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Adam Smith – Providing Morality in a Free Market Economy

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Philosophy. This research, part of a larger Honors Thesis, was conducted under the direction of Dr. Jordon Barkalow (Political Science) and supported with funding from a 2013 Adrian Tinsley Summer Research Grant. She will present this research at the 2014 Midwest Political Science Association conference in Chicago, IL. Kendra plans to pursue Ph.D. program in Political Science, where she hopes to continue her research and develop her teaching abilities.

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." Through a textual analysis of *TMS* and *WN* that focuses on prudence, the nature of happiness and Smith's rhetorical style, the 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*. By demonstrating the integral connection between morality and markets, Smith provides his reader with the means to critique educators, economists, and skeptics of capitalism.

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 his moral theory based on sympathy, laid out in *Theory of Moral Sentiments*, and his economic theory based on self-interest, laid out in *Wealth of Nations* (hereafter, mentioned as *TMS* and *WN*). Sympathy and self-interest are at odds, as one is other-regarding and the other is self-regarding. 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. One example in particular showcases the importance he places on morality: 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 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 of human economic and social behavior.

In reconciling Smith's economic, political, and moral thought more generally, scholars use four different approaches: the political, economic, "prin-

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 (Cohen 1989, Lieberman 2006, Long 2006, Danford 1980). The economic solution suggests that only when economics is properly ordered do the problems with politics and morality disappear (Alvey 1998, Grampp 2000). The “principles” solution is somewhat reductionist, in that it suggests Smith’s economic, political, and moral realms are governed by one overarching principle(s) (Mehta 2006). The “moral” solution emphasizes the importance of first understanding morality, which provides the base on which politics and economics function (Hanley 2009, Griswold 1999). Studying *TMS* and *WN*, while it does not encompass all of his works, nevertheless allows for some preliminary conclusions about the centrality of morality in Smith’s thought.

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).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).² 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.

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 individuals 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 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 excite 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 decourms 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 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; sympathy for Smith is not akin to empathy. Instead it is a mode by which one may enter into another’s situation, and in doing so exercise their moral sentiments in order to best make moral evaluations about the 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.

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 sup-

ports 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 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 (1999, 218) 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.” 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. A man earns self-approbation from being the object of praise-*worthiness* and not simply praise (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). For Smith, 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). 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 example 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, it demonstrates 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.³ Smith believes that “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 and sympathy. In addition, it keeps readers from being scared away by perhaps *too much* philosophy. Smith recognizes 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. According to his moral theory, 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 provides the *context* which the imagination yearns for in order to help facilitate the function of sympathy in the reader. Fleischacker (2004, 12-13) 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.” 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 own sense of propriety. Griswold (1999, 49) terms Smith’s use of the second person in *TMS* as the “protreptic ‘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.” 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. Once these moral lessons are understood, men can then become better moral observers, and political and economic actors.

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, 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 of 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 conse-

quence 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).

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 example demonstrates how Smith uses his rhetorical style of characterization and situation to engage the reader’s sense of sympathy in order to proclaim judgments about economics and morality.

The Mental Yardstick and Political Economy

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). 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. 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. 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 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. 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 above, 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. With this in mind, it becomes possible to critique educators who divorce his thought, economists who ignore his moral teachings, and critics of capitalism.

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Endnotes

1. Smith’s numberings in *Wealth of Nations* correspond to book, then chapter, then part, and finally, section.
2. 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).
3. 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).