii.2.7). Epicurus not only promotes the height of selfishness, but also corrupts the objects of virtue. For example, temperance is not good for the sake that man avoids extremes, but for the sake that abstaining from something present, he

may experience greater pleasure later on (TMS VII.ii.2.9). The same relationship exists for justice; men do not avoid stealing because it is wrong, but because they are afraid of incurring the wrath of the owner and suffering pain, and vice versa; men do not do things that are good because they are good, but in doing so they gain love and esteem, which is pleasurable (TMS VII.ii.2.11). Consequently, Epicurus reduces the whole of human nature to pleasure-seekers and pain-avoiders.

Although Smith might not agree with a rigid system of virtue, he contrarily does not believe the object of the virtues should be pleasure or pain. By acting solely from these desires, Epicurus ignores the fact that men naturally pursue virtue or vice for the sake of their subsequent ends, such as reward or censure, which depends on the evaluations of others (TMS VII.ii.2.13). In addition, in order to justly receive these things, men cannot *affect* virtue, but must actually *obtain* it. Smith clarifies this point by citing Socrates, who says “in the same manner if you would be reckoned sober, temperate, just, and equitable, the best way of acquiring this reputation is to become sober, temperate, just, and equitable” (TMS VII.ii.2.13). Therefore, men should not act solely from their selfish desires, but must actually possess some concern for virtue and vice, and how their actions affect others. Smith’s biggest criticism of Epicurus stems from his disagreement about the goal of philosophy. Epicurus, like most philosophers, follows “the propensity to account for all appearances from as few principles as possible,” while Smith would argue for a system that is applicable to a variety of situations (TMS VII.ii.2.14).⁵ Although this

⁵ Smith refuses to accept modern systems of morality due to their simplicity. Contrarily, Smith often critiques ancient moral systems because he finds them too unrealistic. Men cannot be expected to know God’s plan, like the Stoics suggest, or conceptualize the meaning of justice and the “beautiful,” as in the works of Plato and Aristotle. Nature, Smith says, instills men with a moral sense which maintains order in the world without the need to discern the “invisible and often uncertain difference of wisdom and virtue” (VI.ii.1.21). Smith argues that in all cases men “stand in no need of casuistic rules to direct [their] conduct. These it is often impossible to

does not speak directly to the issue of selfishness, it does provide some indication of how Smith might orient his own system of propriety.

Mandeville

In the case of licentious systems (that of Bernard Mandeville) all care for vice and virtue are abandoned. Similar to Epicurus, Mandeville argues that humans are primarily self-interested, however, man's motivation for action stems from vanity and not pleasure or pain (TMS VII.ii.4.7). A man first and foremost seeks to gratify his vanity and is "naturally much more interested in his own happiness than in that of others, and it is impossible that in his heart he can ever really prefer their prosperity to his own" (TMS VII.ii.4.7). Therefore, when any man seems to act on behalf of the public good, he is in all cases doing so for private benefit (or satisfaction of his own vanity) (TMS VII.ii.4.8). Thus, no action may be considered honorable, and no passion may be considered virtuous, since all tend to feed this insensitive vanity (TMS VII.ii.4.11). According to Mandeville, men naturally have no ideal to strive for, and should content themselves with their selfish endeavors.

Although Mandeville takes his philosophy to an extreme, Smith does concede that Mandeville presents some semblance of nature in his system of propriety. Men are naturally self-interested and do pursue action for recognition and glory. However, Smith would disagree that vanity always causes this feeling; "the desire of doing what is honourable and noble, of rendering ourselves the proper objects of esteem and approbation, cannot with any propriety be called

accommodate to all the different shades and gradations of circumstance, character, and situation, to differences and distinctions which, though not imperceptible, are... often altogether undefinable" (VI.ii.2.1). Moral systems, in order to be practical, must stem from some universal natural capacity for virtue, must define virtue in relatable terms, but above all, should be flexible and shaped by men. For Smith, men should not need to become Gods in order to be considered good. In addition, some conception of good must be present so men do not disgrace themselves.

vanity” (TMS VII.ii.4.8). Instead, desire for these things stems from three passions: becoming honorable, coming to deserve honor, and “desire of praise at any rate” (TMS VII.ii.4.9).

Mandeville denies that men possess the first two desires, and instead argues that men satisfy their vanity by the last mode. Smith argues that a man is only vain if he desires glory for an action which does not truly deserve it, and that a desire to deserve honor in the eyes of others is healthy (TMS VII.ii.4.10). The first mode, Smith discloses, is not far from the second, but seldom exists in human nature. Therefore, selfish passions are not vicious, as Mandeville suggests, but healthy when reined in by an individual’s concern for the opinions of others (TMS VII.ii.4.11).

Conclusively, Smith’s expectations for human conduct lay above what Mandeville and Epicurus consider the inevitable course of human behavior.

Conclusion

Thus far, Smith concedes that selfishness can be healthy in the proper degree. So, what determines this proper degree? What both realizes that self-interest is necessary, and prevents self-interest from becoming self-obsession? Smith’s answer to these questions is sympathy. Smith alludes to this solution when criticizing Stoic philosophy by saying “as long as we view our own interests with our own eyes, it is scarce possible that we should willingly acquiesce in their being thus sacrificed to the interests of the whole. It is only when we view those opposite interests with the eyes of others that what concerns ourselves can appear to be so contemptible in the comparison, as to be resigned without any reluctance” (TMS VII.ii.1.19, footnote k). Viewing someone’s situation arbitrarily imposes inappropriate judgments on their character. By viewing one another’s circumstance through each other’s eyes, men are better able to judge their own actions, and, conversely, are held to a certain standard by others. Thus, through practicing sympathy men are able to make themselves and others better people.

Smith and his *Theory of Moral Sentiments*

In Part VII of the *Theory of Moral Sentiments*, Smith outlines three principle origins of the concept of “morality:” self-love, reason, or sentiment. Self-love theorists (Hobbes, Puffendorff, Mandeville) claim that individuals conform to certain standards of morality because they cannot survive without society, so in order to preserve civilization, they act accordingly. Reason theorists (ancients such as Aristotle and Plato) believe that individuals develop systems of morality through genuinely considering principles of right and wrong, and making laws according to this faculty. Theorists conceptualizing morality based from sentiment (Hume and Hutcheson) argue that individuals possess an inherent “moral sense” of right and wrong, and use that to dictate appropriate behavior in society. From all three, Smith advocates the last theory to explain the origin of “morality.” In his opening lines to *Theory of Moral Sentiments*, Smith states that “how selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it” (TMS I.i.1.1). Although this does not explain fully yet how man comes to define right and wrong, it is nevertheless a prelude to describing the exact nature of sympathy, which carries men to that end. The idea that nature *endows* men with this moral sense will color Smith’s entire theory of human behavior. For Smith, men are naturally social and collective beings whose moral senses are not isolationist, but inclusive and universal. Before reaching conclusions about the benefits to society, however, one must firstly examine the faculties of sympathy; fellow-feeling, imagination, and the impartial

spectator.⁶ Secondly, after understanding how Smith's theory functions, one can then draw conclusions about how he specifically combats selfishness.

Fellow-feeling, Imagination, and the Impartial Spectator

The faculty of imagination first activates man's sentiments, and then allows him to feel, perhaps imperfectly, their extent. Smith explains this capacity, saying:

by the imagination we place ourselves in his situation, we conceive ourselves enduring all the same torments, we enter as it were into his body, and become in some measure the same person with him, and thence form some idea of his sensations, and even feel something which, though weaker in degree, is not altogether unlike them (TMS I.i.1.2; see also I.ii.1.6).

By entering into another's situation, men become excited by the same passions of either the body or the mind, and this understanding leads to what Smith calls "fellow-feeling" (TMS I.i.1.3-4). Smith challenges all skeptics to simply recall situations in which they have seen someone in pain or in danger; surely all men naturally cringe from some conception of what the other person suffers or is about to suffer (TMS I.i.1.3)? Smith would argue that the use of man's imagination or fellow-feeling is not even altogether voluntary, but happens naturally on a continuous basis. Smith denies that men view others through an impartial lens, however, but instead are in part affected by the degree of their own sentiments. He concedes that "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... I neither have, nor can have, any other way of judging about them" (TMS I.i.3.10). Further along, Smith will begin to explain how these differences form the basis of approval or disapproval. For now, however, Smith reveals that

⁶ Smithean sympathy is distinct from the typical definition of sympathy as pity or compassion. Individuals are not automatically "sympathetic" towards another person. Instead, sympathy is used as a mechanism of the imagination to understand "any passion whatsoever" of another person and approval or disapproval does not happen at this level (TMS I.i.1.5; see also Haakensson 2006, 11; Griswold 2006, 25; and Broadie 2006, 162, 164).

although man can never wholly sympathize with another, he nevertheless, by practicing sympathy, removes himself for a time, away from his own concerns to understand the feelings and concerns of others.

Whereas fellow-feeling and imagination are the faculties which help men understand another person's situation, the impartial spectator is the faculty which helps men to judge their own feelings and actions. Men cannot be expected to justly scrutinize their own behavior or sentiments, since men would be completely partial and would regard themselves with the utmost approval. For this reason, Smith conceives of the great "man within the breast," who urges man to "remove [himself], as it were, from [his] natural station, and endeavor to view them as at a certain distance from [himself]" (TMS III.1.2). Thus, a man seems to experience a kind of division, which allows him to look as if from above, but also from within (TMS III.1.6). One might think that this impartial spectator is grounded on some abstract conception of a rigid "being," but the impartial spectator is actually shaped and morphed from man's experiences (TMS III.4.8-12). The great "Author of Nature" created men as sort of mirrors; just as the habit of looking at others gives men some indication of whether they themselves are visually appealing or disgusting, so does the habit of viewing another's conduct give man insight into the "beauty" or "deformity" of his own conduct (TMS III.1.3). Therefore, as individuals, man's impartial spectator may evolve as he gains experience with the actions and passions of others. Smith reveals that there is nothing so easily corrupted as the judgment of the impartial spectator, from the partial concerns of the individual; continuing with the mirror metaphor, Smith concedes, "there is not in the world such a smoother of wrinkles as is every man's imagination, with regard to the blemishes of his own character" (TMS III.1.5n). Contrarily, Smith also cautions against adopting completely the sentiments of the impartial spectator, but keeping an appropriate level of

separation between that supreme judge and the inferior “agent” (oneself) (TMS III.1.6).

Therefore, the hardest task for men is to reconcile the judgment of the impartial and the partial spectator, always coming to rely more heavily on the judgment of the former, than the latter.

Fellow-feeling, imagination, and the impartial spectator are the tools by which men begin to form some idea of propriety or impropriety, merit or demerit. They are the internal informers by which men conceive all the rules of conduct which maintain order in society. These foundations might seem vague or highly elementary, but it is this extraordinary simplicity which lends itself to practicality. Smith does not propose that men possess acute reason to reach these ideas of virtue or propriety, but instead recognizes that men exhibit these faculties which lead them to the same conclusions naturally. These faculties seem to originate from the “Author of Nature” who, in his infinite wisdom “has made man... the immediate judge of mankind; and has, in this respect... created him after his own image, and appointed him his vicegerent upon earth, to superintend the behavior of his brethren” (TMS III.2.31). Thus, Smith’s next consideration; what is deemed right and wrong by man?

Rules of Conduct: Propriety/Impropriety, Merit/Demerit, and Virtue

Making use of these abilities of imagination, fellow-feeling, and the impartial spectator (which together constitute the ability to sympathize), leads men to develop certain rules of conduct by which men judge the “propriety” (appropriateness) or “impropriety” (inappropriateness) of passions and actions. Smith explains:

when the original passions of the person principally concerned are in perfect concord with the sympathetic emotions of the spectator, they necessarily appear to this last just and proper, and suitable to their objects; and, on the contrary, when, upon bringing the case home to himself, he finds that they do not coincide with what he feels, they necessarily appear to him unjust and improper, and unsuitable to the causes which excite them (TMS I.i.3.1).

Consequently, men cannot judge the propriety or impropriety of an action or passion without first feeling complete sympathy with the individual; when the two sympathies are in agreement, there is approval by the impartial spectator, when the two are in disagreement, there is disapproval (TMS I.i.3.1-2). When given time for reflection, Smith explains “in the proportion or disproportion which the affection seems to bear to the cause or object which excites it, consists the propriety or impropriety... of the consequent action” (TMS I.i.3.6). Sometimes fellow-feeling can occur in passing, but the imagination is always desirous of a “narrative,” by “seeking to flow into and fill up another situation, and to draw things together into a coherent story, thus bringing the spectator out of him- or herself and onto the larger stage” (Griswold 2006, 26; see also Griswold 1999, 192). Although on some occasions one may feel empathetic toward someone who is crying simply from a gut reaction to do so, one nevertheless wishes to stop and find out *why* so they can confirm or deny their feelings toward this individual by evaluating the appropriateness of their reaction to the situation. This is in contrast to Hume’s idea of “sympathy,” which requires only the observation of a sentiment to fulfill the mechanism of sympathy and not the imagination’s accompanying desire to fill in the gaps (Broadie 2006, 166). In addition, in evaluating propriety there is a necessary amount of space needed between the actor and the sufferer, “...not only because it reflects our fundamental separateness as subjects, but because it also permits the spectator ‘emotional space’ in which to comfort and assist the actor” (Griswold 2006, 28). With regards to the object, Smith also recognizes that judgments based on passions or objects closely related to men will create greater feelings of approval or disapproval from the impartial spectator. For example, if two men disagree on the value of a painting, they are not mortal enemies; however, if they disagree on one man’s response to a given situation involving other human beings, there is much greater cause for discord (TMS

I.i.4.3-5). Men are far more concerned with judgments placed on people (for reasons which will be explained with the idea of happiness) than they are with judgments on any other subject.

There seems to be a difference then between the intellectual imagination, which makes judgments about science and the arts, and the sympathetic imagination, regarding human conduct (Griswold 2006, 47). The passion of a man thus receives the mark of propriety or impropriety with the *degree* to which it is inflicted on the object and consideration of the context surrounding the situation.

When Smith begins to view the consequences of that passion on the object, he begins to formulate the ideas of merit or demerit; “in the beneficial or hurtful nature of the effects which the affection aims at, or tends to produce, consists the merit or demerit of the action, the qualities by which it is entitled to reward, or is deserving of punishment” (TMS I.i.3.7). This additional judgment seems to stem from a “compounded sentiment,” which is “made up of two distinct emotions; a direct sympathy with the sentiments of the agent, and an indirect sympathy with the gratitude of those who receive the benefit of his actions” (TMS II.i.5.2). Merit and demerit apply mostly to those objects which men have indirect access, but again, by using the faculty of sympathy, they may begin to conceive these notions of what actions deserve praise or blame. Ultimately, the degree to which men first sympathize with the propriety of the actor will determine the willingness to proclaim, upon sympathizing with the beneficiary, the merit or demerit of the action. If one cannot fully sympathize with the motives and emotions of the actor, one cannot very well agree with the beneficiary that this actor deserves merit (TMS II.i.3.2). On the contrary, if one can fully sympathize with the motives and emotions of the actor, it is equally hard to agree with the resentment of the beneficiary (TMS II.i.3.3). Therefore, while propriety and impropriety solely relate to the actions of the benefactor, the sentiments of merit and demerit

rely partially on this, and partially on the consequences to the beneficiary of these actions. So far, Smith's conception of right and wrong consist simply in propriety and impropriety. How men come to define the standards of right and wrong, and what are the passions of praise and blame are questions answered by virtue.

Smith begins by addressing the problems of the different passions and then devotes an entire section to his idea of "virtue." For Smith, there are two sets of virtues which come about from certain passions; the "soft" and "amiable" virtues come from the passions of humanity, generosity, kindness, and the "great" and "respectable" virtues come from self-command over anger, grief, and those passions which cause men to lose all sense of propriety. Smith would deny that any man ignore passion, in fact, he argues that passion is healthy, but any passion, in order to be proper, must be relegated to a certain level (TMS I.ii.intro.I).⁷ Smith refers to this level as a sort of "mediocrity" or "middling," which men determine through their use of sympathy.⁸ He then proceeds to go through each of the passions individually; those of the body, that of love, the unsocial and social passions, and the selfish passions; in light of the present inquiry into Smith's treatment of selfishness, it is only necessary to address the selfish passions. Smith refers to grief and joy as a certain "third set of passions," in which it is appropriate to "sympathize with small joys and great sorrows" (TMS I.ii.5.1). By this, he means that men readily accept small joys because there is a bit of modesty and cheerfulness in their expression, and any man would consider another quite annoying if he complained at anything except for the

⁷ Smith specifically critiques the Stoics for their apparent lack of concern for human passion; please refer to *Zeno and Stoicism*, earlier in this chapter.

⁸ This "middling" resembles Aristotle's conception of the "mean," and, in fact, Smith employs the words "excess" and "deficiency" when referring to the regulation of the passions (TMS VI.iii.14). Although Smith resembles Aristotle in this respect, the two authors still differ with respect to the origin of virtue, with Aristotle arguing for human reason, while Smith argues for human sentiment.

greatest inconveniences (TMS I.ii.5.2-3). In addition, grief and joy are selfish passions because only the principle individual concerned can truly feel them, and they do not inflict grief and joy on others, such as is the case with benevolence or hatred. What for Smith then causes this to happen? What kind of thing is necessary for this regulation of conduct? For the regulation of selfishness, Smith requires the virtue of prudence, one of his four cardinal virtues.

Prudence guides man's judgment with regards to himself. It allows for the general care and preservation of the self through some knowledge of one's own level of propriety, benefit, and security (TMS VI.i.5-6). A prudent man, enjoying the pinnacle of propriety, earns his self-respect by being "always both supported and rewarded by the entire approbation of the impartial spectator, and of the representative of the impartial spectator, the man within the breast" (TMS VI.i.11). The prudent man, knowing always what is appropriate in any situation, can display any range of lesser virtues: modesty, sincerity, and generosity (TMS VI.i.7-10). Prudence consists in man's ability to follow his inner guide, his "man within the breast," to a state of self-confidence and decency.

Whereas prudence guides action with regards to the individual and originates from the selfish passions, justice and beneficence guide action with regards to others and originate from the social passions. In describing any idea, Smith sometimes utilizes examples, and there is one example that informs the definition of justice. Smith considers a man throwing a rock over a wall into a public street for no good reason or regard for the people on the other side. In throwing the rock, "he wantonly exposes his neighbor to what no man in his senses would chuse to expose himself, and evidently wants that sense of what is due to his fellow-creatures which is the basis of justice" (TMS II.iii.2.8). Therefore, justice requires that men consider others before acting, and act in a way that does not produce harm. In addition, justice demands men be impartial

arbiters in some cases, settling conflicts in a way that one might visualize a judge in a courtroom (men cannot be judges in their own case, which is another reason why justice regulates social instead of selfish passions) (TMS II.ii.1.5). In defining what is “just” (which is not so easy in Smithean scholarship) there are both universal and particular elements; preventing harm to others is a universal goal of justice, however what constitutes “harm” depends on historical context (Haakensson 2006, 6).⁹ Beneficence pursues good will towards others with no expectation of return and is the result of kindness, friendship, charity, and generosity. Beneficence itself cannot be an expectation, but failing to exhibit some level of beneficence is not approved of, whereas “that seems praise-worthy which goes beyond it” (TMS II.ii.1.6) It seems that violating justice is punishable and violating beneficence is disappointing, but practicing justice is merely accepted, while practicing beneficence is rewarded (TMS II.ii.1.3-6, II.ii.1.9). Both virtues should be practiced when the occasion presents itself, however, and although one receives more recognition (beneficence), the other (justice) should be pursued with the same vigor, since it is justice that is the “main pillar that upholds the whole edifice” of society (TMS II.ii.3.4).

One falls short of greatness without the over-arching (and highly underrated) virtue of self-command to guide prudence, justice, and beneficence. These three virtues are still subject to passion which can lead to their extremes, therefore, “the most perfect knowledge” of these virtues must be “supported by the most perfect self-command” (TMS VI.iii.1). Furthermore, Smith states that “self-command is not only itself a great virtue, but from it all the other virtues seem to derive their principal luster” (TMS VI.iii.11). Self-command allows men to judge the “middling” or level of “mediocrity” mentioned above in accordance with propriety. Whereas the

⁹ Smith believes there are typically four stages of societal development, which will each come to define particular “rights” in their own way. The first is the age of hunter-gatherers, the second is the age of shepherds, the third is the age of agriculture, and the last is the age of commercial society (Lieberman 2006, 225-226).

Stoics desire self-command above all else, Smith warns against such devoutness because it tends to degenerate into insensibility (neglect for passion) and the marriage of these two sentiments (self-command with insensibility) is, for Smith, akin to a crime against morality (TMS VI.iii.18). Without sensibility, men are “indifferent;” self-command must be “the best head joined to the best heart;” men must be able to harness their passions, but should not eliminate them altogether (TMS VI.i.15).

The virtues explained above at first seem to entirely juxtapose Smith’s ideas. Throughout *Theory of Moral Sentiments*, Smith consistently denies any form of strict structure or rules, fearing their impossibility. Early on Smith states:

The amiable virtue of humanity requires, surely, a sensibility, much beyond what is possessed by the rude vulgar of mankind. The great and exalted virtue of magnanimity undoubtedly demands much more than that degree of self-command, which the weakest of mortals is capable of exerting. As in the common degree of the intellectual qualities, there is no abilities; so in the common degree of the moral, there is no virtue. Virtue is excellence, something uncommonly great and beautiful, which rises far above what is vulgar and ordinary (TMS I.i.5.6).

From this passage, one may begin to question the entire presence of Smith’s Section VI: Of the Character of *Virtue*. For Smith, there are in fact certain basic virtues, similar to ancient philosophers such as Aristotle and Plato, but Smith’s virtues differ in their origin. Whereas ancient philosophers would argue that morality is a product of reason, Smith believes morality originates from natural human sentiment. Thus, “ordinary” no longer carries a negative connotation. Smith realizes that men are all ordinary, but even they must be given the tools to practice virtue. In addition, even though Smith provides a clear description of virtue, there is not such a clear path to virtue or even a strict way to evaluate virtue. While ancient philosophers seem to claim the pen and draw lines with the use of a straight edge ruler, Smith gives the pen

back to man and allows his hand to be the natural guide. His requirements for virtue or obtaining virtue are based on the inherent nature of man and may be guided by their changing sentiments, however, at the same time, a line is still a line, and virtue retains its distinguishing features. Smith's system of morality proves not only that individuals do not have to be Gods to be *good* men, but also that men possess the capability to define "good" for themselves.

Men create social mores and values consistent with their sentiments, and which then form the basis for their actions and evaluations. These rules are "ultimately founded upon experience of what, in particular instances, our moral faculties, our natural sense of merit and propriety, approve, or disapprove of" (TMS III.4.8). Griswold explains this tendency as stemming from the needs of the imagination; "the demand of the imagination for order, harmony, and tranquility drives our desire for both 'correspondence of sentiments' and intellectual coherence" (Griswold 2006, 47). Historically, religious doctrine achieves this end and later on philosophy contributes as well. However, Smith reserves judgment about what he personally believes to be right or wrong, instead fulfilling "the most basic task of moral philosophy," which is explanation of behavior "traditionally called moral" (Haakonssen 2006, 4). Smith has *observed* that the imagination is the source of these ideas and, as is seen in the following section, it is the perceived notions of duty, propriety, merit, and virtue which direct action in keeping with them. It is these social mores which tie the fabric of society and keep it from complete chaos.

Self-Approbation – The Key to Combating Selfishness

In essence, man utilizes his moral sentiments and impartial spectator to inform his judgments about others on the basis of propriety, merit, and virtue. Up to this point Smith offers ways to judge others, but how does one judge oneself? Smith argues that men should be prudent, but how does one become prudent? By exercising sympathy, men improve their standards of

evaluation in regards to others, but by doing so men might simultaneously become better at self-evaluation and thus, self-progression. However, Alexander Broadie raises an important concern; “the real spectator sets the agenda for the impartial and, but for the prompting, the latter might have stayed asleep and the agent would not have reacted appropriately to his situation” (Broadie 2006, 185). This point addresses the principle concern of this chapter, which is the way in which Smith’s idea of moral sentiments discourages selfish behavior and reinforces morality. In addition, this raises the question of what motivates behavior if not self-interest, which is answered throughout.

Smith regards the idea of duty as one of the principle motivators of human action: “a regard to those general rules of conduct, is what is properly called 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” (TMS III.5.1). Most people, when asked why they do what they do, answer that they believe it to be “right.” Therefore, a mere respect for rules constitutes the bulk of human action. Smith does not conclude that most of humanity is devoid of sentiment or incapable of magnanimous action, but only that most everyday tasks in everyday life do not require this of them (TMS III.6.4,6). Smith does caution against the total abandonment of sentiment, but argues that this generally does not occur. A ready example is that of a knight, the very embodiment of duty, who has given his life in service of his king, but who nevertheless may also be motivated from a love of homeland. However, the fact that duty motivates most men is not depressing, but essential. Smith finds that men acting from a sense of duty do not generally act from selfish intentions, and are much more honorable than a “worthless fellow” who pays no attention to social mores which govern society (TMS III.5.1-2). A regard for duty is most readily

followed in the case of everyday manners, which makes it easier to follow the more consequential duties “of justice, of truth, of chastity, of fidelity” (TMS III.5.2).

Duty motivates most actions, but the expression of passion often invokes ideas of propriety, which require individual reflection and self-adjustment. Smith recognizes the mutual desire by both the spectator and the actor to reach a complete understanding of each other. The spectator wishes to proclaim some sort of judgment on the character of the other and the actor wishes for someone to feel, to some measure, their joy or distress (TMS I.i.4.7). Smith concludes that “society and conversation, therefore, are the most powerful remedies for restoring the mind to its tranquility” (TMS I.i.4.10). At the same time, this perfect harmony of sentiments can never be achieved; “what they feel, will, indeed, always be, in some respects, different from what he feels” (TMS I.i.4.7). The goal, then, is to produce the closest unity of the two sentiments as possible, which requires the sufferer to lower the intensity of their passion, so as to be more easily “accessed” by the spectator (TMS I.i.4.8). In this way, not only do impartial spectators become better judges by sympathizing with this sufferer, but the sufferer in turn gains better knowledge of how to act in certain situations by taking into account their judgment. Smith explains that “as their sympathy makes them look at it, in some measure, with his eyes, so his sympathy makes him look at it, in some measure, with theirs, especially when in their presence and acting under their observation” (TMS I.i.4.8). Therefore, men can, in all types of company, “endeavor to bring down our passion to that *pitch*, which the particular company we are in may be expected to go along with” (TMS I.i.4.10).¹⁰ This sort of mutual recognition and consideration

¹⁰ In *Adam Smith and the Virtues of Enlightenment*, Charles Griswold highlights Smith’s conscious tendency to blend the “ethical and aesthetic” when describing passion as having a proper “pitch” or sympathy possessing a certain “harmony” (Griswold 1999, 183). Analyzing Smith’s word usage adds to the understanding of sympathy’s nature, which is not hard and fast, but organic and melodious.

simultaneously produces a new found self-awareness allowing for the development of personal propriety, merit, and virtue.

Smith highlights two specific interactions when trying to demonstrate the delicate nature of self-approbation and motivation for activating the impartial spectator; the difference between praise and praise-worthiness and the power of shame and remorse. Smith recognizes that men want to be liked and do not want to be hated, however, when it comes to being the recipient of merit or demerit, Smith also understands that “[man] desires, not only praise, but praise-worthiness; or to be that thing which, though it should be praised by nobody, is, however, the natural and proper object of praise” (TMS III.2.1). There are two distinct components of praise-worthiness; firstly, praise-worthiness comes from an internal validation, and secondly, an act that is praise-worthy therefore does not require recognition. Praise-worthiness originates from a process of self-approbation, by assuming the role of the impartial spectator in one’s own case, and striving to reach the approval of this impartial spectator. Only when one realizes the approval of the impartial spectator, can one begin to feel worthy of praise and thereby accept it from others (TMS III.2.3). Praise-worthiness must be an internal process because only the actor can know the true intentions of their heart; to accept praise without being worthy therefore generates guilt, deceit, and conceit (TMS III.2.4). When man deems himself worthy of this praise, he is “pleased to think that [he has] rendered [himself] the natural object of approbation, though no approbation should ever actually be bestowed upon [him]” (TMS III.2.5). A man who knows he deserves praise no longer needs it, but contents himself with this knowledge alone (TMS III.2.5). He desires to please others above all else without any “concealment of vice,” but by a “real love of virtue” (TMS III.2.7).

The struggle between the love of praise and the merit of praise-worthiness demonstrates another tension in Smith's *Theory of Moral Sentiments*: the balance between the impartial and (persistent) partial spectator. The partial spectator lures men to "look upon themselves, not in that light which, they know, they ought to appear to their companions, but in that which they believe their companions actually look upon them" (TMS III.2.4). Thus, the birth of vanity originates from the temptation of the partial spectator in situations of self-approbation. This is the concern raised by Broadie at the beginning of this section. Smith concludes that "the propriety of our moral sentiments is never so apt to be corrupted, as when the indulgent and partial spectator is at hand, while the indifferent and impartial one is at a great distance" (TMS III.3.39). Whereas Mandeville would stop here, and argue that the partial spectator is the true semblance of man, Smith believes the partial spectator is overridden by the virtue and presence of the impartial spectator. A vain and selfish man will accept praise, honors, and love at any rate; only a virtuous man with a firm "man within the breast" will accept these after deeming themselves deserving.

In the same way that individuals receive praise and feel praise-worthy in regards to their actions towards others, so do actors also experience the initial merit or demerit. A man who performs an action that is "meritorious," "is filled with cheerfulness, serenity, and composure. He is in friendship and harmony with all mankind... secure that he has rendered himself worthy of their most favourable regards" (TMS II.ii.2.4). However, what about the man who's action receives demerit? What does he feel? To reiterate, what constitutes an action receiving demerit is one in which the actor produces harm towards others (regardless of intentions).¹¹ Therefore,

¹¹ If one examines Smith's analysis of fortune, it is clear Smith does not regard intentions as punishable but only actions (see TMS II.iii: "Of the Influence of Fortune upon the Sentiments of Mankind, with regard to the Merit or Demerit of Actions).

actions of demerit are principally connected with an individual's sense of justice, since actions producing harm to another individual violate that person's liberty and life.¹² Smith argues that a man who has committed a crime, upon reflection, comes to sympathize with the "hatred and abhorrence which other men must entertain for him; he becomes in some measure the object of his own hatred and abhorrence" (TMS II.ii.2.3). Smith's description of the man tortured by guilt and self pity is perhaps the most vivid and distressing of his examples in *Theory of Moral Sentiments*. Remorse, "the most dreadful" of all the sentiments, effectively isolates the actor from society, as "the remembrance of his crimes has shut out all fellow-feeling with him from the hearts of his fellow-creatures" (TMS II.ii.2.3). Thus, the terrible effects of un-virtuous action and the influence of shame and remorse are powerful tools that keep men from committing injustice (TMS II.ii.2.3). Not only does self-reflection help determine praise-worthiness in cases of merit, but as shown here, also keeps men from acting selfishly from fear of demerit and the accompanying feelings of remorse and guilt. Man's impartial spectator is forever engaged outward, but also inward, to foster the virtues of prudence, beneficence, justice, and self-command.

Conclusion

The culmination of Smith's teachings in his *Theory of Moral Sentiments* simultaneously recognizes human fault and provides for human achievement. It is the idea that every evaluation, whether of the self or of others, can be consolidated along some sliding scale, which I term the "mental yardstick." On one end is complete perfection, on the other is vice or folly, and the middle area is designated for everything labeled "average." This mental tool could be both innate

¹² Smith provides his definition of justice throughout Part II, in which he also specifies the different levels and laws of justice, the first being "laws which guard the life and person of our neighbor" (TMS II.ii.2.3).

and a product of man's moral education. In addition, its application could be universal; in other words, it could be used to judge action in the realm of propriety, merit, or virtue, of the self or others, separately or simultaneously. Smith introduces this idea in two places in his *Theory of Moral Sentiments*. In the first, with regards to others,

...when we are determining the degree of blame or applause which seems due to any action, we very frequently make use of two different standards. The first is the idea of complete propriety and perfection, which, in those difficult situations, no human conduct ever did, or ever can come up to... the second is the idea of that degree of proximity or distance from this complete perfection, which the actions of the greater part of men commonly arrive at (TMS I.i.5.9).

In the second instance, with regards to oneself;

In estimating our own merit, in judging of our own character and conduct, there are two different standards to which we naturally compare them. The one is the idea of exact propriety and perfection, so far as we are each of us capable of comprehending that idea. The other is that degree of approximation to this idea which is commonly attained in the world, and which the greater part of our friends and companions, of our rivals and competitors, may have actually arrived at (TMS VI.iii.23).

Imagine a moviegoer leaving the theater and beginning to critique the movie; he begins evaluating the movie on the basis of both the best film of that genre, and the average expectations, and the worst movie he has ever seen. Of course, there will be some disagreement about the critique (maybe his friends think differently), but is not that what leads men to be better judges and what then goes on to create better movies? Thus, Smith deems mankind *moral critics*, using the same standards with regards to action.¹³ Most men will fall into the category of "average," but that does not stop them from striving for perfection. As with all else, Smith offers a cautionary note. Obsession with the standard of self-perfection only leads to grief and

¹³ This determination is supported by Alexander Broadie; "this imaginative process is a critique, in the sense of 'critical analysis,' where the analysis is made by the spectator with a view to determining whether his initial reaction was appropriate and with a view also to improving that reaction if the spectator judges it to have been inappropriate" (Broadie 2006, 175; see also Griswold 1999, 64-65, 191).

disappointment and focus on the average standard cultivates arrogance (Smith would also add that an obsession with the base standard would be criminal) (TMS VI.iii.25). A focus on both standards with regards to oneself breeds modesty as well as pride; modesty comes with the recognition that perfection cannot be reached, pride with the recognition that expectations have been easily met (TMS VI.iii.26-27). In action, men naturally wish to pursue the *best possible* option. Thus, men utilize their “mental yardstick,” perhaps subconsciously, for everything; when listening to a conviction on the news, when choosing a gift for someone’s birthday, when watching a couple argue in the street, when interviewing someone for a job, etc. Whether men are interacting with others or reflecting on their own actions, they employ this tool, which is compounded on the ideas of sympathy, the impartial spectator, passion, propriety, merit, virtue, and most importantly, imagination. This idea satisfies the hunger of the imagination for “order, coherence, and agreement in the world,” and achieves the goals of Smith’s philosophy; practicality, applicability, and malleability (Haakonssen 2006, 10).

Chapter Three: Sympathy in *Wealth of Nations*

“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 of our own necessities but of their advantages” (WN I.ii.2).¹⁴

When Adam Smith completed his two greatest texts, he could not have foreseen that scholars would later name the “Adam Smith problem” after an apparent inconsistency in his work. Yet, the “Adam Smith problem” persists, which comes about from a tension between a moral theory based on sympathy, laid out in his *Theory of Moral Sentiments*, and an economic theory based on self-interest, laid out in his *Wealth of Nations* (hereafter, mentioned as *TMS* and *WN*). Sympathy and self-interest are at odds, one is other-regarding, the other is self-regarding, but as the quote above points out, the market is inherently a social institution. Individuals may act from their own self-interest, but in engaging in transactions, they must still appeal to another individual’s self-interest as well. Analyzing the connecting virtue of prudence dispenses with this tension and then leaves room to explore broader connections that can be made between his two texts, such as Smith’s idea of happiness (which is realized through prudence) and his style of rhetoric. Some of Smith’s technical economic reading can be tedious, but when employing historical or situational examples he encourages his audience to make moral as well as economic and political evaluations. Three examples in particular showcase the importance he places on morality: the fall of the feudal system, the establishment of colonies, and the characters of the agricultural versus manufacturing man. Drawing these conclusions about the relationship between these two texts shows that Smith is, in fact, very consistent and even more comprehensive in his works than

¹⁴ Smith’s numberings in *Wealth of Nations* correspond to book, chapter, part, and section. For example, the quote above, I.ii.2 is from Book One: “Of the Causes of Improvement in the productive Powers of Labour,” Chapter Two: “Of the principle which gives occasion to the Division of Labour,” section 2. Other citations will include parts, or “digressions” in the citation.

previously thought. If then economics has lost its way by portraying economic actors as strictly utility maximizers, a reading of the two texts in this light brings a more robust understanding human economic and social behavior.

In reconciling the tension between self-interest and sympathy, a second question emerges regarding how to reconcile Smith's economic, political, and moral thought more generally. While attempting to answer the Adam Smith problem, scholars actually address this larger concern, even if it is not explicitly stated. Recall in the introduction the four approaches to this part of the problem: the political, economic, "principles," and moral solution. The political approach argues that the moral and economic realms function if society understands the proper role of government and the correct interpretation of justice (Rasmussen 2006, Haakonssen 2006, Winch 1983, Danford 1980). The economic solution suggests that only when economics is properly ordered do the problems with politics and morality disappear (Smith 1998, Alvey 1998). The "principles" solution is somewhat reductionist, in that it suggests Smith's economic, political, and moral realms are governed by one overarching principle(s) (Otteson 2002). The "moral" solution emphasizes the importance of first understanding morality, which provides the base on which politics and economics function (Evensky 2005, Hanley 2011, Griswold 1999). This question is impossible to answer without inspection into Smith's whole corpus, but preliminary conclusions might be gleaned from the interaction between *TMS* and *WN*.

Prudence

In critical analysis of a text, one cannot deny fact, and the fact is that self-interest is the basis for individual economic behavior in *WN*. However, self-interest is framed as prudence, which is a virtue only rightly understood by also examining *TMS*. Without moral context, there is

no way to connect prudence with sympathy, which is the basis for all morality in *TMS*. First, it will be helpful to explore self-interest in *WN* to understand why Smith believes it to be the driver of progress, and then to ground his understanding of prudence in his moral theory.

Smith believes that self-interest is an inherent quality in man, which realizes itself in economic behavior by man's tendency to "truck, barter, and exchange" for their mutual advantage (*WN* I.ii.1). A man could produce all the means of his own subsistence; he could cut his own timber to build his own house, he could grow all his crops, butcher his own meat, and sew his own clothes, but men realize the ease that can be obtained by relying on others for the production of these things (*WN* IV.ii.11). Smith recognizes that it is easier for one man to buy or trade for all the conveniences of life than attempt to create and provide them all himself, thus, he employs himself in some other way, which is not only more advantageous to himself, but to society as well (*WN* I.ii.3). Improvements and increases in productivity are caused by the division of labor and the increase of specialization (*WN* I.i.1, 6). Some of these improvements are the introduction of money as a means of exchange (*WN* I.iv), as well as the introduction of the manufacturing sector. Manufacturing is what moves society from the agricultural stage to the commercial stage, "when by the improvement and cultivation of land the labour of one family can provide food for two, the labour of half the society become sufficient to provide food for the whole. The other half, therefore... can be employed in providing... the other wants and fancies of mankind" (*WN* I.xi.c.7).¹⁵ The division of labor is not a chosen outcome, but an unintended consequence of that original principle in human nature to be self-interested, and leads to the industrialization and progress of society.

¹⁵ Recall from the previous chapter that Smith believes there are typically four stages of societal development: the first is the age of hunter-gatherers, the second is the age of shepherds, the third is the age of agriculture, and the last is the age of commercial society (Lieberman 2006, 225-226).

Although self-interest is an inherent quality in man, Smith characterizes it as “prudence” and not selfishness, and there are lesser virtues of prudence which become apparent in commercial society. Prudence rightly understood requires frugality, industry, and foresight (WN I.x.b.38, see also WN II.ii.36, II.iii.16). An examination of the accumulation of stock versus capital best exemplifies these lesser virtues. Division of labor allows each man to establish his own trade, but he cannot do so without some accumulation of stock, or capital (WN II.4). Smith says that the general tone of society as productive or lazy will be set by the proportion between capital and revenue (WN II.iii.13). As capital is put to use in the manufacturing and production of goods and revenue is not put to any productive use at all, capital tends toward industry and the other breeds idleness, and this outcome is set by the choices of the individual businessmen in that society. Smith agrees that while some will give in to the violent “passion for present enjoyment,” most will choose to save, based on the “desire of bettering our condition, a desire which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave” (WN II.iii.28). The accumulation of capital requires the frugality to save, the industry to put what has been saved to use, and the foresight to know best how to direct that capital once it is in use. The accumulation of capital then, just as with the division of labor, adds to the productivity and improvement of society. However, just as in the case with the division of labor, it is not by conscious choice to improve society that men exercise frugality and industry, but from a regard to their own well-being. It is Smith’s “invisible hand” concept that explains how these private interests to augment capital lead to the overall promulgation of domestic business. He writes:

every individual is continually exerting himself to find out the most advantageous employment for the whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage

naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society (WN IV.ii.4).

However, to prove that economic self-interest has many positive unintended consequences to society is not to deny that it is still self-interest, which could either mean that all economic behavior is selfish, or that “bettering our condition” means economic actors base their actions on sympathy.

Smith clearly denies that economic behavior originates from selfishness, as he specifically states that commerce between individuals should be based on “a bond of union and friendship” (WN IV.iii.c.9). The other option then is to revisit Smith’s *TMS* to answer the question; is self-interest based on sympathy? Self-interest in both *TMS* and *WN* is referred to as “prudence,” which is the general care an individual takes to the maintenance of their health, fortune, rank and reputation (TMS VI.i.5). An individual’s health is easy enough to maintain, as it requires a proper course of diet and exercise. A person’s fortune is dependent on those lesser virtues of industry and frugality which are *explicitly* made reference to in *TMS* (TMS VI.i.11). It is an individual’s rank and reputation which “depend very much upon what... our character and conduct, or upon the confidence, esteem, and good-will, which these naturally exite in the people we live with” (TMS VI.i.4). A man who pursues fortune in order to distinguish himself among the ranks of men does so in a particular way, following all the “established decorums and ceremonials of society” (TMS VI.i.10). It is only at that point at which he has earned the respect and approbation of others which Smith believes to be the “*strongest* of all our desires” (TMS VI.i.4, emphasis added). Accordingly, feelings of approbation come when an individual displays propriety in their action and an adherence to the general rules of society. These rules, as stated in the previous chapter, are “ultimately founded upon experience of what, in particular instances, our moral faculties, our natural sense of merit and propriety, approve, or disapprove of” (TMS

III.4.8). How are feelings of propriety and merit established? By the use of sympathy; this allows individuals to exercise their moral sentiments in evaluating other's behavior. When the sentiments of two individuals are in concord, approbation follows (TMS I.i.3.1). Thus, self-interest in *WN* gains a moral foundation when connected to the virtue of prudence in *TMS*. The tension between self-interest and sympathy dissolves when one realizes that prudence is grounded on sympathy, in the sense that an individual's prudent behavior is in accordance with "propriety," which originates from the use of sympathy which forms social standards based on society's moral evaluations.

Prudence and Happiness

Smith demonstrates that prudent behavior occasions moral approbation and respect. Man's economic transactions therefore define his character, or at least who one wants the world to see, and men seem to engage in economic evaluation just as they engage in moral evaluation. For example, throughout *WN* Smith gives the fullest support for freedom of occupation. This can be seen from his extended critique of apprenticeships, which constrain and confine the individual in their preference of profession (*WN* I.x.c.12-16). Could this be because he supports the most liberal society? Perhaps, but it also suggests on a deeper level a commitment to allowing for moral self-actualization. Smith observes that a man's labor is an extension of himself: "the patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper... is a plain violation of [his] most sacred property" (*WN* I.x.c.12). Only by providing for the freedom of choice does Smith allow men to better their condition on their own terms. A person's choice of career, the sole means which one proposes to support themselves, seems to be the greatest economic choice of all, but how does one choose? Most men choose a profession which affords the greatest

“publick admiration,” for “what are the advantages which we propose by that great purpose of human life which we call bettering our condition? To be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation” (WN I.x.b.24, TMS I.iii.2.1). A man who prudently enters into any profession, and prudently conducts his business therefore receives all the attention and moral approbation he requires. The sole motivation behind every individual’s desire to become the object of this sympathy and approval is happiness. Therefore, prudence, a regard to one’s own station and choices in life, gives him the means to find happiness.

What does happiness mean for Smith? There are a few ways in which happiness is meant, but in all it means a sense of “tranquility” (TMS VI.i.12, see also TMS III.3.31). In the first way, happiness is economic achievement. Smith describes a man who has lived by the economic principles of frugality and industry and finally, he reaches a point at which “he is enabled gradually to relax, both in the rigour of his parsimony and in the severity of his application; and he feels with double satisfaction this gradual increase of ease and enjoyment, from having felt before the hardship which attended to the want of them” (TMS VI.i.12). It is at this point at which all of his lifetime struggles are met with a just amount of reward and leisure. Griswold characterizes Smith’s sense of happiness as being first consisting “in one’s being at rest in the sense of lacking significant discord; it is peaceful, at a deep level. Second, happiness is more like coming to a stop than like a process of moving toward a goal” (Griswold 1999, 218). In the second way, Smith’s happiness seems to be a sort of internal equilibrium, between how one wants and feels he deserves to be perceived by others and how others actually perceive him. Smith recognizes that happiness is absence of guilt and shame, and “...the chief part of human happiness arises from the consciousness of being beloved” (TMS I.ii.5.2). This love, however, to

be satisfactory, needs to be deserved. Stated in the previous chapter, a man earns self-approbation from being the object of praise-*worthiness* and not praise, which originates from the approval of the *impartial spectator* (TMS III.2). Thus, happiness occurs when a man does not want to alter either his condition, or his character.

However lovely this portrayal of happiness may sound, the great irony for Smith is that men will never achieve it. Directly after Smith asserts man's desire to "better our condition," which "comes from us from the womb," he states: "In the whole interval which separates these two moments [life and death], there is scarce perhaps a single instant in which any man is so perfectly and completely satisfied with his situation, as to be without any wish of alteration or improvement of any kind" (WN II.iii.28). The causes of this deviation are found both in *WN* and *TMS*. In *WN*, Smith recognizes that individuals want to appear as if they are doing well for themselves; that they are smart, hard-working, etc. As society places a monetary value on those items which are scarce and most valued, these become the *objects* which most believe will occasion them the most attention; "with the greater part of rich people, the chief enjoyment of riches consists in the parade of riches, which in their eyes is never so compleat as when they appear to possess those decisive marks of opulence which nobody can possess but themselves" (WN I.xi.c.31). Thus, "an augmentation of fortune is the means by which the greater part of men propose and wish to better their condition" (WN II.iii.28). In *TMS*, Smith states, "...the pleasures of vanity and superiority are seldom consistent with perfect tranquility, the principle and foundation of all real and satisfactory enjoyment" (TMS III.3.31). It was stated in the previous chapter that those that deem themselves praise-worthy are no longer seeking praise from others. There is an internal moral evaluation that is sufficient enough to satisfy them. Thus, it is a *perversion of the imagination* and a "corruption of our moral sentiments" which makes the

situation of the rich more attractive than the poor (TMS I.iii.2.2, I.iii.3.1). It is a general regard for the concerns of the partial spectator and the negligence of the impartial spectator which, over time, gives rise to this unhealthy obsession with the accrual of riches (TMS I.iii.2). For, “a rich man glories in his riches, because he feels that they naturally draw upon him the attention of the world, and that mankind are disposed to go along with him in all those agreeable emotions with which the advantages of his situation so readily inspire him” (TMS I.iii.2.1). The situation is thus a spiteful paradox; men may believe accumulating wealth will make them happy, but while striving for happiness they actually move farther away from it, and closer to societal economic prosperity. Smith ardently believes “it is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind” (TMS IV.i.1.9). By the innate desire to “better our condition” and a perversion of the imagination, men are never happy because economic activity means men are never at rest, and always striving, and if ever attaining happiness, only doing so for a short amount of time.

The example of the “poor man’s son” best exemplifies this paradox (TMS IV.i.8). A poor man’s son is born with the ambition to become rich, believing a palace, servants, and conveniences to be the best means of happiness. Thus, he spends his entire life in hard labor, working for men he hates and perfecting his manners. Finally, “in the last dregs of life” he finds that “wealth and greatness are mere trinkets of frivolous utility,” which are more trouble in attaining than they will ever be in enjoying (TMS IV.i.8). Although this man is industrious, and contributes much to society, from his greed and vanity he never attains happiness. This means of acquiring fortune does not seem to be in accordance with the prudence grounded on sympathy and virtue stated above. In the following examples from *WN*, it becomes clear that however deep vanity might corrupt; it is the prudent and not the greedy who win in the end and who Smith

supports. In addition, they demonstrate Smith's concern over not only political and economic consequences, but moral consequences as well.

The Moral Rhetoric of *Wealth of Nations*

Understanding Smith's style of rhetoric is essential to unlocking the ends and teachings of his works. Smith differs from other modern philosophers in that he does not, in most cases, adopt a high-handed tone, but instead employs common life and literary examples addressed in the first and second person. As one example among innumerable in *TMS*, Smith talks of how men naturally sympathize with only "great sorrows," and proceeds to demonstrate why this is true by asking the reader to take a journey of perhaps a decade within the confines of their imagination:

If you labour, therefore, under any signal calamity, if by some extraordinary misfortune you are fallen into poverty, into diseases, into disgrace and disappointment; even though your own fault may have been, in part, the occasion, yet you may generally depend upon the sincerest sympathy of all your friends... But if your misfortune is not of this dreadful kind, if you have only been a little baulked in your ambition, if you have only been jilted by your mistress, or are only hen-pecked by your wife, lay your account with the raillery of all your acquaintance (*TMS* I.ii.5.4).

It seems only fit to quote the entire passage so as to convey Smith's ability to captivate the reader. Smith in addition uses common place examples and experiences in *WN*. In the opening pages of *WN*, Smith utilizes many examples to demonstrate the advantages and effects of the division of labor, in each case specifically calling on the reader to "imagine it" so as best to understand (*WN* I.i.1-11). Smith has two motives for writing this way: to familiarize and engage the reader, which in turn serves a pedagogical purpose in exercising the reader's moral sentiments.

Smith often writes in the first person “I” or second person “we” to generate a sense of commonality and fondness, a “we are all in this together” sort of spirit. This not only allows Smith to make his works attractive to the average layperson, but also to uphold his principles about the discipline of philosophy as well.¹⁶ Recall in the previous chapter Smith’s criticism of most philosophers; “philosophers in particular are apt to cultivate with a particular fondness, as the great means of displaying their ingenuity, the propensity to account for all appearances from as few principles as possible” (TMS VII.ii.2.14). This proclivity to turn philosophy into a “system,” Smith argues, is impossible and dangerous, as a few principles cannot possibly account for all “the different shades and gradations of circumstance, character, and situation” (TMS VI.ii.2.1). The conversational use of “we” and “I,” and the commonplace examples seen throughout his work allow Smith to preserve the user-friendly feel of his moral system based on imagination, sympathy, and the impartial spectator. In addition, it keeps readers from being scared away by perhaps *too much* philosophy. Smith recognized that “a written philosophical work runs particular risks of encouraging an ‘academic’ detachment from ordinary life and of reducing ethical debate to a merely theoretical, perhaps casuistical, enterprise” (Griswold 1999, 62). Far from making him simple just because he is clear, Smith’s rhetorical style reveals his desire to convey extremely complicated ideas in the most approachable way possible.

Smith’s pedagogical motives behind his rhetorical style are also twofold: he wishes to encourage individuals to become better moral critics, to in turn then foster propriety in their own actions. As stated in the previous chapter, there is a desire for man’s imagination to fill in the gaps before engaging in a serious moral evaluation. Therefore, by way of examples, Smith

¹⁶ Parallels can actually be drawn between Smith’s style of rhetoric and Aristotle’s, as they try and achieve similar goals of accessibility and flexibility (Hanley 2009, 86-91). Smith’s relationship to the ancients will be expanded upon in the following chapter on education.

provides the *context* which the imagination yearns for in order to help facilitate the function of sympathy in the reader. Fleischacker explains that "...since [Smith] understands sympathy as an act of the imagination, rather than of the senses alone, imaginative writing can quite directly enliven or enrich our capacity for moral judgment" (Fleischacker 2004, 12-13). The exercise of the moral sentiments then creates an opportunity for men to become better moral critics, as "criticism is an intrinsically pedagogic activity" (Griswold 1999, 65). The second component to Smith's pedagogical reasons for his style of rhetoric is that once the reader develops their capacity for moral criticism, they will then use this to inform their sense of propriety and their impartial spectator. Griswold terms Smith's use of the second person in *TMS* as the "protretic 'we': "the pronoun is 'protreptic' in that it is intended to persuade us to view things in a certain light, to refine the ways in which we judge and feel, and perhaps to encourage us to act in a certain manner" (Griswold 1999, 49). Depending on the outcome of the individuals in Smith's examples, it is a gentle way of encouraging a particular reaction to a given situation. For example, in the section in *TMS* on the virtue of self-command, Smith tells the tale of Alexander the Great, who places his trust in the wrong people who, after he dies, "divided his empire among themselves, and after having thus robbed his family and kindred of their inheritance, put, one after another... to death" (*TMS* VI.iii.32). Alexander enjoys being flattered and in power, and thus due to "excessive self-estimation," which Smith cautions against here, ends up destroying his empire and family (*TMS* VI.iii.32).

Some authors focus on Smith's use of examples in *WN*, but argue that his main goal is to clarify for the reader important economic principles or political roadblocks (Fleischacker 2004, 7-26). However, it could be argued that Smith also employs examples in *WN* to impress *moral* lessons on the reader as well. If this is true, it means that not only does Smith use the same

rhetoric style in *TMS* and *WN*, but they both additionally serve the same purpose, which is to cultivate positive, critical moral judgment in human behavior.¹⁷ Once these moral lessons are understood, men can then become better moral observers, and political and economic actors. Three prominent examples support this conclusion: the fall of feudalism, the establishment of colonies, and the characters of the agricultural versus manufacturing man.

Fall of Feudalism

In Book III, entitled “Of the different Progress of Opulence in different Nations,” Smith compares what he believes to be the “natural” and the “unnatural” trends of progress. The natural progress of opulence requires the capital of a society to be “first, directed to agriculture, afterwards to manufactures, and last of all to foreign commerce” (WN III.i.8). In the “unnatural” progress of society “manufactures and foreign commerce together, have given birth to the principal improvements of agriculture” (WN III.i.9). Feudalism is introduced by Smith as one of the unnatural ways in which a society might develop. In a feudal state, isolated lords and barons rule over their own designated chunks of land, and foreign trade or the “finer manufactures” have not yet been established (WN III.iv.5). As they are isolated and cannot extend their industry beyond their territory, they must utilize their surplus produce to maintain men instead of more capital. The lord baron “is at all times, therefore, surrounded with a multitude of retainers and dependents, who having no equivalent to give in return for their maintenance, but being fed entirely by his bounty, must obey him, for the same reason that soldiers must obey the prince who pays them” (WN III.iv.5). This isolation and dependence of the lower classes afford the

¹⁷ Ultimately, the ideal way to test for this would be to first lay out Smith’s theory of rhetoric from his *Lectures on Rhetoric and Belles Lettres* in greater detail and then show how Smith employs his rhetorical teaching in both *TMS* and *WN*. This project is, unfortunately, beyond the scope of the present inquiry.

barons much power and they establish little states within the larger state, and the King finds he has no power over any of them (WN III.iv.7). The King tries to restore his dominance by introducing feudal law, but fails as it “could not alter sufficiently that state of *property* and *manners* from which the disorders arose” (WN III.iv.9; emphasis added). The lords being accustomed to being in charge will not relinquish power willingly. A higher authority does not cause the fall of feudalism, but the introduction of foreign commerce, which leads lords to trade their produce outside of their established communities, to be spent for their own devices; “and thus, for the gratification of the most childish, the meanest and the most sordid of all vanities, they gradually bartered their whole power and authority” (WN III.iv.10).

Feudalism creates a system of dependence and oppression for the people. Smith describes how the entire subsistence of both the baron’s servants and his tenants is “derived from his bounty, and its continuance depends upon his good pleasure” (WN III.iv.6). With the fall of feudalism, individuals experience greater “liberty and security” from being independent, and free from their “servile dependency on their superiors” (WN III.iv.4). Smith favors this independence for economic and political reasons. First, the independence of the tenants occasions faster economic growth, as “nothing can be more absurd...than to imagine that men in general should work less when they work for themselves, than when they work for other people” (WN I.xi.c.31). Individuals thus became more industrious as the future of their own capital is in their hands. In addition, not only is individual liberty restored, but “the great proprietors [are] no longer capable of interrupting the regular execution of justice, or of disturbing the peace of the country” (WN III.iv.15). The political consequences are thus a removal of the oppressive and intrusive style of

government prevalent in feudalism.¹⁸ The fall of feudalism thus occasions positive political and economic consequences.

As stated above, Smith employs examples in order to best reach the reader. In this example, Smith uses strong language to convey the consequences of the corruption of prudence into vanity; “having sold their birth-right... in the wantonness of plenty, for trinkets and baubles fitter to be to be the play-things of children than the serious pursuits of men, they became as insignificant as any substantial burgher or tradesman in a city” (WN III.iv.15). Feudal lords come to exemplify the spirit of idleness mentioned above, and as a result of their greed and selfishness, they slowly lose all their land and reputation. Who are the winners and losers in Smith’s example? The winners are clearly those servile tenants and merchants, who seize their opportunity for freedom and employ what they have prudently; the losers are the lords and barons, who are careless and egotistical, and “neither of them had either knowledge or foresight of that great revolution which the folly of one, and the industry of the other, was gradually bringing about” (WN III.iv.17). This first example demonstrates Smith’s concern over individual liberty and independence, but also his concern about the corruption of prudence in light of a growing market for finer goods. In addition, this serves as a critique of Mandeville, who believes vanity to be the root of all human action. Mandeville erases the line between virtue and vice, extolling pure selfishness as the surest means to praise and happiness (TMS VII.ii.4.7). Although Smith admits there is some truth to Mandeville’s account, he believes men wish to deserve and not just acquire praise, meaning men are more virtuous than vain (TMS VII.ii.4.9). Smith retains

¹⁸ In those political systems in which there is “perfect liberty,” Smith sees the greatest opportunity for growth and progress, as the people are free to pursue their own self-interest, the consequences of which are greater competition, equality, and prosperity (WN I.x.a.1-2, I.x.c.1-2, IV.ix.28, IV.ix.38). As perfect liberty is typically granted by government and has economic consequences, this idea will be expanded upon in the section on Smith’s understanding of how economic, politics, and morality should function together.

the distinction between “real prudence and short-sighted folly” to keep men from becoming like the selfish feudal lords in the example above (TMS VII.ii.4.1). Like his examples in *TMS*, this is a cautionary tale, meant to encourage economic actors to avoid that imprudence which led to the fall of feudalism.

Establishment of Colonies

It was by complete accident (Columbus) and not by necessity of greater utility that the savage nations of America were discovered (WN IV.vii.a.4). The Spanish accumulated great wealth from their colonies in America, and soon after all of Europe joined in establishing colonies in the “West Indies” (WN IV.vii.a.14). Smith points out several distinct advantages a commercial society possesses in successfully establishing colonies; knowledge and government. An industrialized society already has the requisite knowledge of farming and agriculture to quickly begin cultivating the new land, and also the benefit of a recognized government to provide stability to its founding. Both of these advantages allow for the rapid growth of colonies (WN IV.vii.b.2). Two features of the English colonies separate them from other European colonies: relative freedom from the mother country, and zero contribution to the mother country for their defense. The English colonies are not completely free in trade, but are nevertheless freer than most other European nations, which allows them to build up their own industry and save (WN IV.vii.b.20-21). The English-American colonies also do not contribute to the defense of their borders, which causes problems in their relations as demonstrated below (WN IV.vii.c.12).

The economic consequences for the English are both positive and vast. Being the recipients of all the produce from their American colonies allows for a lower cost of coinage (by the great influx of minerals), a larger amount and variety of goods, and the ability to trade with

more nations (WN IV.i.31-32, see also WN IV.vii.c.1-7). Colonies provide the possibility to import exotic and luxury goods, and to sell these goods exclusively to other nations. Britain is first influenced by the self-interest of the merchants to establish a monopoly in the colonies; “to found a great empire for the sole purpose of raising up a people of customers, may at first sight appear a project fit only for a nation of shopkeepers. It is, however...extremely fit for a nation whose government is influenced by shopkeepers” (WN IV.vii.c.63). By doing this bit of service to businessmen, the politicians might afford some help from them in the future. However, the political consequence of the establishment of colonies is that the expense of defense became much greater than the actual advantage from trade (WN IV.vii.c.63-65). Having demanded recompense from the colonies, the mother country and the Americans end up at war. Smith suggests a fair deal and negotiation between the colonies and Great Britain, but at the same time realizes this will never happen because of the pride of the politicians (WN IV.vii.c.66). Thus, the economic benefits from an exclusive monopoly to the merchants is somewhat outweighed by the tremendous cost born by the government in maintaining the colonies.

The moral consequences of the establishment of the English colonies are twofold: the first is the violation of justice through the treatment of the natives; the second is the destruction of prudence through the control of monopoly. To reiterate from the previous chapter, justice for Smith implies the negative right from harm; do not do unto others what one would not wish done to themselves. In the race to establish new colonies, the European nations violate the principle of justice by driving out the Indians from their land and viewing them as inferior instead of equal; “the savage injustice of the Europeans rendered an event, which ought to have been beneficial to all, ruinous and destructive to several of those unfortunate countries” (WN IV.i.32). The greedy colonists clearly violate Smith’s conception of justice: “to disturb his happiness merely because

it stands in the way of our own, to take from him what is of real use to him merely because it may be of equal or of more use to us... is what no impartial spectator can go along with” (TMS II.ii.2.1). Any economic benefits which the mother country received are “sunk and lost” to the natives in the “dreadful misfortunes” which they endure (WN IV.vii.c.80 [Smith here also alludes to a possible retribution by the Indians], see also WN IV.vii.b.59). This gross violation of justice seems to be preceded by the influence of greed on the actions of the colonists.

Correcting injustice is important for Smith, but preventing the corruption of prudence from monopoly supersedes this concern, as it appears to be the cause of this injustice. Monopoly for Smith is detrimental for economic and moral reasons. Monopolies are bad because they restrict the industry of the colonies by restricting their produce only to the amount demanded by the mother country (WN IV.iii.c.16-17, 48-49, 56). By restricting the demand, wages and productivity of workers in the colonies are also kept artificially low, restraining the exporting country more than would be in the case of “free trade” (WN IV.iii.c.16). If monopolies are so unfavorable why do they continue? Smith answers: “to promote the little interest of one little order of men in one country, it hurts the interest of all other orders of men in that country, and of all men in all other countries” (WN IV.vii.c.60). It is only for the advantage of the small class of merchants in the importing country and their exponential growth of profit that politicians are persuaded to continue institutionalizing monopoly. Besides the negative economic effects from monopoly, “there is one more fatal, perhaps, than all these put together, but which, if we may judge from experience, is inseparably connected with it,” and that is the tendency for monopoly to diminish the virtue of prudence (WN IV.vii.c.61). For Smith, the way a man chooses to employ his profit and exercise his industry is integral to the expression of prudence. As all virtues for Smith are grounded in their social construction through sympathy, the virtue of

prudence becomes corrupt as the most influential economic actors in society set the example.

Merchants are “necessarily the leaders and conductors of the whole industry of every nation, and their example has a much greater influence upon the manners of the whole industrious part of it than that of any other order of men” (WN IV.vii.c.61). Thus,

if his employer is attentive and parsimonious, the workman is very likely to be so too; but if the master is dissolute and disorderly, the servant who shapes his work according to the pattern which his master prescribes to him, will shape his life too according to the example which he sets him (WN IV.vii.c.61).

The establishment of colonies does not alone occasion the diminution of prudence, but it is the tendency of colonies to be established for the purpose of monopoly that causes this change.

Again, it is by way of characterization, setting, and history that Smith offers another moral lesson embedded within his economic theory. Smith fully supports economic flourishing, but not by means of force. His recommendations for democratic cooperation between the mother country and the colonies, the fair treatment of natives, and his warnings about monopolies apparently fell on deaf ears, but by detailing this experience of the colonies, Smith provides the opportunity to learn from those mistakes.

Agricultural vs. Mercantile Man

Smith’s characterization of the agricultural and merchant man best demonstrates the difference seen above between prudence proper and improper. By looking at these two individuals, it becomes possible to answer the question: what is the good life for Smith? Smith is not only concerned about the proper direction of prudence, but also how far that prudence will procure happiness. Smith’s preference is clearly for the agricultural system, as it allows for the “natural” pattern of growth for a nation, mentioned above, and supports “productive” labor (WN IV.ix.2, 38). Smith distinguishes productive from unproductive labor as being that which both

replaces initial expenses in establishment and produces additional benefit to society (WN IV.ix.10). Farmers are most likely to contribute above and beyond replacing capital expenses, whereas manufacturers are not, thus manufacturing stock is “unproductive” (WN IV.ix.10). More important than the economic outcomes of these two systems, are the moral implications both. The agricultural system is most likely to produce a “common character” of “liberality, frankness, and good fellowship,” whereas the mercantile system breeds “narrowness, meanness, and a selfish disposition, averse to all social pleasure and enjoyment” (WN IV.ix.13). The “system” is just a reflection of the character of the individual farmers and merchants, who at their core are fundamentally different. The agricultural spirit is one of community, honesty, and generosity, whereas the merchant exemplifies the “corporation spirit” of competition, cunning, and isolation (WN IV.ii.21). Farmers, as they are spread out, are much less likely to collude for the purposes of establishing a monopoly, and to feel threatened into fierce competition with another farm leagues away. To the extent that farmers may begin to act this way is only a consequence of the corruptive nature of the “corporation spirit;” “It was probably in imitation of them, and to put themselves upon a level with those who, they found, were disposed to oppress them, that the country gentlemen and farmers of Great Britain so far forgot the generosity which is natural to their station, as to demand the exclusive privilege of supplying their countrymen” (WN IV.ii.21). Those same merchants, who convinced their great nations to institute monopolies by establishing colonies to the destruction of the native peoples and their employees, also destroy the character of peoples not even in the same industry.

It is not only the nature of the two industries, but also the products of that industry which contribute to this stark contrast. Smith explains that as a country’s agricultural abilities develop, it only takes half the population to supply the entire subsistence of a nation, while the other half

are put to work “satisfying the other wants and fancies of mankind” (WN I.xi.c.7). The nature of food is such that the amount desired by an individual is limited “by the narrow capacity of the human stomach,” whereas “the desire of the conveniences and ornaments of building, dress, equipage, and household furniture, seems to have no limit or certain boundary” (WN I.xi.c.7). The nature of the agriculture business is to supply the equal necessities of life to those who desire them, thus there really is no room for extravagant accumulations of profit. In contrast, as the mercantile business supplies the unequal conveniences of life to those who desire them, as long as customers who have the desire to acquire are alive, there is no end to the possible accumulation of profit. Thus, it is the inherent nature of the two businesses which makes merchants prone to vanity, greed, and improper prudence, and farmers prone to saving, industry, and proper prudence. The same observation is made in TMS: “In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for” (TMS IV.1.10). Men are equal in one respect, and it is only because they are unequal in a different respect as a consequence of the perversion of the imagination mentioned above that other objects become desirable. A man may be a beggar and still be happy if he can fill his belly, but most men want more than this as they believe more stuff will afford greater happiness.

The question becomes; which sort of life is most likely to produce happiness? In answer, Smith presents a choice:

Two different roads are presented to us, equally leading to the attainment of this so much desired object; the one, by the study of wisdom and the practice of virtue; the other, by the acquisition of wealth and greatness. Two different characters are presented to our emulation; the one, of proud ambition and ostentatious avidity; the other, of humble modesty and equitable justice. Two different models, two different pictures, are held out to us, according to which we may fashion our own character and behaviour... (TMS I.iii.3.2).

As stated above, for Smith happiness is tranquility and inner equilibrium. From how Smith praises the life of the farmer, it becomes clear this life is the surest means to happiness. The agricultural man does not inherently have a strong desire for profit, and thus affords a more peaceful and less restless existence. In addition, the farmer lives in the country, away from the hustle and bustle of the city. Smith acknowledges that many men will find the life of the merchant to be most rewarding, but it is only the “studious and careful observer” who recognizes the merits of the farming life (TMS I.iii.3.2). At this point, it becomes important to reinforce a point made earlier, and now confirmed by observation. For Smith, a man’s profession provides the surest means for moral self-actualization. Nowhere is this clearer than Smith’s praise of the agricultural man and censure of the mercantile man. A man’s interaction with the market is thus intrinsically tied to the consequences to his morality. Additionally, this last example demonstrates how Smith uses his rhetorical style of characterization and situation to engage the impartial spectator in order to proclaim judgments about economics and morality.

Reintroducing the Mental Yardstick for Moral Evaluation

Recall from the previous chapter that the culmination of Smith’s moral teaching in *TMS* is the mental yardstick, a realistic way to approach moral evaluation that achieves Smith’s goals of practicality and flexibility. The mental yardstick is a way to make judgments about the actions of others and oneself, by looking at what is the perfect standard, the minimal expectation of action, and aim somewhere in the middle (TMS I.i.5.9, VI.iii.23). As demonstrated above in this chapter, Smith is very concerned with his theory not becoming too philosophical and distant from actual human experience and thought. He understands men are not perfect, as the ancients would believe, but he also gives them something to strive for, contrary to philosophers like Mandeville. Why does it become important to revisit the mental yardstick? If the mental

yardstick is the culmination of Smith's moral teaching in *TMS*, it becomes necessary to demonstrate its presence in *WN* to prove Smith is comprehensive and deliberate in his thought across his texts. After first understanding Smith's rhetorical style and applying it to several examples, it becomes clear Smith's intent is to cultivate the accuracy of the reader's mental yardstick. As already stated above, Smith employs examples for pedagogical reasons. The examples he presents in *WN* are a mode of "ethical practice," which demands from the reader both "impartiality" and an "ability to refine, through careful reflection, his evaluative responses" (Griswold 1999, 68). The characters in Smith's cases do not necessarily use their mental yardstick, but through comprehending the examples, the reader is pushed this way and that based on their preliminary judgments and the outcome of the characters in the example. They come to understand what proper and improper prudence is; what are those minimal obligations, worst outcomes, and objects of perfection in economic action? Being able to judge these things helps the reader avoid the mistakes of the feudal lords and monopolistic merchants.

The Mental Yardstick and Political Economy

Besides using it for personal evaluations, there is evidence to show that the mental yardstick can be used more broadly to evaluate entire systems of political economy. Smith compares the health of the body to that of a system of political economy. Doctors believe there is a perfect regimen to preserve a healthy body, however, experience will show that the body can protect and correct itself on a variety of different regimens (*WN* IV.ix.28). The body experiences its own means for self correction when the perfect regimen cannot be achieved (*WN* IV.ix.28). The same phenomena happens in the case of political economy; "...in the political body, the natural effort which every man is continually making to better his own condition, is a principle of preservation capable of preventing and correcting, in many respects, the bad effects of a political economy, in

some degree both partial and oppressive” (WN IV.ix.28). Politicians and economists, like doctors, strive to achieve some perfect regimen for political economy, however, “if a nation would not prosper without the enjoyment of perfect liberty and perfect justice, there is not in the world a nation which could ever have prospered” (WN IV.ix.28). Just as elements of the human body work to correct “sloth and intemperance,” human nature almost always remedies the “folly and injustice of man” in designing a perfect system (WN IV.ix.28). If then, the mental yardstick can be applied to find the appropriate political economy, this opens up questions such as: what are the perfect, mediocre, and worst systems of political economy for Smith? What are Smith’s views on the organization of political economy? What, then, can one learn about his views of the interrelationship between politics, economics, and morality by employing this tool?

Just as Smith supports the agricultural man over the mercantile man, so does he feel the same toward those systems of political economy which personify these characters. There are two ways in particular in which Smith addresses the advantages of the agricultural system and disadvantages of the mercantile system. First, is in regards to how the two societies view wealth. A system managed by merchants views money as wealth, whereas a system managed by farmers believes “the wealth of nations [consists], not in the unconsumable riches of money, but in the consumable goods annually produced by the labor of society” (WN IV.i.1-2, IV.ix.38). The second difference is the extent of the overlap between economics and politics. In the mercantile system, merchants constantly whisper in the ears of politicians. The political regime becomes a gateway for merchants to perpetuate their own policies for their own advantage, which tend to work *against* the public interest (WN IV.i.10, IV.viii.49). In contrast, the agricultural system has never been known to do any public harm and represents “perfect liberty as the only effectual expedient for rendering annual reproduction the greatest possible, its doctrine seems to be in

every respect as just as it is generous and liberal” (WN IV.ix.2, IV.ix.38). Despite the obvious merits of the one system over the other, Smith recognizes that a solid system of political economy requires both elements and both types of people. The agricultural system is not sufficient for any meaningful national economic growth and the mercantile system does provide a means for this growth by opening new trade. The town and the country rely on each other. Just as one might employ the mental yardstick to a moral evaluation, it becomes possible to imagine Smith does the same with regards to political economy. In a realistic system of political economy, merchants exist; however, to improve upon this system he suggests a political regime divorced from corporate influence, which will occasion high economic freedom.

Smith is extremely critical of politicians throughout *WN*; consequently, in his improved society he assigns a very limited role to government. He believes it should be primarily concerned with defense, administration of justice (police and courts), and “facilitating the commerce of society” (infrastructure) (WN IV.ix.51, V.i.c.2). Smith argues that it is from “innumerable delusions” that politicians attempt to devise economic policy, for which they are ill equipped (WN IV.ix.51). Politicians do not rightly understand cause and effect, which Smith seems to think is fundamental to the study of economics.¹⁹ Only the establishment of “perfect justice, perfect liberty, and perfect equality” will bring the “highest degree of prosperity” to all classes of society (WN IV.ix.17). Allowing for the highest degree of economic freedom, such as freedom of employment, thus allows for the moral self-actualization as stated previously in this chapter. It is only in an unregulated market that “every man, as long as he does not violate the

¹⁹ This is evidenced by his numerous examples of politicians believing they are generating an effect which can never come about from the causes to which they attribute it. One example is the false notion of a “balance of trade,” which Smith believes is impossible to predict and account for. Yet, politicians, believing money is consistent with the store of gold/silver, place restraints upon importations of goods, and try to artificially promote exportation of goods, so as to best increase the countries store of those minerals (WN IV.i.35-45).

laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men” (WN IV.ix.51). This system of political economy forces men to accept responsibility for their actions, as they cannot blame it on bad regulations. Thus, Smith, in characterizing bankruptcy says is it the “most humiliating calamity” which a man can experience. To make a modern comparison, Smith would thus not be in favor of bank bail-outs, as it creates a perverse incentive for businessmen. Contrarily, it also allows men to enjoy the full approbation and respect which comes from their prudent decisions. Thus, a system of limited government and full economic liberty leads to the positive reinforcement of prudence.

Conclusion

By looking at Smith’s vision of political economy, and the arguments made thus far, it now becomes possible to conclude that Smith supports economic and political structures primarily for moral reasons. This conclusion speaks to the larger concern over how Smith believes politics, economics, and morality function together. It is impossible to come to a definitive answer without reading Smith’s whole corpus, as stated in the introduction, but from reading these two texts it becomes clear Smith places more emphasis on the moral consequences of action. Smith’s view of society could then be synonymous with a sort of picture frame. The exterior framework would be sympathy and the imagination, which provides the way in which men establish ideas of morality and virtue. Morality and virtue would be the “matting” under which politics and economics are set. Politics and economics are relegated to their own sides of the interior, but yet experience a lot of overlap in the middle. If it is true that sympathy and morality provide the foundation of economics and politics for Smith, it then even becomes possible to assign an ideal reading of Smith. One should thus begin with *TMS* and then move to

WN and his *Lectures on Jurisprudence*. Only in this way can one understand how Smith believes a society should be structured.

Although Smith is arguably the “father of modern economics,” he was nevertheless a professor of *moral philosophy* at Glasgow University, which means Smith was primarily concerned with the way in which people make decisions, and the extent to which they made these decisions based on some predetermined ideas of morality or ethics. By understanding Smith in this new light, it is possible he understood people to be making political and economic decisions through a permanent lens of morality. Going back to the importance of cause and effect mentioned above, Smith would say that one cannot know the effect of economics and politics until one understands the cause, which is human moral behavior. Politics and economics do not just appear from the ground, but are based on decisions individuals make about their original formations. Whether by design or by accident, the origin of these political economic systems is individual action, motivated and informed by moral evaluation. The modern understanding of individual economic behavior has thus become severed from these ideas. Men are not “homo economicus,” “rational, calculating, and selfish,” with an “unlimited computational capacity,” who “never makes systematic mistakes” (Cartwright 2011, 3). For Smith, people are closer to moral agents, expressing their ideas of morality through action, and making mistakes along the way. As stated in the previous chapter, Smith is very wary of creating anything resembling a system, which he believes is both naive and dangerous. However, this picture of society does not limit the possibilities of the outcomes. It still allows for the same flexibility and practicality Smith provides with his moral theory and his mental yardstick. With this in mind it now becomes possible to critique educators who divorce his thought, economists who ignore his moral teachings, and critics of capitalism.

Chapter Four: Addressing a Critic of Capitalism

The previous chapter demonstrates the integral connection between morality and markets through the analysis of Adam Smith's *Wealth of Nations* in light of his *Theory of Moral Sentiments*. It becomes clear that the father of modern economics does not envision an industrious society as devoid of moral concerns. With a proper understanding of the relationship between moral theory and markets, it becomes possible to critique educators who divorce his thought, economists who ignore his moral teachings, and critics of capitalism. In the final stages of this project, this chapter addresses one of those critics of capitalism, who believes markets to be corrupting and unfair, and look to how Smith might respond to this criticism.

One of the staunchest critics of capitalism is Michael Sandel, Professor of Government at Harvard University and author of *What Money Can't Buy: The Moral Limits of Markets*. In his book, Sandel introduces the reader to numerous cases in which a market is established in an area of life previously governed by non-market norms. For example, in the first chapter Sandel reveals a growing market for "cutting the line," replacing the norm of "waiting your turn." There are the popular "fast passes" given out to amusement park attendees, but recently cities are introducing options to buy a way into the carpool lane, private companies are being established to hire out professional line standers (for such events such as concerts or congressional hearings), and a new phenomena called "concierge doctors" means citizens can pay a premium to receive faster and more attentive care from their primary doctor (Sandel 2012, 17-28). In China, Sandel witnesses a scary trend of "ticket scalping" at doctors' offices. Due to funding cuts for public hospitals and clinics, rural patients are now making the trek to the city for care, causing an overflow in waiting rooms; they sometimes wait for days in line to buy an appointment ticket (Sandel 2012, 24). Capital opportunists, however, have seized upon the discrepancy between

supply and demand and bought groups of tickets in order to resell them at a much higher price (Sandel 2012, 24-25). Examples and anecdotes such as these fill the rest of Sandel's book, showcasing many ways in which markets are beginning to permeate new areas of life.

It becomes clear that the problem is the intrusion of markets, but how did this happen and why is it important that the trend of pervading markets stop? Sandel offers a brief and modern history of "market triumphalism;" deregulation and market faith began in the 1980s with Ronald Reagan and Margaret Thatcher, continued in the 1990s with Bill Clinton and Tony Blair, and then the financial crisis of 2008 starts to stall the enthusiasm for markets (Sandel 2012, 6). Sandel's purpose here is not to analyze the cause and effects of the financial collapse, but simply to point out that "the reach of markets, and market-oriented thinking, into aspects of life traditionally governed by nonmarket norms is one of the most significant developments of our time" (Sandel 2012, 7). The result of this development is a movement from "*having* a market economy to *being* a market society," the difference being, "a market economy is a tool – a valuable and effective tool – for organizing productive activity. A market society is a way of life in which market values seep into every aspect of human endeavor" (Sandel 2012, 10-11; emphasis added). Instead of viewing markets as a way to exchange goods and services, existing on the fringes of what is important in life; Sandel argues markets are at the forefront of governing the way in which many view the world.

However, Sandel's analysis seems to beg the question; why is "market triumphalism" a bad thing? According to Sandel, creating a market for a good not only "crowd[s] out nonmarket values worth caring about," but it also changes the value and nature of the good itself (Sandel 2012, 8-10). As shown in the example above, when standing in line becomes a market good, it crowds out the societal norm that says, "please wait your turn." Sandel has two additional

objections to placing certain goods on the market, which deal with both the value of the good itself and nonmarket norms; the inequality objection and the corruption objection (Sandel 2012, 8). Sandel argues that placing certain goods on the market exploits the poor who do not have the means to afford that good (inequality objection), and also damages the moral quality of the good (corruption objection). To combat these tendencies, Sandel urges the public engage in a “moral assessment” of a certain good, asking the question which is the subject of his book; “are there some things that money can buy but shouldn’t” (Sandel 2012, 90, 95)? In determining whether a certain good should be up for sale, the public must first ask the extent of the coercion present in the market, as this will reflect the unequal distribution of choice, and next whether, by buying and selling this good, there valuable “attitudes and norms that market relations may damage or dissolve” (Sandel 2012, 110, 112)? Answering these questions requires society to both assess the level of inequality that is tolerable and also the moral and civic virtues important to all. If the answer to one or both of these questions is yes, then arguably the good should not be bought and sold.

Although Sandel throughout *What Money Can't Buy* argues for what *should* happen, he is not optimistic that it *will* happen. In recalling the rise of market triumphalism, Sandel shows that even though people were hurt by the financial crisis of 2008, they do not blame markets, but government (Sandel 2012, 12). There is not only a certain acceptance and frenzy for market thinking, but also a “moral vacancy” in modern public dialogue that will keep individuals from asking the questions presented above (Sandel 2012, 13). Throughout his book, Sandel strongly critiques market thinking from the perspective that all market reasoning is akin to utilitarianism. His distaste for economic reasoning is a response to Gary Becker’s book, *The Economic Approach to Human Behavior* (1978), in which Becker argues that; “in all domains of life,

human behavior can be explained by assuming that people decide what to do by weighing the costs and benefits of the options before them, and choosing the one they believe will give them the greatest welfare, or utility” (Sandel 2012, 48). By these standards, all economic participants are devoid of moral considerations and seek only to calculate, not deliberate. Sandel’s main problem with the overall study of economics is that it seeks only to explain, and not to judge the morality or appropriateness of certain behaviors (Sandel 2012, 48). However, “...when market reasoning is applied to sex, procreation, child rearing, education, health, criminal punishment, immigration policy, and environmental protection, it’s less plausible to assume that everyone’s preferences are equally worthwhile” (Sandel 2012, 89). This is not to say that markets could reasonably extend to these areas of life without damaging those goods, but society must first examine them in light of the questions Sandel proposes early on. There must be some cases in which moral values play a role in the commercialization of a good, otherwise, everything could reasonably be up for sale.

Although Sandel rightly characterizes utilitarian thought, he nevertheless makes the mistake of believing this is the only lens through which economists approach the study of economics. He seems to ignore the growing field of behavioral economics, which proposes to do exactly what he believes this science to be lacking; incorporate value judgments into the study of economic behavior (Cartwright 2011, Ariely 2010). For the purposes of this project, however, this last chapter will not take up Sandel’s assessment of economic thinking more generally, but will focus on how Adam Smith in particular, as a founder of classical liberalism and modern economics, would respond to Sandel’s two critiques of markets. The first section assesses the corruption objection and the extent to which Smith agrees or disagrees with this objection on the basis of his understanding of moral education. The second section reviews the inequality

objection and again, looks to the extent to which Smith agrees or disagrees on the basis of his understanding of justice.

Sandel's First Critique: Corruption

The corruption objection comes from Sandel's critique that commercializing a good destroys some of its value and harms nonmarket norms associated with that good. In Chapter 3, "How Markets Crowd Out Morals," Sandel reveals two social customs which consumers can now purchase and best demonstrates the nature of the corruption argument: apologies and wedding toasts (Sandel 2012, 96-98). It is somewhat hard to believe, but at one time (Sandel is unsure whether the company still exists), consumers could purchase apologies from a Chinese company who hired professional looking people to deliver the message and whose company motto was "We say sorry for you" (Sandel 2012, 96). If a customer is in the market for wedding toasts, there are several options currently available, from a \$149 speech from ThePerfectToast.com, to a \$19.95 pre-written speech from InstantWeddingToasts.com (Sandel 2012, 97). Perhaps, for economists and libertarians, there is nothing wrong with these practices, but for Sandel, he regards the practice of buying and selling apologies and wedding toasts as diminishing the intrinsic value of these tokens of friendship. He argues that, "Friendship and the social practices that sustain it are constituted by certain norms, attitudes, and virtues. Commodifying these practices displaces these norms – sympathy, generosity, thoughtfulness, attentiveness – and replaces them with market values" (Sandel 2012, 107). According to Sandel, there are certain goods that should be kept out of market exchange to protect values or virtues, but would the father of modern economics agree?

Smith's Response

In order to understand Smith's response to Sandel, a distinction must first be made regarding the origins of "market triumphalism." Sandel suggests that greater acceptance of free markets comes from the political influence of the recent decades and influential texts written by major economists. However, he seems to ignore another cause of the rise of markets, and that is the public's shifting morals. While Sandel only focuses on the consequences that markets have on morality and the intrinsic value of certain goods, he misses the realization that damage to morality in most cases occurs antecedent to the existence of the market. For example, the founder of ThePerfectToast.com, like any other business person, probably wanted to make money; therefore, selling wedding toasts online and introducing this market seemed to be a good way to achieve this end. Prior to setting up this market, however, the founder had to have some faith that there were customers that existed for the product. Before any market comes into existence, there must be demand for the product. Therefore, changing moral sentiments towards a particular good occur before the market is established, and the market simply provides an outlet for this corruption. This might not entirely be true for all people. It is possible that some consumers only begin to view a good a certain way *because* it is up for sale (Sandel's point), but it must be true also that some consumers already view the good in this way; otherwise the creation of the market would be unjustified and unprofitable. The more important concern becomes, not the effect of markets on morals, but the antecedent changes in moral sentiments that occasion the existence of these markets. Where would Smith say these changes originate?

For Smith, the act of apologizing or giving a great wedding toast originates from a man's regard for others, or the virtue of "beneficence" (while "justice" is also a regard for others, the activities examined here pertain to acts of custom, manners, or friendship). While beneficence, much like prudence, occurs naturally in men, there is still a need to cultivate this virtue through

moral education. In *TMS*, Part VI, Section II, Chapter 1, “Of the Order in which Individuals are recommended by Nature to our care and attention,” Smith describes how individuals come to develop beneficence. The “order” of care and attention Smith speaks of here can be characterized as a circle of association, in which the center of the circle is one’s own well-being, then their immediate family, and moving out even further, their extended family (TMS VI.ii.1.1-5). Of the immediate family, Smith observes, “they are naturally and usually the persons upon whose happiness or misery his conduct must have the greatest influence” (TMS VI.ii.1.2). Therefore, the first lessons of beneficence, or care for others, comes from how a family associates with one another. The ability to feel affection for others originates from the “habitual sympathy” experienced first at home; from the constant day to day exercise of caring for another’s feelings and concerns (TMS VI.ii.1.5). Absence of affection in the home seems to society completely unnatural, even horrible; “a parent without parental tenderness, a child devoid of all filial reverence, appear monsters, the objects, not of hatred only, but of horror” (TMS VI.ii.1.7). Smith states in the beginning lines of *TMS*: “how selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him” (TMS I.i.1.1). Therefore, a denial of affection is a denial of a fundamental principle in human nature, and hindering its natural progress or growth sets oneself up for failure in human relationships. It is this “habitual sympathy,” first experienced at home, that allows for other meaningful relationships later in life, such as successful friendships. Smith describes true friendship as follows:

...of all attachments to an individual, that which is founded altogether upon the esteem and approbation of his good conduct and behaviour, confirmed by much experience and long acquaintance, is, by far, the most respectable. Such friendships, arising not from a constrained sympathy... rendered habitual for the sake of conveniency and accommodation; but from a natural sympathy... can exist only among men of virtue (TMS VI.ii.1.18).

Thus, without experience at least of the “habitual” kind of sympathy at home, under the constraint somewhat of “conveniency and accommodation,” one would never know how to engage in “natural sympathy” later on in life, occasioned by mutual respect and admiration. For this reason also, Smith comes to support “domestic education” (as an institution of “nature”) over public or private education, for its tendency to promote “domestic morals” (TMS VI.ii.1.10). In the context of friendship, therefore, “virtue” becomes beneficence (in contrast to prudence), and “virtuous” action the ability to care for and recognize beneficence in others.

Applying the idea of moral education to the questions raised by Sandel, the changing conceptions around social practices such as apologies and wedding toasts seem to stem from a changing conception of friendship and what constitutes “beneficence.” Smith does concede that commercial societies tend toward isolation (TMS VI.ii.1.13), but without some empirical data it is difficult to try and pinpoint the cause of changing ideas about friendship in these modern examples. It is possible America’s modern market society places too much emphasis on the individual and that this lack of human connection leads consumers to devalue relationships with others, but Smith’s possible explanations can only be conjectures. After concluding changing ideas about friendship and beneficence to be the cause of Sandel’s concern over corruption, however, it now becomes possible to answer the original question: would Smith agree or disagree that tokens of friendship should be up for sale? Examining both *WN* and *TMS*, it becomes clear that Smith would both agree and disagree.

Throughout his *WN* Smith strives to demonstrate how unfettered markets become the best way to generate wealth and prosperity. Early on, he shows how a division of labor leads individuals to specialize, allowing for growth of a market (*WN* I.i-ii). Instead of trying to produce all the necessities of life, men can focus on their particular profession in order to provide

goods for more people (WN I.ii.3). Later on, Smith urges the divorce of politics and the market, as politicians do not possess economic logic and would also too easily be persuaded by greedy merchants who would wish to use the law for their own benefit (WN IV.i.10, IV.ix.51). Only by allowing individuals to pursue their self-interest in a self-regulating market does society come to reap the benefits of increased affluence. Thus, Smith would partly disagree with Sandel's negative characterization of markets. Although Smith may acknowledge some of Sandel's points, he would nevertheless argue the advantages of a market economy outweigh the disadvantages.

Additionally, Smith at several points recognizes that norms and rules governing society change. Customs seem to be the easiest demonstration of this point. There are clearly some formalities which in some countries are considered proper, whereas in others are considered rude, or inappropriate (consider as an example the different ways people greet one another); "according as their different circumstances render different qualities more or less habitual to them, their sentiments concerning the exact propriety of character and behaviour vary accordingly" (TMS V.2.7). Thus, in social settings, custom and fashion may dictate such things as manners or what is the proper expression of gratitude. Not only does Smith argue flexibility in more inconsequential aspects such as manners, but also in substantial matters such as ideas of morality. As mentioned in Chapter Two, Smith criticizes those philosophers who define virtue too narrowly or "strictly." To these philosophers he responds; "it is often impossible to accommodate to all the different shades and gradations of circumstance, character, and situation, to differences and distinctions which, though not imperceptible, are, by their nicety and delicacy, often altogether undefinable" (TMS VI.ii.1.22). Instead of relying on "casuistic rules to direct our conduct," all one stands in need of is the "man within the breast," who guides decision

making consistent with what propriety dictates in all situations, based on norms of society (TMS VI.ii.1.22). With this in mind, Smith might also disagree with Sandel to the extent that Sandel does not account for changes in societal norms, and would argue that these changes are natural, and indeed healthy.

However, without turning Smith into an outright subjectivist, it is important to address Smith's contrasting concern regarding *too much* flexibility in matters of manners and morality. Smith illustrates how mere habit without proper direction can lead to a bad domestic education (TMS V.2.2). If a child is raised in a home without virtue, they undergo an education, but an education devoid of those things which will lead to a successful life later on, and causes the child to believe for the duration of life that vice is "the way of the world" (TMS V.2.2). Directly after this, Smith gives another example of how fashion can negatively influence the public, when a king pairs the characteristics of a liberal education with licentiousness (TMS V.2.3). As the public tend to mimic the actions of famous or powerful persons, what becomes fashionable influences the public's conception of morality. As stated above, flexibility is both appealing and realistic, however, Smith states custom and fashion should never affect those things of the "greatest importance" (TMS V.2.12). Both Smith's description of domestic education being primarily moral and the juxtaposition of his discussion in *TMS* on custom and fashion with his treatment of virtue suggest Smith foresaw some discretionary line between custom and virtue. Overall, Smith is not a fan of extremes; preferring instead to establish moral and economic systems which recognize both human fault and potential. However, his possible response to Sandel would possibly be to set up some standard of evaluation. For instance, would commercializing the good in question undermine fundamental characteristics or qualities of the virtue in question (in this case beneficence)? Thus, while buying and selling wedding toasts may

not undermine the fundamental nature of beneficence, perhaps buying apologies might. While one is an act of trying to be best prepared to deliver a great wedding speech, the other suggests the person would not even consider it worth their time to say sorry themselves. What does each have to say about the person considering the action? Consider further the act of buying friends. Certainly, this would undermine the nature of beneficence, as the relationship, rather than forming based on a mutual respect and regard for each other's virtue, is created through a financial transaction involving some level of coercion. Therefore, responding to Sandel, Smith might analyze the antecedent forms of corruption, than pursue the corruption caused by the creation of the market. Additionally, whether this corruption is a good or bad thing in the case of such things regarding friendship and beneficence, Smith would argue for some flexibility without sacrificing the fundamental nature of what buying and selling the good proposes to harm.

Sandel's Second Critique: Fairness

Sandel's second critique of markets addresses the creation of inequality. For all of his aversion for markets, Sandel is not a communist. Sandel himself praises markets for being the best yet discovered mechanism for "organizing the production and distribution of goods" (Sandel 2012, 5). Although he recognizes that markets are beneficial means of exchange in most cases, he nevertheless believes "as money comes to buy more and more – political influence, good medical care, a home in a safe neighborhood rather than a crime-ridden one, access to elite schools rather than failing ones – the distribution of income and wealth looms larger and larger" (Sandel 2012, 8). His concern is not only an increasing income gap, but also the fact that as markets become more influential they begin to deal with very consequential goods. Additionally, not only will poorer individuals be forced out of markets, but they will also potentially be

coerced into participating in some markets. Sandel gives several examples, the best illustration of this point being cash for sterilization. In 1997 Barbara Harris founded a charity called “Project Prevention,” which gives \$300 cash to every drug addicted mother who undergoes sterilization (Sandel 2012, 43). Under this scheme, Harris’ goal is to reduce the number of children born into terrible circumstances, whether they end up in foster care, addicted themselves, or with the mother, who might be abusive or neglectful (Sandel 2012, 43). Economically speaking, this market transaction is considered efficient as it increases social utility and benefits both parties. Ethically speaking, however, the exchange may seem inappropriate, as there is a question to whether the consumer enters into the deal freely or not. As Sandel points out, “drug addicts, desperate for money, are not capable of making a truly voluntary choice when offered easy cash...although no one is holding a gun to her head, the financial inducement may be too tempting to resist” (Sandel 2012, 44-45). Thus, the inequality objection deals with the fairness inherent in a given market. The question in this instance becomes; will the creation of this market in any way coerce or unfairly block the consumer from participating? In order to understand Smith’s possible response to Sandel’s second critique, it is first essential to understand how Smith might characterize “fairness,” or in other words, *justice*.

Smith’s Response

Smith’s definition of justice in *TMS* is mainly retributive, that is, invoking punishment for harm done and calling forth the resentment of the sufferer. For Smith,

the violation of justice is injury: it does real and positive hurt to some particular persons, from motives which are naturally disapproved of. It is, therefore, the proper object of resentment, and of punishment, which is the natural consequence of resentment (TMS II.ii.1.5).

The nature of violations is formulated by those feelings of resentment that the impartial spectator can go along with, and therefore approve of. In all cases, it seems to be those actions which look to disturb the happiness of other individuals “merely because it stands in the way of our own” (TMS II.ii.2.1). Smith contrasts justice with the virtue of beneficence by arguing that while the observation of justice seems to be a duty, the observation of beneficence seems to be something worth merit (TMS II.ii.1.5). In addition, a violation of justice incurs the worst punishments, while a violation of beneficence does not carry the same consequence (TMS II.ii.1.5). If a man declines to hold the door open for the next person, the impartial spectator is merely peeved, whereas an act of stealing or bodily harm constitutes reprisal. That justice for Smith is mainly retributive is supported by the fact that he chose to describe this virtue primarily in his section on “Of Merit and Demerit” and only assigns it one long paragraph in his section on “Of Virtue.” There are two things which insure the observation of justice: the establishment of civil government, and the natural presence of remorse.

Before the institution of civil government, Smith acknowledges that “among equals each individual is naturally... regarded as having a right both to defend himself from injuries, and to exact a certain degree of punishment for those which have been done to him” (TMS II.ii.1.7).²⁰ Thus, in order to prevent individuals from personally exacting justice, civil government is established for this purpose. After civil government is established, they are tasked with upholding justice and preventing injury to man in several respects: as an individual (harm against bodily harm, property, possessions, reputation), as a member of a family, and as a member of a

²⁰ This explanation almost seems akin to a quasi-state-of-nature beginning, but it is important to note that Smith only observes that individuals have a right to defense, not necessarily suggesting men actually exercised this right frequently [as Hobbes would say men do before civil government].

state (harm in the sense of oppression) (LJB 6-8).²¹ Beyond the duties of the state, Smith believes there is a naturally occurring sentiment in society which will prevent most individuals from committing crime; remorse. Recall in the second chapter the discussion of remorse as another way in which Smith's moral theory combats selfishness, but also allows for justice. Thus, "we may often fulfill all the rules of justice by sitting still and doing nothing" (TMS II.ii.1.9). Remorse prevents the criminal from receiving that fellow-feeling from the "hearts of his fellow-creatures" which men desire, and thus causes the criminal to hate himself for his crimes (TMS II.ii.2.3). Therefore, not only is it necessary for a state to maintain an orderly government able to carry out punishment in a just way, but also to have a society capable of feeling remorse, which comes from the success of domestic education. The importance of justice for Smith cannot be overstated. Indeed, it is "the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society... must in a moment crumble into atoms" (TMS II.ii.3.4). If a society fails to exact justice, contrary to promoting the other virtues of prudence or benevolence, it fails to secure that very thing keeping the whole system together.

It now becomes appropriate to reintroduce the first of Sandel's two concerns about the "fairness" of markets. His first concern claims that some markets are clearly coercive in that the financial incentives present in the market make it almost impossible to refuse to participate. The example highlighted from his book is one about a program which offers sterilization for women in exchange for cash. This market appears inherently "unfair" according to Sandel, but would Smith have a strong objection to it as well? All indications seem to suggest that he would not. Firstly, because the coercion present in this example is not explicit coercion but instead implied coercion. There can be no corrective action taken by the government if there is no explicit harm

²¹All citations of *Lectures on Jurisprudence* will refer to Part (A being "Report dated 1762-3," B being "Report dated 1766") and then Section number.

inflicted in the first place. The case might be different if, for example, cocaine addicted mothers were refused basic rights enumerated in the Bill of Rights unless they participated in this program. In that case, the state would be explicitly coercing these individuals into the program, which would violate one of its duties to protect individuals from the harm that might be inflicted by the state itself (LJB 6-8). Smith, in these cases of arbitrary governments, even seems to suggest there is a right of resistance by citizens. In all forms of government, resistance is tricky, as “to suppose a sovereign subject to judgement, supposes another sovereign,” but nevertheless, “whatever be the principle of alledgiance, a right of resistance must undoubtedly be lawfull, because no authority is altogether limited” (LJB 91, 94). Thus, while Smith would disagree in the particular case of sterilization for cash, as “incentives” only imply coercion, he does seem to recognize explicit coercion as unjust and as having a remedy (perhaps not revolution, but at least appealing to the state for redress).

Sandel’s second claim asserts that markets are unfair because they bar individuals’ access to certain basic amenities, namely education, health care, housing, etc. While the first concern deals with the definition of coercion and whether implied coercion can be stated explicitly as a violation of justice, this second concern addresses ideas about who should have access to what goods and how much. Are there some goods which are considered essential and how should these goods be distributed among the different classes in society? In other words, does Smith have any conceptualization of distributive justice, and if so, what would that look like?

Throughout *WN*, *TMS*, and *LJ*, Smith does not appear to support any position on the substantive redistribution of wealth. Smith argues the formation of civil government originates from a need for the “preservation of property and the inequality of possession” (LJB 11). This quality alone might be misleading, as it would seem to suggest the preservation of property to be

of the poor against the rich. However, Smith follows this by stating; “till there be property there can be no government, the very end of which is to secure wealth, and to defend the rich from the poor” (LJB 20, see also WN V.i.b.12). Smith argues the passion for theft to be the steadiest and most common passion, as “the affluence of the rich excite[s] the indignation of the poor, who are often driven by want, and prompted by envy” (WN V.i.b.2). Only with the institution of civil government is the rich man able to “sleep a single night in security” (WN V.i.b.2). Thus, from a short survey of the relationship between government and property in *WN* and *LJ* it appears Smith assigns a purely police role for the state in guarding against theft, but in no way sets up a political method of remedying the inequality.

In addition, recall in chapter three Smith’s fierce opposition to government intervention in the market. Legislators interfere in the market by falsely assuming there is some perfect “balance of trade” to be achieved (WN IV.i.35-45). In *LJ*, Smith again revisits the “absurdity” of the regulations which tend towards the balance in trade between other countries (LJB 261). Restricting exports and imports due to a belief that wealth is tied to money seems to be the source of the worst government economic policies in Smith’s time. Smith argues, “by hindering people to dispose of their money as they think proper, you discourage these manufactures by which this money is gained” (LJB 263). Not only does the focus on these policies hinder certain industries, but also “public opulence” as a whole (LJB 264). Additionally in *LJ*, Smith observes that “whatever police tends to raise the market price above the natural, tends to diminish public opulence” (LJB 230). The natural price is that which is set by unregulated demand and supply. There are three things which Smith believes negatively affect the natural price of goods; taxes, monopolies, and “exclusive priviledges of corporations” (LJB 231). Smith’s explanation of the last form of regulation is a bit confusing, but it is no stretch to imagine these privileges to be

something akin to government bail-outs, handouts, and protections which major corporations receive today. Each of these phenomena tends to raise the price of a good above the natural price, making the good less available to more consumers. Smith acknowledges that a “society lives less happy when only the few can possess” these goods (LJB 230). As shown above, Smith appears extremely skeptical of any government interference in the market as being harmful to public wealth. This evidence further supports the argument that Smith would not support distributive justice, as understood by Sandel.

According to one Smith scholar, however, there is a role for distributive justice in Smith’s version of free market capitalism. In *On Adam Smith’s Wealth of Nations*, Samuel Fleischacker first distinguishes two definitions of “distributive justice;” one modern, and the other ancient. Distributive justice in the modern sense “calls on the state to guarantee that property is distributed throughout society so that everyone is supplied with a certain level of material means” (Fleischacker 2004, 203). Distributive justice in the ancient sense, or “Aristotelian sense,” refers to the “principles ensuring that deserving people are rewarded in accordance with their merits” (Fleischacker 2004, 203). Thus, in the modern understanding, everyone, regardless of merit, has some claim to goods such as housing, healthcare, and education; anything beyond this set basket of goods is what is dependent on merit (Fleischacker 2004, 203). Fleischacker then moves to offer a brief history on the development of distributive justice, arguing Smith to be somewhere in between, but leaning more towards the ancient understanding. In his history, Fleischacker moves from Aristotle, to Grotius, to Pufendorf and Hutcheson, who makes a very important distinction between “perfect” and “imperfect” rights (Fleischacker 2004, 209-212). While perfect rights are akin to retributive justice and are enforceable, imperfect rights deal with an individual’s “right” to honors, and the help of friends,

neighbors, or relatives (Fleischacker 2004, 212). In this way, distributive justice is somewhat akin to beneficence for Smith, which Fleischacker argues are in little ways enforceable, but it is still an *individual*, and not a state's duty (Fleischacker 2004, 213). The modern understanding of distributive justice changes distributive justice from an imperfect to a perfect right, forcing governments to take positive action to ensure an equal distribution of basic goods (Fleischacker 2004, 213-214). According to Fleischacker, based on Smith's respectful view of the poor, he seems to support those economic mechanisms which will benefit the poor the most, but is still far away from suggesting anything close to a welfare state (Fleischacker 2004, 226).

The ancient definition of distributive justice given by Fleischacker seems to conform to Smith's own understanding, as stated in *TMS*. In Book VII, "Of Systems of Moral Philosophy," Smith gives an account of retributive justice and distributive justice, and adds one more sense of the word justice, from Plato. In this last sense, "what is called justice means the same thing with exact and perfect propriety of conduct and behaviour, and comprehends in it, not only the offices of both commutative and distributive justice, but of every other virtue" (*TMS* VII.ii.1.10). In *TMS*, Smith only treats of retributive justice, but there is evidence to suggest Fleischacker is correct in saying Smith might support the ancient understanding of distributive justice based on merit. The mechanism for recognizing merit would need to in turn be the mechanism to correct inequalities based on merit, or assign reward based on merit. If this is the case, the mechanism for recognizing merit would be the market, not the state.

Firstly, it is beneficial to identify the sources Smith offers to explain inequalities that arise between men in order to then ask how far he might go to remedy them. Smith recognizes four ways in which men are unequal: natural endowments, age, fortune, and birth (*WN* V.i.b.5-8). Natural endowments are those things which arise from being physically superior (in beauty or

strength) or mentally superior (a propensity for wisdom or virtue); those who are mentally superior deserving more respect (WN V.i.b.5). In all ages those who are older command more respect, and in the case of birth, those families which have been historically dominant are more respected, out of habit of those subordinate to them (WN V.i.b.6, 8). It is the advantage of fortune which varies by degrees based on history; differing from the “rudest state of society” in which men are most powerful, as they command men, to modern, commercial states, in which wealth and fortune cannot command to the same degree (WN V.i.b.7). Of the four sources of inequality, Smith recognizes birth and fortune to be “the two great sources of personal distinction” and thus are “the principal causes which naturally establish authority and subordination among men” (WN V.i.b.11). Contrast this view of human inequality with what Smith says in *WN*: the difference “between a philosopher and a common street porter... seems to arise not so much from nature, as from habit, custom, and education” (WN I.ii.4). It is only when the two are fully grown when “the vanity of the philosopher is willing to acknowledge scarce any resemblance” to the “inferior” street porter (WN I.ii.4). Smith successfully identifies four sources of inequality, but then proceeds to state that they are, for the most part, not natural distinctions. Thus, most of the harmful inequalities originate from those things which are acquired; one being an education, which is the only state-funded service Smith provides for in his economic and political theory.

Smith’s support of state-funded education comes from his fear of a working class that becomes incompetent. As a consequence of the rise of a commercial empire and expanding division of labor, the working class become “confined to a few very simple operations; frequently to one or two” (WN V.i.f.50; see also LJB 328). This has the effect of limiting the mind’s capabilities, rendering the working class “stupid and ignorant” (WN V.i.f.50). If a man

spends his whole life “performing a few simple operations,” he has “no occasion to exert his understanding or to exercise his invention in finding out expedients for removing difficulties which never occur” (WN V.i.f.50). In addition, with deficient mental capability, the worker is no longer able to make distinctions, extending as well to moral distinctions, or judgments (WN V.i.f.50).²² Thus, not only does the working class become stupid, but creativity, innovation, and the exercise of moral sentiments also suffers, affecting the whole of society. To clarify, Smith believes the education should be provided primarily for the sake of the working poor, as those of “rank and fortune” normally supply their own means to an education (WN V.i.f.52). The fact that Smith spends so much time ensuring that the education go to benefiting the working class demonstrates a commitment to the idea that education allows those individuals at the bottom of society an equal chance to rise up.

To return to Sandel’s claim that markets that bar individuals from participation are unfair, Smith seems to disagree. To open up certain markets for all consumers means involving some mandating power in making that end possible, and Smith is adamant about the separation between politics and markets. Sandel might refute the above argument by pointing to education. If that is a good which the government regulates in order to allow access for all, what is stopping Smith from being a possible advocate for state-funded healthcare and housing, accessible and given to all? In contrast, it is possible that by providing an education for all, Smith merely wants to provide for equality of opportunity, suggesting the role of the state in economics would just be to enforce “fair play” (TMS II.ii.2.1). This seems an especially attractive conclusion considering access to education is not a material redistribution, but more of a way for individuals to exercise their merit in society. However, as Fleischacker points out, it is not possible to come to any

²² Please refer to the next chapter for unanswered questions which arise from Smith’s ideas about the content of education.

definitive conclusions specifically about Smith's views on redistribution and the extent of government provided services (Fleischacker 2004, 214). Smith only wrote clearly on the subject of state-funded education and it is impossible within the scope of this project to get a comprehensive understanding of Smith's conception of distributive justice. However, Smith does seem to couch his understanding in both the modern and the ancient understandings of distributive justice, perhaps breaking ground for a revised, liberal view of distributive justice to take place. Unlike the modern understanding, he would most likely not support a full-fledged welfare state. On the other hand, unlike the ancient understanding, he does seem to conceive of leveling the playing field to be something very possible and noble.

In contemporary philosophical debates on the topic of distributive justice, John Tomasi, in *Free Market Fairness*, introduces a solution which he hopes to bridge the gap between these two ideological divides. On one end of what Tomasi calls the "frozen sea" are the high liberals (Sandel, John Stuart Mill, John Rawls) who argue for a thin conception of economic liberty and for social justice to be the goal of political and economic institutions (Tomasi 2012, 100). On the opposite end are the classical liberals (Smith, Friedrich Hayek, David Hume) who argue for a "thick" conception of economic liberty and view economic rights as basic and vast, and libertarians (Murray Rothbard) who place economic rights above social or political rights (possibly considering them moral absolutes) (Tomasi 2012, 100). In his book, Tomasi attempts to merge the two into what he calls "market democracy," arguing for a thick conception of economic rights which are justified by having social institutions or market mechanisms, which benefit the least well off (Tomasi 2012, 103-106). Each society which places emphasis on "free market fairness" will presumably practice different conceptions of social justice. For this reason, Tomasi views market democracy as a "research program," which allows for the design of various

institutions which realize the commitments to both social justice and economic freedom (Tomasi 2012, 103-106). This idea of market democracy does not sound contrary to Smith. However, while Smith argues for advancement of the poor, he nevertheless provides no safety net in his works for those who fall through the cracks. On the other hand, Tomasi calls for institutions which both allow individuals to rise up the ranks through merit, but also will simultaneously naturally catch those which, perhaps through no fault of their own, end up at the bottom. Introducing Tomasi here serves no other purpose except to put forth current research aimed at perhaps filling in some of the gaps left by Smith, and urging a way in which Sandel might be satisfied with free market triumphalism.

Conclusion

While Sandel is by far not the only critic of free markets, he is one of the more vocal and popular. His book and several TED talks give many examples of where markets prevail and are meant to provoke outrage on the part of the reader or listener. However, is it free markets themselves which should be blamed? In the case of examples which he argues buying and selling certain goods displaces important non-market norms, while the exchange of money may taint the value of the good, what leads people to buy and sell the goods in the first place? Smith would argue either the non-market norm in question is no longer important to society, or that the market itself may indicate some precedent deficiency of beneficence, a failure of domestic education. In the other cases of examples in which markets seem to bar or coerce individuals into participation, what would Sandel suggest for an alternative and is this just as bad, or worse, than the operation of free markets? It seems Sandel would agree with a system of distributive justice in which every individual receives a minimum bundle of goods determined by the government. It is unclear what types of goods Smith would argue should be included in this basket of goods, seeing as he

only explicitly assigns public education as a governmental obligation. However, it is clear that Smith is extremely skeptical of politicians and their ability to properly govern economic matters. As far as coercing individuals into participation, it is demonstrated above that unless there is a presence of explicit coercion Smith would not disagree with the operation of the market.

The purpose of this chapter is to take up a contemporary critic of markets and evaluate their position from Smith's perspective. If the previous chapter is correct in arguing for the centrality of morality in Smith's view of economics and politics, it becomes important to frame Smith's arguments from a moral standpoint, instead of from a standpoint of "efficiency" or "utility maximization" (which is the only frame through which Sandel believes economists operate). This is accomplished in this chapter by looking to Smith's support of domestic and public education as cultivating beneficence and sympathy, and his moral views on equality. While Smith makes arguments evoking efficiency in *WN* and *LJ*, his support for certain arguments comes from his liberal views regarding moral self-actualization.

In addition to serving as a foil, Sandel also functions as a way to emphasize potential problems when it comes to markets. That is to say, Smith would not necessarily disagree with some of Sandel's concerns, he would just disagree with the basic assumptions Sandel posits. Sandel assumes markets are inherently corrupting and damaging, believing some goods become tainted, and others become unjustly distributed. While Smith might be concerned with the effects of the market, he is not necessarily concerned with markets themselves. What might be the problem, then, is not necessarily the operation of markets, but the lack of other factors outside the market. For instance, some goods come to be bought and sold not because of market triumphalism, but because society undervalues domestic and public education. Instead of trying to restrict markets, as Sandel might suggest, society should evaluate the source, study what

values are being taught, and clarify which values their society will exemplify. If Smith were alive, he would absolutely be concerned at the prospect of buying and selling friendship. However, instead of condemning markets, he would most likely ask: where did people develop this messed up sense of friendship? Where is the moral education and why is it failing? This would seem to require a serious and widespread public moral discourse, and while Sandel is also advocating public moral discourse, the conclusions of the two lead in opposite directions. While Sandel would perhaps call upon mandates and government regulation, Smith would support liberal arguments maintaining freedom and choice, and getting back to proper education. Even if Smith's possible responses outlined in this paper do not satisfy Sandel and other anti-market critics, they must at least concede Smith cares deeply about moral consequences of markets and recognizes potential pitfalls and dangers. Indeed, the central concern of this project is to address the historical tension and overall unawareness of the connection between his economic and moral theory in hopes of remedying some of the misconceptions about Smith and his support of commercial society.

Chapter Five: Conclusion

Reading Adam Smith's *Wealth of Nations* or *Theory of Moral Sentiments* exclusively, one can imagine how some individuals may arrive at different assumptions about Smith. While *WN* calls for an appeal to self-interest, *TMS* extols the virtues of sympathy. Herein lays the tension surrounding the "Adam Smith problem." How could Smith in one text assert the benefits of self-interest, and in another claim that men in many instances act contrary to their self-interest? How can men be both self-regarding and other-regarding creatures? Reading the two texts together, not with an eye towards how they are distinct, but how Smith may have built upon his theory helps to answer these questions. That is not to say that the works of all philosophers build upon each other, but in Smith's case, it is clear from the way in which he lectured he envisioned his works as a progress of ideas. As a Professor of Moral Philosophy at Glasgow University, Smith began his lectures with a treatment of rhetoric and basic philosophical ideas, moving then to moral philosophy, and finally taking up economics and politics. Thus, it seems highly probable he envisioned his works to build upon each other. With this understanding in mind, this project began with a treatment of *TMS*, and then *WN* in light of the moral theory presented in *TMS*, finally applying this reading to a contemporary critic of free markets.

Knowing that one of the main criticisms of Smith is his support of unchecked self-interest in *WN*, the second chapter sets out to answer this criticism and discover ways in which Smith believes self-interest is kept at bay in *TMS*. The proper degree of self-interest for Smith becomes evident after first analyzing the faults of Zeno and Stoicism, Hutcheson, Epicurus, and Mandeville. Although Zeno and Hutcheson can be praised for placing a high bar on human moral activity, they are nevertheless too rigid, and advocate self-denial to be a virtue. On the opposite end of the spectrum, Epicurus and Mandeville get something right by arguing self-interest to be

natural, but place the bar too low according to Smith. Self-interest should not be the primary motivation for all moral behavior, but it is unrealistic to assume or argue it should not have a place at all in moral decision making.

The chapter then moves to describing the details and mechanisms of Smith's moral theory, primarily fellow-feeling, imagination, and the impartial spectator. By the use of the imagination, men are able to enter into another's situation in order to feel, to some degree, their sentiments, of which Smith calls "fellow-feeling." The impartial spectator is that idea which men form in their mind of the highest moral actor. For Smith, the impartial spectator is that internal informant which guides man's moral behavior towards perfection. Based on these tools, men come to formulate ideas of propriety and impropriety, merit and demerit, and virtue, and it is these which come to govern social behavior. Smith argues that man's basic human sentiment is the desire for approval by others. His moral theory grounded in sympathy not only combats selfishness by forcing others to look outside themselves, but also calls upon men to control their passions in light of how others will judge of them.

Throughout *TMS*, Smith engages as an observer, occasionally drifting into the proscriptive. As such, he truly believes sympathy to be the way in which men engage with others in society. He is extremely reluctant to adopt a theory which will not lend itself to practicality, which is why his moral theory seems to converge into a practical moral tool which I call the "mental yardstick." Men judge the actions of others and themselves through the lens of a scale; one side being perfect propriety and virtue, the other being impropriety and vice. By employing this tool, Smith calls on individuals to be moral critics, and also better moral actors, and this meets his standard of moral philosophy for practicality, applicability, and malleability.

Chapter three then moves to explore *WN* in light of Smith's moral theory in *TMS*. It is true that *WN* is based on self-interest, but it is self-interest framed as prudence, which is a virtue only rightly understood by looking at *TMS*. Thus, sympathy is not contrary to self-interest, in the sense that men use sympathy to form rules of propriety which informs what is prudence proper and improper? By looking at several examples in *WN*, it becomes clear that Smith urges men to avoid pure self-interest in making economic decisions and instead advocates prudent ones. I focus solely on three in the chapter: the fall of feudalism, colonization, and the agricultural versus manufacturing man. If one studies the rhetoric of both *TMS* and *WN* one realizes Smith employs these different examples to impart economic and political lessons, but more importantly, moral lessons upon the reader. By understanding the moral foundations for Smith's economic thought, it becomes possible to critique educators who divorce his thought, economists who ignore his moral teachings, and critics of capitalism. In addition, this chapter also identifies the paradox of happiness in Smith. Happiness is both tranquility and also a sort of equilibrium. A man is happy when he reaches a point at which there is harmony between how he perceives himself and how others perceive him. The cause of this positive evaluation would seem to be virtuous action. It is only because of a perversion of the imagination that men come to equate material goods with happiness, as this seems to a visible indication of one who acts prudently. For Smith, men may never reach happiness, but it is necessary that this is the case, as the constant drive for material wealth leads to progress for society.

The fourth chapter addresses one of the contemporary critics of free markets, Michael Sandel. The chapter takes up several of his concerns and in particular his two main objections to the prevalence of "market triumphalism," and responds to these using Smith's own moral reasoning. First, Sandel opposes the tendency of markets to corrupt non-market norms. He

argues that the process of buying and selling certain goods destroys their intrinsic value and displaces norms worth caring about. In response to this criticism, Smith would first disagree with Sandel on his assumption that markets are corrosive to morals. Rather, it seems that the existence of the market in the first place points to larger concerns about the flourishing of certain virtues, such as beneficence, suggesting a deficiency in the moral education of individuals. Secondly, Sandel objects to the prevalence of free markets for their tendency to either bar certain individuals (the poor) from participation or force individuals (the poor) to participate based on certain coercive incentives. Regarding the latter concern, while Smith argues citizens have a right to take action against an overtly coercive government, he says nothing about the ability to oppose a market which engages in implicit coercion. To do so would seem to infringe on economic freedoms Smith would most likely support. To respond to the first concern requires looking at Smith's conception of "fairness," in other words, justice. In *TMS*, Smith mainly treats justice as retributive justice, however, looking at some passages in *TMS* and *LJ*, it is possible Smith conceives of some level of distributive justice which informs the extent to which Smith agrees or disagrees with Sandel. Throughout all his works, Smith continually reiterates his suspicion of a political sphere with any deal of influence in the economic realm, believing politicians, or anyone for that matter, too naïve to successfully govern markets. However, he does seem to suggest some sort of economic justice akin to guaranteeing "fair play" and ensuring everyone access to an education. Mainly this chapter is an attempt to apply the proper understanding of Smith laid out in chapter three to a modern and vocal critic of commercialism.

Previous theorists argue *WN* and *TMS* are entirely contrary, but thankfully this assumption seems to be disappearing in the literature. More and more students of Smith recognize the comprehensive nature of Smith's work. After dispensing with this first problem, a

second problem emerges regarding how to reconcile Smith's moral, economic, and political thought more generally, and this seems to pose questions with more consequential answers. The fundamental questions being: what does Smith's perfect society look like? It is clear Smith operates within the liberal tradition, but the extent to which he advocates economic freedom or political oversight is unclear. The best that I could do within the scope of this project is to simply suggest that one cannot begin to conceptualize an answer to this problem without looking through the lens of Smith's moral theory. From my perspective, it becomes evident Smith's economic and political theories are grounded on his understanding of morality, and so an ideal reading of Smith would start with *TMS* and then move to *WN* and *LJ*, and one can only begin to solve economic and political problems by first engaging in moral enquiry. Referring back to the introduction to this project, this interpretation of Smith best fits within the "moral approach."

With more time, I would ideally like to study two major questions posed by the texts: in an age of global commercialization and mass communication, how would Smith believe society could realistically prevent corruption of the moral sentiments? Secondly, what would the content of the public education look like? It seems likely that in an age of mass communication, individuals may become desensitized and thus be less able to exercise Smithean sympathy. Being inundated with horrific stories and images occurring half-way across the globe, does a man at a certain point start to lose his ability to accurately sympathize, as these stories seem to be so far removed from his personal experience? In addition, recall in the last paragraph Smith's concern in commercial society for the laboring poor becoming ignorant due to the consequence of an expanding division of labor. His solution to this degeneration is public education. However, he seems to offer no apparent clues as to what the education might look like. If the survival and progress of morality depend on an educated public, then the administration and content of the

education becomes a vital part of society. Moreover, Smith suggests that the education also affords the poor their greatest opportunity to rise up in society. It is clear Smith supports domestic education and some sort of presence of religious education in order to develop morality. However, interestingly Smith offers much praise for the schooling of Ancient Greek and Roman teachers. While this education is interdisciplinary, it also involves an education in virtue as well. Does this praise suggest Smith to be an advocate of more of the ancient education in modern times? Additionally, if the government administers the education, it seems they would also be in charge of the content. Consequently, would Smith conceive of a statesman closer to the ancient understanding, as shaping the morals of the people? If the education is going to protect public morality from degeneration and also give the poor the means for greater prosperity, the content of the education becomes extremely consequential, and therefore worthy of greater study.

I touch upon this somewhat in the third chapter, but with more time a deeper exploration of Smith's rhetoric would be interesting and potentially greatly influential. I only scratch the surface in chapter three, but reading Smith's *Belle Lettres*, his book on the importance and power of rhetoric, could open up new windows through which to read his subsequent works. It is especially intriguing considering none of the literature (that I read for this project, at least) considers the implications of *Belle Lettres* for *TMS*, *WN*, and *LJ*.

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