Adam Smith on Morality and Self-Interest*

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Keywords
Virtue Ethics, Capitalism, Sympathy, Impartial Spectator, Prudence, Justice, Benevolence, Self-Command, Invisible Hand

Abstract
Adam Smith is respected as the father of contemporary economics for his work on systemizing classical economics as an independent field of study in *The Wealth of Nations*. But he was also a significant moral philosopher of the Scottish Enlightenment, with its characteristic concern for integrating sentiments and rationality. This article considers Adam Smith as a key moral philosopher of commercial society whose critical reflection upon the particular ethical challenges posed by the new pressures and possibilities of commercial society remains relevant today. The discussion has three parts. First I address the artificial separation between self-interest and morality often attributed to Smith, in which his work on economics is stripped of its ethical context. Second I outline Smith's ethical approach to economics, focusing on his vigorous but qualified defence of commercial society for its contributions to prosperity, justice, and freedom. Third I outline Smith's moral philosophy proper as combining a naturalistic account of moral psychology with a virtue ethics based on propriety in commercial society.

Introduction
These days Adam Smith is most familiar to us as an economist, and specifically as the defender of the famous Invisible Hand of free-market economics, wherein the private self-interested actions of private individuals, mediated through free markets, generate results that are good for all. The market-system comprehends the true level of demand for any good and provides the appropriate incentives – profits – for producers to adjust their output to match. No external intervention or guidance is necessary. A great deal of contemporary (neo-classical) economics can be understood in terms of translating Smith's Invisible Hand metaphor into a systematic theoretical form, with a particular emphasis on the economic efficiency of perfectly competitive markets.

However the popular view of Smith that has resulted from this emphasis is twice distorted. Firstly, it is based on the narrow foundations of a few select quotations from *The Wealth of Nations* (WN) that are taken in isolation as summing up his work, and secondly these quotations have been analyzed in a particularly narrow way. As Amartya Sen puts it, "While some men are born small and some achieve smallness, it is clear that Adam Smith has had much smallness thrust upon him."[1] In order to understand and assess Smith's importance

* Forthcoming in Christoph Lütge (ed.), *The Handbook of the Philosophical Foundations of Business Ethics*, 2012, Springer.

as a moral philosopher of commercial society it is first necessary to remove the artificial limitations which have been placed upon our reading of him. (Part 1).

On turning to the full *Wealth of Nations* one finds an economics discussed and justified in explicitly moral terms, in which markets, and the division of labour they allow, are shown to both depend upon and produce not only prosperity but also justice and freedom, particularly for the poor. Unsurprisingly, Smith was a staunch and vehement critic of those particularly grotesque sins associated with early capitalism, European empires and the slave trade. Smith's commitment to a realistic liberalism led him to endorse commercial society over any previous socio-economic system as a social order in which the most people possible could live decent lives. Nonetheless, while the structural features of commercial society set the terms of its main opportunities and challenges, they did not determine the outcome. Commercial society was for Smith an ethical project whose greatest potential benefits had to be struggled for, and which could and should be much better than it was. (Part 2).

Smith's other great work, *The Theory of Moral Sentiments* (TMS), was the book that first made his reputation while he was still professor of Moral Philosophy at the University of Glasgow. It was greatly influenced by his close friend and colleague, David Hume, and elaborated successfully on Hume's own account of moral psychology in its analysis of sympathy and the impartial spectator. Smith's analysis culminated in a virtue ethics based on propriety, and thus shaped by the social context of commercial society in its choice and understanding of the major virtues: prudence, justice, benevolence, and self-command. Smith was perhaps the last philosopher to consider prudence a proper virtue, rather than mere cleverness at best.[2] Doing so allowed him to distinguish the morally praiseworthy disposition to properly understand and further one's self-interest from the vice of selfishness. But he also resisted reducing all motives to self-interest and considered man a fundamentally social being, motivated to seek the approval of others and to help those dear to him. Smith's ethics was concerned with explaining how individuals become decent moral agents and how a sustainable moral order can evolve without central direction or coercion. In doing so it also described and promoted ethical ambition and excellence, though only a few might attain it. (Part 3)

Part I: Private vices and public virtue?

George Stigler is reported to have started his banquet speech at the bicentennial of the original publication of *The Wealth of Nations* by declaiming, "I bring you greetings from Adam Smith, who is alive and well and living in Chicago". By this he meant that Chicago (Neoclassical) economists were fulfilling Smith's legacy by producing mathematical representations of the 'Invisible Hand': how individuals acting from private self-interest can nevertheless make society as a whole better off.

This narrow reading of Smith's economics stems from a narrow reading of select lines from WN. Notably such famous remarks as,

> 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.[3]

and Smith's (single) reference to the invisible hand,

> ....by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.[4]

are first plucked from their local context in the surrounding text and their wider context in Smith's methodology and concerns, and then inflated to the status of stylised facts about Smith's whole economics, not only concerning exchange, but also of all aspects of production, distribution, and consumption. This stylised account presents Smith in a crudely Mandevillian sense: as arguing that public benefits depend on private vices.[5] It has the pernicious effect of deflecting interest in Smith away from his supposedly primitive and unoriginal ethics and back towards his real achievements in economic theory. The Mandevillian interpretation works further harm since Mandeville, unlike Smith, reduced all motivations to self-interest, and all self-interest to the vice of selfishness. Smith is thus presented as promoting not even an amoral but an anti-moral economics, and one that is conveniently compatible with the selfish utility maximising *homo economicus* of contemporary orthodox economic theory.

This popular interpretation of Smith's economic ethics is of course very difficult to sustain on any close reading of WN, and it certainly clashes mightily with the ethical system Smith laid out in TMS. Its perniciousness rests partly on an understandable desire by most modern readers to sum up Smith's contribution in modern terms and without having to read him in full. But the origins and legitimacy of this particular stylised Smith relate to an entrenched, though long thoroughly discredited, academic thesis that both separates Smith's two books and distorts their individual interpretation. The core of this so-called 'Adam Smith problem' is the claim that there is a severe discontinuity in Smith's ethics between his two main works.[6] In TMS actors are said to be motivated by 'sympathy', while in WN they are motivated by 'selfishness'. The most extreme version sees Smith as changing his mind between publishing TMS (1759) and the later WN (1776), with the implication that WN's endorsement of individual greed represented Smith's mature thinking about ethics and trumped whatever he had previously said.

The first problem with the thesis is that Smith published multiple editions of both books, with substantial revisions, right up until the end of his life. Thus, the fundamental change of mind attributed to him must have been more of a continuous violent oscillation than a considered judgement. There is also plentiful evidence from drafts, correspondence, and student notes from his lectures in moral philosophy at Glasgow that Smith had been developing the main lines of the analysis that would appear in WN even before the first publication of TMS. Smith appears to have had an entire system of thought in mind, of which the only books he completed occupied quite different branches of moral philosophy: ethics (TMS), and natural jurisprudence (of which WN addressed one sub-branch, concerning "police, revenue, and arms, and whatever else is the subject of the law").[7] It should not be surprising that two books about different subjects have a rather different emphasis.

The second problem is that WN and TMS do not seem to contradict each other as the thesis claims (though there are tensions, as I discuss below). Smith in WN is of course particularly concerned with the motivation of self-interest (or the desire to better one's condition), but this is not the same as selfishness, of which he was rather caustic. Self-interest is also positively defended in TMS as natural and morally praiseworthy, in its proper place (under the virtue of prudence) and as one among other motives. In this Smith placed himself against those, like his teacher Francis Hutcheson, who saw benevolence as the only virtuous motivation for behaviour, and those cynics, like Bernard Mandeville, who saw self-interest likewise always as a vice (selfishness), but a publicly beneficial one. Nor is it correct to say that in TMS actors are motivated by sympathy. For Smith 'sympathy' is the technical term for a complex mechanism in our moral psychology responsible for moral judgement. It does not motivate us directly, nor should it be confused with selflessness or the disposition to be nice to other people that the word sympathy nowadays evokes. The reason Smith talks about

sympathy a lot in TMS, rather than WN, is because his sophisticated (and original) analysis of how sympathy works is the core of his system of moral philosophy.

To read Smith through the narrow conventional lens of economics vs. morality, or selfishness vs. altruism, may serve certain rhetorical purposes well, but it reduces a great thinker to a caricature, and makes Smith appear a stumbling block to business ethics rather than a valuable resource. Once one sets this artificially limited perspective aside one can begin to get to grips with the real insights and challenges of this quintessential moral philosopher of commercial society.

Part II Smith's defence of capitalism: for prosperity, justice, and freedom.

Smith's defence of capitalism (or, in his terminology, 'commercial society') is unambiguous but qualified. There is no inconsistency here. Reconciliation with imperfection was central to the thought of this particularly pragmatic and self-reflective thinker, and can be seen in Smith's anthropological attention to human frailties; the modesty of his goals; and his forceful rejection of abstract theoretical systems as the basis of moral philosophy or political economy. Smith was optimistic about the achievements, and even greater possibilities, of commercial society in allowing more people than ever before to live decent lives characterized by material prosperity, justice, and freedom. But he was no blind zealot for the market. Smith was acutely aware of the possible ethical shortcomings of commercial society and for example carefully read and responded to Rousseau's powerful critiques of its materialism, inequality, and inauthenticity.[8]

The enlightenment concern for perfecting social order was both the background to Smith's thinking and a goal Smith eschewed. As Rousseau put it,

> The problem is to find a form of association which will defend and protect with the whole common force the person and goods of each associate, and in which each, while uniting himself with all, may still obey himself alone, and remain as free as before.[9]

While Rousseau sought a perfect and absolute solution to the problem through his famous social contract, Smith can be understood as arguing, in both his ethics and political economics, for a society's ability to endogenously produce a decent social order for co-ordinating moral and economic conduct without centralised direction or coercive moral policing by religious or secular authorities. For morality, the sociological mechanism is sympathy (which we will return to) while for economics it is market exchange. Smith was not interested in what a perfect society might look like, but rather with understanding the world as it is and how it might be improved. What Smith described and analysed so well was the appearance of *commercial society* characterized by an enormously increased division of labour, dependence on strangers, formal property rights, and individual mobility.

Smith noted (following a number of previous writers in political economy) that a European peasant was now materially better off than an African king, but he attributed this not to innate European superiority but to changes in the political economy. The recent increase in the wealth of certain nations was due to the increasing role of markets in the economy, which made possible and rewarded the technical innovations and efficient organisation of labour that dramatically increase the productivity of labour. That benefits the ordinary citizens of a country – i.e. the poor – in two ways. Firstly, when producers compete fairly and freely with each other to supply the public with cheaper (and better) products there is a natural tendency for the market price to fall towards the actual cost of production, meaning less profits for producers and cheaper products for consumers. Secondly, at the other end, the rise in labour productivity means that wage labourers (the bulk of the population) can exchange their labour for a greater command of those goods. The wealth of the nation – the

ability of its citizens to command goods to satisfy their wants – is increased. It was particularly important to Smith that the poor benefit from this process:

> No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged.[10]

That concern for fairness over and above economic efficiency was behind the vehemence of Smith's opposition to mercantilist (business friendly) arguments for policies that would protect producer profits. Smith saw such arguments, whether for direct subsidies or competition-restricting regulations, as an intellectually bankrupt, and often morally corrupt, rhetorical veil for what were actually taxes upon the poor. Although Smith's concept of justice was concerned only with acts of commission it still had bite. Such 'taxes' are unjust because they violate fair play both in the deceptive rhetoric by which they are advanced and by harming the interests of one group in society to further the interests of another. As Smith put it, "To hurt in any degree the interest of any one order of citizens, for no other purpose but to promote that of some other, is evidently contrary to that justice and equality of treatment which the sovereign owes to all the different orders of his subjects."[11]

Such injustice is not only formal. There is an outrageous degree of iniquity in the rich and powerful classes choosing to place such burdens on the poor and powerless. Justice was central to Smith's critique of contemporary mercantilist commercial society and to his alternative proposal of a 'system of natural liberty'. While mercantilism had achieved a great deal it still fell far short of creating the level playing field and commitment to fair play that Smith argued a civilised society should realise in its positive jurisprudence and institutions. In terms of a level playing field, Smith excoriated the efforts of the politically connected to write rules that suited themselves. The mercantilist system had nationalised the corporation model of the towns in the feudal system, but in doing so it had also nationalised the "underling" ethics of monopolist tradesmen and manufacturers, who preferred to lobby collectively for self-serving rights and privileges at the political level than to compete on equal terms with others in the market. The "impertinent jealousy of merchants and manufacturers" led to ridiculous but pervasive and onerous economic regulations, but at the political level it also promoted an invidious zero-sum view of trade that led to seeing the prosperity of other nations as your loss.[12] Likewise fair play was routinely violated by price and wage fixing cartels among merchants and manufacturers, while workers' combinations were the subject of severe laws and hyperbolic moral denunciation.[13] It is worth noting that Smith was acutely aware of who the likely readers of WN might be, and supplemented such arguments for the moral priority of justice with hard-nosed utilitarian arguments about its constitutive role in social order and economic development. When people gain equality before the law and thus security from the predations of the powerful, they have the security they need to make the investments that increase productivity.

Freedom from constraints, freedom from domination, and the freedom of autonomy were also central to Smith's economics. Smith is most associated with the first of these, also called classical or negative liberty, because of his famous endorsement of the "natural system of liberty" (so-called 'laissez-faire economics') in which, "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."[14] A great deal of WN is concerned with identifying and criticising the artificial and unjustified obstacles placed in the path of ordinary people trying to get on with their own lives and better their condition. Smith argued forcefully, and in great econometric detail, that England had become richer in spite of and not because of the government's mercantilist policies (the hard-nosed utilitarian argument).

But such mercantilist regulations were wrong not only because they reduced economic efficiency by reducing and distorting competition. They were also wrong because of the insufferable impertinence of a government (or any other body) taking it upon itself to manage people's affairs on their behalf. This was not only a matter of the freedom of great merchants to engage in high international trade. Smith was particularly exercised about the 18th century English laws that deprived wage-labourers, whose only means of subsistence was to sell their labour, of the right to change occupations, negotiate wages, or even move around the country. Of course that produced an inefficient allocation of economic resources (not enough wheel-wrights in one place, too many in another), but even more importantly it disrespected the right of ordinary people to make decisions on matters of the greatest concern to them, which were no-one else's proper business, and about which they best placed to judge. These policies, justified by chimerical arguments about the public good, reduced and distorted the options available to ordinary people to help themselves and through such artificial helplessness induced real hardship and destitution.

One should note that liberty was a maxim for Smith rather than a dogma, and he was in favour of regulations properly justified by the public good. For example he argued for banking regulations which though "in some respect a violation of natural liberty" upon a few individuals were justified by the government's duty to protect "the security of the whole society".[15] And he argued for fixing the rate of interest at a relatively low level (just above the prime market rate) in order to prevent imprudent "prodigals" (sub-prime borrowers) and "projectors" (speculators with crazy South Sea Bubble type schemes) from getting access to credit and diverting it from prudent investment.[16] In contrast to many contemporary economists, Smith saw prudence as a more cautious than enterprising virtue, and trusted markets to school it but not to substitute for it.

Smith also argued that commercial society produced freedom from domination (or 'Republican freedom' in modern terminology). The feudal system that Smith describes as preceding commercial society (and whose traces could still be seen in his own time in parts of Scotland) was a society characterised by direct relationships of dependence; a world of great landowners with the power of lords over their tenant farmer subjects and retainers. Such a social order caters to a pernicious human vice – pride – that all too easily becomes a vicious institution.

> The pride of man makes him love to domineer, and nothing mortifies him so much as to be obliged to condescend to persuade his inferiors. Wherever the law allows it, and the nature of the work can afford it, therefore, he will generally prefer the service of slaves to that of freemen.[17]

The appearance of commercial society changed all that. In commercial society informal webs of mutual obligation are transformed into formal consensual relationships between independent agents because these are far more economically productive. The division of labour mediated by extensive markets replaces closed relationships of direct dependence, in which some must subordinate themselves to the whims of their masters and curry favour to survive, with open networks of inter-dependence spread among the thousands of people involved in producing and bringing to market the most ordinary essentials of life.[18] On the production side, this liberates workers to sell their labour without having to sell themselves. If people find the working conditions in one employment oppressive they are free to take their labour elsewhere. In markets themselves the very fact that people interact as relative strangers, and therefore appeal to each other's self-interest rather than their benevolence (as beggars must), means that they meet in conditions of relative equality where they must endeavour to persuade others of the qualities of their goods by the gentle arts of persuasion.[19]

Smith also believed that personal autonomy – self-determination – could flourish in commercial society, particularly through its scope for moral self-development. Increased

wealth and the security that followed a proper administration of justice allowed ordinary people to reflect about matters beyond their daily subsistence. Freedom from artificial constraints and domination allowed them to control important aspects of their own lives, from religion to employment, while taking greater responsibility for how they lived. Markets themselves could be schools for certain virtues. For example, people who worked for themselves would be more industrious and temperate; people who interacted through markets would be more honest than when trapped in sycophantic relationships with masters. As a result, Smith considered commercial society compatible with the moral autonomy of its ordinary citizens, and believed that such societies would exhibit more moral decency, though less moral greatness, than either classical or contemporary 'savage' societies.

Nevertheless Smith was careful to acknowledge the particular problems and limitations that life in commercial society posed for autonomy and, after extolling the benefits of free markets at great length, spent book V of WN laying out in great detail partial institutional correctives for its deleterious consequences. He noted for example that the division of labour could have deleterious effects on the physical, mental and moral capacities of workers performing simple repetitive rote tasks, as in the famous pin factory. They could all too easily become 'pinheads' "as stupid and ignorant as it is possible for a human creature to become... incapable ... of conceiving any generous, noble, or tender sentiment".[20] Smith argued that a public education system could mitigate such consequences. He also worried that the anonymity of city life might diminish ordinary people's ability to hold themselves to moral standards, since they would no longer be under the disciplinary gaze of others as they would be in a small country village.[21] When no-one else attends to your conduct, Smith thought, it was less likely that you would scrutinise your behaviour as you should. He worried too that religious zealotry would flourish in cities by providing a crutch for personal identity – the members of small sects tend to care very much about each other's conduct. But though sectarian membership might head off the danger of dissipated morality and hold people to high moral standards, it was all too often based on a hubristic moral righteousness that Smith considered a travesty of real moral autonomy and, through its tendency to political factionalism, a threat to social order. That danger might be mitigated, non-coercively of course, through the official encouragement of those antidotes to superstition and gloom – the study of science and philosophy, and public entertainments (such as painting, poetry, music, dancing, or drama).[22]

Smith was a true 'friend of commerce', supporting the project because of its achievements and its even greater potential, but constructively critical about both the shortcomings of the mercantilist society he lived in and commerce in general. His 'economic' analysis is saturated with moral values. He justified commercial society for its tremendous contribution to the prosperity, justice, and freedom of its members, and most particularly for the poor and powerless in society. But he was no naive ideologue for free markets and profits. He criticised the moral character of the very merchants and manufacturers who, he acknowledged, were driving economic development, and not only told them they should act better, but also argued for institutional measures to restrict their worst influences (particularly by getting government out of the business of economic micro-management). Though its promise was great, commercial society also meant the loss of valuable old ways and posed new challenges of its own. Its success was not predetermined, but had to be worked for. That spirit of optimistic pragmatism contrasts markedly with contemporary critics of commercial society like Rousseau, who saw things in more absolute terms.

Part III: The bourgeois virtues: how to live well in commercial society

Smith's moral philosophy was addressed to two distinct questions, which appear in different forms throughout TMS. The normative question: "Wherein does virtue consist? Or what is the tone of temper, and tenour of conduct, which constitutes the excellent and praise-worthy character, the character which is the natural object of esteem, honour, and approbation?" And what he called the 'philosopher's question': "by what power or faculty in the mind is it, that this character, whatever it be, is recommended to us? Or in other words, how and by what means does it come to pass, that the mind prefers one tenour of conduct to another, denominates the one right and the other wrong; considers the one as the object of approbation, honour, and reward, and the other of blame, censure, and punishment?"[23] Smith's answer to the first was a virtue ethics based on propriety like classical accounts, but updated for life in a commercial society. His answer to the second, which we will turn to first, was a sophisticated model of moral psychology based on sympathy.

Smith built up his account of moral psychology from an anthropological study of how ordinary people go about their moral lives. His motivations for doing so were to be true to the phenomena in question. Firstly, he had little patience for those who tried to squeeze actual moral phenomena into distorted shapes to fit an elegant conceptual system, for example on the aesthetically pleasing principle of accounting for everything with as few principles as possible.[24] Secondly, Smith wanted to save the agent's perspective in morality, and conducts a running battle in TMS with those, such as Mandeville and Hume, who considered the ultimate (utilitarian) causes of morality more relevant to the understanding of moral thinking than ordinary first order moral perceptions. Smith argues that ethics is irreducibly phenomenological and that the theorist is mistaken to believe that an analysis of causes can displace the agent's point of view.[25]

That moral phenomenology was structured around an emotional economy mediated by sympathy and oriented towards harmony. Smith, in the sentimentalist tradition of the Scottish Enlightenment, understood emotions as having cognitive and normative content, incorporating actors' general beliefs and concepts and their specific (determinate) judgements of particular situations. That cognitive content could be vicariously grasped and evaluated by a critically engaged spectator who i) considers the emotions expressed by an actor (from their expressions, talk, and actions); ii) considers how she would feel in the actor's position (sympathy) iii) brings this together and evaluates whether the actor's emotions are more or less appropriate for the situation as she understands it.

In this account sympathy should be understood adverbially, as applying to an emotion felt *sympathetically,* according to the spectator's own feelings when imaginatively transposing herself into an actor's position. Sympathy is thus not necessarily a concordance of feelings between actor and spectator because their assessments of the relevant situation may vary, and it is the situation that generates the spectator's sympathetic feelings, which she then uses to evaluate the propriety of the actor's behaviour. Mutual sympathy, or 'fellow feeling', occurs when both actor and spectator feel the same emotion (although of course even a spectator of great sensibility will not feel it to the same extent) and the concordance generates an additional pleasure, whatever the emotion in question. Smith's account of sympathy is thus more complex than Hume's, which firstly understood the transmission system in terms of direct emotional contagion rather than imaginative reconstruction, and secondly limited sympathetic approval to those emotions that were beneficial to society.

Sympathy depends on what Smith considered a natural human capacity, as fundamentally social creatures, for imagining ourselves in another's situation, combined with a natural human disposition to seek harmony (also seen in our propensity to 'truck, barter, and exchange'). Of course, this power of imagination is limited in that the spectator can never entirely leave herself behind, but always remains aware of her detachment from the real actor, which in Smith's terminology is a 'fortunate design' for otherwise the spectator might break the liberal principle of respecting the actor's internal autonomy. But that separation is also an

epistemic resource because the spectator is able to bring her own knowledge and sense of propriety with her to the assessment of this new perspective.

Of course judgements about the propriety of other people's displays of grief, joy, anger, or gratitude require an existing understanding of how the world and people work and what standards should apply. Smith argues that this too comes about through sympathy. People have a natural desire for the approval of others and an aversion to their disapproval.[26] Not only is the spectator capable of imagining herself in an actor's situation, but actors too can imagine how they appear to others, since all of us are continually switching between both roles. From childhood we learn to see ourselves as others see us, to understand what others approve of and what they are unwilling to go along with, and through such discipline and direction we gradually come to understand and internalise the prevailing moral norms of propriety in terms of what the representative disinterested bystander – any *impartial spectator* – would go along with, even if no such spectator is physically present. Smith's anthropological approach reveals asymmetries in this system passed over by previous philosophers. For example, spectators are more reluctant to sympathise with some emotions than others, even when they are justified. They will go along with an excess of joy far more than an excess of grief or anger, because joy is more pleasant. As a result, and in a manner generally beneficial for social order, people will particularly tend to self-censor their less pleasant or unsocial passions, to lower their pitch to the level the impartial spectator can go along with.

This produces an ethics of conventional propriety that is important for social order and an important stage in moral education, but not its final goal: virtue. Smith argues that as well as desiring praise, people want to be objectively worthy of praise.[27] They want to achieve real virtue and not merely its appearance, and this requires wisdom as well as love of virtue. As Smith puts it,

> The wise and virtuous man directs his principal attention to the first standard; the idea of exact propriety and perfection. There exists in the mind of every man, an idea of this kind, gradually formed from his observations upon the character and conduct both of himself and of other people. It is the slow, gradual, and progressive work of the great demigod within the breast, the great judge and arbiter of conduct..... Every day some feature is improved; every day some blemish is corrected.[28]

The impartial spectator is the 'great demigod', the device by which people can try to bridge the gap between conventional propriety and an understanding of true virtue (though always imperfectly). It provides a tool for identifying subtle dissonances between appearances and reality that goes beyond the basic reality check that social norms provide to our self-rationalising passions and interests. It has the character of an internal Socratic dialogue, of demanding continuous critical reflection and interpretation of what we think we know, such as by rigorously testing and sifting the quality and coherence of the values that society espouses. Smith for example used the European condemnation of Chinese foot-binding practises as a mirror to reveal the parallel injustice of the unexamined European custom that compelled women to wear physically disfiguring corsets.[29] The impartial spectator can thus operate like a ratchet to generate a more transcendent 'objective' understanding of morality out of the base materials of our conventional proprieties. Smith saw moral development as an on-going project in every individual's life that all could in principle aspire to, even if most stopped at the level of common decency and were more focused on wealth and success than identifying and pursuing true excellence.[30] In any case true virtue – excellence – required moral autonomy for it depended on the development of an aesthetic sensibility for true propriety rather than the following of moral rules (except in the case of justice).[31]

Smith has been called "the last of the former virtue ethicists"[32] but his was a virtue ethics adapted to life in a commercial society and to enlightenment values of liberal

individualism and this gives it a striking demotic character: incorporating equality, accessibility, frailty and the mundane. Smith considered that a society's political economy, through the character of its institutions and social interactions, affected the understanding and arrangement of the virtues it endorsed. Thus definitions of virtues such as prudence could shift and borders between virtues blur, while some virtues would rise in significance and others would recede (as was the fate of courage and magnanimity in commercial society). Smith's bourgeois virtue ethics has four major virtues, as well as such minor ones as civility, industriousness and temperance. Prudence is the virtue concerning the proper pursuit of one's own interests; justice and benevolence concern our relations to others; self-command concerns propriety.[33]

Prudence concerns the bettering of one's condition and is motivated fundamentally by the desire to acquire the respect of one's peers. It combines the "superior reasoning and understanding" of the "remote consequences of all our actions" for our interests with the self-command to resist immediate temptations.[34] Thus, the prudent person has a proper concern for her health, fortune, reputation and happiness and is cautious not to expose these to unnecessary hazard and for example chooses her friends carefully. She studies situations and her actions with the critical distance of the impartial spectator. She is apolitical, industrious and frugal, and thus a "public benefactor" in Smith's economic analysis, and merits "cold esteem" from others though not ardent love or admiration. It is worth noting that although Smith's insistence that prudence is a virtue in its own right gives it a "classical flavour" it differs from its Aristotelian counterpart (phronesis) in two ways: it is tied to self-approbation (via the impartial spectator) rather than self-perfection, and it requires judgement and a sense of propriety but no great wisdom.[35]

Justice concerns governing our actions affecting others according to a "sacred regard" for the general rules of natural jurisprudence. It is a peculiar virtue in Smith's system, a necessary foundation for any society to persist – even one upheld merely by the "mercenary exchange of good offices according to an agreed valuation", but insufficient for a happy and flourishing society. On the one hand it can be seen as having a strikingly narrow remit as a "negative virtue" in which excellence is impossible because it concerns strict compliance in one's actions with fixed rules. As Smith puts it,

> Mere justice is, upon most occasions, but a negative virtue, and only hinders us from hurting our neighbour. The man who barely abstains from violating either the person, or the estate, or the reputation of his neighbours, has surely very little positive merit. He fulfils, however, all the rules of what is peculiarly called justice, and does every thing which his equals can with propriety force him to do, or which they can punish him for not doing. We may often fulfil all the rules of justice by sitting still and doing nothing.[36]

On the other hand justice can be seen as playing a much more extensive and demanding role in moral life both in the fundamental orientation to others that it prescribes, and the actions it proscribes. Justice prescribes a foundational commitment to impartiality and equality between ourselves and others that follows, Smith hoped, from the humbling recognition we come to have in the course of our moral development that "we are but one of the multitude, in no respect better than any other in it."[37] The proscriptive conclusion follows that to harm others to further our interests, or to violate fair play by jostling or tripping one's competitors in the "race for wealth, and honours, and preferments" is to behave in ways that not only one's victims, but all of mankind would find abhorrent (recall Smith's criticism of mercantilist 'taxation' of the poor for private gain).[38]

Benevolence concerns how we should care about and attend to others. It is the second major virtue concerned with how we should behave to others, and unlike justice consists of the unjuridicable, loosely defined, and contingent moral responsibilities that one owes to particular others depending on one's relationship to them. Smith agrees with the stoics (a

strong influence on his moral philosophy) that it is a brute fact about human nature that our concern for others depends upon the closeness of our relationship to them (oikeiōsis). But he rejects as unnaturally severe their cosmopolitan conclusion that morality requires collapsing this affective distance, so that one cares for oneself only as much as one cares for distant others. So although Smith draws the standard stoic expanding concentric circles of decreasing intimacy and concern around the moral agent – from family to community to political state to humanity in general – he argues that this natural order is also the proper order for our benevolence.[39]

Smith's analysis is based on the naturally declining affective concern for and information about others as one moves further from the spectatorial centre. He argues that, "What is called affection, is in reality nothing but habitual sympathy".[40] That is, it depends upon our ability to understand others. When one is intimately connected with others, for example by living closely with them, one gets better and better at understanding their character and circumstances, and one's ability to sympathise with them – to put oneself in their place and consider all the relevant circumstances – becomes more fluent and accurate until "it approaches...to what [the spectator] feels for himself".[41] Of course the reverse is also true, and people further away become more abstract and less knowable to the spectator. In any case, beyond the confines of one's political state it is not possible (at least in Smith's time) to help them in any way. At that distance, strangers deserve only our "good wishes", anything more would be implausible, emotionally exhausting, and fruitless.[42]

Self-command concerns following propriety and has strong stoic overtones, for example in measuring its praiseworthiness by the strength of the passions and temptations it must overcome. It is an element of every other virtue because all require checking self-love to the degree required by propriety – as represented by the impartial spectator. Yet it is also a particular character trait and thus a suitable candidate for analysing as a virtue. For example, to subdue one's anger because one recognises its impropriety is to act virtuously. To check one's anger from fear, is not only less than admirable because unmotivated by propriety – the impartial spectator would not approve – but it is also incomplete, since the anger may continue to fester unaddressed.[43]

In summing up Smith's bourgeois ethics it is worth touching on one of the deepest tensions in his account, between excellence and decency, and how it relates to another tension, between the true interests of the individual (virtue) and the good order and prosperity of society. As Smith put it,

> To deserve, to acquire, and to enjoy the respect and admiration of mankind, are the great objects of ambition and emulation. 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.[44]

While more people in commercial society would be able to pursue truly virtuous lives than ever before, Smith expected that few would do so. That followed from the fundamental asymmetry in the working of our moral psychology. Because as spectators we are disposed to sympathise more with joy than with sorrow, so as actors "we make parade of our riches and conceal our poverty".[45] For Smith it is this economy of attention that drives the 'real' economy. People pursue riches, Smith argued, because wealth draws the attention and sympathetic admiration of others, who *enjoy* imagining how nice it must be to live such a life and want to emulate it. Fame and fortune thus provide a convincing and seductive simulacrum of a successful life. In contrast the wise and virtuous, whose perception is undistorted, live a

humble and frugal life that draws no such attention, though it is in reality the truly excellent path.

That effect will be particularly marked in a commercial society, where people are free to pursue fame and fortune even though that is not in their true interest. In his parable of "The poor man's son, whom heaven in its anger has visited with ambition" Smith lays out how the desire to emulate the imagined comfort and tranquillity of the rich can lead to a lifetime of extraordinary industriousness.[46] Not only is such endless industriousness incompatible with the goal of tranquillity, but its pursuit comes at the cost of the real tranquillity that is always within the grasp of anyone, poor or not. Nevertheless, from the perspective of society this tendency is beneficial, since "It is this deception which rouses and keeps in continual motion the industry of mankind. It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life."[47]

Conclusion

For a quite considerable time Adam Smith's moral philosophy has been neglected even by those who thought they knew him. The overwhelming popularity of Smith's economics, which was rightly celebrated as the foundation of a new discipline, overshadowed his moral philosophy which had to compete for the attention of the modern reader with such contemporary luminaries as Rousseau, Hume, and Kant. Over the last twenty years that unjust obscurity has been eroded by a steady stream of excellent analysis and commentary by philosophers and historians of ideas (only some of whom I have been able to refer to in this short article). Their work suggests that Smith's moral philosophy, particularly his original analysis of sympathy and the impartial spectator, is an achievement comparable with his economics and of much more than historical interest.

Bringing out the moral philosopher in Smith also improves our understanding of his economics. In particular it allows us to see the benefits and challenges of commercial society from Smith's perspective, which went considerably beyond the cold utilitarian efficiency of the ghostly invisible hand to look at how the new social order affected social interactions, values, and moral life. It also allows us to open up the question of morality and self-interest by moving past the simple dichotomy it evokes and looking instead, as Smith himself did, at its more subtle tensions and challenges, such as between moral decency and excellence, or between the ethics appropriate to market competition and other settings such as the household or the firm.

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[1] Sen 2010, 54
[2] Griswold 1999, 204
[3] WN I.ii.2.
[4] WN IV.ii.9
[5] See Bernard Mandeville's *Fable of the Bees: or, Private Vices, Public Benefits*, 1714.
[6] For a succinct account of the scholarly deficiencies of 'the Adam Smith problem' see the excellent introduction to TMS by Raphael and Macfie (1976, 20-25).
[7] Griswold 1999, 29-39.
[8] Cf. Rasmussen (2008), Hanley (2008).
[9] Rousseau, *The Social Contract*, I.6
[10] WN I.viii.36
[11] WN IV.viii.30
[12] WN IV.iii.c.9, a point mirrored in TMS (VI.ii.2.3).
[13] WN I.viii.13
[14] WN IV.ix.51. Government was still left the rather ambitious and substantial tasks of providing national defence, legal justice, and public goods.
[15] WN II.ii.94
[16] See WN II.iv.15, and also II.iii.20-25 (on prodigals) and II.ii.69 and following passages (on projectors).
[17] WN III.ii.10
[18] See WN I.i.11 for an evocative description of the distributed production of goods in commercial society.
[19] In his Lectures on Jurisprudence (according to his students' notes), Smith suggested a direct correspondence between the human propensity to 'truck, barter and exchange' in argument and in the market. "The offering of a shilling, which to us appears to have so plain and simple a meaning, is in reality offering an argument to persuade one to do so and so as it is for his interest." (LJ 1762-3, vi.56). As the eminent Smithian scholar Charles Griswold puts it, "Life in a market society is an ongoing exercise in rhetoric" (Griswold 1999, 297)
[20] WN V.i.f.50
[21] WN V.i.g.12
[22] WN V.i.g.12-15
[23] TMS VII.i.2
[24] TMS VII.ii.2.14
[25] Griswold 1999, 53-4
[26] TMS III.i.13
[27] TMS III.i.8
[28] TMS VI.iii.25
[29] TMS V.i.8
[30] TMS I.iii.3.2

[31] Rules do play an important role in Smith's account, but they have the character of action guiding maxims rather than themselves being reasons on which to base moral conclusions. They are produced by reflection on our experiences and observations (enhanced by encountering and thinking through the moral issues portrayed in drama and literature) and, as commitments, can help us to keep to what the impartial spectator would approve of at times when it would be easy to allow momentary temptations and passions to distort our judgement.
[32] McCloskey 2008
[33] The hierarchy of Smith's virtues is contended. For example, Deirdre McCloskey considers *prudence* Smith's central virtue (McCloskey 2006); Patricia Werhane considers it to be *justice* (Werhane 1991), Ryan Hanley *beneficience* (active benevolence) (Hanley 2009); and Raphael & Macfie take the stoical interpretation that it is *self command* (Raphael and Macfie 1976).
[34] TMS IV.i.17
[35] Griswold 1999, 204-5
[36] TMS II.ii.9
[37] TMS III.3.4
[38] TMS II.ii.2.1
[39] TMS VI.ii chapters 1-3. For an extended analysis of Smith's oikeiōsis and its anti-cosmopolitan orientation see Fonna Forman-Barzilai 2010
[40] TMS VI.ii.1.7
[41] TMS VI.ii.1.2
[42] TMS III.3.9
[43] TMS VI.iii.10
[44] TMS I.iii.3.2
[45] TMS I.iii.2.1
[46] TMS IV.1.8
[47] TMS IV.1.10