

A Structured Approach to the Adam Smith Problem

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“Adam Smith was ‘that half-bred and half-witted Scotchman’ who had taught the ‘deliberate blasphemy’ that ‘thou shalt hate the Lord thy God, damn his laws, and covet thy neighbour’s goods’”

John Ruskin

(Donald Winch’s *Wealth and Life: Essays on the Intellectual History of Political Economy in Britain, 1848-1914*. p.91. quoting Ruskin)

“All the members of human society stand in need of each others assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship and esteem, the society flourishes and is happy. All the different members of it are bound together by the agreeable bands of love and affection, and are, as it were, drawn to one common centre of mutual good offices.”

Adam Smith

(*Theory of Moral Sentiments*. II. II. III. p.85.)

Abstract

The often discussed but never defined “Adam Smith Problem” is in fact several issues surrounding our understanding of the philosophical framework which underlies the two published works of Adam Smith: *The Theory of Moral Sentiments* and *An Inquiry into the Nature and Causes of the Wealth of Nations*. In this thesis, I examine the secondary literature and argue that this is not in fact one problem, but a set of three inter-related issues which require clarification:

- (1) What principles of human nature are the works committed to and do they contradict one another?
- (2) What role does the invisible hand play, and according to Smith, to what extent can we rely on it to produce the greater good?
- (3) Can the economic man of *Wealth of Nations* be a virtuous man, and if so, how?

Having defined this more precise Adam Smith Problem, I examine Smith’s work to understand how he would answer these three questions. To explain (1), I explain how both works are committed to the understanding of human beings as cogs in a machine, unintentionally producing an order which is designed by God. With regards to (2) I argue that the invisible hand is a metaphor for these unintended but providentially designed outcomes, and contrary to some economists, does not express equilibrium in the market or sanction morality-free economics. In order to answer (3), I adapt Russell Niel’s “spheres of intimacy” account of Smith to show that the same mechanisms are said to underlie human behaviour in both our intimate and economic lives of individuals, and thus the economic man is in fact also the virtuous man.

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Author's Declaration

I declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for an award at this, or any other, University. All sources are acknowledged as references.

Introduction

The debate over the legacy of Adam Smith began almost as soon as his coffin was lowered into the Edinburgh soil in 1790. During his lifetime, he had been seen as both a radical social and economic reformer, in league with the revolutionaries in France, and paradoxically as an establishment figure, advising the British government and holding the post of Commissioner of Customs for Scotland. This duality has since fallen away in the public mind, his message distilled to that of Free Trade under the invisible hand of the market. Meanwhile academics and thinkers of all shades, Liberals to Conservatives, Libertarians to Communists have claimed Smith as their own. To an extent they are all right – Smith has been read by Margaret Thatcher and Karl Marx, Milton Friedman and Noam Chomsky – he is an intellectual ancestor of virtually all modern political and economic thought. However, that is not to say that he would have endorsed the modern, neoliberal world any more than he would have endorsed the USSR.

Those seeking clarity about the ‘real’ Adam Smith face the problem that in his lifetime he only published two seemingly disparate books: *The Theory of Moral Sentiments* (1759) (Hereafter, "TMS")¹ in which he discusses issues of morality and virtue; and *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776) (Often referred to as *The Wealth of Nations*, hereafter, "WN") in which he discusses a broad variety of topics related to political economy and the creation of wealth. It has seemed to many scholars and commentators that there are fundamental inconsistencies between these two works which prevent them from being understood as part of a larger philosophical framework.

1 **Note about referencing:** since there are very many different editions of Smith's works available including various abridged versions of *The Wealth of Nations*, I find that citing the page number is rather unhelpful. So I will cite in a particular way: For TMS, I shall first site the Part, then the Section and Finally the Chapter (If present – not all sections have Chapters and vice versa), for WN, I shall cite the Book, followed by the Chapter. I shall provide the page number in the particular edition I am using (details in the bibliography). E.g. "TMS. I. I. I. p.13" For TMS Part I, Section I, Chapter I, page 13 or "WN. I. II. p.9" for WN Book I Chapter II page 9.

This debate both over his legacy and how to interpret him has come to be known as “The Adam Smith Problem”. However, contrary to what the name suggests, it's not a single problem, or even a well-defined set of problems, but rather a body of literature from the past two and a half centuries, all of it wrestling with trying to understand his work, his philosophy, his legacy, and even the man himself, and all from differing perspectives over what the problem is (if there is a problem), and where the tensions lie. In my opinion the existing treatment of Smith's work has laid insufficient weight on approaching this problem in a structured manner, and has failed entirely to enumerate and define what the issues are to be solved. The result has been an unfocussed torrent of books, papers and presentations, from historians, philosophers, and economists, almost all claiming that there is a coherence to Smith's work without any clear statement of why the works appear incoherent, nor of which themes need to be reconciled. This is what I call an “unstructured approach,” a general feeling that there is a case to be answered without taking the time to define that case.

Therefore, our first objective is to examine the existing literature on Smith as either part of or responses to the Adam Smith Problem, and by doing so, try to construct a definitive set of issues that have prevented clarity regarding the coherence or incoherence of Smith's project. The second objective for this thesis will be to present a reading of Smith which is both coherent across the issues raised by the Adam Smith Problem and which is perhaps closer to what the man himself intended than much of the existing literature. Of course, as time wears on, determining original intentions becomes more difficult. Language and culture shifts; words used in one way have their meanings subtly changed or even reversed in modern English. Pending the invention of time travel, clarifying Smith's thoughts for a modern audience can never achieve perfection, but I will aim to provide an improvement over much of the modern literature which – as we shall see – is often reliant on a caricature of Smith.

Chapter 1: Smith, the Legend, the Problem

1.1: Introduction

There is both a historical and a modern problem when it comes to viewing Smith's work as one philosophical system rather than two unconnected works. The first task in understanding the problem, and the first thing we must do to understand Smith's work, is to determine what is still under dispute, and why it is disputed. This will involve untangling fact from legend, to show how Smith's reputation shifted between his own lifetime and the 21st century, and how this gave rise to the Adam Smith Problem. Next, it will involve reviewing the extensive literature on the subject, categorising common themes and drawing out exactly what the "Adam Smith Problem" is. In other words, we need to discover exactly what problems stand in the way of developing a coherent understanding of his work so that we may respond to the problem in a structured manner.

In this chapter I will argue that there is a legend of Adam Smith, that is, a commonly received interpretation which is in fact false. This legend often takes the form of what Richard Watson calls a "shadow history", where instead of using historical research to understand the philosophical projects of past thinkers such as Smith, scholars misinterpret (often intentionally) the complex views of those dead philosophers as something stylised and clean, in order to support their own agenda or philosophical project (1993.). The shadow history of Smith is a particular problem for economists, and we shall see that Paul A. Samuelson, George Stigler, and Vernon Smith have all promoted caricatures of Smith in their own ways. However, I will show that Smith's legend is broader than this. It grew out of certain political expediencies of the 1790s, and from an axiomatic shift which occurred between political economy and its successor, modern economics (Sections 1.2-1.3). The result of this was "das Adam Smith Problem"², which occurred as the German Historical School attempted to reconcile Smith the moral

2 The use of the German "das" is common in the literature to separate this first formulation from later formulations.

philosopher with caricature of Smith the free market economist (Section 1.4). Next I will show how the debate has shone light on (or perhaps invented for itself) three issues which require clarification: first, which principles of human nature which Smith is committed to; second, the role of the invisible hand and how far self-interest promotes the greater good; third, how the economic man can also be the virtuous man (Section 1.5).

1.2: Smith's Reputation

In this section, I will discuss Smith's reputation during his life, and give a brief background to the wider historical context at the time of his death, in order to set the stage for understanding how and why his reputation changed after his death.

Smith died on the 17th of July 1790, during a period of immense political upheaval. In the 14 years since the publication of *The Wealth of Nations*, Britain's American colonies had successfully rebelled and become the United States of America. Across the English Channel, France had fallen into open rebellion and revolution, with the famous storming of the Bastille in 1789. At the time of Smith's death, the French Government was in a period of political manoeuvring, wrangling and reform before the abolition of the monarchy in 1792 and execution of King Louis XVI in the *Place de la Révolution* the following year. Smith's connection to the French Revolution is of particular interest, and it was both intellectual and personal: Many of the liberal intellectuals who were key figures in the revolution itself, or had contributed to the intellectual (if not physical) overthrowing of the old order, had read, translated, influenced and in turn been influenced by Smith's work as well as by Smith himself during his European travels as the private tutor of the young Duke of Buccleuch in the 1760's.

Perhaps the intellectual association which is most revealing, is between Smith and Nicolas de Caritat, the Marquis de Condorcet, and his wife Sophie de Condorcet. Nicolas was a leading intellectual, an elected politician and one of the foremost figures of the

French Revolution, and Sophie ran a popular Salon in Paris and shared her husband's liberal, egalitarian philosophy. It's not entirely clear whether Smith ever met Nicolas in person. It has often been assumed by historians and biographers that they were introduced by Sophie at her famous salon in the Hôtel des Monnaies (the French Mint) in Paris. However, this is impossible: Sophie was born in 1764, the year in which Smith arrived to tutor Buccleuch, and did not begin hosting the salon until the late 1780's, while Smith never returned to France after 1766 (Pisanelli. 2015. pp.24-25.). Smith could have met Nicolas through other connections, for example we know that when Smith briefly visited Paris in 1766, he attended a salon run by Julie de Lespinasse³, where he met various French intellectuals including encyclopedist and polymath Jean-Baptiste d'Alembert (Ross. 2010. p.223). Nicolas was at the time under the protection of de Lespinasse and the tutelage of Jean-Baptiste d'Alembert, so it is possible – but it is not documented – that Smith met Nicolas through the salon. Another possible avenue is that Nicolas was assistant to and friends with Anne-Robert-Jacques Turgot, and we know that Smith did meet and have an enthusiastic and friendly conversation with Turgot on a wide range of topics. However, there is no evidence that Nicolas was in attendance, or that either man remembered meeting the other on this or any other occasion (Pisanelli. 2015.pp.26-29.).

Philosophically Nicolas de Condorcet was astonishingly progressive, even for the Enlightenment. The nature of morality without religion was of particular interest to him, as was as the formation of a secular state operating according to the principles of religious, racial and gender equality (Landes. 2010.). Condorcet sent Smith a copy of his own seminal work, *Essai sur l'application de l'analyse à la probabilité des décisions rendues à la pluralité des voix*, in 1785, with a personal dedication (Ross. 2010. p.388.), and Condorcet's works were seen by the press as so comparable to Smith's that it was said that either of them could have written the *Wealth of Nations* (Rothschild. 2001. p.53.).

³ Her name sometimes appears as "l'Espinasse", I have chosen to follow the spelling used by Ross (2010).

Turgot is also of interest, as he was a free market theorist in his own right and, during Smith's stay in Paris in 1766, Intendant of the province of Limousin. Turgot was drawn to Smith due to a running dispute between the latter's good friend David Hume and Jean-Jaques Rousseau (Ross. 2010. p.224), and, as above, this led to an enthusiastic meeting in Paris. Turgot's tenure as Intendant is notable due to his successful alleviation of a famine in 1770, which he achieved through a combination of free market policies coupled with progressive taxes, and relief for the poor through public employment programs. As a result he was promoted to Controller-General of France's finances, however his attempt in 1776 to apply the same policies which had averted crisis in Limousin to the entirety of France proved too radical, and he was removed from office (Rothschild. 2001. pp.78-81). His published work on the subject, *Lettres sur le commerce des grains*, was not known to Smith (Ibid. p.81); however, Smith was familiar with various accounts of famine across Europe and proposed the same solution to famine in his lengthy *Digression Concerning the Corn Trade and Corn Laws* (WN. IV. pp.524-543), going so far as to state that "whoever examines, with attention, the history of the dearths and famines which have afflicted any part of Europe, during either the course of the present or that of the two preceding centuries, of several of which we have pretty exact accounts, will find [...] that a famine has never arisen from any other cause but the violence of government attempting, by improper means, to remedy the inconveniences of a dearth" (Ibid. p.526). The solution, as Turgot had proved, was simple: free the corn markets.

Although he didn't self-identify as such, Turgot was considered one of the leading lights of the Physiocrats, a group of French intellectuals and "*Économistes*" concerned with the origins of wealth and understanding economic systems. Quesnay, the leader of the Physiocrat movement, knew Smith in an intellectual as well as a professional capacity as a physician (Ross. 2010. p.221). Smith seems to have respected Quesnay a great deal, both for his intellect and his empirical approach, however, he did not subscribe to

Quesnay's more "speculative" ideas about the unproductive nature of industry, which he criticised thoroughly in WN (Ibid. pp.228-230.).

While the Physiocrats' free-market leanings were accepted and even endorsed (to an extent) by the French establishment, it appears that Smith was seen to be unacceptably dangerous. According to Nicolas de Condorcet, it was considered to be an "act of daring" to publish Smith's work before the revolution (Rothschild 2001. p.53.⁴). This does not appear to have stopped Baron d'Holbach, another revolutionary figure and prominent atheist who also knew Smith personally from his time in Paris⁵, from undertaking the first French translation of TMS⁶, with Smith's authorisation, in 1763 (Smith. Corr. 77. pp.97-98.).

By the time of the revolution, Smith's reputation seems to have entirely eclipsed the Physiocrats, at least in the eyes of Pierre Du Pont de Nemours, himself an early revolutionary leader and associate of the physiocratic movement, later an associate of Thomas Jefferson and successful industrialist. Du Pont wrote to Smith in 1788, about the progress of the revolution towards a "good constitution", which he predicted would improve the principles on which France as well as the USA and Great Britain were founded, "finally sprinkling after however long on other nations" (Corr 277. p.313. My translation.). He concludes:

You have much hastened this useful revolution, the French *Économistes* will not hurt [it], and they will keep much respect for you, sir, that you deign to show them esteem. (Ibid. My translation.)

It is thus clear that in France, Smith's name was strongly linked to the revolution and highly respected among its proponents. By contrast, at home in both Scotland and the wider United Kingdom, he was a well-respected academic, extremely well connected both

4 Rothschild's citation is unclear on the source of this specific quote.

5 d'Holbach frequently entertained Smith and other leading intellectuals with hospitality which Smith remembered fondly in his later years (Ross. 2010. p.223.) (Corr. 259. p.295.).

6 Superseded by Sophie de Condorcet's translation, mentioned above.

socially and politically, with tight links to the establishment. For example, in 1778 he was appointed Commissioner of Customs for Scotland on the back of both his connections to the Duke of Buccleuch (whom he had tutored and travelled with across Europe, mentioned above), and his scholarly reputation⁷. Smith appears to have taken this role very seriously, and he became a noted figure in Edinburgh from his daily walks up the Royal Mile to and from the customs house and his home (McLean. 2006. p.21.). After nine years in the job, his health failing, Smith took his leave, and at the invitation of the British Government, travelled to London to spend his days continuing his academic work with an army of HM Treasury staff at his disposal, and his evenings advising the then Prime Minister, William Pitt the Younger and other key government figures (Ibid. pp.22-23.).

Despite his powerful connections and links to the establishment, he was a controversial figure in his homeland, particularly when it came to religion: his account of Hume's death in 1776 caused a substantial backlash against him. The letter (Corr. 178), describes Hume dying peacefully and courageously, without observance to the Christian God. Smith's references to Greek mythology, particularly Charon the ferryman of Hades, and the similarities with Plato's *Apology* were not lost on readers – Hume had found more comfort in ancient philosophy than in the Bible.

The published correspondences give a sample of the written backlash that Smith received in the form of an excerpt from a letter sent to Smith by Rev. George Horne:

You have been lately employed in embalming a philosopher; his *body*, I believe I must say; for concerning the other part of him, neither you nor he seem to have entertained an idea sleeping or waking. Else, it surely might have claimed a little of your care and attention; and one would think, the belief of the soul's existence and immortality could do no harm, if it did no good, in a *Theory of Moral Sentiments*. But every gentleman understands his own business best. (Corr. 189. p.230.)

⁷ In an amusing letter, Sir Grey Cooper gently mocks the "Indifference" Smith showed in putting himself forward for the post, when "[Your] merit is so well known to Lord North and all the world" (Corr. 186. pp.227-228.)

Smith seems to have been surprised by the amount of abuse he received, writing to a colleague in 1780 that “a very harmless Sheet of paper, which I happened to Write concerning the death of our late friend Mr Hume, brought upon me ten times more abuse than the very violent attack I had made upon the whole commercial system of Great Britain” (Corr. 208. p.251.). McLean claims that this was either “naïve or disingenuous; probably the latter”: Smith had worked hard on toning down personal correspondence for inclusion in the letter⁸, and his background in belle lettres and Rhetoric certainly point to a man who was all too aware of the impact of his words (2006. p.20.). It is of course possible that Smith was both naïve in the sense that he did not anticipate the level of abuse he would receive, and disingenuous to claim that it was “a very harmless Sheet of paper.” It was at the very least, calculated to deny his readers any satisfaction that the 'heathen' David Hume had undergone any kind of deathbed conversion. Regardless of his motive, he developed a controversial reputation in Great Britain for his ambiguous religious leanings.

Thus we have seen the beginnings of the dichotomy of Smith's legacy. In France he was seen as an egalitarian revolutionary, lending intellectual backing to the causes of political freedom and separation of church and state; in Great Britain he was also controversial for his religious views, but at the same time a well-connected political insider, admired by the establishment who were, as we shall see, willing to take on board his economic (but not social) reforms.

1.3: Smith's Legacy

The dichotomy of Smith's contemporary reputation is perhaps best illustrated by the very little attention his death received in the United Kingdom, whilst the revolutionary presses of France mourned openly (Rothschild. 2001. pp.52-53). His obituary in the

⁸ In particular he refrained from mentioning, as he did in Corr. 163 to Alexander Wedderburn, that Hume had died "with more real resignation to the necessary course of things, than any Whining Christian ever dyed with pretended resignation to the will of God." (p.203.)

Times is especially interesting, describing him as “a disciple of Voltaire in matters of religion” (i.e. a deist), and describing his TMS as “ingenious but fanciful”, focussing instead on his links to trade and “his justly celebrated work on the Nature and Causes of National Wealth” (The Times. 1790.). This side-lining of Smith's moral work and focus on his economic theories is particularly important, as unrest was making political reform sound unacceptably seditious to the British Government, whilst economic reform (within the bounds of the established social order) was seen as acceptable. The effect this had on Smith's reputation, and especially on how we view him today, was and is profound.

With the success of the French Revolution, the desire for liberty had spread to Scotland, and the recently departed Smith was being touted as the champion of the liberal agitators (Rothschild. 2001. p.56). The imminent threat of yet another Scottish rising⁹ forced a government clampdown on those with liberal sympathies, and between 1793 and 1798, seven people¹⁰ – not acting as an organised group – were put on trial for sedition and treason. They became known as the “Scottish Martyrs” and served as inspiration for further political agitation including the “radical war” uprising of 1820 (Macleod. 2013.). Two of the seven, Thomas Muir and Maurice Margarot criticised, as Smith had, the constant wars with France on the grounds that trade would be mutually beneficial. Both were transported to Botany Bay for fourteen years (Rothschild. 2001. pp.56-57.). Joseph Gerrald was friends with Margarot, and both were members of the London Corresponding Society which proposed radical political reform. Gerrald was also transported for fourteen years (Macleod. 2013.). Two others, Thomas Palmer and William Skirving, invoked Smith directly in their defence; they too were transported for seven and fourteen years

9 The two major Jacobite Risings having taken place in 1715 and 1745.

10 There seems to be some disagreement over how many Martyrs there were. Some sources claim that there were five, since five names appear on the Political Martyrs Monument at Carlton Hill, Edinburgh: Muir, Palmer, Skirving, Margarot, and Gerrald. Macleod (2013) lists two others, Watt and Mealmaker, whose names were probably excluded from the monument due to their more violent means.

respectively (Rothschild. 2001. pp.56-57.)¹¹. Harboursing Smithian views in 1790s Scotland had become a dangerous occupation.

Dugald Stewart, Professor of Moral Philosophy at Edinburgh and Smith's first biographer, found himself in the firing line in 1794, when he was forced by two of the Scottish Law Lords to retract a small reference to Condorcet in one of his own works (Ibid. p.57). This retraction is significant, for not only does it show that Stewart was being forced to retroactively modify his views to avoid prosecution, but that Condorcet, who held similar views to Smith, had become so controversial in the Kingdom of Great Britain that merely referencing him carried the threat of legal retaliation. Rothschild argues that Stewart's biography on Smith, written against the political backdrop of the time, became almost a legal defence of Smith:

Smith is a sort of defendant, in these passages, and Stewart his counsel. Stewart's language is indeed very close to that of the standard legal texts of the time, in which jurists attempted to explain the difference between "speculative remarks" and "criminal libel of the constitution." The defendant, in a sedition trial, was required to show that his writing was not "calculated" to "inflame," and that his intention was only the modest one of "pointing out to those *who have political power*, how it may best be exerted for the benefit of the State." Lord Cockburn, who quotes these texts, is thoroughly sceptical: "Who is to judge all of this?" But Edinburgh was "sincerely under the influence of fear." Stewart's memoir is evidence of the effort to present Smith as a conservative, more than his own conservatism. (Ibid. p.58)

Stewart himself had visited France in the summers of 1788 and 1789 whilst the revolution was in full swing, and his Smithian sentiments were well known (Ross. 2010. p.388.). Therefore, it seems likely that his work was not just, or perhaps not at all, intended to protect the reputation of the late Smith, but rather an indirect defence of himself and other Smithian thinkers from accusations of sedition.

In order to mount this defence, Stewart had to drive a wedge between the words "freedom" and "liberty". "Freedom" was to be taken as referring to the economic sphere

11 The last two, George Mealmaker and Robert Watt, were involved in the ill-fated "Pike Plot" to encourage soldiers to rebel and seize various important locations in Edinburgh, including the castle. Mealmaker was transported, Watt was believed to be the ringleader and was hanged and beheaded for treason (Macleod. 2013.).

of life, that is, “free trade”, whilst “liberty” had to be taken to refer to the political sphere, and such (at the time) politically unacceptable ideas as equality, tolerance and separation of church and state (Rothschild. 2001. p.59-61). Thus, Smith's views on justice, his egalitarianism, criticism of slavery, anti-imperialism, desire for religious freedom, support for political representation for the American colonies, and similarly controversial topics could all be ignored in favour of a conservatively acceptable push for free trade and non-intervention on the part of government. By the end of the decade, this change of language and careful dichotomy between “freedom” and “liberty” had transformed Smith's reputation from radical to conservative, from reformer to establishment. This caused the curious spectacle of laissez-faire thinker Edmund Burke making the transition from being seen first as a critic of Smith, to then being described as Smith's “disciple” (Ibid. Note 82. p.276).

Smith's strange posthumous journey from radical to conservative did not end here however. In the centuries that followed, his reputation and work has also suffered from a disciplinary displacement: As political economy divorced itself from philosophy and became the new discipline of economics, it seems to have demanded Smith as part of the settlement. Schabas (2005) shows how this divorce happened, and regards it as a process of “denaturalization” spearheaded by John Stuart Mill (p.11). The modern way of looking at “the economy” as an emergent phenomenon, separate from human nature and the natural world would be utterly alien to enlightenment thinkers such as Smith. Even the term “economy” is relatively modern, certainly post-Enlightenment¹² (Ibid. p.17; See also: Tribe. 2015.). The way that Smith and other Enlightenment thinkers approached the subject was as a system that operated according to natural laws which are inseparable parts of human nature. As a result, the way that he and contemporaries understood economic phenomena was not by looking at individuals and individual desires, but rather

12 Smith occasionally used the term "oeconomy" which refers to personal frugality in housekeeping, rather than the distinct phenomena of "the economy".

by investigating which human tendencies caused the currents, ebbs and flows within the system. To do this, Smith and others looked at how people were *bound together* by interests and desires, and thus the individual was considered only a member of a class.

This “denaturalization” (Schabas) of economic thought thus shifted expectations of what an economic theory should look like. Classical Economics proceeded from human nature, moral theories and social classes, whilst modern Neoclassical Economics proceeds from methodological and/or normative individualism and mathematical utility theory. The expectation of the modern economist (or indeed the modern person who thinks of Smith as an economist) is to impute selfish individualism to his work. However, this is an anachronism and leads to misunderstanding.

Another shift since Smith's death has been away from religion and towards secular rationalism. The word “atheist” in Smith's day was essentially an epithet, something to smear your intellectual opponents with, whilst today it is normal in most parts of public life. Invoking God in moral arguments was for 18th century thinkers practically habitual even when not entirely sincere, and certainly expected by many of their readers, whilst today it would be an immediate bone of contention at peer review. Jacob Viner has, in rather uncompromising words, laid out what this means for the Smith scholarship:

Modern professors of economics and of ethics operate in disciplines which have been secularized to the point where the religious elements and implications which once were an integral part of them have been painstakingly eliminated. It is in the nature of historians of thought, however, to manifest a propensity to find that their heroes had the same views as they themselves expound, for in the intellectual world this is the greatest honor they can confer upon their heroes. If perchance Adam Smith is a hero to them, they follow one or the other of two available methods of dealing with the religious ingredients of Smith's thought. They either put on mental blinders which hide from their sight these aberrations of Smith's thought, or they treat them as merely traditional and in Smith's day fashionable ornaments to what is essentially naturalistic and rational analysis. (Viner. 1972. pp.81-82.)

I will not comment on the psychology of others who have studied Smith; however, Viner is correct to identify a strong tendency towards seeing Smith as an atheist. Certainly

Smith's ambiguous religious views do not help this tendency, but as I will argue, a doctrine of final causes and of God as the benevolent designer play key roles in Smith's work. Roles which cannot be ignored without judicious use of the “mental blinders” and cannot be explained as “merely traditional.”¹³

Thus Smith's legacy has been triply disfigured, turning Smith the radical philosopher and, as I will argue, deist into Smith the laissez-faire economist and atheist. As time has worn on and his reputation as the 'father of capitalism' has settled in the popular conscience, a problem has arisen: How can we make sense of his work? How can the man who invented the 'invisible hand' of the market be the same man who wrote about benevolence as a virtue? This debate is known as “The Adam Smith Problem”.

The debate itself is split into two strands, the first is the historical “das Adam Smith Problem”, which originated in the 19th century with economists of the German Historical School, who could find no link between the Sympathy¹⁴ based ethics of TMS and the self-interest driven market of WN; the second is more modern, originating in 1948 with Paul A. Samuelson's *Economics*, and focuses on the apparent conflict between the “invisible hand” and any attempt to lead a virtuous life. In the following sections I will discuss both formulations of the problem and various solutions. The rest of this thesis will be devoted to providing a coherent understanding of Smith and dismantling his legend.

1.4: 'Das Adam Smith Problem'

'Das Adam Smith Problem' as it was first formulated marks the point at which Smith's reputation as a laissez-faire economist began to provide serious problems for scholarship. The German Historical School of economists regarded him as being the

13 In the interests of full disclosure, I will mention here that I am and have been an atheist for as long as I can remember.

14 Sympathy is a technical term for Smith which describes an imaginative process by which we place ourselves in the situation of another and feel something of what (we imagine) they feel. I will differentiate this technical usage from the common meanings of the word (i.e. pity, or mutual understanding), by capitalising it throughout this thesis. I'll discuss the Sympathetic process in detail in Chapter 2.

founding father of laissez-faire; a “prophet of self-interest and free competition” (Montes. 2003. p.70). As a result, they came to believe there to be an insoluble contradiction between the self-interest, or normative individualism of WN and the Sympathy and altruistic moral philosophy of TMS.

As Montes (2003) shows, there is a great deal of relevant historical context to the difficulties that the German Historical School had. Most importantly the British Empire was the pre-eminent industrial and economic power, and was seen by the German economists as having adopted an economic policy which concentrated wealth within its borders and doomed other nations to comparative poverty (Montes. pp.66-70). Smith's reputation as the intellectual force behind this policy led to the assumption that Smith represented self-interest above all else, and this reading was seized upon by Karl Knies, a member of the “Older School” within the Historical movement. Knies suggested that Smith changed his mind between writing TMS in 1759 and WN in 1776 due to the two years between 1764 and 1766 that he spent in France and Switzerland. The basic idea is that a young, idealistic Smith wrote TMS, which attributed much of human behaviour to Sympathy and benevolence, but when he encountered the French Materialists in his years abroad, he changed his outlook, afterwards anchoring human behaviour to self-interest in WN. This “French Connection Theory” became the basis for “das Adam Smith Problem” (Montes. 2003. p.71). Knies' followers Lujó Brentano and Witold von Skarżyński followed this tradition, specifically picking out Smith's acquaintance with the French egoist and materialist Helvétius, as the source of Smith's apparent shift towards selfish normative individualism (Montes. 2003 p.71).

At first glance, the theory seems plausible: many people become more conservative as they grow older. However, this “French Connection Theory” was debunked by Edwin Cannan's 1896 publication of previously unknown notes taken by a student who attended Smith's *Lectures on Jurisprudence* (hereafter: LJ) in 1763, just a

year before he left for France. These notes show that the foundation of the theories that would later become WN were present prior to his expedition to France. The final word in this debate was delivered a year later (1897) by August Oncken, another German economist and previous critic of Smith's (Montes 2003 p75). Oncken argued that not only did the publication of these lectures show Knies to be mistaken, but also noted that Smith continued to revise both works up until his death, publishing the final edition of TMS just prior to his death in 1790. This implies that Smith had not disclaimed the work. Indeed, in this final edition of TMS, he revised the preface to make explicit reference to WN, describing it as a partial explanation of the general principles underlying law and government (Oncken. 1897 pp 448-449).

Oncken's paper and Cannan's work are sufficient to permanently put to bed the theory that TMS and WN are incoherent because he changed his views. However, Oncken's paper did not mark the end of “das Adam Smith Problem”, nor even a significant change in direction despite his compelling evidence and sound arguments. Instead the quest for discovering consistency to Smith's system continued, but that is not to say it became stagnant, merely increasingly confused and unproductive. With no clear definition of what the “Adam Smith Problem” is, the debate has lurched in various directions for the past century or so, with various developments all serving only to further muddy the waters. Despite the fact that I believe the issue to be illusory, based on a shadow history, a caricature of Smith, it is abundantly clear that there is a real issue in how we should understand him, in other words, a Modern Adam Smith Problem

1.5: The Modern Adam Smith Problem

Over the course of the 20th century there have been several significant developments which have altered the way in which the problem is conceived, but ultimately failed to end the debate. In this section I will highlight what I consider to be the three turns in the modern debate which are most significant in the sense that they have

shaped and directed our understanding of Smith's work, and uncover three issues which I think particularly demand clarification. These I shall formulate as three crucial questions which need to be answered in order for us to finally be rid of the “Adam Smith Problem”, and which also highlight what I see as the rather wayward state of some of the current scholarship.

The first such development in the scholarship was Glenn R. Morrow's *The Ethical and Economic Theories of Adam Smith* (1929), in which Morrow took the view that the contrast between the works is real and is

the result of two divergent tendencies in eighteenth-century thought,- [sic] the one toward the employment of a traditional doctrine of abstract individualism for the scientific formulation of social laws, and the other toward an abandonment of the same individualism, and the recognition of the correlative function of individual and social factors in experience (p.83).

That is, Morrow claims that WN falls under the first tendency and TMS under the second: WN is a “scientific” theoretical work based on an intentionally limited abstraction of human behaviour, and rather than being a naïve early work, the TMS views human beings from a more grounded perspective, presenting a more complete picture of human interactions (pp.85-86). In other words, we might call WN a synthetic work in the sense that it operates from assumed premises regarding human behaviour, whilst TMS is more analytic in thoroughly analysing how people actually behave. Morrow has a more charitable approach to Smith's work than Knies and much of the German Historical School, but his approach is essentially the same as one of their members, Richard Zeys. Zeys also argued that WN is based on a simplified view of individuals focussing on only one of the virtues present in TMS (prudence), and is therefore a limited, more abstract work (Teichgraeber. 1981. pp107-108). However, there is no evidence to suggest that this was Smith's intention, or that he saw these works as based on fundamentally different principles.

Additionally, this view requires us to assume a disconnect between Smith's views of nature in the two works. We must read “nature” in WN as something that regulates (presumably through the invisible hand) the self-interested actions of agents, while “nature” in TMS is the “great system of the universe” (TMS. VI. II. III. p.237.) as expressed through the actions of agents. This appears anachronistic in the sense that we have to see WN as a modern work of agent based utility economics that has been 'denaturalized' in the way described by Schabas (2005), rather than as a work of nature based Classical economics written from an Enlightenment viewpoint.

Still, Morrow's (and Zeyss') position has left its mark on the debate and commentators, particularly Teichgraeber, whom as we shall see, appears to read TMS in such a way as to marry it to Morrow's competing individual agents reading of WN. Therefore, I take this to be the first issue which any account of the coherence of Smith's work will have to clarify: what principles of human nature are the two major works committed to, and do those principles inherently contradict one another?

The second major development was the publication of Samuelson's *Economics* of 1948. Whilst the textbook did not discuss the Adam Smith Problem, as the leading economic textbook of the century, it was still a defining moment in how Adam Smith would come to be perceived in the late part of the 20th and early part of the 21st century. Samuelson's entire discussion of Smith was, in the first edition, just a single paragraph:

Even Adam Smith, the canny Scot whose monumental book “Wealth of Nations (1776), represents the beginning of modern economics or political economy – even he was so thrilled by the recognition of order in the economic system that he proclaimed the mystical principle of the “invisible hand”: that each individual in pursuing only his own selfish good was led, as if by an invisible hand, to achieve the best good of all, so that any interference with free competition by government was almost certain to be injurious. This unguarded conclusion has done almost as much good as harm in the past century and a half, especially since too often it is all that some of our leading citizens remember 30 years later, of their college course in economics. Actually much of the praise of perfect competition is beside the mark. As has been discussed earlier, ours is a mixed system of government and private enterprise; as will be discussed later, it is also a mixed system of monopoly and competition. It is neither black nor white, but gray [sic] and polka-dotted. (Kennedy. 2010. p.7 quoting Samuelson. 1948. p36)

There are three familiar and important features of Samuelson's analysis: first he reaches the same conclusion that Morrow reached, that WN describes individual agents in perfect competition; second he maintains that the Invisible Hand will always lead selfish agents towards the greatest good; third that government is forbidden from interfering with the market. This paragraph has been revised and updated several times over the decades and numerous editions since 1948, but the thrust of his claims remain largely the same (Kennedy. 2010. pp.8-17): Smith is seen as a Gordon Gekko like character, proclaiming that "Greed, for lack of a better word, is good" and endorsing selfishness or self-interest over virtue. These claims are familiar to us because Samuelson's work is the bestselling economics textbook of all time: it has influenced generations of economists and has transformed the invisible hand from an obscure and barely discussed metaphor to one which is ubiquitous with Adam Smith (Kennedy. 2010. pp.1, 6-7). But this is also a shadow history of Smith, a simplistic distillation of the complexities of WN so that Samuelson can disregard it in favour of modern economics. Unfortunately, this shadow history has spawned what Patricia Werhane calls "a caricature [...], a prevailing interpretation which does not accurately represent the content and spirit of the text" (1989. p.669). She goes on to describe this caricature as follows:

Smith is then interpreted as having concluded that self-interested, economic actors in competition with each other create a self-constraining system through which the impartial market (the famous invisible hand) functions both to regulate self-interests and to produce economic growth and well-being, such that no one actor or group of actors is allowed to take advantage or to take advantage for very long. (Werhane. 1989. p.669)

Taken to its natural conclusion, this self-regulating, self-interest focused system that underlies all human interaction grants economics an amnesty from morality (Mehta. 2006. pp. 246-249). If we understand WN through this prism, then we will immediately see what looks like a contradiction between the self-interested agent of WN, who has no need for morality since the market ensures the best results for everyone, and the virtuous man as conceived in TMS:

The man who acts according to the rules of perfect prudence, of strict justice, and of proper benevolence, may be said to be perfectly virtuous. But the most perfect knowledge of those rules will not alone enable him to act in this manner: his own passions are very apt to mislead him; sometimes to drive him and sometimes to seduce him to violate all the rules which he himself, in all his sober and cool hours, approves of. The most perfect knowledge, if it is not supported by the most perfect self-command, will not always enable him to do his duty. (TMS. VI. III. III. p.237)

If self-interest leads to a self-organising, self-regulating system that produces the greater good through the invisible hand, why would anyone need to have self-command, prudence, strict justice and proper benevolence? In seeking their own self-interest, they would be guaranteeing the greater good, and so morality (understood as that which restrains self-interest) could be left behind in favour of maximising one's own interests in the context of a free market¹⁵. And this is where we find the second and more modern strain of the Adam Smith Problem. The caricature or shadow history version of Smith the libertarian, Smith the father of laissez-faire, Smith the amoral capitalist, supported and spread by Samuelson, contradicts Smith the moral philosopher and author of TMS.

Although, as we have seen, this view of Smith was foreshadowed in the political context of the 1790s which permitted him to be celebrated as an economic but not social or moral reformer, and a shift in the axioms of economics from examining human nature in a philosophical manner to a modern social-science, it has sadly infected the academic discourse on the subject. Perhaps unsurprisingly, it is economists who seem to be particularly prone to directly or implicitly following Samuelson's interpretation for their own analyses of Smith's work. For example, George Stigler called Smith "The high priest of self-interest" (1971. p.277), and WN "a stupendous palace erected upon the granite of self-interest" (Ibid. p.265), a view which he has subsequently had to recant. Similarly, Vernon Smith attempts to reduce the other-regarding, sympathetic components of Smith's work to the principle of trade found in WN (1998. pp.1-3). This concern for self-interest

15 There is a large body of literature on the relationship between maximising one's own self-interest and morality (See: Gauthier, Grice, &etc.), however, I shall not be engaging with these modern theories in this thesis.

and the emblematic “invisible hand”, a phrase now deeply associated with Smith, have become a key battleground in the debate over his legacy and how to interpret him.

If self-interest, led by the invisible hand of the market really could produce the greater good with no need for morality, then TMS would be an entirely redundant work. Thus we come to the second, and perhaps most important question requiring clarification: what role does the invisible hand play and how far can self-interest be trusted to promote the greater good?

The third development in the 20th century debate was the publication of the 1976 Glasgow Edition of TMS, in which the editors David D. Raphael and Alec A. Macfie attacked the very notion that there is a problem:

The so-called ‘Adam Smith problem’ was a pseudo-problem based on ignorance and misunderstanding. Anybody who reads TMS, first in one of the earlier editions and then in edition 6, will not have the slightest inclination to be puzzled that the same man wrote this book and WN, or to suppose that he underwent any radical change of view about human conduct. [...] Of course WN is narrower in scope and far more extensive in the working out of details than is TMS. It is largely, though by no means wholly, about economic activity and so, when it refers to motivation, concentrates on self-interest. There is nothing surprising in Adam Smith’s well known statement (WN I.ii.2): ‘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.’ Who would suppose this to imply that Adam Smith had come to disbelieve in the very existence or the moral value of benevolence? Nobody with any sense. But this does not necessarily exclude scholars, some of whom have adopted the [French Connection Theory] (TMS. *Introduction*. p.20.)

Although not the first to essentially dismiss the problem out of hand¹⁶, Montes considers this paragraph the first stage in the modern debate over the “Adam Smith Problem”. Montes classifies the reactions which followed into two waves, the first of which, led by Richard Teichgraeber, attempted to show that the problem was still very much alive; the second of which tended towards arguing that only partial responses to the issue exist (Montes. 2003. p.64).

Teichgraeber criticised the scholarship of the 1970's, including Raphael and

16 T.D. Campbell, for example refers to it as a “largely unnecessary controversy” (1971. p.19. Footnote.).

Macfie's introduction to TMS, calling its treatment of the Adam Smith Problem “perfunctory” (1981. p.106), and argued that there are still deep disagreements in the scholarship. In particular, Teichgraeber believes that there is the question of whether to read WN as based on the same moral principles as TMS as Cropsey (2001) did, or to see it as a separate work based on different principles in the tradition of Morrow (discussed above) (Teichgraeber. 1981. pp.108-109). In response, Teichgraeber set out to lay some groundwork for a solution by framing Smith's intentions in TMS against the backdrop of normative assumptions present in humanist moral philosophy (Ibid. p.112). To do this he discusses three facets of TMS which he believes have been neglected: First, what Smith meant by “virtue”; second, what role is played by “Sympathy”; and finally, what part is played by “Justice”. Teichgraeber argues that to properly understand Smith we require “an explanation of how his theory of 'virtue' allowed for the pursuit of 'commerce'” (Ibid. p.114). He reads Smith as taking virtue to be “a hybrid of Christian benevolence and classical stoical self-discipline” (Ibid.), which exists in the interplay between our concern for the continuation of the species and our concern with ourselves, with Sympathy as the regulating force (Ibid. p.115). He goes on to (I think) correctly identify Sympathy as the basis on which Smith builds his theory of moral judgement, without appealing to moral sense theory, however I believe that there are problems with his reading of the regulative role Sympathy plays in our emotions.

Teichgraeber claims that Smith's ultimate goal is a “society of strangers”, in which we cultivate an indifference to each other and our lives in the stoic way. This, he says, is the “starting point for what in the Wealth of Nations would become a more thoroughgoing ethos of economic individualism” (Ibid. p.117.). Teichgraeber attributes the phrase “society of strangers” to Smith without direct citation, and using digital search

features available¹⁷, I cannot find that exact phrase used anywhere in TMS, nor can I locate it manually in the passages he cites in the footnotes or elsewhere in the same section. If Teichgraeber were correct, this society of strangers would seem to go a long way towards elevating us to the perfect, competing individuals that Morrow believed were the foundations of WN. However, I think Teichgraeber has read Smith's stoic leanings too strongly. Smith does agree with the Stoics that we learn to find tranquillity in any long term situation, and that tranquillity is necessary for happiness:

The never-failing certainty with which all men, sooner or later, accommodate themselves to whatever becomes their permanent situation, may, perhaps, induce us to think that the Stoics were, at least, thus far very nearly in the right; that, between one permanent situation and another, there was, with regard to real happiness, no essential difference [...] Happiness consists in tranquillity and enjoyment. Without tranquillity there can be no enjoyment; and where there is perfect tranquillity there is scarce anything which is not capable of amusing. (TMS. III. III. p.149.)

However, Smith does not appear to make the argument that Teichgraeber thinks he is making. When Teichgraeber quotes TMS (1971. pp.117-118.) for evidence that strangers provide a stronger, and preferable basis for morality than friends, he quotes selectively. In the first quote he provides, he omits several key parts of the paragraph which provide a very different reading to the one which he proposes. Below is the full paragraph, with parts quoted by Teichgraeber highlighted in bold:

The mind, therefore, is rarely so disturbed, but that the company of a friend will restore it to some degree of tranquillity and sedateness. The breast is, in some measure, calmed and composed the moment we come into his presence. We are immediately put in mind of the light in which he will view our situation, and we begin to view it ourselves in that same light; for the effect of sympathy is instantaneous. We expect less sympathy from a common acquaintance than from a friend: we cannot open to the former all those circumstances which we can unfold to the latter: we assume, therefore, more tranquillity before him, and endeavour to fix our thoughts upon those general outlines of our situation which he is willing to consider. **We expect still less sympathy from an assembly of strangers, and we assume, therefore, still more tranquillity before them,** and always endeavour to bring down our passion to that pitch, which the particular company we are in may be expected to go along with. Nor is this only an assumed appearance: **for if we are at all masters of ourselves, the presence of a mere acquaintance will really compose us, still more than that of a friend; and that assembly of strangers still more than that of an acquaintance.** (TMS. I. I. IV. pp.22-23. Emphasis Added).

17 These search features are available through the Liberty Fund's Online Library of Liberty. <http://oll.libertyfund.org> [Accessed 28/7/16]

The parts chosen by Teichgraeber suggest that Smith advocated shunning friendship in favour of strangers for the sake of tranquillity and composure. However, this is not quite what Smith is actually saying. We can see that Smith begins by talking about the mind in a “disturbed” state, i.e., where the passions are at fever pitch, when we are in the pangs of grief or seething with anger. He suggests that in order to return to a more tranquil state, we need to spend time with other people, and while it is true that Smith says that an “assembly of strangers” (rather than “society of strangers”) is the quickest way to regain tranquillity of the mind, he does not say that this is the only company conducive to tranquillity, or that we should for moral reasons cultivate an indifference towards those around us and construct a society of strangers. The second quote provided by Teichgraeber also does not help his case:

Are you in adversity? ... Live with strangers ... do not regulate your sorrow according to the indulgent sympathy of your intimate friends. (Teichgraeber. 1981. p.118.)¹⁸

The statement here amounts only to self-help advice, which is in much the same vein as the quote above. Smith tells us that friends will be too indulgent of bad moods, so we should get out into society to restore emotional balance. He does make a much stronger statement two paragraphs later, which links impartiality to proper regulation of the morals, providing much better evidence for Teichgraeber's argument:

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. III. p.154.)

However, this still does not tell us to shun friendship or intimate relations. He says that when we are in adversity we should for our own sake “return, as soon as possible, to the day-light of the world and of society” in order to lift our mood. Conversely, when things are going well for us, and our mood is lifted, we should go out into society to make

18 Teichgraeber again doesn't provide a citation, but it is located in TMS. III. III. p.154.

sure we have not lost our modesty and good character:

Are you in prosperity? Do not confine the enjoyment of your good fortune to your own house, to the company of your own friends, perhaps of your flatterers, of those who build upon your fortune the hopes of mending their own; frequent those who are independent of you, who can value you only for your character and conduct, and not for your fortune. (Ibid.)

Smith's advice is that while in misery we should get back out into the world as soon as possible to regain our tranquillity, in happiness we should share it beyond our social circle in order to stay grounded (ibid.). But neither amounts to a rejection of friendship in favour of cold inter-personal relationships. In fact, Smith thinks very highly of friendship, and claims that “mutual sympathy” and love are some of the most agreeable passions that can be felt (TMS. I. II. IV. p.38), to the extent that “even when they are acknowledged to be excessive, [they] are never regarded with aversion”. We might even feel that an excessively “generous and affectionate” friend is *too good* for the world, but we can never think them bad for it (TMS. I. II. IV. p.40).

Having said that, it's clear that Smith thinks that we become more tranquil, more quickly around people whom we don't know. The reason for this is that we want to feel “the Pleasure of mutual Sympathy” (TMS. I. I. II. p.13), as we do with our friends, so we need to lower our emotions to the point where even a stranger can sympathise. The better we know somebody, the more easily we can feel mutual Sympathy, and conversely the less we know somebody the more difficult it is, and the more tranquil we (both) have to become in order to sympathise with each other. But the tranquillity felt amongst strangers is cold, rather than agreeable. What we really want is the warmth of mutual friendship and the other “social and benevolent affections” (TMS. I. II. IV. p.38.), and we can only get there if we begin by feeling Sympathy for each other.

Therefore, it is *the desire for friendship* which leads us to restrain our passions amongst strangers. We lower our passions and seek common ground with them as a

starting point to achieve warmer relations and mutual understanding. Smith does not advocate spending time with strangers in society in order to break down social bonds and achieve an individualistic “society of strangers,” but rather to help us restrain negative passions for our own peace of mind and to ensure that we are still good people. This entails a balance between spending time with friends and spending time with others. Therefore, Teichgraeber's account is not only based on a highly selective reading of Smith, but it also places too much emphasis on the Stoic aspects of his work. The result is that rather than providing a basis for solving the Adam Smith Problem he unintentionally redefines the tension as being between the Stoic *eudaimonia* present in this tranquil and unsympathetic “society of strangers” and the desire for close friendship and love which is supposed to motivate us to use Sympathy and self-command to control our emotions. In other words, if Teichgraeber were correct, the “society of strangers” would bizarrely be founded upon the desire for friendship, and Smith's moral project would contain a huge internal tension.

A large body of work has developed either directly following or in parallel with Teichgraeber's account, all of it placing a strong emphasis on the Stoic aspects of Smith's work which divides life into two separate emotional zones: the economic and the moral. For example, Nieli (1986) coins the phrase “spheres of intimacy” to describe the idea that we don't sympathise with those we have economic interactions with. Similarly, Forman-Barzali (2005) links Smith's work to the Stoic's division between the *oikos* (private life) and *polis* (public life). Paganelli (2013) takes this a step further, arguing that Smith saw commercial societies as morally good because they foster a society of strangers where cool indifference leads to moral behaviour. All these readings emphasise Smith's views on how Sympathy and moral sentiments are weakened by distance to arrive at the conclusion that when interacting with others in the 'economic sphere' people act differently and as a result we can explain away any apparent conflicts. When I discuss

these readings in Chapter 3, I will make the case that although distance does play some role in Smith's work, there is no simple division between public and private life; when Smith said that perfection of human nature means “to feel much for others and little for ourselves” he did not specify that this meant only in our personal lives (TMS. I. I. V. p.25). However, all of these scholars have focused (broadly speaking) on one question which still requires an answer: how are we to reconcile virtue with commerce? Or to put it another way, can the “economic man” of WN be the virtuous man of TMS?

This leads us on to the second wave of responses to Raphael and Macfie's claims, which either pro-actively argue against full solutions to the Adam Smith Problem, or claim that only partial solutions exist. Spencer Pack for example, thinks that we need to entertain the hypothesis “that a part of Smith perhaps did not want the two books tightly linked up. Certainly, if that was a driving concern of Smith, then he would not have spent the last years of his life working in the government's tax department [rather than writing the long awaited discourse on Justice]” (1997. p.137). We must always be cautious when trying to assign particular motives to historical figures, but I think Pack is right to be tentative about this conclusion for three reasons. Firstly, it contradicts Smith's advertisement for the 6th edition of TMS, where he writes about his original plan for an overarching system, and that although his “very advanced age” left him “very little expectation of ever being able to execute this great work” he had “not altogether abandoned the design” (TMS. Advertisement. p.3.). Secondly, it is contingent on guessing Smith's priorities, and it is perhaps more likely that Smith believed he would do more good directly influencing government policy than he would by merely writing about it, given his emphasis on action over contemplation (See: Cropsey. 2001. pp.9-11.). Thirdly Smith was not simply a tax official, he was an advisor at the highest levels of the British government, something which I doubt many academics would turn down out of a preference to write another book on their work. Therefore, I will proceed on the

assumption that Smith did view his works as parts of a complete whole and that we have enough pieces of the puzzle in WN and TMS to construct the basic overall framework of his views.

1.6: Conclusion of the Chapter

The political unrest of the 18th century and the resulting duality of Smith's reputation has continued to shape how we read him today. The German Historical School, seeing Smith as an arch capitalist and standard-bearer of the British Empire, sought to drive a wedge between his two published works in order to explain, in their minds, why the economic policies of empire were so incompatible with the moral sentiments. They reached for biographical details in his life, and, knowing that he had spent time abroad, believed that this marked a reversal of Smith's views from a naive and optimistic youth to a hardened individualist in his later years. When notes surfaced which disproved this French Connection Theory, those that followed read WN as the German economists had, as a founding work in modern economics and liberal individualism, and sought to explain the apparent gulf between this and the moral sentiments in various ways. During the course of this chapter, I have distilled from these different approaches to the Adam Smith Problem three points that require clarification:

(1) What principles of human nature are the works committed to and do they contradict one another?

(2) What role does the invisible hand play, and according to Smith, to what extent can we rely on it to produce the greater good?

(3) Can the economic man of WN be a virtuous man according to TMS, and if so, how?

To answer the first question will be to solve the original “das Adam Smith Problem”, to answer the second and third will require destroying the caricature of Smith,

the 'High Priest of Self Interest'. The project for the rest of this thesis will be to use these questions to understand Smith's work on its own terms, to inquire right down to their philosophical foundations and to display Smith in a new light, presenting us not only with a solution to the modern Adam Smith Problem, but also a more accurate picture of his philosophy.

Chapter 2: Moral Judgement and the Virtues

2.1: Introduction

In this chapter, I will begin the investigation of questions (1), (2) and (3) by examining Smith's system of virtue ethics and moral judgement as presented in his first work, TMS. This will not by itself constitute a full answer to any of the questions posed above, but by the end of this chapter, we will have a good idea of what it means, according to Smith, to be a virtuous person, which will be necessary to answer question (3). Along the way we will discover many of his ideas regarding what constitutes human nature, which will be required for tackling point (1). I will also begin to make the case that, contrary to much of the modern literature on the subject, Smith did believe in God, and that providence plays a large role in his theory and his method.

Before approaching Smith's work directly however, I want to briefly examine the work of his teacher at Glasgow, Francis Hutcheson, as both his theories and his method of teaching are important for understanding the themes present in Smith's ethics. These themes permeate TMS, and are relevant both to his ideas on moral judgement and his ideas on "Nature", so must be explained first.

2.2: Smith's Teacher, Francis Hutcheson

No man can owe greater obligations to a Society than I do to the University of Glasgow. They educated me, they sent me to Oxford, soon after my return to Scotland they elected me one of their own members, and afterwards preferred me to [the chair of Moral Philosophy], to which the abilities and Virtues of the never to be forgotten Dr Hutcheson had given a superior degree of illustration (Adam Smith. Corr. 274. pp.308-309).

Francis Hutcheson was Professor of Moral Philosophy at Glasgow University from 1729 to 1746, during which time he distinguished himself as a remarkable teacher. His energetic style, his habit of lecturing without notes in English, rather than reading in Greek or Latin, and his personal magnetism endeared him to his students. Hutcheson himself felt that his role wasn't merely to instruct, but to mould and shape his pupils, to

prepare and direct them towards a moral life (Scott. 1900. pp.64-65.).

It was this exciting, energetic lecturer who taught Smith during his years at Glasgow University (1737-1740). The notes which Hutcheson lectured from at this time were published posthumously as the *System of Moral Philosophy* (Hereafter, *System*). It was these same notes which Smith appears to have taken as the basis for his own lectures, when he took up the same chair of Moral Philosophy over a decade later in 1752. Unsurprisingly, Smith's name appears on the Subscribers list for the *System* when it was published in 1755. The significance of this is hard to overstate, for as noted by both Cannan (1896) and then Scott (1900. pp.230-235), the structure of both Smith's Glasgow Lectures and WN are virtually identical to Hutcheson's *System*. Taylor (1965. pp.21-22) takes this a step further, and argues that if we look at the structure of Hutcheson's *System*, we find that Smith's entire body of work fits into the lecture plan of his former teacher. Specifically, TMS is seen by Taylor to cover the same ground as Hutcheson's *Book I: The Elements of Ethicks*, whilst Hutcheson's *Book II: Elements of the Laws of Nature* and *Book III: The Principles of Oeconomicks and Politicks*¹⁹ are covered in both WN and Smith's lectures, although the order of contents is reversed in the latter.

Whilst the influence of Hutcheson on Smith's economics is interesting, it is dealt with in depth by the above mentioned authors and is slightly outside the scope of this thesis. Instead I wish to focus on Hutcheson's moral philosophy, in particular his approach to the virtue of benevolence. This is important because it sheds light on the development of Smith's own concept of virtue, but also on the different concerns the two authors had and the different and indeed incompatible conclusions they came to.

Like Shaftesbury, Hutcheson was concerned with refuting the egoistic theories of

19 As we saw in Chapter 1, the word "economics" has changed meaning drastically since the 18th century, and this is a perfect illustration of how easily we can be misled by this. At first glance, we assume that the book is about *the economy* and politics, but actually Hutcheson is referring to rights and proper conduct within marriage and a household (Tribe. 2015. p.30.).

Hobbes, Mandeville, and their followers without appealing to the theories of their main opponents, the Rational Moralists like John Clarke and Archibald Campbell (Scott. 1900. pp.212-213). Instead Hutcheson turned to the analytic-synthetic method of Isaac Newton. Under this method, we begin by making observations and performing experiments to derive general conclusions (analysis) and then assume these conclusions as general principles from which we can derive further truths which were not evident from our initial observations (synthesis) (Newton. 2010. pp.404-405)²⁰. Newton himself had tantalisingly suggested there were implications for moral philosophy in the conclusion to the *Opticks*:

And if natural Philosophy in all its Parts, by pursuing this Method, shall at length be perfected, the Bounds of Moral Philosophy will be also enlarged (Newton. 2010. p.405.)

This idea is perhaps more than anything else the foundation of the Scottish Enlightenment, of which Hutcheson is sometimes called the “New Light”, “father” or even “prototype” (Scott. 1900. pp.257-261.)²¹, and certainly both he and his colleagues at the University of Glasgow took Newton's suggestion extremely seriously (Ross. 2010. pp.52-54.). Hutcheson was particularly impressed by what he saw as the mathematical beauty of Newton's ideas, which he attributed to the many corollaries that can be deduced from its simple principles (Hutcheson. 1726. p.38). His desire to emulate this can be seen most clearly in the opening lines to his *System*:

The intention of moral philosophy is to direct men to that course of action which tends most effectually to promote their great happiness and perfection; as far as it can be done by observations and conclusions discoverable from the constitution of nature, without any aids of supernatural revelation: these maxims, or rules of conduct are therefore reputed as laws of nature, and the system or collection of them is called the Law of Nature. (Hutcheson. 1755. p.1.)

Hutcheson's novel approach, and rejection of contemporary rationalist and egoist

20 The process is then repeated in an open ended manner, creating closer and closer approximations to the truth, although this is not carried out by either Smith (Montes. 2013.) or Hutcheson.

21 Scott views this as "farcical" given the eclectic nature of Hutcheson's investigations (Ibid. p.263.), but these phrases are still often repeated in reference to Hutcheson.

theories exposed him to criticism from both sides, and whilst he was not successful in defending his theories²², his approach opened a new way which Hume and Smith, broadly speaking, followed.

I will not attempt to fully explain here what Hutcheson's "Law of Nature" entailed, as the complexity and eclectic nature of his writings is such that Hutcheson himself seems to have had a lack of clarity in his own mind as to its structure. Symptoms of this are the deep inconsistencies between books, and sometimes even between chapters, as well as a lack of clarity around some key arguments. Frequently he appears to be aware of possible criticisms but unsure how to answer them. The *System* in particular was hastily modified in response to feedback from his friends, which in his own words resulted in him "adding confusedly to a confused book all valuable remarks in a farrago" (Scott. 1900. p.210.). As a result, it's very hard to catalogue his ideas accurately, or to resolve them into one coherent system (even more so than Smith); but in general Hutcheson's theories revolved around virtue conceived as performing actions which increase the happiness of others with no view towards one's own happiness or self-interest. In other words, completely disinterested benevolence is virtue.

Despite the *System* being his intended *magnum opus*, Hutcheson's focus on human nature can be seen in his earlier work, particularly the *Inquiry into the Original of Our Ideas of Beauty and Virtue* (1726) (Hereafter, *Inquiry*). As philosophers, he says, our most important goal is not understanding "Truth"²³, but "Human Nature, and its various Powers and Dispositions" (Hutcheson. 2008. Preface. p.7). At the forefront of his investigation are the "Senses", which received "Sensations". These "Sensations" we are told, are "Ideas which are rais'd in the Mind upon the presence of external Objects, and

22 Scott (1900. p.213.) provides an unattributed quote describing "one party milking the he-goat while the other held the sieve". The one party being the "Rational Moralists", the he-goat being Hutcheson, and the other party being the egoists. I shall leave the reader to interpret such graphic imagery.

23 I.e. the Revealed Truth of the Bible.

their acting upon our Bodys”, in receiving these ideas, our minds are passive with no power to prevent the perception (Ibid. I, I, I. p.19).

Similar types of sensations are grouped together into senses according, obviously, to how we perceive them (Ibid. II. p.19). Hutcheson follows Locke²⁴ in categorizing ideas as either simple or complex. Simple ideas are the ones which make up substances (i.e. the properties of objects in the world). For example, if we perceived a painting, the colours and shapes on the canvas are simple ideas. Complex ideas are combinations of ideas created by the mind which cause pleasure or pain in the person who perceives them (Ibid. III – VIII. pp.22-23). Following the same example, our emotional response to the painting and our understanding of what it represents, would be complex ideas.

Hutcheson categorizes the senses in the same way: simple ideas are perceived by the “External Senses”, which include the obvious senses like sight, sound, smell, etc.; however, complex ideas require separate “Internal Senses”. These Internal Senses are the main subject of Hutcheson's inquiry, and include the senses of Beauty, Harmony and Virtue (Ibid.). Crucially, he claimed that these senses have been provided to us by God, the “Author of Nature” and they play a specific role in promoting the greater good as well as our own happiness:

[A]s the Author of Nature has determin'd us to receive, by our external Senses, pleasant or disagreeable Ideas of Objects, according as they are useful or hurtful to our Bodys; and to receive from uniform Objects the Pleasures of Beauty and Harmony, to excite us to the Pursuit of Knowledge, and to reward us for it; or to be an Argument to us of his Goodness, as the Uniformity it self proves his Existence, whether we had a Sense of Beauty in Uniformity or not: in the same manner he has given us a Moral Sense, to direct our Actions, and to give us still nobler Pleasures; so that while we are only intending the Good of others, we undesignedly promote our own greatest private Good (Ibid. II, I. p.99.)

This “Moral Sense” implanted by God, detects selfless action and approves of it. However, it is also supposed to motivate us to perform similar actions without any appeal to our own “private Good” (i.e. Happiness). This of course is a difficult position to take –

²⁴ *An Essay Concerning Human Understanding*. 1690.

how can a sense motivate us? How can we be motivated to be benevolent without fulfilling a potentially selfish desire (i.e. the desire to feel benevolent, or the desire to feel the pleasure resulting from helping others), in which case are we truly being selfless?

In his early work, Hutcheson takes a hedonistic approach to motivation: sensations which we receive from the senses can be pleasurable or painful, with pleasure motivating us to pursue that which causes the sensation. Objects which give us pleasure confer “Advantage” or “Natural Good”, whilst rational agents who give us pleasure, we regard as being “Morally Good” (Ibid. II, Introduction – I pp.85-89.). For us to choose to be benevolent ourselves however, we need another source of motivation rather than pleasure (or we are not actually being benevolent), Hutcheson thinks that this is “Affection toward Rational Agents” (Ibid. II, III. p.101.). However, he also states that we require some level of “Esteem” towards an agent before we can feel affection towards them, and the more esteem we have for them, the more love/affection we feel and the more likely we are to be benevolent. Our esteem is related to how moral we perceive that person to be, and we feel less affection and even malice towards those we perceive as being evil (Ibid. pp.104-105).

This leads Hutcheson into the first of many problems with pinning so much upon motivation: by admitting that our love is dependent on esteem, and our esteem dependant on perceived moral goodness, i.e. observed benevolence, he seems to have unwittingly made benevolence a reciprocal arrangement. In other words, if you are benevolent to me, I will be benevolent to you. If benevolence exists in such an arrangement then it cannot be said to be completely selfless, as we do benevolent things only because we expect a return on that benevolence in the future, and people who fail to reciprocate are viewed as evil and no longer benefit from our good graces. Such an explanation sits well with Hutcheson's theory of motivation: when we receive pleasure from objects we desire them, when we receive pleasure from rational agents, we love them and reciprocate with benevolence. However, this contradicts his moral sense, because if we do benevolent

things on the expectation of receiving benevolence back, then we are motivated by our desire for pleasure, and his theory appears at risk of collapse into the egoism he wished to avoid (at the very least, it means that benevolence and virtue can only come from a position of anonymity such that it can never be repaid or expected to be repaid).

Hutcheson seems to have been very aware of the problems surrounding motivation, and according to Bishop (1996. p.288), it was his confusion over this point which was a contributing factor to his repeated changes and ultimate failure to complete the *System*. Bishop develops the problem further, adding to it that Hutcheson wanted there to be room to cultivate a moral character; something that would be difficult to explain if he were to hold that we all have a natural impulse towards benevolence. Bishop reads Hutcheson as having escaped the problem by appealing to three points:

(1) humans have a desire inherent in their nature to seek the approval of the moral sense, that is, to be virtuous; (2) the moral sense approves of the cultivation of virtue; and (3) the moral sense has natural authority, inherent in human nature, to regulate our desires. (Bishop. 1996. pp.288-289.)

These commitments allow Hutcheson to motivate benevolence through an innate disposition to seek approval from the moral sense, rather than an egoistic desire to collect the reciprocal benefits of being moral. They also allow him to explain the cultivation of virtue, and why we chose the moral sense over other desires. However, in doing so, Hutcheson also had to abandon his earlier hedonistic theory of motivation (*Ibid.*), and contradict his own work (cf. *System*. pp.7-9.).

Although this is perhaps the view Hutcheson was working towards, the *System* is littered with abortive attempts to solve the same issues. For example, he makes the following conflicting claims regarding the source of moral motivation: instinctive co-dependence, placed in us by a “superior hand” (pp.2-5.); an innate desire for the perfection of the self and our own happiness of the highest kind (selfishness) and a second

innate desire towards the “universal happiness of others”, rather than a desire to appease the moral sense (pp.9-10.); calm principles, seemingly borrowed from the Stoics that are to lead us towards understanding our impulse to be benevolent (pp.12-13.); the desire of praise (p.27.); and various other more or less plausible explanations. It is easy to see why Hutcheson considered this a “confused work”.

In a sense, this can be seen as the seed of the Adam Smith Problem – the apparent conflict between selfish and benevolent tendencies being played out between components of Hutcheson's and then Smith's own theory. And indeed, many of these loose ends left by Hutcheson in his attempts to solve the riddle of altruism were picked up by Smith, but put to different ends. Smith placed a great deal of importance on both the desire for our own and the desire for other people's happiness, and as we shall see below in Section 2.3.2, these sometimes conflicting desires he generalised into the virtues of prudence and benevolence. The stoic “Calm Principles” were replaced by “Self Command”, which Smith sees as a method of controlling our desires and actions towards virtuous ends. Self-command, and the issue of whether it is or is not a virtue, is discussed below in the same section. Finally, it is a desire not just for praise, but to be *praise worthy* which Smith thinks inspires us “with a real love of virtue” (TMS. III. II. pp.116-117).

The central role of benevolence and associated problems are not the only mark that Hutcheson left on Smith; the desire to see a Newtonian moral philosophy, built on natural laws also formed a central part of Smith's approach to moral philosophy. I discuss his Newton inspired but not Newtonian method of formulating the virtues below in Section 2.3.1 and Smith's debts to nature will become increasingly important in understanding both the invisible hand metaphor and the links between TMS and WN in Chapter 4.

In Summary, Hutcheson took a stand against the prevailing moral theories of his time – he rejected egoism by maintaining that there were principles in our nature which

motivated us to be benevolent, and at the same time rejected moral rationalism by insisting that these principles were in some way built into our nature rather than discovered by reason. He was also an energetic speaker and teacher who attempted to instil moral virtues in his pupils, and left a lasting impression on the young Smith. However, Hutcheson's systems were not without problems: the issue of motivation appears to have plagued him, and it was perhaps the flaws of his system that led Smith to develop his own system which, as we shall see, continued the aim of avoiding both rationalism and egoism, and continued to stress the place of Benevolence in the moral life.

2.3: Overview of Smith's Theory of Moral Sentiments.

How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortunes of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it. (TMS, opening line.)

The very first line of TMS (above) throws some light on the Adam Smith problem: We might be selfish, but we're clearly interested in others, and it is in the principles of human nature that we will find the beginnings of morality. Clearly there are serious problems with the common conception of Smith as a champion of selfish egoism. The book that follows this first claim is an astonishingly broad work, covering topics as diverse as fashion, morality, ethics, metaethics, the history of civilisation, God, and even the necessary conditions for the continuation of a society. It is therefore an incredibly hard work to examine and explain. To do so I shall present in this section a concise summary of the key points he raises, and in subsequent sections I will delve into his ideas on moral judgement, how he formulates the virtues, and his famous concept of the Impartial Spectator.

By declaring the desire to make others happy a principle of human nature, Smith

can immediately be seen to be building upon Hutcheson's attempt to escape both egoism and rationalism through nature and natural dispositions. Like Hutcheson, Smith thinks that there is a natural mechanism at play which forms the basis of our moral judgements, but unlike Hutcheson, he does not think that it is a "moral sense" built upon our existing senses. Instead Smith investigates what he calls "Sympathy", or what we today would refer to as "empathy"²⁵, which he sees as an imaginative process by which, upon seeing the state of another, we form a conception of *what we think we would feel* if we were experiencing what they appear to be (TMS I. I p.9.). The feelings, or "passions" as Smith calls them, that we feel either as a direct result of our own situation or in Sympathy for the situation of another are what motivate us to action. So when we observe another, Sympathy tells us what we imagine that we would feel in their circumstances, and from those feelings we extrapolate what we think we would do as a result. From this idea of what we think we would feel and how we think we would act, we judge other's behaviours and actions in two ways: first on how appropriate they seem to us given the circumstances, and second on the effects which they cause. Smith refers to the appropriateness as "Propriety", and the consequences of the action as deserving "Merit" or "Demerit" (TMS. II. I. Introduction p.67.). I discuss Sympathy, and moral judgement in further detail in the next section.

Although we are interested in the happiness of our peers, Smith does not place virtue exclusively in actions that increase the happiness of others. In fact, he is somewhat critical of the idea that we are very effective at increasing each other's happiness or well-being, claiming that "every man is certainly, in every respect, fitter and abler to take care of himself than any other person." (TMS. VI. II. I. p.219.). Marrying this Stoic viewpoint with Hutcheson's utilitarian principle of the greatest happiness for the greatest number, Smith arrives at a sort of agent relative utilitarian system – Nature has designed us to look

25 The word "empathy" did not enter the English language until the 19th century, so Smith's usage of the word "sympathy" instead is unsurprising. I will stick to Smith's terminology to avoid confusion.

after ourselves first and others second, and this is for the greatest happiness of mankind.

However, Smith was no egoist, and indeed shunned such views. Self-interest, that is, our desire to look after ourselves, does not equate with selfishness. To be selfish is to be a slave to one's own passions, constantly seeking to appease short term desires at the expense of our long term health or well-being and heedless of the views of others. Self-interest on the other hand means an enlightened regard for ourselves, looking after our own *best interests* rather than simply following our selfish desires. It includes keeping ourselves healthy, working hard for the future, and taking care of our reputation in society, which means regulating our passions so that our peers can sympathise with our actions and motives (TMS VI. I. p.213.). This regulated self-interest is constituted as a virtue: prudence.

Prudence, however, is limited in scope: it doesn't stop us from harming others (unless doing so harms our reputation or would result in punishment) nor does it promote the happiness of others, both of which Smith thinks are important for the health and happiness of society. So, rather than following Hutcheson in promoting a single virtue, he adds another two: justice, which means abstaining from harming others; and benevolence which fosters kindness between people. These three are supplemented by self-command, the ability to regulate our own behaviour, which occupies a crucial but slightly unclear position in the work. I discuss Smith's formulation of the virtues in section 2.3.2.

Judging our own actions so that we may measure ourselves against the virtues needs special attention in Smith's spectator-oriented moral system. Smith explains self-judgement through an internalised "impartial spectator", a semi-independent part of ourselves, designed by God, but learned through interacting with others. By adopting the view point of the impartial spectator we see how our actions (to a varying degree of accuracy) appear to others, using the same sympathetic method to judge ourselves from a

position which is less effected by self-love than our usual stand point. Section 2.3.3 goes into this in depth.

We can already see that this interpretation of Smith's work contradicts the common perception of Smith the 'economist', however along the way I will also present several objections to common interpretations of Smith's theory that are present in the current scholarship. I will summarise these contradictions and return to the three points of clarification raised at the end of Chapter 1, below in section 2.4.

2.3.1: Moral Judgement

Let us examine this theory in more detail, beginning with how moral judgements are formed and working our way towards Smith's account of virtue. As mentioned above, there are two components to a moral judgement: propriety and merit. But for the judgement to be formed, there must be at least two personae at play: first the "Originator," or moral agent, who experiences passions as a result of their situation and performs actions which are a response to those passions; second the "Spectator" who, as the name implies, observes the Originator/moral agent. The Spectator, when observing the moral agent, uses the imaginative process of "Sympathy"²⁶ (first mentioned above) to place themselves in the situation of the moral agent and feel some measure of what they think they would feel in that situation.

Smith is careful to point out that Sympathy tells us only what we think we would feel in that situation, and therefore it is neither just an empty reflection of the feelings observed nor a direct and accurate reporting of the other person's feelings (TMS I. I. I. p.12.). When we compare the results of the Sympathetic process to the emotions actually displayed by the moral agent, we form a judgement of how appropriate we think their emotions are, given the situation. This forms the first part of the moral judgement process,

²⁶ As noted in Chapter 1, I capitalise Sympathy when referring to the process in order to differentiate from the more common meanings of the word. Quotes directly from Smith will be unchanged (his capitalisation is haphazard).

which Smith called “Propriety”. Propriety is usually nothing more than approval based on us having the same sentiments reported to us via Sympathy:

To approve of another man's opinions is to adopt those opinions, and to adopt them is to approve of them. If the same arguments which convince you convince me likewise, I necessarily approve of your conviction; and if they do not, I necessarily disapprove of it: neither can I possibly conceive that I should do the one without the other. To approve or disapprove, therefore, of the opinions of others is acknowledged, by every body, to mean no more than to observe their agreement or disagreement with our own. But this is equally the case with regard to our approbation or disapprobation of the sentiments or passions of others. (TMS I. I. III. p.17.)

To summarise, propriety is defined as the agreement between the feelings and motivations displayed by the moral agent as a result of the situation they are in, and the feelings and motivations that the Spectator feels when they use Sympathy to place themselves in the situation of the moral agent. For example, if we hear from a friend that a close relative of theirs has died, Sympathy tells us that they should feel grief. If we were to observe them laughing and joking about their deceased relative, we would compare their joy to our Sympathetic grief and the disagreement between these feelings would cause us to view this as inappropriate behaviour. If we then discovered further information, that for example this relative was a thoroughly despicable person who had done deep and lasting harm to our friend, we might find our Sympathetic feelings in agreement with theirs, and as a result view their response as appropriate given the circumstances. There is a slight complication in that while most of what Smith has to say about propriety discusses it as a judgement on the relationship between the situation and the feelings of the moral agent, he occasionally uses it to talk about the relationship between their feelings and the action that they take as a response to or in order to placate those feelings. I will discuss this in detail later in this section.

The second component of moral judgement is merit. In judging the merit of an action we also make use of Sympathy, but this time, instead of Sympathising with the

situation of the moral agent who has taken some action, we as Spectators sympathise with the people affected by the action. Thus a third persona, unnamed by Smith, is introduced: the moral patient. If upon Sympathising with the moral patient, we think that the proper response to the action of the moral agent would be gratitude, we feel that the agent ought to be rewarded. If, on the other hand, we think the proper response would be resentment, then we think the agent deserves punishment. To have acted with “merit” is to be the “proper and approved object” of gratitude, whilst to have acted with “demerit” is to be the “proper and approved object” of resentment (TMS. II. I. I-II. pp.67-71.). Both gratitude and resentment stem from an innate belief that “As every man doth, so shall it be done to him, and in retaliation seems to be the great law which is dictated to us by Nature” (TMS. II. II. I p.82). In other words, an innate and natural belief that if you do something to me that makes me happy, I believe that you should be made happy in return (gratitude), and similarly when one causes harm (resentment). Smith thinks that these feelings are “proper and approved” by our nature, and that “every impartial spectator entirely sympathises with them” (TMS. II. I. II. p.69.). I’ll discuss this more below in Section 2.3.3.

Note that judging merit requires the same sort of thinking as judging propriety, i.e. we place ourselves, imaginatively, on in the situation of the moral patient, judging what we would feel given that the situation is a result of the actions of another. In doing so we also judge the moral patient's propriety, and may find the moral agent worthy of gratitude and the moral patient improper for their lack of such feelings (TMS. II. I. V. p.75.).

To reiterate: we have actions stemming from passions, and two forms of judgement, one based on the original passions which spurred the action and another based on the passions which would properly arise as a result of that action. However, this is not enough to judge everyday actions, because other people often go beyond what we would expect or fall short of it. For this we need to establish the praise-worthiness or blame-worthiness of both the propriety and the merit of the actions of others. In these cases, we have to re-

evaluate the propriety of the sentiment in terms of two standards, first “complete propriety and perfection”, which is an unattainable idea, second the common standard of how close most people regularly come to the level of perfection. To be closer to perfection than the majority of people is to be worthy of praise for one's propriety, to be further away, is to deserve blame (TMS. I. I. V. p.26.).

Smith isn't very clear on this point however, for if we judge a sentiment as appropriate merely by agreeing with it in the given situation, as it appears to be in TMS I. I. III. (p.17. quoted above) then what is perfection of propriety? It seems that judging an action to be appropriate in the basic case must mean holding another to the standard of behaviour that we expect of ourselves, and in these more complex cases we look beyond ourselves to some sort of wider standard. Smith returns to this idea of perfect propriety and merit later in TMS:

In estimating our own merit, in judging 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. p.247.).

Still it's not clear what perfect propriety is or how we form our ideas of it, or even why we switch standards in complex cases: why do we not simply compare all situations to both standard and perfect propriety, which we have presumably formed using the results of the Sympathetic process? Smith does not appear to have sought to answer these questions, perhaps being more interested in documenting how he thought people actually make judgements, rather than why, or how to perfect such judgements. He is however clearer when it comes to praiseworthiness and blameworthiness in cases of merit:

That seems blamable²⁷ which falls short of that ordinary degree of proper

²⁷ A rather obscure word now, Smith uses it to mean that which is properly deserving of blame, i.e. the polar opposite of praise-worthy. A modern synonym would be "reprehensible".

beneficence which experience teaches us to expect of every body; and on the contrary, that seems praise-worthy which goes beyond it. The ordinary degree itself seems neither blamable nor praise-worthy. A father, a son, a brother, who behaves to the corresponding relation neither better nor worse than the greater part of men commonly do, seems properly to deserve neither praise nor blame. He who surprises us by extraordinary and unexpected, though still proper and suitable kindness, or on the contrary by extraordinary and unexpected, as well as unsuitable unkindness, seems praise-worthy in the one case, and blamable in the other. (TMS. II. II. I. p.80.)

In other words, we expect a certain level of merit in the actions of every individual towards every other individual. The level of expected merit depends on the relationship between those individuals. Going above deserves praise and below deserves blame. Again propriety has a role in the judgement, but this time we are only looking for common propriety rather than perfect propriety.

Virtue however, is more than standard or even praise-worthy merit; “Virtue is excellence, something uncommonly great and beautiful, which rises far above what is vulgar and ordinary” (TMS. I. I. V. p.25). To be virtuous is to be admired and celebrated, rather than merely approved of (Ibid.). But what is admired and celebrated? There are two categories of virtuous action: (1) “The amiable virtues consist in that degree of sensibility which surprises by its exquisite and unexpected delicacy and tenderness.” (2) “The awful²⁸ and respectable, in that degree of self-command which astonishes by its amazing superiority over the most ungovernable passions of human nature” (Ibid). Some commentators, such as Teichgraeber (1981), have seized upon this classification and placed a great deal of emphasis on it, even going so far as to say that there are only two virtues in Smith's system. However, as we shall see in subsequent sections, there are three major virtues, benevolence, which clearly falls into the first category, and justice and prudence, which fall into the second. Self-command is also required but it is not clear whether or not it is, by itself, a fourth virtue.

This dual system of judgement in terms of propriety and merit provides a powerful,

28 Note that in the 18th century "awful" meant "awe inspiring" with no negative connotations.

if not completely well defined, toolkit for evaluating actions in different ways. Actions which have praise-worthy propriety and praise-worthy merit will obviously be approaching the level of virtue, and those that are both improper and not just “blame worthy”²⁹, but deserving punishment, are the worst of all. In the middle are actions which are either inappropriate but would seem to deserve praise, or appropriate but would seem to have harmful consequences, and the various combinations of these and praise/blame worthiness.

Smith sets out our responses to such cases as follows: when we observe merit without propriety in it, we cannot regard the moral agent as a proper object of gratitude but rather as someone who is foolish. Similarly, demerit (i.e. harm) with propriety we cannot see as a proper object of resentment, and so we cannot see such actions as deserving of punishment (TMS. II. I. IV. pp.73-74.). This means that personal failings can lead to good consequences but not virtue, and conversely actions which are undertaken with complete propriety but due to circumstance produce a harmful result are not to be considered deserving of punishment.

It would be helpful to illustrate this complex system of judgement with some examples, and although Smith uses a great many small examples and vignettes of particular features of his theory, he seems to have never thought to step back and apply it in its entirety to a situation. Perhaps the best example I have found for both clarity and for being grounded in Smith's work is from Robert Shaver:

Alexander the Great 'put Calisthenes to death in torture for having refused to adore him in the Persian manner' (VI.iii.32). According to Smith, I judge Alexander in two ways. First, I imagine what I would feel if I were in Alexander's place and was presented with Calisthenes's refusal. This act of imagination does not produce in me the affront Alexander feels, and when I do not react to the refusal as Alexander does, I judge Alexander to lack 'propriety.' Secondly, I imagine what I would feel were I in Calisthenes's place. I would feel resentment, and do so now, irrespective of what

29 Calling an action "blame worthy" is Smith's terminology and means something like "an action which causes the moral patient(s) and spectators to naturally feel animosity towards the agent", i.e. an action which harms us in some way would be "blame worthy".

Calisthenes actually feels (II.i.2.4, II.i.3.1, II.i.5.11). If I have found that Alexander lacks propriety, I now judge him guilty of 'demerit' and deserving punishment. (2006. p.189.)

Talking of Spectators and Originators in such terms is clearly a simplification: whenever we are in the presence of another, we are both Spectators of each other's actions, and the awareness that the other is judging us, just as we judge the other, causes us to rein in our opinions and feelings to what we think the other expects of us (TMS. I. I. III. & IV. pp.16-23.). Of course, if we did not care what others thought of us, we would not care for their judgement of the propriety of our actions, but Smith believes that the "pleasure" of "mutual sympathy", is strong enough to motivate us to seek it. The use of the word "pleasure" is interesting, as it implies a sort of meta passion and that raises the possibility of an infinite regress: if we observe another feeling pleasure from mutual Sympathy, can we Sympathise with that pleasure? If so can they Sympathise with the pleasure, we get from our Sympathy? Can we Sympathise again with that, ad infinitum? However, the actual description he gives of the operation of mutual Sympathy is somewhat different:

The sympathy, which my friends express with my joy, might, indeed, give me pleasure by enlivening that joy: but that which they express with my grief could give me none, if it served only to enliven that grief. Sympathy, however, enlivens joy and alleviates grief. It enlivens joy by presenting another source of satisfaction; and it alleviates grief by insinuating into the heart almost the most agreeable sensation which it is at that time capable of receiving. (TMS. I. I. II. p.14.)

In other words, rather than being pleasurable in itself, mutual Sympathy serves to lift other moods: positive emotions become more intense, while negative emotions are softened (TMS. I. I. II. pp.13-16.). Rather than seeking the "pleasure" of mutual Sympathy, it seems more accurate to say that we seek it to alleviate sadness and fortify happiness, and its power to do both gives us a strong incentive.

Before we move on, I have an additional comment on Smith's process of moral

judgement, because there is an additional difficulty with the operation of the propriety component. Smith's definition of propriety lies in the relationship between the sentiment of the Originator and their action. However, he seems to have overlooked part of the equation, for if there is a link from the situation to the passion, then the passion to the action and the action back to the situation, then there are actually three relations that we can examine. First the appropriateness of the passion the Originator experiences in his situation (propriety), second the appropriateness of the action performed in response to this passion (unclassified), and third the degree of reward or punishment fit for the consequences of the action (merit and demerit). We might suppose that Smith simply rules out the idea that the action can fail to match up to the sentiment which causes it, which he could do by claiming that human beings act entirely deterministically based on the passions they feel in a given situation and the strength of those passions. However, he gives the following interesting example of propriety:

Upon many occasions, to act with the most perfect propriety, requires no more than that common and ordinary degree of sensibility or self command which the most worthless of mankind are possess of, and sometimes even that degree is not necessary. Thus to give a very low instance, *to eat when we are hungry*, is certainly, upon ordinary occasions, perfectly right and proper, and cannot miss being approved of by every body. (TMS. I. I. V. p.25. Emphasis added.)

Why would eating when hungry even qualify as propriety if the relation between sentiment and action is inflexible? To eat when hungry would just be a straightforward cause and effect relation in such a case. For propriety to get involved there must be some measure of choice in what action we take in response to our sentiments, and this is surely an example of the second relation. That is, the action seems to match up to the sentiment which causes it in the sense that the likely consequence of the action will effect the situation at hand in such a way as to alter the sentiment which first sparked that action. Conversely to take a bath when hungry would seem inappropriate as the action will fail to affect the sentiment of hunger. Neither propriety as a judgement of agreement with the

feelings felt in response to a situation, nor as a comparison to an ill-defined perfect standard of propriety, seem to account for this sort of judgement. Instead we seem stuck with judging it in terms of merit or demerit, but this does not appear to capture the problem: judging whether it deserves merit or not to take a bath when hungry seems to simply miss the point. It does not cause good or bad effects to take a bath in response to the feeling of hunger but rather is *ineffective* as a response to alleviating its motivating desire. Given that Smith uses such an example, and given that he describes it in the same terms, I think that he either hadn't thought of this distinction or intended propriety to cover both the relation between the situation and the sentiment, and the relation between the sentiment and the resulting action. However, it's also clear that we judge these relations somewhat differently: propriety of the first kind may take some skill and self-control, propriety of the second kind is merely a "common and ordinary degree of sensibility".

The confusion over propriety makes it quite a difficult concept to grasp clearly, but the most important point is that virtuous action requires not just good consequences, but appropriate feelings and actions intended to produce those consequences. And the corollary to this double (or triple if we see propriety as having two components) approval is that Smith's system is flexible enough to explain various ethical conundrums where good conduct can lead to bad consequences and vice versa.

In the next section I will discuss the virtues, but for now I want to linger on the point that Smith's theory of moral judgement revolves entirely around the interplay between people, and is founded in an interest in others, and an interest in the happiness of others. It is the happiness and unhappiness of others which makes us feel gratitude and resentment, by which we judge the merit or demerit of actions. This is already a far cry from Smith the 'High Priest of Self Interest'. This interest in others, and the Sympathetic process, which allows us some insight into their feelings, is understood by Smith to be

natural and common to all people. He illustrates his arguments for Sympathy with observations of how people act in everyday (for him) situations, such as how people flinch when they see another person being struck, or a crowd swaying and moving as they watch a dancer on a rope, or the discomfort which comes from seeing the “sores and ulcers which are exposed by beggars” (TMS. I. I. I. pp.9-11.). As we shall see, Smith views mankind as a social animal, society as a result of that social nature, and the virtues as the ties that bind society together and the natural laws that regulate behaviour.

2.3.2: Providence, Method and Formulating the Virtues

In the previous section I spent some time discussing the merit of actions and I mentioned Smith’s definition of Virtue as “excellence, something uncommonly great and beautiful, which rises far above what is vulgar and ordinary” (TMS. I. I. V. p.25). According to Smith, excellence in human nature is “to feel much for others and little for ourselves”, it is the indulgence of benevolence and restraint of selfishness. Thus virtue comes under two banners, the “amiable” and the “awful and respectable” (Ibid.). In this section I’ll discuss Smith’s pseudo analytic-synthetic method and how he uses it to arrive at the virtues of benevolence, justice and prudence, as well as an additional virtue-enabling trait of self-command.

Some of the confusion of the Adam Smith Problem, as noted above in section 1.5, was the theory championed by Morrow (1929) that TMS and WN were based on separate methods. The former, according to Morrow, was an (analytic) empirical work, beginning from observations and through induction ending in a theory of morality; the latter was a (synthetic) theoretical work, starting from abstractions of human beings and deducing conclusions. More recent work has begun to emphasise Smith’s veneration of Newton, and the desire to use the Newtonian method of synthesis and analysis to bring scientific order to the field of morality. For example, Montes (2013) examines Smith’s respect for and desire to emulate Newton, especially evident in his essay on the *History of*

Astronomy. T.D. Campbell (2013) has taken this a step further, arguing that Smith's methodology is empirical and that as a result TMS is essentially a descriptive work, the aim of which is to found a new science of morals. In other words, the “Virtuous Man” of TMS is not a blueprint for all to emulate, but merely a description of what people *actually respect*. Similarly, Forman-Barzilai has argued that Smith's intention in TMS was not to lay down a set of ultimate virtues for all to follow, but to describe and legitimise the morality of ordinary people and the role it plays in encouraging stability in the modern world (2010. pp.106-112.). This chimes with Smith's expressed views on moral philosophy in TMS: he thought that books of casuistry which try to set out exact rules of conduct for every situation “are generally as useless as they are tiresome.” Instead, moral philosophy should focus, like the “ancients” did, on “describing, in a general manner, what is the sentiment upon which all justice, modesty, and veracity are founded, and what is the ordinary way of acting to which those virtues would commonly prompt us” (TMS. VIII. IV. pp.339-340.). Smith certainly held Newton in high regard, and it is very likely that he set out to follow what he called the “Newtonian method” for didactic discourses when he wrote TMS; a method which he praised heavily in his *Lectures on Rhetoric* in 1763:

[I]n Natural Philosophy or any other Science of that Sort we may either like Aristotle go over the Different branches in the order they happen to cast up to us, giving a principle commonly a new one for every phaenomenon; or in the manner of Sir Isaac Newton we may lay down certain principles known or proved in the beginning, from whence we account for the severall Phaenomena, connecting all together by the same Chain. This Latter which we may call the Newtonian method is undoubtedly the most Philosophical, and in every science whether of Moralls or Naturall philosophy etc., is vastly more ingenious and for that reason more engaging than the other. (LRBL. 133. pp.145-146.)

The fact that Smith categorises “Moralls” with “Naturall philosophy” in the sciences is particularly interesting and we certainly see this approach in action in the very first line of TMS where he states his goal: to show that we are in fact interested in others for unselfish reasons. But this discussion is also very apt to mislead. When we in the

modern world think of science and Newtonian ideals, we think of a process of discovery, we think of accounting for phenomena in terms of their material and immediate causes. In short, we think of a secular process of understanding the world as it works, not what its final cause or telos might be. I think that this shift in attitude towards science may partially explain why several recent scholars have understood Smith as a predominantly secular or even atheist thinker who was uninterested in theological or what we call philosophical questions. T.D. Campbell for example, accepts that Smith viewed the world as designed by God (1971. pp.221-233.) but tries to relegate Smith's "moral opinions" to the outskirts of "the primary scientific nature of Smith's approach and purpose"³⁰ (2013. p.566.). Similarly, Kennedy (2013) attempts to show that Smith's references to God and providence were literary window-dressing that was "inevitable, given that neither [Smith] nor other figures in the Enlightenment knew enough to provide a secular, materialistic, and non-religious account of the origins of life and natural selection"³¹ (p.481.).

In contrast to this secular reading, Viner has argued that theology and science went hand in hand in the 17th and 18th centuries, and that it was the norm to consider scientific investigations as looking at the "secondary causes" which ultimately were part of the "final cause" of divine providence (1972. pp.1-26.). Newton himself had a strong sense of divine providence in his work (Oslington. 2012. p.433.), and considered God to be acting directly in nature in such a way that humans were capable of discovering's God's designs (Montes. 2013. pp.40-41.). Similarly, Becker has argued that belief in God was still central to 18th century philosophical discourse and that the Enlightenment represented an inversion of Christian dogma, where instead of examining the Bible and God to learn about the world, Smith's contemporaries sought to analyse nature to understand the mind

30 Campbell cites but does not quote Fitzgibbons, A (1995) *Adam Smith's System of Liberty, Wealth and Virtue: The Moral and Political Foundations of the Wealth of Nations*.

31 Note that what Kennedy suggests here is incorrect: materialist philosophy goes back as far as the ancient Greeks, and Smith's contemporary Hume is famous for scepticism about God, without feeling the need to provide a fully materialistic explanation of the origin of life.

of God (2003. pp.50-53.).

With this controversy in mind, we should be highly cautious with regards to speculating about what Smith privately thought: his personal papers were burned, and if he was an atheist, he seems to have kept such views entirely to himself. Trying to construct some analysis to prove that he was secretly an atheist seems to me to run the risk of, to paraphrase Jacob Viner, honouring our heroes with the views that we ourselves expound (1972. p.81). Or perhaps in more Smithian terms, wishful thinking that were they alive, our heroes would sympathise with our own views. Nevertheless, the question of Smith's theological leanings is of central importance to understanding his work, but to discuss it here would be to front load this thesis with many concepts that cannot be explained until I have discussed WN in the next chapter. Therefore, I will discuss Smith's view of Nature as a system and the role of teleology in that system in chapter 4, and I will defer discussing the evidence for Smith's private religious beliefs until chapter 5. My purpose in this chapter will be quite exegetical by comparison. By analysing how Smith builds the virtues in TMS, we will see that his method is not what we in modern times would call the Newtonian one; although it is analytic and synthetic, rather than building up his theory using the analytic method and then using the synthetic method to deduce corollaries, Smith actually uses both analytic and synthetic arguments to arrive at the same conclusions. More than that, his synthetic arguments carry a significant amount of theological and teleological content, which cannot be ignored.

Smith's pseudo analytic-synthetic method works as follows. First he deploys what I call the "empirical argument": starting from individual judgements and examples, he looks at the sentiments raised in those situations and then groups together the types of action which evoke those sentiments as virtues, effectively starting from moral judgement and working up. We have already seen some of his analytic approach in how he grounds his examples of Sympathy itself in his own observations of natural reactions to stimulus.

The second type of argument he employs is what I call the “teleological argument”. This is a synthetic deductive process, which starts with Smith's concept of Nature – planned, intelligent, and designed for our greatest happiness – and works deductively from this utilitarian purpose, often from historical examples or imagined histories, deriving virtues from the parts of human nature which promote society and happiness. The axioms which he works from, in particular Smith's attitude towards God, will be of central importance to Chapter 4, but this section will instead show these arguments in action, starting with the empirical argument.

In the previous section I set out how the judgement of the merit of an action is based upon two emotions which can occur in a moral patient in response to the actions of a moral agent: Gratitude, which is felt towards someone who aids the moral patient or improves their lives in some way, and resentment, which is felt towards those that harm the moral patient. We can also use Sympathy to enter into the situation of another moral patient and feel the gratitude or resentment which they feel (or should feel) when we observe their situation and judge both the action and the moral patient's response accordingly. But beneficial actions can be done accidentally or even begrudgingly, and harmful actions are occasionally necessary or even warranted by a situation, and in such cases we feel no gratitude for the beneficial effects or resentment for the harm done. Propriety therefore also plays a role in our judgement, and we can only feel the full force of gratitude towards an agent when we judge that their motivations were appropriate:

[W]hen the beneficent tendency of the action is joined with the propriety of the affection from which it proceeds, when we entirely sympathize and go along with the motives of the agent, the love which we conceive for him upon his own account, enhances and enlivens our fellow-feeling with the gratitude of those who owe their prosperity to his good conduct. His actions seem then to demand, and, if I may say so, to call aloud for proportionable recompense. (TMS. II. I. IV. p.73.)

In other words, for an action to be met with our full approval, it must stem from

proper affection (i.e. a suitable emotion felt in response to the situation). Conversely we only despise people for taking harmful, resentment causing actions if they do not appear appropriate, and do not blame them for taking an action which causes resentment if it is considered proper in the circumstances, for example, just revenge or self-defence (Ibid. p.74.). Two further sentiments follow on directly from gratitude and resentment: first, the actions seem to “call aloud for proportionable recompense”, i.e. we feel a desire to reward those who are the “proper and approved object” of gratitude and punish those who are the “proper and approved object” of resentment (TMS. II. I. II. p.69); second, we have a tendency to alter our opinions of people as a result of gratitude, viewing those who deserve gratitude/reward in a more positive light, and conversely despising those who deserve resentment/punishment (Ibid. pp.70-71.). Again, Smith supports all of these with examples and vignettes from everyday life.

Having explained this mechanism for judgement, Smith makes two interesting moves in his dialectic. First, in II, I, V, he suddenly clarifies (or perhaps redefines) propriety and merit:

As our sense, therefore, of the propriety of conduct arises from what I shall call a direct sympathy with the affections and motives of the person who acts, so our sense of its merit arises from what I shall call an indirect sympathy with the gratitude of the person who is, if I may say so, acted upon. (p.74.).

This much simpler definition means that if we can sympathise with the moral agent, then we feel that they acted appropriately; if we cannot feel the same feelings and motives that they display then we view the action as inappropriate. If upon sympathising with the moral patient we feel gratitude towards the agent, we view the action as deserving reward, and conversely if we feel resentment, we judge the action as deserving punishment. This new, clarified definition erases much of the confusion but also seems to render pointless a great deal of TMS Part I and the above discussion of propriety. It is perhaps symptomatic of a book written and rewritten across the course of his lifetime that such inconsistencies

exist, and I will not pursue the issue further since both definitions of propriety and merit essentially function the same way in terms of building up to the virtues. The second interesting change is that Smith begins talking about *virtue* rather than merit, Sympathy, and gratitude. This starts rather abruptly in Part II, Section II “Of Justice and Beneficence” chapter I, “Comparison of these two *virtues*” (p.78. Emphasis added.).

Smith's definitions of justice and beneficence (which he also refers to as “benevolence”) stem from his discussion of resentment and gratitude: the virtue of beneficence is based around actions which invite gratitude, the virtue of justice, which means abstaining from actions which provoke resentment (pp.78-82.). What he has done, without drawing a great deal of attention to it, is to group actions according to the responses which they provoke (gratitude and resentment) and then to classify these groups under virtues. This is what I call the “empirical argument” - starting with observed principles of human nature, categorizing the actions which provoke them and building up classifications until virtue is defined (more formally, this qualifies as extensional definition).

To re-iterate, in the case of benevolence (or beneficence) we have identified a sentiment – gratitude – which both motivates and identifies a certain class of actions. This class of actions we generalise into rules of conduct, which we judge others (and eventually ourselves) against, and actively following these rules becomes the virtue of benevolence. Smith doesn't try to exactly codify what actions cause gratitude and resentment (and by extension exactly what actions denote benevolence and justice), only noting that these responses “seem proper” when “every impartial observer” feels the same way about the action (TMS. II. I. II. p.69). This seems to leave gratitude and resentment as entirely context dependent, rather than strictly defined, which is consistent with his dislike for casuistry (TMS. VII. IV. pp.339-340.).

As mentioned previously, in contrast to the empirical argument, there is also a teleological one, starting from the design of “Nature” and how the design of nature requires the virtues in order to operate correctly. For justice and benevolence, Smith begins with the idea of mutual dependence in society:

It is thus that man, who can subsist only in society, was fitted by nature to that situation for which he was made. All the members of human society stand in need of each others assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship and esteem, the society flourishes and is happy. All the different members of it are bound together by the agreeable bands of love and affection, and are, as it were, drawn to one common centre of mutual good offices. (TMS. II. II. III. p.85.)

The flourishing of society, the ultimate state which a society can obtain, occurs when the virtue of benevolence takes a central role in human affairs. Smith’s description of a society where the “necessary assistance” we require of each other, is “reciprocally afforded from love [&etc.]” sounds almost like a gift-based economy, replacing currency with the “agreeable bands of love and affection” and a collectivist regard for “one common centre of mutual good offices”. We must be careful not to read this too strongly however, for Smith is certainly not a utopian socialist (his one reference to More’s *Utopia* is as disparaging as we might expect from the ‘father of capitalism’³²), and as we shall see below, people are simply too selfish for benevolence to hold all of society together. However, this quote does show that the utility of benevolence stems from the fact that it is required in the ideal society, which later in the same section Smith attributes to Nature personified: “Nature [...] exhorts mankind to acts of beneficence” (Ibid. p.86.) as part of ‘her’ design for a better society. This is a key part of Smith's teleological argument since it shows that Nature itself is portrayed as a conscious, loving organism, which desires the best for humanity and has placed the virtues within us to try and attain that goal.

The phrasing Smith uses in this section seems to be heavily influenced by Francis

32 “[To expect that free trade should ever be fully restored in Great Britain] is as absurd as to expect that an Oceana or Utopia should ever be established” (WN. IV. II. p.471.)

Hutcheson, who had believed that the “Author of Nature” provided us with (among other things) “a Moral Sense, to direct our Actions, and to give us still nobler Pleasures; so that while we are only intending the Good of others, we undesignedly promote our own greatest private Good” (2008. II, I. p.99.). Smith of course doesn't believe in a Moral Sense as such, but seems to have held on to this idea of an intelligently designed nature, placing principles in us which promote the greatest good for all. Notice that the argument here operates in a synthetic manner, but still serves to reinforce Smith's view that benevolence is a virtue, by showing that there is a utility to acting benevolently and that that utility stems from its role in promoting behaviour which tends towards the good society, rather than extrapolating corollaries from it. I'll discuss the role of nature and providence across Smith's work in Chapter 4.

A second important point is that “the necessary assistance is *reciprocally* afforded from love”; the reciprocity of feelings is a long running theme in TMS, and gratitude and resentment are by their nature reciprocal: do good things to me and I'll desire the same for you, and likewise if you do ill to me. “As every man doth, so shall it be done to him, and retaliation seems to be the great law which is dictated to us by Nature” (TMS. II. II. II. p.82.). This is a subject that Smith returns to again in part VI, when he re-emphasises the positive aspects of benevolence for the individual, saying that when we are the subject of gratitude or we perform a benevolent act, or even when we feel the benevolence of an act through Sympathy, it makes us happy (TMS. VI. II. pp.218-236.). Further, benevolence fosters benevolence, as our natural inclination to reward it ensures that “no benevolent man ever lost altogether the fruits of his benevolence. If he does not always gather it from the persons from whom he ought to have gathered them, he seldom fails to gather them, and with a tenfold increase, from other people” (TMS. VI. II. I p.225.).

The idea that benevolence is conditional seems to be an extension of the concept of “Esteem” which Hutcheson had set out in his *Inquiry*: the idea is that we desire good

things for those we hold in high regard, and bad things for those we view as evil, and hold a “small degree of Esteem” by default to all people as “Being[s] capable of Virtue” (2008. II, III. pp.104-105.). By embracing the reciprocal nature of benevolence, and explaining the act of being benevolent as fulfilling of a personal desire to make others happy, Smith sidesteps the issues and dilemmas that Hutcheson found himself irrevocably tangled in when he attempted to write his *System*.

As he did for benevolence, Smith presents a teleological argument for justice stemming from Nature's plan. Unlike benevolence however, justice is not merely for the promotion of a flourishing society, but absolutely necessary for there to be any society at all:

Society [...] cannot subsist among those who are at all times ready to hurt and injure one another. [...] If there is any society among robbers and murderers, they must at least, according to the trite observation, abstain from robbing and murdering one another. Beneficence, therefore, is less essential to the existence of society than justice. Society may subsist, though not in the most comfortable state, without beneficence; but the prevalence of injustice must utterly destroy it. (TMS. II. II. III. p.86.)

Justice's position as the “main pillar which upholds the edifice” of society makes it a much more important virtue to cultivate than benevolence, and because people, though naturally sympathetic, “feel so little for another, with whom they have no particular connexion”, justice is at particular risk of being infringed in the name of self-interest. Accordingly, “Nature” has done more than just encourage us towards it as “she” does for benevolence. Instead she has placed in us the conscience, which comes with a powerful sense of guilt and “those terrors of merited punishment which attend upon [justice's] violation, as the great safe-guards of the association of mankind, to protect the weak, to curb the violent, and to chastise the guilty” (Ibid.). I'll return to this issue of the diminishing of Sympathy at a distance, and the overwhelming power of justice below in section 3.3.3, but keeping on the topic of Smith's methodology, the way that he defends

his teleological view of justice is particularly notable for several reasons: first because he invokes general providence. Second that justice is shown to be based directly on the sentiment of resentment and enforced in human nature as part of Nature's plan stands in direct contradiction to Hume's views both on causation, and of justice as an artificial construction which we follow out of a respect for its utility. Finally, because Smith seems to almost pre-empt Kant's Categorical Imperative and argue against it.

Smith begins his defence of the teleological view of justice with the idea that nature is tailored for our benefit:

In every part of the universe we observe means adjusted with the nicest artifice to the ends which they are intended to produce; and in the mechanism of a plant, or animal body, admire how every thing is contrived for advancing the two great purposes of nature, the support of the individual, and the propagation of the species. But in these, and in all such objects, we still distinguish the efficient from the final cause of their several motions and organizations. (Ibid. p.87.)

He distinguishes final and efficient causes through several analogies. For example, while the motions of the digestive tract and other internal organs are necessary to support life, we tend to account for these motions in terms of the roles that they play in the systems of which they take part (their final cause), rather than the physical actions of those organs which cause such motions (efficient cause). Notably he uses the now famous watchmaker analogy, frequently attributed to William Paley in his *Natural Theology or Evidences of the Existence and Attributes of the Deity*, which was not published until 1802³³. Smith's use of the analogy does not appear to be intended as a proof of the existence of God, but rather works from the view that it is obvious that nature is designed in order to draw a parallel with human behaviour:

The wheels of the watch are all admirably adjusted to the end for which it was made, the pointing of the hour. All their various motions conspire in the nicest manner to produce this effect. If they were endowed with a desire and intention to produce it,

33 Viner (1972) p.16 claims that the analogy is far older, dating in fact to antiquity (if we take "clock" to be synonymous with any time keeping instrument).

they could not do it better. Yet we never ascribe any such desire or intention in them, but to the watch-maker, and we know that they are put into motion by a spring, which intends the effect it produces as little as they do. But though, in accounting for the operations of bodies, we never fail to distinguish in this manner the efficient from the final cause, in accounting for those of the mind we are very apt to confound these two different things with one another. When by natural principles we are led to advance those ends, which a refined and enlightened reason would recommend to us, we are very apt to impute to that reason, as to the efficient cause, the sentiments and actions by which we advance those ends, and to imagine that to be the wisdom of man, which in reality is the wisdom of God. (TMS. II. II. III. p.87.)

Smith views human beings not as rational agents who consciously create society, but rather components of society, whose very purpose is to facilitate its efficient operation. Viewing human nature from this perspective, it is incorrect to explain why we act in terms of intention and efficient causes, but instead we must examine what role those actions play in society. Therefore, if we try to explain the practice of the justice by saying that people recognise its necessity for society, that they naturally love society, and as a result they take a rational choice to act in accordance with justice, we confuse final and efficient causes. This appears to be an attack on Hume's classification of justice as an "artificial" virtue (Ibid. Footnote 1), but it is also a major assault against Hume's denial of final causes and a defence of teleology itself. For Hume, order came from inner self-regulation and growth, with no requirement for an external telos. Smith on the other hand sets out a monist view of the universe as a single all-encompassing system that has been designed by God, and argues above that to see it otherwise, especially to see the actions of mankind otherwise, is to confuse efficient and final causes (Hill. 2001. pp.8-10.).

Next Smith takes issue with a sort of argument that sounds a great deal like Kant's

Categorical Imperative:

But when we are asked why we should not act in such or such a manner, the very question seems to suppose that, to those who ask it, this manner of acting does not appear to be for its own sake the natural and proper object of those sentiments. We must show them, therefore, that it ought to be so for the sake of something else. Upon this account we generally cast about for other arguments, and the consideration which first occurs to us, *is the disorder and confusion of society which would result from the universal prevalence of such practices.* (TMS. II. II. III. p.89. Emphasis Added.)

Smith contends that universal considerations about what would happen if everyone acted in such and such a way are simply not what “first animates” us against “licentious practices”. He points out that “even the most stupid and unthinking” people “abhor fraud, perfidy, and injustice”, despite never having reflected on why these issues are destructive to society and their own place within that society (Ibid). Philosophising around the issue is a waste of time, as we're simply rationalising an in-built, natural process that has been designed by God and is universally enforced by natural human sentiments. Human reason simply can't compete.

If, as Kennedy (2013) suggests, providence was merely window dressing to a secular account, we would not find it playing a major role in the discourse. We would perhaps expect Smith to espouse Epicurean/Lucretian views of the universe and the world as transient, chaotic and hostile. A world where so much of the Earth is too hot or cold, or covered in inhospitable mountains and deep woods...

[...] And what is left to till,
Even that the force of nature would o'errun
With brambles, did not human force oppose, —
Long wont for livelihood to groan and sweat
Over the two-pronged mattock and to cleave
The soil in twain by pressing on the plough.
(Lucretius. *Of the Nature of Things*. Book V.)

Given the circumstances of 18th century Scotland, Smith would have been brave to the point of foolhardiness to publicly follow such arguments through to their conclusion that there is no benevolent designing hand. However, Smith rejects their very premise by taking the optimistic view that “every thing is contrived for advancing [...] the support of the individual and the propagation of the species” (TMS. II. II. III. p.87), and as we saw above he provides a strong defence of teleology. Crucially however, these arguments are not half-heartedly tacked on after he has made the empirical case. As we have seen, Smith uses these teleological arguments to attack rationalist accounts of morality, as well as his

contemporary and friend Hume (who did seem to espouse the Lucretian view), and in the process to justify his own account. We might at this point object that this could still be a cover used by Smith to protect himself from religious censure, but in Chapter 4 I will argue that teleological explanations are central to large parts of Smith's philosophy and in Chapter 5, I will make the case that we do not have compelling evidence that Smith was an atheist, therefore we should accept Smith's arguments essentially at face value.

By examining the virtue of justice, it appears we have found not only Smith's empirical account of constructing virtue from the avoidance of actions that provoke resentment, and his teleological argument that this has been implanted in us by Nature as a necessary condition for society, but also some insight into Smith's meta-philosophical views. Smith was not interested in constructing philosophical frameworks to account in a rational way for human behaviour, rather he saw the sentiments as a sufficient "efficient cause". For Smith, it is enough to say that we believe in justice because our sentiments provoke us to react negatively when we perceive injustice. The "final cause" of justice is that it is required for a functioning society, but like the cogs in clockwork who do not intend the watch to maintain the correct time, we do not in fact intend the good of society when we act justly.

There are two further attributes of justice that are of note. First, it is "but a negative virtue", operating in the opposite manner from benevolence in the sense that it is about avoiding certain actions rather than intending to perform them. Perfectly just conduct is both prevalent among many people and easy: "[w]e may often fulfil all the rules of justice by sitting still and doing nothing" (TMS. II. II. I. p.82). Second, "the rules of Justice are the only rules of morality which are precise and accurate" (TMS. VII. IV. p.327); whilst we may question whether an action was prudent or selfish, or whether it was benevolent or merely having the appearance of kindness, we cannot be in any doubt (when in possession of the facts) as to whether an action was a violation of justice. To illustrate,

Smith compares justice to grammar in that, like grammar, it can be taught as a set of rules, but adherence to those rules alone cannot make you a benevolent or prudent person, just as the rules of grammar alone cannot make you a good writer (TMS. III. VI. pp.175-176.).

So far we have two virtues, one concerned with making other people happy and the other with avoiding harming them, but the most contentious virtue, and one which plays a key role in understanding Smith's work, is the virtue of keeping ourselves happy, which he calls "prudence". When discussing prudence and its origin, there is an inseparable teleological aspect to Smith's argument, and he seems to have three final causes in mind when it comes to the virtue of prudence. First, Nature is seen to be teaching us how to look out for ourselves and avoid harm:

The preservation and healthful state of the body seem to be the objects which Nature first recommends to the care of every individual. The appetites of hunger and thirst, the agreeable or disagreeable sensations of pleasure and pain, of heat and cold, etc. May be considered as lessons delivered by the voice of Nature herself, directing him what he ought to chuse, and what he ought to avoid, for this purpose. The first lessons which he is taught by those to whom his childhood is entrusted, tend, the greater part of them, to the *same* purpose. Their principal object is to teach him how to keep out of harm's way. (TMS. VI. I. p.212.)

This personification of Nature, speaking to us through our sensations, seems almost motherly, and indeed this (natural) lesson of self-preservation is the same one taught to us by "those to whom [our] childhood is entrusted." Nature's teaching continues as we grow up, learn to plan ahead and develop the foresight of "preserving and increasing" our ability to procure pleasure and avoid pain, or what Smith calls our "external fortune" (Ibid.). Our financial situation, and our ability to procure pleasure are heavily dependent on those around us, so the second purpose of prudence seems to be to prepare us for society. For this end, Nature teaches us to take care of our reputation in society, our "credit and rank among our equals" which entails maintaining "our character and conduct" to ensure that others have "confidence, esteem, and good-will" for us. Prudence,

therefore, serves not just to look after ourselves but to make us avoid the ire of our peers (Ibid. p.212); as a corollary, "imprudence combined with other vices, constitutes the vilest of all characters" (Ibid. p.217). Finally, prudence is a driving force for industry. It teaches us to work hard at our profession and to properly study aspects of it that we would claim to understand in order to maintain our professional expertise (Ibid. p.213.). Prudence also prescribes 'steady industry' and careful investment in new enterprises (Ibid. p.215.).

To summarise, prudence is self-preservation properly directed and made into a virtue: We learn to avoid harm and seek pleasure, to seek the respect and esteem of our peers, to work hard and set aside for the future. All of this is aimed at our own security, "the first and the principal object of prudence" (Ibid. p.213.); the prudent man is a hard worker, but not a risk taker; he is not selfish as that would harm his reputation and standing in society, but neither is he "willing to subject himself to any responsibility which his duty does not impose upon him" (Ibid. p.215.).

We have then three virtues: justice, prudence and benevolence. But how is it that we go about becoming virtuous? To Smith, it is not enough to just know what virtue is, we also need to be willing and able to direct ourselves towards it and to hold course against our selfish passions:

The man who acts according to the rules of perfect prudence, of strict justice, and of proper benevolence, may be said to be perfectly virtuous. But the most perfect knowledge of those rules will not alone enable him to act in this manner: his own passions are very apt to mislead him; sometimes to drive him and sometimes to seduce him to violate all the rules which he himself, in all his sober and cool hours, approves of. (TMS. VI. III. p.237.).

In order to be virtuous then, these unruly passions need to be controlled, and this is the function of self-command. Self-command comes in two classes, the primary and most difficult to master are the command of fear and the command of anger; the secondary and easier is the command over the "selfish gratifications" (Ibid. 237-238.).

Self-command thus appears to be a requirement for virtue, but its role and nature is not consistent across TMS. Late in part VI, Smith quite explicitly places it as the fourth and principal virtue, above the others in its praise-worthiness but also in its ability to enhance other virtues; regarding it as “not only a great virtue, but from it all the other virtues seem to derive their principal lustre” (Ibid. 241.). However he immediately gives us reason to doubt that it fully qualifies as a virtue, by providing examples of self-command employed to very different, and even “excessively dangerous” ends, including “the most determined and cruel resolution to revenge” (Ibid.). In earlier passages, for example in VI, I, he portrays self-command in a supporting role, saying that in great people “all these [virtues are] supported by a proper degree of self-command” (TMS. VI. I. p.216.). This places self-command apart from the virtues, rather than amongst them. Similarly, in TMS part I, he defines one category of virtue according to “*that degree of self-command* which astonishes by its amazing superiority over the most ungovernable passions in human nature” (TMS. I. I. V. p.25. Emphasis added.), suggesting that it is a necessary condition for particular virtues, but not a virtue itself. Further, it seems implicit in his theory that benevolence is the chief virtue: it raises a society above the merely functional (TMS. II. II. p.86.); we cannot hate those who are too kind, we can only “regret that the world is unfit for [such kindness]” (TMS. I. II. p.40.); finally, the maximum benevolence possible, universal benevolence for all living things, whilst not the path to happiness, is implied to be the closest man can get to the divine (TMS. VI. II. III. pp.235-237.), which strongly implies that any other virtue, including self-command, is secondary.

It seems that depending on what part of TMS you emphasise, self-command could be considered either a requirement for virtue, a requirement for a specific category of virtue, one of the virtues, or the chief virtue from which all others flow. As a result, the status of self-command is subject to conflicting interpretations in the secondary literature. For example, Teichgraeber (1981.) agrees with the three virtues approach, as does

Haakonssen, who regards self-command as “a sort of meta-virtue that is presupposed in all the other virtues” (2006. p.17.). By contrast Hanley describes it as a unique virtue, emphasising the “degree of excellence” awarded to it and its ubiquity in the other virtues (2013. p.219.) Fleischacker goes further, saying that self-command is the “foundation of all virtue” in Smith's work (2004.). Shaver (2006) points out that Smith's commitment to self-command is perhaps even more problematic, as emphasis on it suggests that “[Smith's] virtuous person lives a tormented life, constantly defeating temptation”, including expressions of hunger and love (p.210.).

We should therefore note that this is an open question with contradictory answers in the source text, but I think that there is a way to construct a coherent understanding of the role of self-command if we're willing to be sympathetic readers (or enthusiastic philosophers) and undertake a slightly selective reading for the sake of seeing Smith's work as a coherent and defensible philosophical system. To this end, I suggest that we disregard Smith when he claims that self-command qualifies as a virtue or that it is the chief virtue, because if this were true, then Smith would have to describe some archetypically bad characters and actions as *virtuous*. For example, it would take a great deal of self-command to follow the rules of Machiavelli's *Prince*, yet it is troubling to call that virtuous. Worse, historical figures whom we would expect to call almost archetypically bad become paragons of virtue. For example, Stalin's chief executioner Vasili Blokhin, a man who calmly and methodically executed by pistol around 7000 Polish soldiers and officers during the Katyn Massacre. What astonishing self-control it must take to pull the trigger 7000 times and murder unarmed prisoners of war! But how could that possibly be virtue? We might, in a certain horrified way admit the incredible level of duty, belief and self-control Blokhin had, but how can that ever outweigh the

enormity of his crime?³⁴

This would not be a problem if Smith uses the term “virtue” in a technical way, which he does not intend to be read as a standard of good behaviour. However, Smith shows no sign of this in TMS part I where he defines two categories, or “sets of virtues”. First the “gentle” and “amiable” virtues of “condescension and indulgent humanity” and second the “great”, “awful”, and “respectable” virtues of “self-denial”, and “self-government” (TMS. I. I. V. p.23.). Self-command would seem to fall neatly into the second category, however, when we examine the passage in full there are complications:

As taste and good judgement, when they are considered as qualities which deserve praise and admiration, are supposed to imply a delicacy of sentiment and an acuteness of understanding not commonly to be met with; so the virtues of sensibility and self-command are not apprehended to consist in the ordinary, but in the uncommon degrees of those qualities. The amiable virtue of humanity requires, surely, a sensibility, much beyond what is possessed by the rude and vulgar of mankind. The great and exalted virtue of magnanimity³⁵ 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. The amiable virtues consist in that degree of sensibility which surprises by its exquisite and unexpected delicacy and tenderness. The awful and respectable, in that degree of self-command which astonishes by its amazing superiority over the most ungovernable passions of human nature.

There is, in this respect, a considerable difference between virtue and mere propriety; between those qualities and actions which deserve to be admired and celebrated, and those which simply deserve to be approved of. (TMS. I. I. V. p.25).

The first complication is that Smith’s language here is unmistakably normative: virtue *is* “excellence” it *is* “great and beautiful” it “rises far above” the ordinary and it *deserves* not only to be “approved of” but “admired and celebrated”. Therefore, if self-

34 There is a more troubling question about whether or not Blokhin’s actions constitute prudence in the sense that it was certainly within his long term, rational self-interest to do what Stalin ordered, even if it was a violation of justice. Smith denied that societies could exist where prudence and justice could contradict, on the grounds that a society must have respect for justice or it will collapse, therefore a violation of justice will always provoke censure and will therefore also be against prudent self-interest. It is unfortunate to say the least that history has proven him incorrect.

35 Magnanimity, despite Smith calling it a “great and exalted virtue”, does not receive a section of its own in part VI, so we may conclude that it is one of the many minor virtues which Smith frequently mentions and annexes under the three (or four) major virtues which he lists as the qualities of the “virtuous man”. Specifically, magnanimity here falls under the banner of self-command.

command is a virtue, it is something to be approved of, admired and celebrated. Second, we have the problem that it is the degree of self-command exerted which give the “awful and respectable” virtues their quality. This would seem to rule out self-command as a standalone virtue and reduce it to an enabling trait.

Some commentators on Smith have questioned the extent to which TMS as a whole should be considered normative. Of these, the most influential is T. D. Campbell, who claims that TMS is primarily a scientific work in which Smith sets out to explain how moral judgements are made, and therefore it is primarily (but not wholly) a descriptive work (1971;2013). If we follow Campbell, we should understand Smith as being committed to the claim that people in general do judge self-command as virtuous even though it can be applied to bad ends. However, Campbell himself admits that Smith’s defence of teleology and his grounding of the virtues in the divine plan, mean that Smith is implicitly committed to their normative value (2013. p.560.)³⁶. As a result, we cannot appeal to Smith’s method to make the case for a descriptive definition of virtue, and we cannot rule out the cases of self-command being used to commit evil acts.

There are other ways we could attempt to reconcile self-command and virtue, but I think that the simplest solution is to treat it as a requirement for virtue, rather than a virtue in its own right. Specifically, we have seen that Smith considers virtue to be “excellence, something uncommonly great and beautiful, which rises far above what is vulgar and ordinary” (TMS. I. I. V. p.25). We have also seen that this excellence comes in two categories, first, the “amiable” and humane virtues which focus on the feelings of others, and second, “the awful and respectable, in *that degree of self-command* which astonishes by its amazing superiority over the most ungovernable passions in human

36 Campbell is unwilling to follow this argument through to the necessary conclusion that TMS is in fact a normative work. Instead, he wishes to stress the “primacy” of the Newtonian (empirical) parts of Smith’s thinking. I don’t think that this helps his case, because if Smith really did believe in teleological causes designed by the “Author of Nature”, then he would expect empirical investigations to yield not just descriptive facts, but also the divine telos of various systems and objects. This divine telos is by definition normative, and thus TMS cannot be seen as primarily descriptive.

nature” (Ibid. Emphasis added.). If we understand Smith as having only three primary virtues of justice, prudence and benevolence, then these categories of virtue suggest that the level of goodness we assign to prudent and just actions (which require restraining our selfish passions) depends upon the amount of self-command required, whilst benevolence (which looks outwards to the feelings of others) can be freely indulged without restraint or self-command...

And hence it is, that to feel much for others and little for ourselves, that to restrain our selfish, and to indulge our benevolent affections, constitutes the perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety. (Ibid.)

Thus self-command becomes an enabler for the virtues of justice and prudence (but not benevolence) and the above issues are resolved; the Machiavellians and Vasili Blockhins of history may have undertaken their crimes with impressive self-command, but they were violating rather than upholding justice and thus are not virtuous. This interpretation is supported by the fact that self-command seems to exist in a separate category of judgement: we judge the other virtues in terms of actions taken and Sympathy with the moral agents and patients, but with self-command, we judge the merit of the level of control displayed in restraining and controlling emotions. It is this difference which allows self-command to manifest in a negative way, whilst the virtues cannot: i.e. appropriately (that is, not too strong or too weak) benevolent, just or prudent actions are always good, because the actions and results will always be judged to be good; whilst an appropriate level of self-command could be applied to restraining emotions in order to carry out appalling crimes. What's more, the quotes above from TMS part I are some of the earliest written parts of the book, preserved by Smith through the various editions from the first in 1759 to the sixth in 1790. This suggests that they are more foundational in his work and his thought than the slightly confused attempt at clarification of the

virtues in part VI, which was added in its entirety for the sixth and final edition³⁷.

To summarise, I have shown how Smith uses two types of argument, the empirical to construct virtues from classifying natural reactions, and the teleological to deduce the same virtues from the designs of the “Author of Nature”. The three principal virtues are prudence, justice and benevolence, which play different roles in both nature's plan for society and the perfection of the individual. Finally, I have discussed the contradictory quality of self-command and have suggested that it is best understood as not itself a virtue, but a trait necessary for prudence and justice (but not benevolence) to function. In later chapters, this blueprint for the morally superior individual will clearly need to be shown to be consistent with Smith's views on commerce in the WN.

2.3.3: The Impartial Spectator

Smith's concept of moral judgement is, as we have seen, one that is entirely dependent on observation of, and Sympathy with, the feelings (or sentiments) and actions of other people, both as moral agents and moral patients. However, several objections to this system were raised in a letter to Smith from Gilbert Elliot³⁸ sometime during 1759, the same year that the first edition of TMS was published. The original letter has been lost, but we have Smith's reply (Corr. 40. pp.48-50.), in which he enclosed amendments intended for the second edition of TMS. Smith's own comment on the revision is as follows:

You will observe that it is intended both to confirm my Doctrine that our judgements concerning our own conduct have always a reference to the sentiments of some other being, and to shew that, notwithstanding this, real magnanimity and conscious virtue can support itself under the disapprobation of mankind. I should be glad to know how far you think I can make it still a great deal plainer, by a great number of new

37 That said, this is still a selective reading and to hold it we must ignore Smith when he extolls self-command as the highest virtue (e.g. TMS. VI, III. p.241.). I only suggest this as a coherent and kind reading which does not depart in essence from the source text. If we wish to be strictly true to the source text, we can only note the discrepancy and move on.

38 Elliot was an influential politician and a well-read intellectual, known to Smith probably through Hume, but also for political reasons: Elliot's role in the patronage system meant that he was one of several figures whom Hume's friends (including Smith) had turned to in their unsuccessful attempt to secure a professorship for Hume in 1751-1752 (Ross. 2010. p.112.)

illustrations. I would likewise beg of you to read what I say upon Mandevilles system and then consider whether upon the whole I do not take Virtue sufficiently independent of popular opinion. (Ibid. p.49.).

We can extrapolate from the above that Elliot's objection was roughly as follows: if we judge our own conduct by Sympathizing with external observers, then what constitutes good behavior will always be determined by the sentiments of those around us, which will be culturally dependent and therefore no objective standard of virtue is being consulted. As a result, TMS is merely a system of cultural relativism. If this is true, then a particular problem for Smith is that it seems possible for self-judgement to disagree with the judgement of the crowd, i.e., it's possible for somebody to do good deeds, and believe that they are doing good deeds, despite "the disapprobation of mankind" (and vice versa), yet the Sympathetic process cannot provide a good explanation of how this can be. The reference to Mandeville in Smith's reply may also suggest that Elliot brought up the problem of false virtue, whereby all one has to do in order to actually be virtuous (according to this system of Sympathetic moral judgement) is sustain a convincing enough *appearance* of doing good so that others give their approval and praise.

The problems of how self-judgement can be undertaken using Sympathy, how real virtue can be maintained in the face of condemnation from others, and how virtue can be independent of mere social convention seem to have plagued Smith. In response to Elliot, he made significant amendments to TMS III II for the second edition, and he continued to rework this section over the years, eventually splitting the discussion into two sections for the final edition³⁹. Therefore, we should keep in mind when examining self-judgement in Smith's system that his purpose is not just to show how self-judgement works, but also to show that there is a core of moral absolutism to his system, that our moral judgements are not entirely contingent on cultural circumstance, and that we are capable of separating the

39 See footnotes to TMS III, II. pp.128-130, and TMS III, III. p.134.

mere appearance of virtue from the real thing.

In order to try to anchor self-judgement in moral absolutism, Smith sets out a three tier self-judgement system, where each tier represents both decreasing partiality of judgement and closer correspondence to objective moral truth. The first tier is the expressed judgement of external observers, in other words, the actual praise/blame we receive in response to our actions. At best, the judgements that others level at us are an insight into how virtuous we are. However, Smith admits that external observers are prone to giving poor judgements, either due to being distracted or simply misinformed (Fricke. 2013. p.192.). Worse, they may have ulterior motives, such as flatterers giving undeserved praise to keep in our good graces (TMS. III. III. p.154.).

As a result of the (sometimes conflicting) praise and blame of other people, we “become anxious to know how far we deserve their censure or applause” and whether we really are those “agreeable or disagreeable creatures” which they tell us we are (TMS. III. I. p.112.). This desire for the moral truth motivates us to seek out the second tier of self judgement, which Smith calls the “impartial spectator” or “conscience”, and it involves turning Sympathy on ourselves to judge our own actions. Of course, Sympathy requires both a moral agent and a spectator, so in order to Sympathise with ourselves, we must somehow become our own spectator and view our own conduct “at a certain distance” (Ibid. pp.109-110.):

[W]e can do this in no other way than by endeavouring to view [our sentiments] with the eyes of other people, or as other people are likely to view them. Whatever judgement we can form concerning them, accordingly, must always bear some secret reference, either to what are, or to what, upon a certain condition, would be, or to what, we imagine, ought to be the judgement of others. We endeavour to examine our own conduct as we imagine any other fair and impartial spectator would examine it. If upon placing ourselves in this situation, we thoroughly enter into all the passions and motives which influenced it, we approve of it, by sympathy with the approbation of this supposed equitable judge. If otherwise, we enter into his disapprobation and condemn it. (Ibid. p.110.)

In other words, for us to judge how deserving we are of praise or blame we must undertake a three stage process: First, we adopt the perspective of an “impartial spectator” to our actions and sentiments, that is, a spectator who is not influenced by the self-love that we naturally feel for ourselves (TMS. III. III. pp.136-137.). Smith describes this change of perspective as a division of the self into two persons, such that “I, the examiner and judge, represent a different character from that other I, the person whose conduct is examined into and judged of”. The first “I” is the “spectator” and the second is the “agent” (TMS. III. I. p.113.). Second, having divided the self and taken the perspective of the spectator we judge the agent component of ourselves using Sympathy. If the spectator persona can Sympathise with the motivations and actions of the agent persona, then we approve of our actions from the perspective of the spectator. Finally, we return to our normal perspective as a moral agent and by Sympathising with the approbation of the impartial spectator, we feel approbation for ourselves⁴⁰.

This process allows Smith to explain self-judgement using the same conceptual tools that he applies to the judgement of others, but more importantly, he can explain how our self-judgement can differ from what others tell us. Other people could be flattering or insulting us, other people could be judging from limited information, but by adopting an impartial view of our own situation we can correct these errors in their judgement and view our true moral worth. However, the impartial spectator perspective is not steadfast in its impartiality. We often operate under the “mysterious veil of self-delusion”, spurred on by strong passions which seem justified at the time, but also by our unwillingness to see ourselves in a bad light (TMS. III. IV. pp157-158.)⁴¹. The impartial spectator can also be

40 It’s not entirely clear why we need this final step, because if we have adopted the persona of the impartial spectator, then we have already felt its judgement from a first person perspective. Smith himself is not always consistent on this point or the exact functioning of the mechanism. For example, he omits the third step a few pages later when he talks of splitting the self into two personae (TMS. III. I. p.113.). In addition, he often refers to the impartial spectator as ‘speaking’ directly to us, seeming to bypass the whole mechanism (e.g. TMS. III. III. III. pp.136-137.), but this can be explained as merely short-hand for the three step process.

41 Self-delusion presents particular problems for Smith’s optimistic theodicy, and I shall return to how it

“astonished and confounded” by the strong reactions of others, and our sense of our own praise or blame worthiness can be compromised as a result. In such circumstances, the last court of appeal is God, “the all-seeing Judge of the world”. God has a perfectly informed and perfectly impartial perspective, and according to Smith, we must have faith that He will judge us fairly in “the world to come” (TMS. III. II. pp.130-132.).

We have then, a sort of legal system within ourselves with layers of judgement and appeals, whereby we try to work out not just the praise/blame which we have received but the praise or blame worthiness of our own actions. However, for Smith to succeed in answering Elliot’s objections, he needs to explain where, if anywhere, moral absolutism underlies the process. Smith’s arguments to this end are not always clear, but I will draw together several parts of TMS to show that according to Smith, the moral sentiments are universal, impartiality is what is required for objective moral judgement, and people can tell the difference between flattery and real praise-worthiness.

I mentioned above that the impartial spectator process is taken up in response to others, in order to determine the extent to which we actually “deserve their censure or applause”. The problem with this, and what likely piqued Elliot’s interest, is that the impartial spectator, unlike Sympathy, is not considered by Smith to be an innate process which is activated automatically, but rather it is a process which we learn to adopt by interacting with others in society. Smith gives us a ‘feral child’ style example (although he does not use those terms), claiming that an individual who grew up entirely alone, without meeting any other human beings, would not even think about the idea of right or wrong and would not form a concept of self-judgement:

[H]e could no more think of his own character, of the propriety or demerit of his own sentiments and conduct, of the beauty or deformity of his own mind, than of the beauty or deformity of his own face. All these are objects which he cannot easily see, which naturally he does not look at, and with regard to which he is provided with no

mirror which can present them to his view. Bring him into society, and he is immediately provided with the mirror which he wanted before. ⁴² (TMS. III. I. p.110.)

We need to interact with others, to feel our emotional responses to their actions, and to see their reactions to our actions, in order to learn to consider the “beauty or deformity” of our actions and our own minds, and to acquire the concepts of merit and prosperity. As a result, acquiring an impartial spectator is a necessary requirement for gaining knowledge of the virtues (Fricke. 2013. pp.192-193.). But if the impartial spectator is learned from the “mirror” of society, if it is the “looking-glass by which we can, in some measure, with the eyes of other people, scrutinize the propriety of our own conduct”, then its judgements can only be reflections of the judgements we have witnessed being made and it is just an internalisation of social norms (TMS. III. I. p.112.). Therefore, the impartial spectator cannot offer judgements that transcend social norms, and cannot tell us what is “really” praise and blame worthy. If the impartial spectator is merely a mirror of the society we find ourselves in, and we gain knowledge of the virtues from our culture’s impartial spectator, then it would seem that Smith’s system is culturally relative, just as Elliot pointed out.

Several commentators have supported this view of Smith’s work (Campbell. 1971. pp.139-145.; Forman-Barzilai. 2010. pp.86-105), however, we saw above that Smith himself rejected this interpretation. So how can the impartial spectator be both a learned product of society and a source of culturally transcendent moral knowledge? The first clue is that Smith does not define praise and praise-worthiness in terms of cultural norms, instead he says that to be praise or blame worthy is to be the “natural and proper object” of feelings of praise and blame:

⁴² The idea of the human mind acting as a metaphorical mirror, and the metaphorical link between physical beauty and beauty of the mind, are lifted straight from Hume’s *Treatise*. Although Smith puts them to different purposes. (TMS. III. I. p.110. Footnote.; c.f. Hume. *Treatise*. II. II. V. p.365.).

Man naturally desires, not only to be loved, but to be lovely; or to be that thing which is the natural and proper object of love. He naturally dreads, not only to be hated, but to be hateful; or to be that thing which is the natural and proper object of hatred. He desires, not only praise, but praise-worthiness; or to be that thing which, though it should be praised by no-body, is, however, the natural and proper object of praise. He dreads, not only blame, but blame-worthiness; or to be that thing which though it should be blamed by nobody, is, however, the natural and proper object of blame. (TMS. III. II. pp.113-114.)

Smith does not explain exactly what makes an action the “natural and proper object” of praise/blame (rather than merely what is commonly praised/censured in particular cultural circumstances). However, his language here is similar to language that we encountered above: an action which is the “proper and approved object” of gratitude is benevolent, while an action that is the “proper and approved object” of resentment is a violation of justice. Smith’s explanation is as follows:

To be the proper and approved object either of gratitude or resentment, can mean nothing but to be the object of that gratitude, and that resentment, which naturally seems proper, and if approved of.

But these, as well as all the other passions of human nature, seem proper and are approved of, when the heart of every impartial spectator entirely sympathizes with them, when every indifferent by-stander entirely enters into, and goes along with them.

He, therefore, appears to deserve reward, who, to some person or persons, is the natural object of a gratitude which every human heart is disposed to beat time to, and thereby applaud: and he, on the other hand, appears to deserve punishment, who in the same manner is to some person or persons the natural object of a resentment which the breast of every reasonable man is ready to adopt and sympathise with. (TMS. II. I. II. pp.69-70)

In other words, an action being the natural and approved object of a sentiment means that human nature naturally produces that sentiment in all reasonable and impartial people who observe that action. If Smith means the same above with respect to praise, then for a moral agent to be the natural and proper object of praise, to be praise-worthy, means that a desire to praise that moral agent would be produced in any reasonable person who observed them impartially. If this is true, it implies two things: first, Smith thought that the moral sentiments were not culturally relative, which in turn means that the virtues that are directly related to the sentiments cannot be culturally relative; and second, that

impartiality makes a judgement more accurate simply by paying closer attention to the natural moral sentiments than any other feelings (such as self-love) that could lead one astray.

James R. Otteson has argued for the first of these two points, that Smith seems to have thought that virtues and vices are generally agreed upon across cultures and times (2004. p.254.). Otteson cites TMS V. II., aptly named “Of the Influence of Custom and Fashion upon the Moral Sentiments”, where Smith states the following:

[T]he sentiments of moral approbation and disapprobation, are founded on the strongest and most vigorous passions of human nature; and though they may be somewhat warped, cannot be entirely perverted. (TMS. V. II. p.200.)

In other words, the moral sentiments are uniform across all people, and so strong that they are not easily led astray by society. Accordingly, Smith claims that the disagreements across cultures about the “general style of character and behaviour” are minor (Ibid. p.209.). For example, a level of politeness which would be considered “effeminate adulation” in Russia might be thought “rudeness and barbarism” in France, a level of prudence which would be considered “excessive parsimony” in Poland might be considered “an extravagance” in Amsterdam, but these are only differences about the degree of a particular quality, not about the necessity of the quality itself. These deviations are as a result of the development levels of different societies and the level of hardship or prosperity being faced. For example, “savages and barbarians”, must cultivate the “virtues of self-denial” over the virtues of “humanity” due to the desperate hardships they suffer (Ibid. pp.204-205.). The situation is reversed in the “civilized” nations, which when not facing any hardship can become rather soft:

The general security and happiness which prevail in ages of civility and politeness, afford little exercise to the contempt of danger, to the patience in enduring labour, hinder and pain. Poverty may easily be avoided, and the contempt of it therefore almost ceases to be a virtue. The abstinence from pleasure becomes less necessary, and the mind is more at liberty to unbend itself, and to indulge its natural inclinations

in all the particular respects. (Ibid. p.205.)

This means that the virtues of self-command, justice, and prudence are valued most highly in nations with more precarious living conditions, while much wealthier nations can indulge themselves and cultivate benevolence more freely. Custom might sanction particular practices which are abhorrent and against the natural sentiments, such as infanticide in ancient Athens, but the “usual strain of men’s conduct and behaviour” can never be entirely out of step with the sentiments because society would immediately collapse (Ibid. pp.210-211.). This suggests that when we judge somebody from a different time or place, if we understand the circumstances of the society they inhabit or inhabited then we can deploy our own Sympathy and issue the same moral judgements that they did, because the moral sentiments upon which we base those judgements will be the same.

To summarise, culture can only affect which virtues are emphasised (“savage” vs. “civilized”), how the virtues are expressed (appropriate politeness in France vs. in Russia), and can only suppress them in narrow circumstances. As a result, Smith can claim that the virtues are transcendent of cultural norms and reject Elliot’s criticisms on the basis that there is no cultural relativism when it comes to the virtues, only their particular expression and emphasis due to circumstances. We might very well balk at this argument on the basis that morals across cultures seem to evidently differ, but we must remember that Smith viewed human beings as the component pieces of society, like the “wheels of the watch”, working towards a telos that they need not understand (TMS. II. II. III. p.87.). This telos, the correct functioning of society, is dependent upon the virtues: society must have justice to not descend into anarchy, it must have prudence to be industrious, and it must have benevolence to be happy. Therefore, Smith believed that any society that is not in decline must exhibit at least prudence and justice in some form, and

any happy (and advanced) society will cultivate benevolence as well⁴³.

I said above that there is a second corollary to interpreting Smith's concept of praise-worthiness as objective, and that is that the impartiality of the observer makes a judgement more accurate simply by paying closer attention to the natural moral sentiments than any other feelings. Accordingly, we have found that Smith believed that the moral sentiments are deeply ingrained and common to all mankind, and that moral disagreement can only be a result of partiality, lack of information, or a 'corruption' of the sentiments due to specific customs. This view is further reinforced by the link between impartiality, accuracy of judgement and the divine in Smith's discussion on the three levels of judgement: the "Author of Nature" has made us listen to the praise and blame of others in the first instance, thereby making each individual "his vicegerent upon earth, to superintend the behaviour of his brethren". The impartial spectator is a "much higher tribunal" that corrects these judgements of other people, it is the "great judge and arbiter" of our conduct, "demigod within the breast" (TMS. III. II. pp.129-130.). This divine aspect to the impartial spectator seems to be linked to its impartiality, and the partiality of others is a symptom of the 'ignorance and weakness of man':

The supposed impartial spectator of our conduct seems to give his opinion in our favour with fear and hesitation; when that of all the real spectators, when that of all those with whose eyes and from whose station he endeavours to consider it, is unanimously and violently against us. In such cases, this demigod within the breast appears, like the demigods of the poets, though partly of immortal, yet partly too of moral extraction. When his judgements are steadily and firmly directed by the sense of praise-worthiness and blame-worthiness, he seems to act suitably to his divine extraction: But when he suffers himself to be astonished and confounded by the judgements of ignorant and weak man, he discovers his connexion with mortality, and appears to act suitably, rather to the human, than to the divine, part of his origin. (TMS. III. II. p.131.)

While people can be weak and ignorant, and the impartial spectator can be swayed,

43 One can mount a similar defense on this idea based on the fact that morality is an evolved trait that has been selected for on a group level. Schliesser (2011) has argued that this is in fact Smith's view, and that all of this is merely necessary for continuation of the species. In Chapter 4 I will argue that contrary to this, Smith has a strong philosophical optimism which suggests that he does view the universal quality of virtue in a teleological rather than proto-evolutionary way.

God “can never be deceived” and his judgement “can never be perverted” (Ibid.). God therefore is the ideal impartial spectator⁴⁴, whose judgement the impartial spectator within us attempts to replicate by appealing directly to the moral sentiments. As a result, the impartial spectator offers superior judgement to the actual praise and blame given by society, and provides us with the ability not just to reject society’s judgement but actually undergo moral progress towards the correct, “natural” moral system.

Smith’s system is therefore saved from cultural relativity, but it is grounded in the perfect judgement of God and His designs for humanity. However, there are those who wish to read Smith as a secular, scientific thinker, and as a result need to provide some explanation which either shows alternative grounds for impartial moral judgement in Smith's system or embraces cultural relativism. I have already denied the latter sort of argument on the grounds that Smith edited TMS extensively to avoid such conclusions (See Above; Corr 40. pp.48-50; Broadie. 2006. pp.180-181.), but a possible secular absolutist reading is offered by Maria Pia Paganelli (2010; 2013). Paganelli has argued that Smith saw commercial society as a way of creating the distance between individuals, which is required for unbiased moral judgement, and that the “society of strangers” suggested by Teichgraeber (1981) was Smith's goal. I have already argued against Teichgraeber's reading in Chapter 1, but I will add here that Smith did not seem to view cool distance between people as conducive to moral education, in fact he cites private boarding schools as one of the causes of immorality in the ruling classes:

The education of boys at distant great schools, of young men at distant colleges, of young ladies in distant nunneries and boarding-schools, seems, in the higher ranks of life, to have hurt most essentially the domestic morals, and consequently the domestic happiness, both of France and England. Do you wish to educate your children to be dutiful to their parents, to be kind and affectionate to their brothers and sisters? Put them under the necessity of being dutiful children, of being kind and affectionate brothers and sisters: educate them in your own house. [...] Domestic education is the institution of nature; public education, the contrivance of man. It is

44 Playing the role of the “Ideal Observer” as in Firth’s theory (1952.), which was partly inspired by Smith (p.318. Footnote).

surely unnecessary to say, which is likely to be the wisest. (TMS. VI. II. I. p.222.)

It's interesting that we again encounter Smith's anti-rationalist streak: Nature has decided we should educate children at home so that they become moral, while man has attempted to educate them at a distance in centralised educational establishments. That the wisdom of Nature is so superior to the designs of man is a point I shall return to in Chapter 4, but it further confirms the arguments above that superior moral judgement involves return to “nature” and the natural sentiments which are designed by God and therefore superior.

In summary, I have argued for understanding Smith's system as a form of moral absolutism grounded in the perfectly impartial judgement of God and his perfect design for human nature which operates through the moral sentiments. Self-judgement forms a crucial role in this plan: we learn from others to consider our own actions from a less partial perspective, to cultivate within us an impartial spectator who approximates God's judgement and directs us towards the virtues even against the judgement of society.

2.4: Conclusion of the Chapter

In this chapter, I have built up a picture of the moral man of TMS: his actions are prudent, just and benevolent. He uses his self-command over the unruly sentiments to direct them towards the virtues, and has within him an impartial spectator which judges his own behaviour. All of these attributes are built up by Smith through his empirical arguments from instances of Sympathy. It is from the sentiment of resentment that we formulate the virtue of justice, the sentiment of gratitude gives rise to the concept of benevolence, and the desire for mutual Sympathy encourages us to lower our self-interest to a level which others can agree with, which becomes prudence, and the ability to control and direct our sentiments towards these virtues becomes self-command. It is from encountering and Sympathising with others in the ‘mirror of society’ that we learn to

consider our own actions, the “beauty or deformity” of our own minds, and form an impartial spectator within us which judges our conduct and teaches us to regulate our behaviour as a result. This understanding of human nature which places Sympathy at the heart of human interactions will need to be compared with the way in which human nature is presented in WN if we are to locate any deep contradictions which would provide the source of the Adam Smith Problem. This will form the substantial part of the next chapter.

In addition, we have encountered some aspects of Smith's philosophy which are important for understanding his overall framework, but which I also believe have been neglected in the literature surrounding Smith and the Adam Smith Problem. Firstly, although some recent work by Montes and others has shed new light on Smith's admiration for Newton and his hope of emulating Newton's achievements in physics in the field of moral philosophy, I have shown that Smith does not use the analytic-synthetic method in TMS. Instead Smith uses analysis and synthesis separately to reach the same conclusions. Secondly, while a great deal of scholarly work, starting with Teichgraeber, has been done on Smith's Stoic leanings, it has tended to over-focus on the virtue of Self-Command to the point of creating interpretations of Smith's work which are self-contradictory. I have suggested that instead we down-play Smith's most gushing praise of self-command and focus on its role in the virtues of justice and prudence. However, I do not want to give the impression of ignoring the Stoic connection. Instead, I think we need to look at the synthetic elements of Smith's method as being part of his Stoic approach to Nature as an ordered system with an ultimate final cause – or *telos* – which we are all, for the most part unknowingly, working towards. This will be the major part of Chapter 4, and my discussion of the invisible hand.

Chapter 3: The Wealth of Nations

3.1: Introduction

In this chapter, I will examine the central concepts of WN from two different perspectives: First, in terms of the overall purpose of the work, in the sense of what Smith hoped to achieve with it and the “system of natural liberty” which is the result of his lengthy and complex arguments. To do so, I will consult his *Lectures on Rhetoric and Bell Lettres* (LRBL) and argue that in WN we see a style of rhetoric which Smith recommended for convincing a hostile audience, I will then link this to his remarks on the legislative class in TMS to argue that WN is a book written to convince a government which he saw as uninterested in the greater good. Second, I will seek out the so called “economic man” who inhabits Smith’s system of natural liberty, in other words, the concept of human nature to which Smith commits himself in WN. This is necessary to show that the “economic man” is neither a limited abstraction of human nature compared to the 'moral man' of TMS as authors such as Morrow have argued, nor selfish to the point of immorality as the German Historical School thought (and as many modern economists have parroted). This will involve showing that the economic man operates on the same principles of human nature, and is quite capable of acting morally while contributing to the overall prosperity of the nation. Throughout, I will seek to show that both Smith’s conclusions and his resulting system are complementary to the moral system of TMS as discussed in the previous chapter.

I will not seek to undertake any in depth discussion of Smith's arguments for economic reform, first, because they are already convincingly explained by others such as Kennedy (2008) and second, because my purpose in these discussions will be to produce first answers to questions (1) and (3) which I raised at the conclusion of chapter 1, rather than to explain every facet of Smith's political economy.

3.2: Free Trade and the System of Natural Liberty

3.2.1: Smith's Goals for WN

As we saw in Chapter 1, there has been a tendency in the literature to see WN as a limited, theoretical work in which the economy is treated as an isolated system and the individuals that make it up are reduced to simple, self-interested agents. Donald Winch has suggested that this is symptomatic of a tendency to read Smith as the 'founder of economics' rather than an 18th century intellectual, and to see WN as a step along the path towards modern economics rather than a work in its own right and the culmination of his career (1978. pp.4-5). But when we examine the work as part of Smith's life, we see that it must have been just as much an expression of his overall philosophical views as TMS: He started work on WN to pass the time while in France in 1764 (Corr. 82. p.102.), but we know from Cannan (1896) that he had lectured on the same topics during his time in Glasgow in the early 1760s, and as we saw above in Chapter 2, he inherited that very lecture plan (and many of the ideas contained within) from his teacher Hutcheson. Therefore, we should not expect WN to start from radically different premises, but like TMS, for it to be a development of the same topics and ideas that interested (and sometimes confounded) Hutcheson.

Nevertheless, the tone of WN is very different to that of TMS. While the latter is conversational, often rambling, WN is highly structured, proceeding in each section from an introduction of concepts through various arguments and often historical examples to the conclusions that Smith wishes the reader to draw. The importance of this change of style is frequently overlooked; as we saw above in section 2.3.2, Smith used what he called a "Newtonian method" of didactic discourse (LRBL. 133-134. pp.145-146.) for TMS, meaning that he began with the main point that he set out to prove, that we are not entirely selfish and that we use Sympathy to look beyond ourselves, and proceeded to argue for those principles. In WN however, Book I discusses the relationship between

labour and wealth; Book II investigates the accumulation of stock and how it is employed to set labour in motion; and Book III describes the history of social progress towards the commercial society. It is only in Book IV that Smith discusses the mercantile system and finally, in the concluding pages before Book V, reveals what it is that he has set out to prove: that by repealing mercantile laws and opening the markets to foreign trade, a superior system of “Natural Liberty” will establish itself (WN. p.687). In doing so Smith seems to have adopted neither of the didactic methods set out in LRBL, but rather the “Socratic” method of rhetoric which he describes thus:

In this method we keep as far from the main point to be proved as possible, bringing the audience by slow and imperceptible degrees to the thing to be proved, and by gaining their consent to some things whose tendency they cant discover, we force them at last either to deny what they had before agreed to, or to grant the Validity of the Conclusion. This is the smoothest and most engaging manner. (LRBL. 135-136. pp.146-147.)

This style, Smith tells us, is most effective for dealing with a hostile audience who are prejudiced against what we want to convince them of (Ibid. 136-137. p.147.). Accordingly, we know from his correspondence that he did not view WN as just a series of philosophical observations, but rather as a “very violent attack [...] upon the whole commercial system of Great Britain,” and that he expected a very hostile response which, to his apparent confusion, he did not receive (Corr. 208. p.251.). Therefore, it makes sense that he adopted a style of argument specifically adapted for hostile audiences and designed to convince rather than just explain. What I want to suggest with this observation is that in writing TMS Smith intended only to produce a technical treatise on moral philosophy; however, with WN, his goal was not merely to write up a “philosopher's report of his fastidious enquiry into the process by which commerce had emerged again [after a long absence caused by the fall of Rome]” (Kennedy. 2008 p.6.), but to actively influence and change government policy in Great Britain.

Examination of Smith's life and his social contacts supports this conclusion: When

he returned to Kirkcaldy in late 1767 to devote himself to writing WN, he had already had several notable interactions with the movers and shakers in British politics. For example, Charles Townshend, stepfather to the Duke of Buccleuch, who had secured Smith's services as tutor to the young Duke (Ross. 2010. pp.158-161), had in 1766 been appointed Chancellor of the Exchequer under Prime Minister William Pitt the Elder. Townshend began using Smith as a special advisor on economic affairs while the latter was still in France with Buccleuch, and it is considered likely that Townshend was following Smith's advice in his ill-fated attempts to raise government revenue from the American colonies (McLean. 2006. pp.16-17.)⁴⁵. Smith also knew Lord Shelburne, then Secretary of State, Southern Department and it is an interesting historical footnote that Shelburne sought Smith's advice on an expedition to the South Pacific, which became the famous voyage of Captain Cook (Ross. 2010. pp.238-239.). It was to Shelburne that Smith wrote in early 1768 mentioning that:

Since I came to this country I have employed myself pretty much in the manner that I proposed. I have not, however, made all the Progress that I expected; I have resolved, therefore, to prolong my stay here till November next, perhaps, till after the Christmas holidays next winter. (Corr. 113. p.137.)

This letter has a twofold importance: first, we might have wondered why, if Smith wanted to influence the government, he decided to spend so very long in seclusion at his home at the other end of the country from Westminster writing WN, to which the answer is that he did not think he would spend the next 8 years working on it. Second, it shows that Smith had made his intentions known to the political establishment, suggesting that he had them in mind as a target audience before he left for Kirkcaldy⁴⁶.

Much of the polemic content of WN, and Smith's case studies, seem to have come

45 Although as McLean notes, Smith did not approve of the measures Townshend took to raise that revenue, which directly resulted in the Boston Tea Party and the American Revolution.

46 It is also entirely plausible that when Smith began writing WN in 1764 he had only intended to create a work detailing human nature and commerce, but as he was drawn into political circles, and witnessed the beginnings of the crisis in the American colonies, he became more interested in influencing politics and using his work as a medium with which to do so.

from 1773-1775 when Smith was back in London, finishing WN and observing the America situation as it came to a head (Ross. 2010. p.266.). Smith's friends encouraged him to publish, clearly expecting his work to influence the unfolding crisis, with Hume warning in February 1776 “If you wait till the Fate of America be decided, you may wait long” (Corr. 149. p.185.). As it happened, Hume did not have to wait long on either count: WN was published on the 9th of March, and America declared independence in July.

Judged as a financial endeavour, WN returned a reasonable profit and was well received amongst critics. Smith's publisher William Strahan doubled the initial print run to 1000 and it sold steadily, especially for such a dense work. A second edition was commissioned and appeared a year later, with a print run of 500. Smith's friends, especially the dying Hume, praised it highly (Ross. 2010. pp.287-288.). However, if we judge it in terms of being a political treatise aimed at influencing policy, WN was a runaway success both in Britain, where it deeply influenced the economic policies of Pitt the Younger (Mclean. 2006. pp.22-23.), and in the newly independent America, where it influenced several of the founding fathers and the American Constitution itself (Ibid. pp.100-108.).

Taking all of this into account, I suggest that we ought to view WN less as a book about the foundations of economic theory, and more as a book of its time, written to achieve certain goals, and this explains why several commentators – notably Morrow and Zeys – have seen methodological differences between TMS and WN and wondered why there is so little overlap between them. This can be understood by taking the view that they were written for different purposes using different structures, and that as a result, Smith did not dwell on human nature in WN as he had in TMS, but instead sought to convince his intended readers in the legislative class that changes needed to be made to the commercial system. In adopting this view, we do not need to admit of differences of

principle between the two books, and the rest of this chapter will be dedicated to showing the bridges between them.

3.2.2: The System of Natural Liberty

The bulk of Smith's "very violent attack" upon the mercantile system is made in Book IV of WN. Smith cleverly begins by setting out the aims of political economy which are, according to him, first "to supply a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves", and second to provide the state with a revenue for undertaking public works (WN. IV. Introduction. p.428.). He states that he will investigate two of the systems of political economy, first the mercantile system of Great Britain, second the agricultural system promoted by the Physiocrats. In accordance with the Socratic Method described above, at no point does he let slip that his purpose is to show that both fail to properly achieve their goals, and that he will suggest a replacement.

Smith deploys various technical arguments against British mercantilism, but the essence is that according to him, it is based on two false principles: first, that wealth consists in money (i.e. gold and silver), and second, that for a nation to grow wealthy it must maintain a "balance of trade" through restrictions and encouragements on various forms of trade to ensure that the value of its exports is higher than the value of its imports. Against this first principle, Smith shows that gold and silver operate as any other commodity, and importing more gold or silver than is required does not enrich the country but simply lowers the market value of those metals (WN. IV. I. pp.435-436.). Against the second principle, he argues that restrictions upon imports force capital at home to be deployed to produce things that could be bought cheaply from abroad, meaning that capital at home is not employed "to the greatest advantage" (WN. IV. II, pp.456-457.). Similarly, encouragements on exports that would not otherwise be attractive to foreign buyers don't actually increase the wealth of the nation. Instead, such

encouragements divert capital from more productive avenues and mean that the country is in effect taxing the people in order to subsidise industries so that their products can be exported at an overall loss. (WN. IV. V. pp.516-517.).

While the main rhetorical force of Smith's arguments concerns efficiency, there is also a suggestion that the result of mercantile policy is not merely inefficient, but unjust both on a national and international level. On a national level, mercantilism forces the consumers to pay higher prices for goods, sacrificing their interests to the interests of the “principal architects” of the mercantile system, the merchants and manufacturers (WN. IV. VIII. pp.660-661.). On an international level, the desire for gold and silver led to colonialism (WN. IV. VII, a. pp.561-564.), which Smith condemned on economic grounds as unprofitable, but also on moral grounds. Unlike many of his contemporaries, Smith did not regard native populations as morally inferior peoples requiring enlightenment, and as a result, he considered colonialism to be oppressive and harmful to the less developed natives (Van De Haar. 2013. pp.422-428.). I will discuss justice and the key role it plays in markets later in this chapter.

The second system that Smith criticises in Book IV is that of the French *Économists*, or Physiocrats. The physiocratic movement has now slipped into history, but Smith was deeply influenced by its founder Quesnay, whom he had met on his travels in France (as mentioned in Chapter 1). Smith praised Quesnay and his followers deeply, both for seeing that the real wealth of nations consists “not in the unconsumable riches of money, but in the consumable goods annually reproduced by the labour of the society” and for understanding that “perfect liberty” is “the only effectual expedient for rendering this annual reproduction the greatest possible” (WN. IV. IX. p.678.). While endorsing their aim of increasing liberty, Smith criticises them for their ill-formed view that commerce is “barren and unproductive” (WN. IV. IX. p.674.), and without saying it explicitly, he links the physiocratic preference for agriculture over commerce to the

policies of Imperial China, ancient Egypt and the various nations on the Indian Subcontinent which had all, according to Smith, effectively stunted their economic development through such policies (Ibid. pp.679-686.).

Having shown that the mercantile system of promoting home industry and restricting trade, and the physiocratic system of promoting agriculture at the expense of commerce are both ultimately flawed in their ability to develop the wealth of the nation, Smith finally comes to his alternative:

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain publick works and certain publick institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society. (WN. IV. IX. pp.687-688.)

In his replacement “system of natural liberty”, perfect liberty means that people may follow their own interests, and capital will naturally be deployed to the greater advantage of everyone, rather than to the advantage of the producers over consumers as in the mercantile system, or to the detriment of manufacturing and trade as in the physiocratic system. But what does Smith mean by “interest”? As we saw in Chapter 1, much of the prevailing mythos surrounding Smith centres upon the idea that in WN he endorses the “*homo economicus*” or “*economic man*” who requires nothing but rational self-interest to guarantee, via the invisible hand, the greatest good for all: universal

prosperity. So when Smith says here that under natural liberty, every man “is left perfectly free to pursue his own interest” does he mean the prudent self-interest of the moral man of TMS? Or does he mean the rational self-interest of a colder, more calculating “economic man”? If the former, morality is a prerequisite for the system of natural liberty, because the interests of immoral people would run contrary to the greater good of society (according to the teleological arguments Smith made in TMS) and therefore could not be entrusted with natural liberty. If the latter, we must evaluate WN as being based on different principles from TMS, either because they are aimed at different “spheres” of life, or because WN is a limited work designed primarily for polemic purposes. The rest of this chapter will be dedicated to dispelling the spectre of the “economic man” from WN, and showing how the system of natural liberty is not only efficient, but is in fact deeply linked to Smith’s ideas of virtue.

3.3: The Economic Man

The concept of the “economic man” was coined by John Kells Ingram in his criticism of John Stuart Mill's political economy, which he believed was based on an abstraction of man as a money-grabbing self-interested animal (Persky. 1995. pp.221-222.). Persky views Ingram’s characterisation as not quite fair but not quite wrong either, since Mill admitted of only four motivations for the economic man: accumulation of wealth, leisure, luxury, and procreation (Ibid. p.223.). In a sense, it is an anachronism to apply the term to Smith's work, but I am using it merely as a stand in for the prevailing interpretation both inside and outside the Smith scholarship that human nature as displayed in WN seems to lack any depth beyond self-interested action. My purpose in this section will be to show that the economic man of WN is not quite so detached from the moral man of TMS as is commonly thought.

3.3.1: The Division of Labour and the Propensity to Truck, Barter and Trade

Smith begins his inquiry with the now famous example of a pin factory, in which

ten workers each perform all of the steps required to make a pin from start to finish. Smith calculates that by splitting the process into simple repetitive tasks, and assigning one worker to each stage of the process, they can drastically improve efficiency, improving their output by an estimated 240 to 4800 times what it was originally (WN. I. I. pp13-14). The example illustrates the division of labour, a term which Smith uses to refer both to splitting up a complex process into simple parts (as in the pin factory), and to how individuals specialise into roles in advanced societies (such as farmers and manufacturers, but also "men of speculation" like philosophers) (WN. I. I. p.21). The more labour is divided, the greater the amount of work that can be done by the same people. The greater the quantity of work which can be done by the same people, the more can be produced with the same physical effort, i.e. labour (WN. I. I. p.22):

It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people. Every workman has a great quantity of his own work to dispose of beyond what he himself has occasion for; and every other workman being exactly in the same situation, he is enabled to exchange a great quantity of his own goods for a great quantity or, what comes to the same thing, for the price of a great quantity of theirs. He supplies them abundantly with what they have occasion for, and they accommodate him as amply with what he has occasion for, and a general plenty diffuses itself through all the different ranks of society. (WN. I. I. p.22)

In other words, increased efficiency of production leads to an abundance of goods, and every commodity becomes cheap and plentiful. Of course, Smith is speaking here in an abstraction, he didn't live in a barter society and neither do we, but as he goes on to explain over the course of WN book I, the result is the same. To briefly summarize his extensive arguments: The "real cost" of anything is the work required to produce it (WN I. V. pp 47-51), and since the law of supply and demand causes the actual price paid in the market to gravitate towards the real price (WN. I. VII. pp.73-75.), the division of labour causes the real and the market price of all commodities to fall. As a result, all goods and commodities become cheap and readily available and we enter a state of

universal opulence⁴⁷.

What is of particular importance to this discourse is that according to Smith this division of labour is, like the virtues, not a result of human wisdom, but rather a product of human nature. It is from “a certain propensity in human nature” that we are impelled to “truck, barter, and exchange one thing for another” (WN. I. II. p.25). According to Smith, we can see the division of labour take hold even in a tribal society, and he gives an imagined example where a member of a tribe who start out having to do all the tasks necessary to sustain himself, discovers over time that he is better at performing certain tasks, like making bows, than others in the same tribe. Such an individual will soon find that it is easier to cease hunting for themselves and specialise in creating bows which they can trade with the hunters for food (who themselves will find it easier to trade for new bows than to make new ones). “From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business, and he becomes a sort of armourer”, no longer having to hunt for himself (WN. I. II. p.27). Thus, the division of labour begins in the simplest society, springing from this natural propensity to trade, the essence of which is a simple bargain - “Give me that which I want, and you shall have this which you want” (WN. I. II. p.25).

In other words, it is a simple trade allows the division of labour to occur: if individuals can trade for the necessities of life, they can specialise and focus their labour on being good at one particular type of labour, then exchange the results of that labour for the results of other people's labour. The more of us there are working together, the more we can specialise (WN. I. III. p.31-36), and as we specialise, the division of labour

47 Smith is not entirely clear on what sort of opulence this is. The idea of a “general plenty” of whatever anyone “has occasion for” may suggest some sort of post-scarcity utopian ideal. I suspect however, that modern Europe qualifies as living in a state of “universal opulence” from Smith’s perspective; almost anything that an 18th century gentleman was likely to desire can be obtained cheaply and in bulk. From our perspective of course, this is not “universal opulence” because as Say’s law suggests, all the increases in production from Smith’s time have been met by equal increases in demand. See also: the “hedonic treadmill”.

improves efficiency of production and the wealth of society increases. According to Smith, it is this co-dependence amongst human beings which separates us from animals (WN. I. II. p.26).

Thus we arrive at the first principle of human nature specified by Smith in WN – we are all equipped with a propensity to trade with each other for mutual gain. We do so by determining what the other person wants in exchange for something that we want, and offering it in a simple, cooperative bargain.

3.3.2: Self Interest, Greed and Morality in Trade

Although we have established that trade is a cooperative venture, we still must account for the role of self-interest, as some commentators⁴⁸ have taken the famous 'butcher, brewer, baker' passage quoted below, to imply that Smith champions unfettered greed, rather than self-interest and trade for mutual benefit, as the engine which drives the economy.

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 to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens. (WN. I. II. pp.26-27)

In other words, when we truck, barter and exchange with them for the commodities they produce, we have to appeal to their self-interest and offer them that which they want in exchange (whether that is bartered goods or money). Only beggars come empty handed and expect to be given hand-outs. Therefore, it is individual self-interest that underlies our propensity to trade, and our propensity to trade enables the division of labour, which in turn is a necessary condition for universal opulence.

Whilst it would be entirely wrong to try to argue that self-interest is not the prime motivation for economic transactions, it would be incorrect to say that this example

48 E.g. Davenport and Morrow (1925). p.599, Smith, V, L. (1998).

shows either that Smith endorses unfettered greed, or that he believes that self-interest always leads to the greatest good (universal opulence). Against this first point, we may note that the self-interest of the butcher, brewer and baker is not greed, but cooperative self-interest, in the sense that it leads them to trade with us according to the rules of the simple bargain that we encountered above, and the result is to everyone's mutual advantage (Werhane. 1989. pp.673-674.). In other words, it is not a conflict between two selfish individuals trying to browbeat each other in the name of greed, but rather a process of reaching a mutually acceptable agreement.

The relationship between self-interest and universal opulence is rather more complex. The economic interests of the individual are tied to how they obtain their wealth, and according to Smith, this is derived from one of three sources: wages, rent and profit. Wages are the nominal price of labour, paid by employers to individuals for their efforts (WN I. V. p.51). Rent is paid to the owners of land for the privilege of using it for cultivation or production (WN. I. XI. a. pp.160-161). Profit however, is the wealth made by those with capital to invest in manufacturing or trading (WN. II. I. pp.279-285). Accordingly, the people are divided into three groups – labourers, landlords, and the merchants and manufacturers – and what is in the particular interests of these three groups is that which promotes their own wealth.

The wealth of the labourer is determined by his pay, which is governed by the demand for labour (WN. I. V. p.51). Therefore, the labourer is best compensated when demand for labour is increasing, as it does in a prosperous society, whilst his pay drops to subsistence levels when society is stagnant, and drops below that when the nation's wealth is decreasing. In other words, it is in the interests of the labourer that society prospers (although according to Smith, the labourers are rarely educated enough to know this), as the labourers' prosperity is directly linked to the nation's wealth (WN. I. XI. pp.264-267).

The landlords that Smith speaks of are not landlords in the modern sense of those who rent out property, but rather the landed gentry, who charged rent to farmers or businessmen who wished to raise crops or extract resources⁴⁹ from the land. The rent that the landlords charge is the “highest which the tenant can afford to pay in the actual circumstances of the land” (WN. I. XI. p.160). In other words, the landlord will always raise rents so that the tenant is left with “no greater share of the produce than what is sufficient to keep up the stock from which he furnishes the seed, pays the labour, and purchases and maintains the cattle and other instruments of husbandry, together with the ordinary profits of farming stock in the neighbourhood” (Ibid.). This means that the income of the landlord is directly and indirectly linked to the “every improvement in the circumstances of society”. Improvements in the efficiency of land usage will directly increase rents, because those using the land will produce more, and the landlord increases rent to compensate. Meanwhile, “improvements in the productive powers of labour, which tend directly to reduce the real price of manufactures, tend indirectly to raise the real rent of the land” (WN. I. XI. pp.264-267). This is because even if the landlord is receiving the same nominal rent, the cheapness of manufactured goods means that they can purchase more of them, i.e. the same amount of money goes further, so the real rent is increased.

Both the landlords and the labourers therefore, are dependent on the increasing prosperity of society for their own personal wealth, and their interests are aligned. However, when it comes to the merchants and manufacturers, the opposite is true:

The plans and projects of the employers of stock regulate and direct all the most important operations of labour, and profit is the end proposed by all those plans and projects. But the rate of profit does not, like rent and wages, rise with the prosperity, and fall with the declension of the society. On the contrary, it is naturally low in rich, and high in poor countries, and it is always highest in the countries which are going fastest to ruin. (WN. I. XI. p.266.)

49 In the exhaustive Book I, Chapter XI, Smith discusses the rent of farms, vineyards, coal mines and a great many other sources of land rent, many of which are not obvious to the modern reader.

What Smith means by this is that the profits of stock are highest when demand outstrips supply, and this is most commonly the case in nations that are poor, or are becoming poorer in real terms. Universal opulence, the desirable outcome for the other orders of society, means that goods are plentiful and cheap, and therefore the profits to be made from them are minimal. As a result, the self-interest of the merchants and manufacturers “is always in some respects different from, and even opposite to, that of the public” (WN. I. XI. p.267.). Indeed, “[p]eople of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices” (WN. I. X. c. p.145.). If the merchants and manufacturers are allowed to have their way, monopolies form, and prices are artificially raised. They will even go so far as to attempt to manipulate government and lobby for their own laws to “deceive and even to oppress the public” (WN. I. XI. p.267.). This is not in the interest of society at large, as it will harm the purchasing power of the labourers, and in turn harm the rental income of the landlords, thereby concentrating wealth with the merchants and manufacturers and doing nothing to progress society towards universal opulence (Ibid. pp.266-267.).

So how are we to reconcile moral self-interest as the underlying motive for self-betterment, which drives economic transactions, with self-interest as the motive that creates monopoly, and the associated concentration of wealth which Smith despises? We aren't, for Smith does not regard motives as in themselves moral (Mehta. 2006. pp.250-251). If we recall TMS, self-interest, properly restrained by justice and a regard for our status is prudence, a virtue, and as we have seen, WN allows for situations in which self-interest is not only *not good* but actively against society. Even the famous invisible hand, as we shall see in the next chapter, does not sanction self-interest in general⁵⁰. Smith's

50 The explanation of why this is, is complicated and needs to be understood with reference to Smith's teleology and his understanding of nature, so it requires separate and more in depth treatment than can be given here.

major commitment in WN is that self-interest is a driving force in trade, and he does not and need not commit himself to the idea that trade is *in itself* good, only that it is good conditional on the fact that it promotes universal opulence. However, this is not enough to dispel the problem, indeed it may make it worse: If we are to judge the moral worth of a trade based on whether it promotes universal opulence, then we are making an entirely different sort of moral judgement than the type made in our everyday lives according to TMS: rather than using Sympathy to enter into the passions of the trading parties and comparing them to our own, we seem to be invoking the utilitarian principle by asking if the trade promotes universal opulence or not.

Campbell and Ross (1981) note this dichotomy of judgement and use examples from Smith's life and correspondences to argue that when it came to policy advice, Smith was a “rule-utilitarian, or perhaps system-utilitarian” (p.73.) and made his arguments based on utility to Britain rather than individual moral judgements. If – as I suggest – we read WN as a book designed to influence government policy, then his reliance on utilitarian arguments with regards to what sort of trade should be done is unsurprising. However, while his main line of argument against “systems of preference and restraint” is that they pervert the course of universal opulence, Smith does not shy away from bringing moral criticisms to bear, especially when it comes to the injustices committed as a result of these systems.

There are two ways in which justice is linked to opulence in Smith's work. The first, as shown by Lieberman (2006.), is clearer in Smith's LJ, only part of which Smith used as a foundation for WN. In the early stages of Society, Smith observes, “government must be weak and feeble” and as a result cannot protect individuals from “the rapacity of their neighbours”, and “[w]hen people find themselves every moment in danger of being robbed of all they possess, they have no motive to be industrious” (LJ[B]. 288. p.522.). Similarly, even when government is strong enough to enforce justice, if it is in a

“barbarous state” and always at war with its neighbours, constantly under threat of hostile invasion, “it is next to impossible that any accumulation of stock can be made” (Ibid.). If stock cannot be accumulated, then the division of labour cannot occur and there can never be opulence, only subsistence (Ibid. 287-288. pp.521-522.). Justice, in the sense that it protects private property, is therefore a necessary condition for developing the market and attaining opulence, and is therefore the foundational role of government. However, as Smith notes in WN, this also means that government essentially exists to protect the rich from the poor:

Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have property against those who have none at all. (WN. V. I. b. p.715.)

In this capacity, government often becomes corrupted, distorting the justice system to serve its own interest or the interests of those that influence government. A large part of Smith's critique of mercantilism is that government was (and many would say that it still is) being used by the merchant and manufacturing class to unjustly impose their interests to the detriment of other social classes (Lieberman. 2006. pp.241-243.). Smith's language when he discusses the injustices of the colonial aspects of mercantilism is particularly forceful. For example, I mentioned above that Smith did not regard the native populations of colonial holdings as being morally inferior, and he describes their treatment by European empires as “injust” [sic] and “sanctified” by the pretence of bringing them Christianity (WN. IV. VII. a. p.561.). Similarly, he describes the European powers as “unjust” in their attempts to control their colonial trade, and criticises them for spending so much money to maintain their “oppressive authority” over colonial holdings (WN. IV. VII. c. p.628.). Perhaps his most striking and revealing remark however, comes after his discussion on restrictions over steel manufacture in Britain's American colonies:

To prohibit a great people, however, from making all that they can of every part of

their own produce, or from employing their stock and industry in the way that they judge most advantageous to themselves, is a manifest violation of the most sacred rights of mankind. (WN. IV. VII. b. p.582.)

The idea that the mercantile system violates “sacred rights” by restricting people in what they can and cannot invest in, shows how strong Smith's feelings were on the injustices of the system, but it also shows the second way that justice is linked to opulence: it is properly directed self-interest, restrained by justice which builds opulence most efficiently. By setting restrictions on individuals’ property rights, the mercantile system attempts to rig the market in the favour of particular groups of people. In his concluding remarks on the mercantile system, having listed various preferences and restraints on trade, and before he criticises them for being ineffective, he is quite clear about who is to blame in Great Britain:

It is unnecessary, I imagine, to observe, how contrary such regulations are to the boasted liberty of the subject, of which we affect to be so very jealous; but which, in this case, is so plainly sacrificed to the futile interests of our merchants and manufacturers. (WN. IV. VIII. p.660.)

These merchants and manufacturers of course acted in accordance with their own self-interest when they lobbied government for preferments (WN. IV. I. p.434.) and encouraged the colonial system itself (WN. IV. VIII. p.661.), but they have done so in a way which is contrary to justice. What this means for the economic man of the system of natural liberty, is that Smith did not expect him to be restrained by rational self-interest. Rational self-interest would often lead the economic man to corrupt the government for his own gain, as the merchants and manufacturers had in creating the mercantile system. Instead the economic man was to be restrained by a government that ruled not for the narrow interests of any particular group, but for the greater interest of all in accordance with the principles of justice and perfect liberty. What's more, the relationship between justice and opulence – as both the safeguard that allows stock to accumulate in the first

place, and the rule which keeps the interests of the orders of society in the market in check – was also explored by Smith in TMS. First, we may recall that man “can subsist only in society” and that society requires justice as it “cannot subsist among those who are at all times ready to hurt and injure one another” (TMS. II. II. III. pp.85-86.). Second, we see justice quite explicitly as the arbitrating force in the market:

In the race for wealth, and honours, and preferments, he may run as hard as he can, and strain every nerve and every muscle, in order to outstrip all his competitors. But if he should jostle, or throw down any of them, the indulgence of the spectators is entirely at an end. It is a violation of fair play, which they cannot admit of. (TMS. II. II. II. p.83.)

Justice therefore is critical to both the economic man of WN and the virtuous man of TMS. But what of the other virtues? The benefit of prudence to the economic man is obvious: if he maintains his reputation and applies himself industriously and carefully, wealth should follow. Indeed, prudence is so obviously a factor, that Smith considers it a background assumption when considering the interests of classes of people:

Though some particular men may sometimes increase their expence very considerably though their revenue does not increase at all, we may be assured that no class or order of men ever does so; because though the principles of common prudence do not always govern the conduct of every individual, they always influence that of the majority of every class or order. (WN. II. II. p.295.)

To conclude, the virtue of prudence is assumed and the virtue of justice required for the progression of opulence in Smith's system of natural liberty, and therefore both virtues are of foundational importance to WN, contrary to the idea that the market is in some way insulated from morality in Smith's analysis. Less obvious is the role of the highest virtue, benevolence, which does not feature so prominently in WN as in TMS. To understand why that is we must return to the sympathetic process which forms the foundation of Smith's moral sentiments theory, and the role Sympathy plays in trade.

3.3.3: Sympathy, Intimacy and Benevolence in Trade

As we have seen in the previous chapter, Sympathy is the starting point for morality: it is the foundation of moral judgement and self-judgement, and it is through Sympathy that we ultimately learn how to control our passions and act morally. In this section, I will discuss how Sympathy is effected by proximity, and the reliance of the virtue of benevolence on close, strong sympathetic ties between people, but I will also look carefully at how Sympathy works with respect to trade relationships, a topic largely neglected in the literature.

Sympathy in TMS is shown to be a highly complex mechanism dependent on many factors and the emotions displayed. For example, we sympathise more readily with grief and joy than with anger, which we can only sympathise with if we understand the whole situation. Similarly, when we observe physical actions, like a blow about to land on the limb of another, we react instinctively to “shrink and draw back” our own limb. We even sympathise with fictional characters and feel real joy at their triumphs and sorrow at their defeats (TMS I. I. I. pp.10-11.). But in one of his most vivid passages, Smith argues that even emotions with which we easily sympathise are dulled by distance:

Let us suppose that the great empire of China, with all its myriads of inhabitants, was suddenly swallowed up by an earthquake, and let us consider how a man of humanity in Europe, who had no sort of connexion with that part of the world, would be affected upon receiving intelligence of this dreadful calamity. He would, I imagine, first of all, express very strongly his sorrow for the misfortune of that unhappy people, he would make many melancholy reflections upon the precariousness of human life, and the vanity of all the labours of man, which could thus be annihilated in a moment. [...] And when all this fine philosophy was over, when all these humane sentiments had been once fairly expressed, he would pursue his business or his pleasure, take his repose or his diversion, with the same ease of tranquillity, as if no such accident had happened. The most frivolous disaster which could befall himself would occasion a more real disturbance. If he was to lose his little finger to-morrow, he would not sleep to-night; but, provided he never saw them, he will snore with the most profound security over the ruin of a hundred millions of his brethren (TMS. III. III. p.136.)

Even the most appalling disaster, if it occurs on the other side of the world, to people with whom we have no particular connection, will only interest us for a short time,

while even trivial difficulties in our own lives preoccupy our thoughts. The idea is striking and, in a world of rolling 24-hour news reports, demonstrably true. What this means for Smith's idea of Sympathy, is that it is effectively dulled by both social and geographical distance, to the point that it fails to operate when it comes to its role in lowering our passions, particularly self-love, to that "pitch" which others can go along with (TMS. I. I. IV. p.22.). It seems that when it comes to very distant people, whom we cannot see or easily sympathise with, self-love is the order of the day and the "feeble spark of benevolence which Nature has lighted up in the human heart" is simply not strong enough in many cases to counteract the "the strongest impulses of self-love" (TMS. III. III. III. p.137.). This would seem to suggest that morality fails entirely to regulate our behaviour with regards to very distant people, and therefore the Chinese, for example, are excluded from our (Western) moral considerations. However, even though the "man of humanity in Europe" is more intimately affected by small problems of his own than the lives of "hundreds of millions of his brethren" whom he cannot see, "human nature startles with horror at the thought, and the world, in its greatest depravity and corruption, never produced such a villain" that would actively sacrifice those millions in order to prevent a "paltry misfortune of his own" (Ibid. p.137.). The reason for this, according to Smith, is that even in cases where the moral patients involved are 'out of range' of Sympathy, the impartial spectator steps in, and reminds us that we are no more important than they are:

It is reason, principle, conscience, the inhabitant of the breast, the man within, the great judge and arbiter of our conduct. It is he who, whenever we are about to act so as to affect the happiness of others, calls to us, with a voice capable of astonishing the most presumptuous of our passions, that we are but one of the multitude, in no respect better than any other in it; and that when we prefer ourselves so shamefully and so blindly to others, we become the proper objects of resentment, abhorrence and execration. It is from him only that we learn the real littleness of ourselves, and of whatever relates to ourselves, and the natural misrepresentations of self-love can be corrected only by the eye of this impartial spectator. (Ibid. p.137.)

In other words, when it comes to distant people with whom we have no connection,

even moral people will struggle to feel enough Sympathy to be benevolent, but this does not mean that strong self-love takes over, that our relationships with distant others becomes morality free in a way that would exclude the market from moral concerns. Instead, the impartial spectator reminds us of our place in the world, and reminds us that we are no better than the distant other with whom we struggle to sympathise. Justice therefore is a sort of minimum bounds, it is the basic level of moral concern that the moral person shows for everyone, even beyond the limits of Sympathy. This tells us two important things about Smith's system: First, justice should always be present in our dealings with others, and second that Sympathy does have its limits and those limits are defined by how strong the connection is between people.

Sympathy is weakest for those whom we don't know and never see, and at the other end of the spectrum, it is felt in a strong and intimate way for those who are close to us in our lives, such as close family and friends, and as a result, we can feel almost as strongly for them as we do for ourselves:

Every man, as the Stoics used to say, is first and principally recommended to his own care; and every man is certainly, in every respect, fitter and abler to take care of himself than of any other person. [...] After himself, the members of his own family, those who usually live in the same house with him, his parents, his children, his brothers and sisters, are naturally the objects of his warmest affections. They are naturally and usually the persons upon whose happiness or misery his conduct must have the greatest influence. He is more habituated to sympathise with them. He knows better how every thing is likely to affect them, and his sympathy with them is more precise and determinate, than it can be with the greater part of other people. It approaches nearer, in short, to what he feels for himself. (TMS. VI. II. I. p.219.)

What this means is that Sympathy is only as strong as our social ties to another person: the strongest ties produce the strongest Sympathy, while weaker ties involve less Sympathy, and those with whom we have no actual connection, such as those on the other side of the planet, are very difficult to Sympathise with at all. Russell Niel calls this reading the “spheres of intimacy”; we sympathise and concern ourselves most with those closest to us, and our Sympathy decreases as the sphere of people widens and our

relationship to them lessens. Specifically, Sympathy and beneficent tendencies start with the self and extend outwards to the immediate family, then with declining strength towards more distant family, friends and so on as well as other types of people who we are inclined to sympathise with – such as the poor – and finally, a weak Sympathy for the entire nation (Nieli. 1986. pp.620-623.). According to Nieli this lessening Sympathy simply explains away the Adam Smith Problem:

Smith's moral philosophy and his economic theories are perfectly in harmony with one another to the extent that the self-interested acquisitiveness which he describes in the *Wealth of Nations* applies only to economic relations between people not otherwise bound to one another by intimate ties-between people, that is, from different intimate *Gemeinschaften*. Self-interest is seen as the order of the day in market transactions, though such self-interested activity, which is believed to have the practical effect of increasing national prosperity, is seen by Smith as closely related to such praiseworthy virtues as prudence, economy, and industry (Nieli. 1984. p.624.)

This interpretation certainly has a great deal of explanatory power: Any apparent lack of agreement between the principles of WN and TMS can be explained by the different 'spheres' they're intended for. In some ways, we might see this as development of the work of Morrow, but rather than viewing TMS as an analytic, practical work based on a complex view of human nature, and WN as a synthetic, theoretical work based on viewing human beings in an abstract way, we view TMS as encompassing the full spectrum of human relationships, and WN as one based on cooler, more distant relations in an impersonal market.

With respect to Sympathy, I think that Nieli is certainly correct, and the above quotes support this conclusion. However, with regards to how to approach the lack of benevolence in WN, I think he is right for the wrong reasons. WN does not treat individuals as operating outside of the intimate sphere, in the “*Gesellschaft*” or society to use Nieli's terminology, but rather looks at individuals as members of a class (Schabas. 2005. pp.14-15.) who operate according to “common prudence” (WN. II. II. p.295.),

which is a subtly different way of looking at things. Nieli's view suggests that there is a dividing line between intimate and public actions, and that the market only takes place in the latter, but what Smith actually does is assume that on a grand scale, prudence will be a constant driving factor in relationships between the social classes. When discussing society at such a level, and analysing class relationships, it is true that benevolence, being a more intimate affection, doesn't come into that level of analysis. However, that does not mean that Sympathy is switched off in trade relations, or that trade is insulated from the benevolent affections, and what I want to do is to extend the analysis of the spheres of intimacy to show that the economic man really is capable of benevolence. More than that, I want to show that Sympathy has an implicit role in trade. To do so, I first want to bring attention to a particular quote from TMS part VI:

Among well-disposed people, the necessity or conveniency of mutual accommodation, very frequently produces a friendship not unlike that which takes place among those who are born to live in the same family. Colleagues in office, partners in trade, call one another brothers; and frequently feel towards one another as if they really were so. Their good agreement is an advantage to all; and, if they are tolerably reasonable people, they are naturally disposed to agree. We expect that they should do so; and their disagreement is a sort of a small scandal. The Romans expressed this sort of attachment by the word *necessitudo*, which, from the etymology, seems to denote that it was imposed by the necessity of the situation. (TMS VI. II. pp.223-224.)

Nieli brings up the above quote (1986. p.621.) but does not analyse it or seem to see the significance of it with regards to spheres of intimacy. The fact that close relationships are a result of habitual Sympathy, and habitual Sympathy is a result of repeated, close contact, implies that any long standing or repeated contact with another person will bring that person into the intimate sphere. We will learn to sympathise with them and do so out of habit. This means that economic relationships are frequently forced into the intimate sphere out of the necessity of the situation (as above) but it also implies that economic relationships will tend towards becoming more friendly as the relationship continues and habitual Sympathy is established. The result of which will naturally be more benevolent

affections in the relationship.

Sympathy does however, play a far more foundational role in WN than has previously been noted by any scholar that I have encountered. If we return to the butcher, brewer and baker, example, where we address ourselves not to their benevolence but to their self-interest, all commentators seem to have overlooked the question of how we are to go about addressing ourselves to another's self-interest. The obvious and simple answer to this is Sympathy. We put ourselves in their place, we realise that they expect to be paid for their labour as we would expect to be paid for our own, and as a result we understand that the appropriate behaviour expected of us is to pay for their service. In the primitive society, where the hunter begins to trade his bows for food and starts down the long road towards commercial society, it must be Sympathy which alerts his fellow hunters that he wants something in return for the bows he produces (WN. I. II. p.27). “Give me that which I want, and you shall have this which you want” (WN. I. II. p.25) requires that I can escape my own self-interest and understand what you want, and have at least a basic level of Sympathy for you otherwise I would not know what to offer you⁵¹.

Sympathy must therefore apply to trade at a very foundational level, and that intimate Sympathy which fosters benevolence can take hold even in business relationships. All it requires is repeated dealings with the same person, and a “well-disposed” character. It is not central to our society, but then this is entirely consistent with TMS, where Smith describes benevolence as “the ornament that embellishes” society, which makes it happier rather than merely efficient (TMS. II. II. III. p.86.).

3.3.4: The Moral and Immoral Economic Man

We are now in a position to answer the third question I posed at the end of Chapter 1: Can the economic man of WN be a virtuous man according to TMS, and if so, how?

51 Applying here the idea that our sense of justice operates regardless of a lack of Sympathy to prevent one simply knocking the other over the head and taking what they want.

Far from the economic man of WN being a separate species, motivated only by greed and self-love, we can see that Smith expected him to act prudently and required of him that he acted justly. Additionally, we have seen that Smith accounted for how benevolence can come about in commercial relationships, but he did not expect it to come immediately, as he did not expect benevolence to occur commonly outside of the intimate sphere.

I have also gone beyond the existing scholarship to show that Sympathy is an underlying principle in both works, which brings us back to the first question I posed at the end of chapter 1: “what principles of human nature are the works committed to and do they contradict?” We have seen that both works view mankind as having a strong vein of self-interest tempered by the natural operations of Sympathy, and that justice is in both works necessary for the operations of society.

The difficulty we may have in understanding this view is the fact that Smith sees this injustice as in many ways inevitable. The merchants and manufacturers have wealth, influence and a superior knowledge of their own self-interest, which means that “an order of men, whose interest is never exactly the same with that of the publick, who have generally an interest to deceive and even to oppress the publick” are very frequently given the means to do so (WN. I. XI. p.267.). This tendency can be prevented from causing damage at a legislative level provided that the government is wise enough to be extremely careful about accepting policy proposals from this class of people (Ibid.). However, injustices cannot be prevented on an individual level when the merchants and manufacturers will ‘conspire against the public’ at every available opportunity, even when they meet “for merriment and diversion”. No just law can ever be drafted that prevents private meetings between individuals, all the government can do is refrain from encouraging them (WN. I. X. c. p.145.).

This leads us back to the second question I posed at the end of chapter 1, regarding

the role of the invisible hand and how far we can trust it to regulate the self-interest of individuals and to produce the greater good. This will be the subject of the next chapter. However, before embarking on that discussion I want to make the case that there is a stronger connection between the moral man of TMS and the system of natural liberty than has previously been recognised.

3.4: The Virtuous State

In this chapter, we have seen that several of Smith's criticisms of mercantile policy are not based on economic expediency, but on moral principle. We have seen that he attacks the violation of "sacred rights" entailed by a state directing capital against the wishes of its populace, and that his critique of colonialism is especially notable for its moral content and condemnation of the "injust" treatment of native populations. The implication is that Smith used his moral system when he approached problems of statecraft and politics, but what's more, and what has been entirely overlooked in the literature (as far as I can ascertain), is that his blueprint for the moral man is reproduced in WN as the structure of the system of natural liberty.

In chapter 2, we saw that the moral man of TMS has a prudent regard for his own wellbeing and security, a strong and strict sense of justice which prevents him from harming others, and a carefully cultivated benevolence for others, all of which he strives to achieve with the strict application of self-command. When it comes to his blueprint for the state, the system of natural liberty, we find these three (or four depending on the status of self-command) virtues reproduced in exactly the same relationship: the virtue of prudence becomes a concern for the security of the realm; the virtue of justice is explicitly the same, and becomes a matter of enforcing it upon the populace; the virtue of benevolence is expressed through public works which improve the society without producing (enough) economic gain to motivate private interests; finally the "sovereign" themselves takes the role of self-command, making sure that selfish private interests of

particular orders of society do not take precedence over the national good. The good sovereign, running the nation well, acts like the good man, but rather than 'restraining the selfish, and indulging the benevolent' passions within himself, the sovereign restrains the selfish aspects of society and indulges the populace with public works. Understood in this way, the system of natural liberty becomes not only Smith's blueprint for economic success, but also his blueprint for the virtuous state.

This explains why Smith levels moral as well as practical arguments against mercantilism and physiocracy. If the system of natural liberty is the virtuous state, then other systems can be seen not just as inefficient, but as the symptoms of a government which is either immoral in its failure to provide an 'exact administration of justice', or has a weak sovereign power that has not properly restrained the merchant classes, who become exactly akin to the 'unruly passions' of the individual who lacks self-command.

We might at this point object that if the moral aspect to his criticism of mercantilism, and the moral foundation for the system of natural liberty were important to Smith, he should have made them more prominent throughout WN. If we're willing to entertain the idea that Smith very much doubted the public spirit of the political establishment, then this can be viewed as consistent with another argument which I have made in this chapter, that WN is a rhetorical work written for the purpose of influencing the British Government. This is because to such people the moral arguments will lack weight; they are simply not interested in how much happiness will result from changing the government in particular ways. Therefore, Smith advises us, the best way to convince them is to appeal to their love of order and intricacy:

[I]f you would implant public virtue in the breast of him who seems heedless of the interest of his country, it will often be to no purpose to tell him, what superior advantages the subjects of a well-governed state enjoy; that they are better lodged, that they are better clothed, that they are better fed. These considerations will commonly make no great impression. You will be more likely to persuade, if you describe the great system of public police which procures these advantages, if you

explain the connexions and dependencies of its several parts, their mutual subordination to one another, and their general subserviency to the happiness of society; if you show how this system might be introduced into his own country, what it is that hinders it from taking place there at present, how these obstructions might be removed, and all the several wheels of the machine of government be made to move with more harmony and smoothness, without grating upon one another, or mutually retarding one another's motions. It is scarce possible that a man should listen to a discourse of this kind, and not feel himself animated to some degree of public spirit. He will, at least for the moment, feel some desire to remove those obstructions, and put into motion so beautiful and orderly a machine. (TMS. IV. I. p.186.)

In other words, if we appeal to the natural love of order and intricacy, even those who have little interest in the public good can be made to desire the smooth running of society, and the resulting happiness of all (Ibid. pp.186-187.). Taken together with his rhetorical approach to WN, this creates an interesting picture of Smith's political views: he desired to change the economic system of his time, he wanted the state to act in a more virtuous way for the good of everyone, but he saw the political establishment whom he needed to persuade as essentially uninterested in such endeavours and hostile to his suggestions. So he wrote WN, a book which carefully and methodically explored political economy, showing all the “connexions and dependencies of its several parts” and how mercantile policies were hindering the smooth operation of the “machine”. He described how removing those “obstructions” could be made to work, how the more wealth a society produces results in universal opulence, and how more wealth could be created by freeing trade and through “perfect liberty” of the individual. Finally, when his readers couldn't deny his conclusion, when they couldn't deny the beauty of the machine he proposed, he put forward his ideal: the system of natural liberty. Understood thus, WN has been appreciated for the wrong reasons. It is not the defining tome on the foundations of capitalism, it is a subtle and extremely effective piece of political rhetoric, designed to convince those who lack “public spirit” of the benefits of Smith’s ideal virtuous state.

3.5: Conclusion of the Chapter

In this chapter, I've made the case that if we understand WN as a book written for a

particular purpose, rather than as a philosophical investigation, then the apparent rift between it and TMS can be contextualised and seen as a difference of aims and style rather than underlying commitments. To this end, I've also set out to show that in his analysis of government and markets Smith does not deviate from the understanding of human nature which he argued for in TMS. There is, in other words no “economic man” of WN, operating according to a selfish rationality not assumed of the virtuous man of TMS – both books operate on the same view of human nature. As a result, we can see that several recent scholars have over-emphasised the limitations of Smith's Sympathetic process in order to try and incorrectly isolate the concerns of WN from the 'moral sphere' of TMS. Finally, I've shown that the system of natural liberty can be seen as the virtues of TMS scaled up to the size of a nation, and therefore the underlying philosophy that Smith is committed to is necessarily consistent between his works.

Chapter 4: The Invisible Hand and Nature

4.1: Introduction

It is probably not an exaggeration to say that the “invisible hand” is one of the most controversial phrases in economic theory. In Chapter 1, I briefly discussed a tendency in the economic literature to view the famous “invisible hand” as a principle of self-regulation within markets which operates when all agents within that market rationally pursue their self-interest. Understood in this way, it is a principle that morally underwrites selfish behaviour and guarantees the greatest good through 'trickle-down' economics. Raphael and Macfie, in their Introduction to TMS, argue that the invisible hand has its roots in an essentially Stoic idea of providence – the universe, designed for our benefit, will ultimately create that greatest good (pp.5-10.). Some recent scholarship on Smith has become rather reactionary with regards to both approaches⁵², and it has been dismissed as an “isolated metaphor” by Kennedy (2008. p.150) and as a “mildly ironic joke” by Rothschild (2001. p.116.).

In this chapter, I will show that although the invisible hand is not an all-encompassing doctrine, as the economists would have it, it does play a troublesome role both in TMS, where it seems to justify immoral behaviour via trickle-down economics, and in WN where it appears alongside enthusiastic praise for the merchant classes which is in stark opposition to much of Smith’s other commentary on their behaviour. In contrast to some recent scholarship, I reject the idea that Smith was secretly mocking the Stoics (Rothschild pp.131-134.), and will make the case that the only way to make sense not just of the invisible hand passages, but much of Smith's economic critique and ethical theory, is to understand him as appealing to essentially Stoic ideas of nature and divine providence.

52 Reactionary in the sense that contemporaries of Smith didn't comment on it at all. Then in the 20th century it became a central pillar for understanding Smith's work, and now there are many attempts to go back to the original status quo and see it as unimportant for serious scholarly analysis.

4.2: Led by an Invisible Hand

In order to make the case for viewing the invisible hand as related to Smith's concept of Nature, and the case for my reading of that concept, it will be necessary first to take a brief look at the relevant invisible hand examples in TMS and WN. The first reason for doing so, and the first reason to examine these passages carefully, is that as we saw in Chapter 1, they have been interpreted by economists in ways which are incompatible with Smith's moral sentimentalist ethics. In particular, Paul A. Samuelson, describes the invisible hand as a “doctrine” which “holds that, with each participant pursuing his or her own private interest, a market system nevertheless works to the benefit of all as though a benevolent invisible hand were directing the whole process.” (Samuelson, Nordhaus. 2010. p.665.). Similarly, Milton Friedman, in his *Capitalism and Freedom*, gives the invisible hand a universal and moral role. Friedman calls it “a fundamental misconception of the character and nature of a free economy” to say that corporate officials and labour leaders have any social responsibilities beyond maximising the interests of their shareholders and union members respectively. He invokes Smith directly and quotes part of the invisible hand passage to argue that instead we should focus on establishing a framework of laws that allow individuals to promote the greater good through following their self-interest (2002. p.133.). If either of these readings were true, no virtue other than prudence would be required on an individual level for society to produce the greatest good, and we would need to invoke a strong spheres of intimacy interpretation as Nieli does, in order to quarantine the market from the moral concerns of TMS. Unfortunately for this solution, the frequently overlooked first appearance of the invisible hand in Smith's published work appears in TMS part IV, as part of a discussion titled “Of the Effect of Utility upon the Sentiment of Approbation”:

The produce of the soil maintains at all times nearly that number of inhabitants which it is capable of maintaining. The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the

sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. **They are led by an invisible hand** to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species. (TMS. IV. I. pp.184-185. Emphasis added)

In a sense, this is a perfectly uninteresting statement: the rich landlord can only consume so much food; “The capacity of his stomach bears no proportion to the immensity of his desires, and will receive no more means than that of the meanest peasant” (Ibid. p.184.). Therefore, the excess produce of his estate is distributed to the people who work on it, and the result is that the land supports just as many people as it would if its ownership was divided up equally. However, what is interesting and has complex implications in our understanding of Smith, is that in giving the landlord ambitions and desires that he cannot fulfil, setting him to work raising more crops than he can consume, “Nature” has deceived the landlord into providing the necessary means of subsistence for the people around him. I will discuss this quote and its context in full below in section 4.2.2.

The far more (in)famous quote of course comes from WN book IV where Smith attacks restrictions on trade which grant “monopoly”⁵³ over the local market:

By preferring the support of domestick to that of foreign industry, [the merchant] intends only his own security; and 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 publick good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it. (WN. IV. II. p.456. Emphasis added)

53 It's worth noting that when Smith uses the word "monopoly" he is referring to a market that is closed to foreign trade, rather than control over the market by one person or entity. For example, "the prohibition of importing either live cattle or salt provisions from foreign countries secures to the graziers of Great Britain the monopoly of the home-market for butchers-meat." (WN. IV. II. p.452.). It doesn't seem to occur to him that an individual or single company might have total or near total control over a market.

Taken in isolation, the invisible hand passage is not the general statement about self-interested individuals in perfect competition that the likes of Friedman (2002. p.133.) and Samuelson (2010. pp.28-30.) attribute to Smith. The preference that merchants and manufacturers have for domestic over foreign industry, and the resulting improvement of the industry and wealth of the nation, is not an argument for normative individualism in general. Furthermore, as Kennedy has argued, Smith is not even claiming that the self-interest of these particular people in these particular circumstances is always benign; it only “frequently” advances the public interest (2008. p.158.). The problem with this is that, as we have seen in the previous chapter, elsewhere in the same book Smith is very critical of the self-interest of the merchants and manufacturers, referring to them as “an order of men, whose interest is never exactly the same with that of the publick, who have generally an interest to deceive and even to oppress the publick”(WN. I. XI. p.267.). How can such men “frequently” promote the interest of society by following their own self-interest? I will in section 4.2.3 make the case that this section fits into a larger argument that Smith is making and that in the full context, it is not a surprising or controversial comment.

The view that I want to build towards across the rest of this chapter is that the invisible hand typifies Smith's concept of nature as a machine, the workings of which are often unknown to us, but the final purpose or telos of which is the happiness of all conscious living things. This means viewing Smith as a man of his time, standing at not so much a crossroads but an intellectual turning point where the old, Christian doctrine of using revealed religion to understand nature had been reversed into the Enlightenment doctrine of examining nature to understand the mind of God. This entails, to Smith at least, a Stoic sense of surrender to the divine will, but this is not a surrender to the selfish passions, nor a surrender to the whims of fate and a Stoic indifference to all things. Instead it is a surrender to the moral sentiments, and means embracing doing what we are

naturally prompted to do, which is to aim ourselves towards the virtues.

4.2.1: Kennedy's Interpretation of the Invisible Hand

The most influential modern commentary on the invisible hand comes from Gavin Kennedy, who has investigated the origin of its misuse by Samuelson (See Chapter 1), and exhaustively documented the many ways in which the phrase has been used and abused over the years (Kennedy. 2008 pp.150-162; 2010). He continues to write a widely followed blog on the prolific and common abuse of the phrase (<http://adamsmithslostlegacy.blogspot.co.uk/>). I argued in Chapter 1 that there is a shadow history of Smith that places the invisible hand at the heart of his theory, creating a “caricature” who promotes normative individualism under the auspices of the self-constraining and impartial market (Werhane. 1989. p.669). Kennedy directly attacks this caricature, attributing it squarely to Samuelson's enormously successful post-war textbook *Economics: An Introductory Analysis*. While Samuelson has revised his description of Smith's work multiple times since the first edition (Kennedy. 2010.), where it is referred to as a “mystical principle” (Kennedy. 2008. p.159. Quoting Samuelson. 1948. p.36.), as we saw above, as of the 19th Edition (2010), the invisible hand is still described erroneously as a “doctrine” in which self-interest, directed by the mystical invisible hand produces the greatest good.

As we saw above, when we see even the immediate context of the invisible hand quotes, it is obvious that Smith proposed no such doctrine. His usage of the invisible hand is limited in TMS to references to aristocratic landlords of previous centuries, and in WN to merchants who prefer domestic to foreign trade, thereby investing locally instead of abroad and so adding to the industry of the country (A suggestion which he qualifies with the word “frequently”). Neither of these examples are general in scope, and neither amount to a claim that self-interest is in any sense self-regulating. Kennedy suggests that Samuelson, in his original 1948 edition “took Smith's metaphor passage as a reference to

something much wider that appealed to the fertile mindset of an extremely talented young mathematician”, and that he has worked from that understanding ever since (2008. pp.161-162.). According to Kennedy, Samuelson has since then further muddied the waters by bringing the invisible hand into discussions of General Equilibrium and Pareto efficiency operating under optimal conditions, which are “so far beyond Smith's point that we [are] no longer discussing anything remotely related to Smith at all.” (Ibid. p.162.) Kennedy argues that in seeing the invisible hand as an all-encompassing doctrine underlying Smith's work, the importance of the phrase has been vastly over-stated, and that in reality the invisible hand is simply an “isolated metaphor” (2008. p.150) used to relate information in a more “striking and interesting manner” (Ibid. p.154. Referring to Smith on metaphor in LRBL.), a conclusion which he supports with the following arguments: First, Smith only used the words “invisible hand” three times across the entirety of his work, including once in his essay on Astronomy (Ibid. p.150). Second, his contemporaries, including his biographer Dugald Stewart, took no notice of it. In fact, it appears that the first time any scholars took notice of it was towards the end of the 19th century (Ibid. pp.152-153.). Finally, Smith's own commentary on metaphors (and frequent usage of them) suggests that he only used such phrases to make his writing more interesting to the reader (Ibid. pp.153-154).

If the invisible hand is a metaphor (rather than some sort of principle), the object of that metaphor is critical to dispelling the Adam Smith problem, because if the object is some sort of greed-absolving background principle, then we are no closer to understanding how his moral theory fits in with his ideas on wealth and the market. What Kennedy suggests, is that the invisible hand symbolises “necessity”:

Landlords needed servants in their grand palaces and toilers on their lands; merchants needed access to profitable but safer uses of their capital. Hence, the former were bound by necessity to distribute at least the minimal subsistence to those who toiled for them, and the latter focused by necessity of local trade. (Kennedy 2008. p.156.)

The landlord desires his baubles that signify wealth, and for that he requires his estates to be productive, and for both he finds it necessary to pay others for their work. The merchant finds it necessary to continuously seek the best usage of his capital to produce the greatest profit. Kennedy's reasons for believing this are first, the frequent references to both necessity and nature around the passages in WN and TMS that contain the invisible hand metaphor, and second, what he sees as a parallel between the invisible hand passages and another passage in WN:

[The] statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most *unnecessary* attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it (Ibid. p.157. Quoting WN. IV. II. p.456. Emphasis from Kennedy.)

The point of this passage, which Kennedy emphasises for his reading of the invisible hand, is that the self-interested workings of the merchant classes mean that capital will be directed where it will result in the most wealth creation, and that this happens without the intervention of the state. The statesman who tries to promote particular industries is therefore acting unnecessarily in the sense that he is either promoting a direction which capital would have flowed in anyway, or he is directing capital in a way that is inefficient (WN. IV. II. p.453.; discussed in depth below in section 4.2.3). Kennedy takes it that this contrast between necessary and unnecessary action is the central point not just of this paragraph but of the entire section in which it appears, and Smith's entire approach to effective government policy:

[...] Smith's use of the invisible-hand metaphor highlights his seeing men acting accordance to necessity, as they see fit 'in a more striking and interesting manner'. It pervades all aspects of human life in society; it was the most consistent and insistent pressure upon individuals in all walks of life. Whether individuals actually act in accord with the necessity of the circumstances is another matter, the consequences of which are visible in the progress or otherwise towards opulence, which was Smith's measuring rod of the efficacy of chosen policies. (Kennedy 2008. pp157-158.)

In other words, Kennedy claims that the invisible hand means doing what is necessary in ones' circumstances. Necessary action is what produces wealth while unnecessary action hinders the creation of wealth, therefore what is needed on a government policy level is to grant the individual freedom to do what is necessary given their personal circumstances (Ibid.).

I do not find Kennedy's arguments regarding the importance of the metaphor to be entirely convincing. With regards to the frequency of a phrase or word as an indicator, I think that it is not nearly as important as the context in which it is placed. For example, I have in the previous chapter made the case for understanding WN as rhetorical work, designed to convince a legislative class to embrace principles closer to the “system of natural liberty”, a phrase that Smith deploys only once. Similarly, I doubt that the failure of contemporaries to notice particular aspects of a work says anything about the actual importance of those aspects to the author, or has any necessary relationship to the enduring philosophical appeal of said work; it is frequently the case that particular themes and concepts are not appreciated until long after the author's life. With regards to Smith on metaphor, although I am inclined to agree with Kennedy, it should go without saying that we cannot always take an early modern or enlightenment author's comments at face value, and analysis is often necessary (something that Kennedy himself does when it comes to Smith's views on God⁵⁴).

What is most important here, however, is that Kennedy has misidentified the object of the metaphor. The idea that people act out of *necessity* to produce a desired outcome is trivial: if I want to pass the exam, it is necessary that I study; if I want to go to the shops, it is necessary that I leave the house; if a landlord wants to employ servants, it is necessary that they pay them. What is significant, and what Smith spells out explicitly, is that there are ways in which the rapacious landlord and the selfish merchant are led “to

54 Kennedy. 2013. pp.464-484.

promote an end which was no part of [their] intention”. In both invisible hand passages, we see people intending one thing (their own gratification) and achieving another (distribution of the necessities of life in TMS, and improving the wealth of society in WN). These unintended consequences, which promote the overall good of society, are the important thing as far as Smith is concerned. I am not “led by an invisible hand” to study for the exam, but I might be led by an invisible hand when, by purchasing books to study from, I fund academics and academic research which is ultimately good for society at large.

I suggest that while Kennedy is correct that the invisible hand is a metaphor rather than some binding doctrine, and that Smith only intended it to produce striking imagery, the object of the metaphor is not necessity but the underlying mechanisms of nature, which are *designed* for our benefit. This claim is a strong one, and will require not just rejecting the view in some of the recent scholarship that the invisible hand is essentially irrelevant, but also implicitly rejecting the idea that theology plays only a vestigial role in Smith's work. In order to support this claim I will examine the invisible hand passages as the components of larger arguments, which will shed light on how the invisible hand relates to “Nature” and natural systems. This will in turn show that these arguments rest upon philosophical optimism about the universe as an essentially good system, which is designed by God.

4.2.2: The Invisible Hand in TMS

Smith deploys the invisible hand metaphor in TMS towards the end of a passage that focusses on the beauty which arises from systems and objects which give us some utility, and on how we often value that beauty over the actual utility gained. Smith's arguments begins with the example of the watch enthusiast who becomes dissatisfied with a watch that loses 2 minutes a day and “sells it perhaps for a couple of guineas, and purchases another at fifty, which will not lose above a minute in a fortnight”. The

enthusiast does not become any more punctual as a result of owning this new watch, and for common purposes most people have no need for such an accurate timepiece, so why does he replace something that fulfils his actual needs with something else which goes far beyond them? To answer this question, Smith proposes that the watch enthusiast is not so much interested in the knowledge of what time it is, as in “the perfection of the machine which serves to attain [that knowledge]” (Ibid. p.180.). When something provides us with the means to acquire utility (such as a watch which gives us the means to discover what time it is), it has a particular “propriety and beauty” which we find attractive. It is this beauty in the *means of acquiring utility* that leads people to desire things which they don’t actually need and which won’t actually make their lives easier. Smith links this to behaviour that seems amusingly applicable to modern society:

How many people ruin themselves by laying out money on trinkets of frivolous utility? What pleases these lovers of toys is not so much the utility, as the aptness of the machines which are fitted to promote it. All their pockets are stuffed with little conveniences. They contrive new pockets, unknown in the clothes of other people, in order to carry a greater number. They walk about loaded with a multitude of baubles, in weight and sometimes in value not inferior to an ordinary Jew's-box⁵⁵, some of which may sometimes be of some little less use, but all of which might at all times be very well spared, and of which the whole utility is certainly not worth the fatigue of bearing the burden. (Ibid.)

It certainly seems plausible that part of the reason we rush to obtain the latest smartphone or tablet is not for any actual improved utility that they will bring, but out of an appreciation for the superior means by which they provide that utility. I have often listened to a friend gush about how many megapixels their phone camera has and wondered whether the increased fidelity will provide any actual benefit, given that the photos will be compressed to a fraction of their size and uploaded to Facebook. What’s more, Smith thinks that this principle of valuing the means of acquiring utility over the actual utility gain has a much broader implication, beyond purchases of “trinkets of

55 Raphael and Macfie suggest that this curious phrase refers to "a box of wares carried by a Jewish pedlar". (Ibid. Footnote.)

frivolous utility”. He believes that it can, and often does shape our entire lives. He illustrates this with the example of the “poor man's son, whom heaven in its anger has visited with ambition”. This ambitious son “admires the condition of the rich” and desires the convenience they get from “being carried about in machines”, and the ease and idleness they have when they can hire servants to do their work for them:

He is enchanted with the distant idea of this felicity. It appears in his fancy like the life of some superior rank of beings, and, in order to arrive at it, he devotes himself for ever to the pursuit of wealth and greatness. To obtain the conveniences which these afford, he submits in the first year, nay in the first month of his application, to more fatigue of the body and more uneasiness of the mind than he could have suffered through the whole of his life from the want of them. [...] Through the whole of his life he pursues the idea of a certain artificial and elegant repose which he may never arrive at, for which he sacrifices a real tranquillity that is at all times in his power, and which, if in the extremity of old age he should at last attain to it, he will find to be in no respect preferable to that humble security and contentment which he had abandoned for it. (Ibid. p.181.)

Smith seems to be suggesting that there is a grand irony to working hard in order to become rich, as in doing so, we give up all the tranquillity and ease that we could have had in an attempt to obtain what we see as the superior means to that very tranquillity⁵⁶. Meanwhile, the actual palaces, retinues, baubles and trinkets of the rich, “[i]f we consider the real satisfaction which all these things are capable of affording, by itself and separated from the beauty of that arrangement which is fitted to promote it, it will always appear in the highest degree contemptible and trifling” (Ibid. p.183.). In other words, when considered in isolation, the extra utility which the rich enjoy as a result of their wealth is so minor as to be not worth considering. The result is that not only do we give up tranquillity and happiness if we decide to work hard in an attempt to become rich and happy, but, for all their wealth, the rich are not actually any happier than anyone else. In this vein, he compares wealth to “immense fabrics”, which only save the wealthy from “some smaller inconveniences” and cannot protect against the most severe hardships. “They keep off the summer shower, not the winter storm, but leave him always as much,

56 This passage was especially unhelpful with regards to my motivation to work on this thesis.

and sometimes more exposed than before, to anxiety, to fear, and to sorrow; to diseases, to danger, and to death” (Ibid.).

We have therefore been deceived into wanting these trinkets of wealth with such a passion that we will spend our entire lives attempting to obtain them. “And it is as well that nature imposes upon us in this manner”, it is a necessary deception, as it “rouses and keeps in continual motion the industry of mankind”; it drives us to “cultivate the ground, to found cities and commonwealths, and to invent and improve all the sciences and arts”. This appreciation for the beauty of the utility rather than the actual utility itself, this desire for the imaginary ease we shall attain at the end of our labours is, in short, what drives all technological and social progress (Ibid.). It is at this point that Smith turns to the wealthy landlord and the invisible hand:

It is to no purpose, that the proud and unfeeling landlord views his extensive fields, and without a thought for the wants of his brethren, in imagination consumes himself the whole harvest that grows upon them. The homely and vulgar proverb, that the eye is larger than the belly, never was more fully verified than with regard to him. The capacity of his stomach bears no proportion to the immensity of his desires, and will receive no more means than that of the meanest peasant. The rest he is obliged to distribute among those, who prepare, in the nicest manner, that little which he himself makes use of [...] The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species. (Ibid. p.184-185.)

In other words, the wealthy landlord himself is similarly deceived by nature: he raises his fields, he staffs his palace, he keeps his “trinkets and baubles” in order to fulfil his “vain and insatiable desires”, all the while redistributing the necessaries of life as he pays for his luxuries. We might disparagingly call this “trickle-down economics”, but crucially it is not a moral endorsement of selfishness, nor is it a general claim to the effect that wealth is *always* redistributed in this way. It is instead a metaphor for natural systems

and tendencies which produce unintended effects. Specifically, we see that despite the inequality in distribution of land ownership, “[w]hen Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition” (TMS. IV. I. p.185.). The reference to providence is I think not accidental or in any sense a throwaway, it is in fact central to the whole idea: God has, via careful design of human nature, ensured that we can achieve the actual necessities in life relatively easily, while deceiving us into striving for riches and wealth as a means to drive progress. As Schabas succinctly describes it: “The invisible hand is also a sleight of hand” (2005. p.95.). We can see that by claiming the invisible hand is merely a stand in for necessity, Kennedy has missed the point. Nature/God has deceived the selfish Landlord into desiring the trinkets of wealth, and though he is certainly forced out of necessity to pay for his self-aggrandisement, the point is that the Landlord does not and need not *intend* to provide that necessary subsistence to his social inferiors. Neither does the Landlord need to recognise that it is a necessary action he takes when he redistributes his wealth through spending; Natural systems are at work, not the reason of man.

The idea of good coming from selfish (and to the Christian mind, sinful) passions and desires, and the examples provided by Smith, seem to be in a large part inspired by Bernard Mandeville’s highly controversial (in Smith's and his own day) *Fable of the Bees*. Mandeville was concerned that commercial society celebrates the vices over the virtues, for example in the passage below, we see the vices personified and raised up to positions of authority in society, where they provide work for the poor, become “Ministers of Industry”, dictate fashions in food, furnishings, and dress, and therefore encourage trade upon which ultimately the happiness of society rests:

The Root of evil Avarice,
That damn'd ill-natured baneful Vice,
Was Slave to Prodigality,
That Noble Sin; whilst Luxury
Employ'd a Million of the Poor,

And odious Pride a Million more.
Envy it self, and Vanity
Were Ministers of Industry;
Their darling Folly, Fickleness
In Diet, Furniture, and Dress,
That strange ridic'lous Vice, was made
The very Wheel, that turn'd the Trade.
Their Laws and Cloaths were equally
Objects of Mutability;

[...]

Thus Vice nursed Ingenuity,
Which join'd with Time, and Industry
Had carry'd Life's Conveniences,
It's real Pleasures, Comforts, Ease,
To such a Height, the very Poor
Lived better than the Rich before;
And nothing could be added more:

How vain is Mortal Happiness! (1989. pp.68-69.)

Smith was careful to distance himself from the “lively and humorous yet coarse and rustic eloquence” of Mandeville's poem, criticising him for denying the distinction between virtue and vice, and for claiming that the desire to be seen as good could be seen as mere vanity (TMS. VII. II. IV. pp.308-314.). However, the above extract shows a similar line of thinking to Smith's invisible hand passage from TMS; we see the “Noble Sin” of prodigality in the rich employing millions of poor people merely to feed pride and the desire for luxury. But there is also a similarity with the idea of the Division of Labour eventually producing “that universal opulence which extends itself to the lowest ranks of the people” (WN. I. I. p.22; discussed above in section 3.3.1): The vices are cast as the wheel of trade itself, which in time improves the lives of all to the extent that even the poor live better than the rich did previously.

We should be concerned with this parallel, for if the selfishness of the rich landlord is driving economic progress and if the necessities of life are catered for along the way, what role do Smith's virtues play in society? What use is there for the Smithian virtues of prudence and benevolence if the wealthy landlord is seen to support and improve the lives

of those under him through imprudence and selfishness? The Adam Smith Problem rears one of its hydra-like heads and we wonder again if the economic man has no need of being the virtuous man. This is a topic that Smith himself seems to have struggled with earlier in TMS when he discusses the strong desire we have “both to be respectable and respected” and the “dread” we have of being “contemptible” (TMS. I. III. III. p.62.). He sees wealth and virtue as competing avenues to attaining the respect we desire, and the apparent difficulty of reconciling the two:

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 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; the one more gaudy and glittering in its colouring; the other more correct and more exquisitely beautiful in its outline: the one forcing itself upon the notice of every wandering eye; the other, attracting the attention of scarce any body but the most studious and careful observer. They are the wise and virtuous chiefly, a select, though, I am afraid, but a small party, who are the real and steady admirers of wisdom and virtue. The great mob of mankind are the admirers and worshippers, and, what may seem more extraordinary, most frequently the disinterested admirers and worshippers, of wealth and greatness. (TMS. I. III. III. p.62.)

The ambitious son of a poor man, who is deceived into working hard for the peace of mind he could have so easily afforded all along (TMS. IV. I. p.181.) has been distracted by the “gaudy and glittering” path of wealth, and just as in TMS IV. I. we see that Nature's deception tends towards producing an unintended outcome:

In the middling and inferior stations of life, the road to virtue and that to fortune, to such fortune, at least, as men in such stations can reasonably expect to acquire, are, happily in most cases, very nearly the same. In all the middling and inferior professions, real and solid professional abilities, joined to prudent, just, firm and temperate conduct, can very seldom fail of success. Abilities will even sometimes prevail where the conduct is by no means correct. Either habitual imprudence, however, or injustice, or weakness, or profligacy, will always cloud, and sometimes depress altogether, the most splendid professional abilities. Men in the inferior and middling stations of life, besides, can never be great enough to be above the law, which must generally overawe them into some sort of respect for, at least, the more important rules of justice. The success of such people, too, almost always depends upon the favour and good opinion of their neighbours and equals; and without tolerably regular conduct these can very seldom be obtained. The good old proverb, therefore, That [sic] honesty is the best policy, holds, in such situations, almost

always perfectly true. In such situations, therefore, we may generally expect a considerable degree of virtue; and, fortunately for the good morals of society, these are the situations of by far the greater part of mankind. (TMS. I. III. III. p.63.)

Despite the general respect of wealth and the wealthy and the comparative lack of respect for morals and wisdom, most people are forced by circumstance to act according to the virtues in order to get what they want (respect and wealth). In other words, while intending only their own selfish gain, the majority of average people are led by an invisible hand towards the greatest good of all: a society that respects the virtues of justice, prudence and benevolence. However, there is a caveat, the top strata of society seem to be isolated from strong moral requirements, and their selfishness produces only moral corruption and social weakness:

In the superior stations of life the case is unhappily not always the same. In the courts of princes, in the drawing-rooms of the great, where success and preferment depend, not upon the esteem of intelligent and well-informed equals, but upon the fanciful and foolish favour of ignorant, presumptuous and proud superiors; flattery and falsehood too often prevail over merit and abilities. In such societies, the abilities to please, are more regarded than the abilities to serve. In quiet and peaceable times, when the storm is at a distance, the prince, or great man, wishes only to be amused [...] The external graces, the frivolous accomplishments of that impertinent and foolish thing called a man of fashion, are commonly more admired than the solid and masculine virtues of a warrior, a statesman, a philosopher or a legislator. All the great and awful virtues, all the virtues which can fit, either for the council, the senate, or the field, are, by the insolent and insignificant flatterers, who commonly figure the most in such corrupted societies, held in the utmost contempt and derision. (Ibid.)

Worse, “our disposition to admire, and consequently to imitate, the rich and the great” means that they set the fashions, not just in clothes and etiquette but also in “vices and follies” (TMS. I. III. III. p.64.), something that Smith at the start of the section describes as “the great and most universal cause of the corruption of our moral sentiments” (Ibid. p.61.). Smith certainly viewed this as a less than ideal situation, in WN describing the mismanagement of immoral rulers as “an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy” (WN. IV. III. p.493.). This is because even if our rulers are not always good, our irrational love of our social

betters is a necessary part of Nature's plan, serving to cement order in society (TMS VI. II. II. p.226.). So important to society is peace and order, and so important to this the existence of strict hierarchy, that Smith thinks that we must endure bad leadership as a necessary evil, and consider the maintenance of that hierarchy more important “than even the relief of the miserable” (Ibid.).

This idea of strict hierarchy at all costs seems out of character for the famously egalitarian Smith⁵⁷, especially given his posthumous reputation for defending dangerous political ideas such as ‘liberty’ (See Chapter 1). We could explain away this problem by appeal to history: this latter passage where Smith talks about the importance of order in society (TMS VI. II. II. p.226.) was added for the 6th edition in 1790, when the French Revolution was under way, and so it is possibly in part a criticism of contemporary events and an appeal for peace and order as a solution, rather than violence. However, another answer is presented if we consider the arguments in WN book III⁵⁸, where Smith identifies the instability in Europe after the fall of the Roman Empire as the key factor which resulted in the end of the commercial society that existed at the time. He claims that this in turn caused the slow “progress of opulence” over the following centuries. In taking the long view of time, and analysing markets over centuries rather than years, Smith was following his friend the scientist James Hutton (who developed the concept of geological “deep time”), and the famous encyclopaedist and naturalist Comte de Buffon (Schabas. 2005. p.93.). The result is a natural history influenced and highly optimistic view that even when society is mismanaged by corrupt elites, our tendency to obey them

57 The most well known quote is that "The difference between the most dissimilar of characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education." (WN. I. II. pp.28-29.). However, egalitarianism is almost a background assumption for Smith: in the system of natural liberty, justice is supposed to be applied to everyone; in TMS when he claims that the virtues are consistent across all societies we see equivalence of moral worth in all races and peoples; similarly his views on what constitutes human nature are never bounded by race or religion or class. His attitude to women is less clear however, and it is notable that he always talks of the virtuous *man*. Regretfully there is no more space in this thesis to explore this very interesting thread.

58 And is also extensively explored in LJ.

promotes stability and order, and a stable society will tend towards commerce, which will tend towards opulence. Thus, even when society is mismanaged in the short term, Nature has planned for the long term prosperity of everyone.

We must again be careful not to mistake this view as *endorsing* misrule and immorality in the higher classes; for example, Smith criticises the entire Plantagenet dynasty for the “disorderly state of England” under their rule, and praises the Tudors for “vigorous administration” (WN. I. XI. e. p.204.). Additionally, Smith offers no explanation as to why such misrule is a necessary part of Nature's plan: our irrational love for our social betters would be just as good at promoting stability in society if those social betters were incentivised to act morally. Indeed, we would surely arrive at Nature's plan quicker if this were so. To interpret this will require examining Smith's views on the problem of evil, which I will defer to section 4.3.2, below. For now, however, we can only see Smith's view on the progress of opulence as a partial rehabilitation of Mandeville's. Smith accepts that industry and social progress are driven by the selfish interests, but he does not endorse the vices as secretly virtuous. Instead he argues that those same selfish interests lead the majority of people most of the time to embrace truly virtuous behaviour because, as members of society, they depend upon the approval of their peers⁵⁹. His claims about the beauty of utility form a key part of this argument: He shows us that we are deceived into desiring things for the beauty of their workings and the imagined utility rather than the actual, and that this desire for things that we do not in fact need to be happy, is what drives the industry of mankind and improve the wealth of society.

59 A corollary to this, and another key disagreement between Smith and Mandeville is that Smith does not accept that virtue consists only in *disinterested* action. Mandeville (like his critic and Smith's teacher Hutcheson) requires that virtuous action must be undertaken without any ulterior motive whatsoever. Even the fulfilment of the desire to be virtuous is a form of selfishness according to him. Mandeville gives the example of saving a baby from a fire, claiming we'd only do it out of a desire to not feel guilty about watching it die (1989, pp.91-92.). By contrast, Smith's "two different roads" argument (above) shows that the motivation to be good is unimportant as long as it actually makes the person desire to do good things.

The invisible hand in TMS can now be placed fully in context: Smith's purpose is to show that even when the selfish landlords fall short of moral goodness, and are instead driven by selfish desire, Nature has planned it such that they are driven towards the greater good by supplying the thousands of workers on their estates with the means to live. "Providence" did not forget the landless many, even if the selfish landlord does. This telos, this greater good that we are directed towards even against our own intentions is the object of the invisible hand simile in TMS.

But it is not just Mandeville that this passage echoes, Smith has also co-opted and inverted Christian doctrine and Calvinist language. The theocentrism of Calvin, according to whom humanity exists to glorify God, is inverted to an anthropocentric world which has been designed providentially (i.e. by God) for our happiness (Blosser. 2011. pp.55-56.). Similarly, Smith's use of the invisible hand in TMS inverts the Christian goal of restraining the desires to ensure that the needs of all people are met, showing that it is the pursuit of these desires that guarantees the fulfilment of the needs, in a "divinely ordered process of *natural* forces, in which rulers and the poor are equally and *involuntarily* participants" (Brock. 2015. p.404.). There is, in other words, a resonance here with the central theme of the Enlightenment, with the rejection of Christian dogma, but while the replacement is anthropocentric rather than theocentric, the universe is still seen to operate according to the designs and wisdom of God.

To conclude, the invisible hand passage of TMS does not conform to the common view in economics as a doctrine of universal market efficiency; neither does it conform to the view in the scholarship that it is a minor footnote of little import. It also cannot be properly understood, as Kennedy would have it, to mean mere necessity. It is in fact part of a broad philosophical underpinning of Smith's work, which differentiates him from both the controversial Mandeville and traditional Christian theology. It is related to a conception of Nature as an all-encompassing grand plan for the greater good, and, as I

will argue in section 4.3.2, is in many ways part of Smith's theodicy.

4.2.3: The Invisible Hand in WN

We have seen that the invisible hand passage in TMS does not conform to the general view of the economic or the Smithian scholarship. But what of the vastly more famous occurrence of the metaphor in WN? The passage is located in Book IV, which focuses on the workings and pitfalls of the mercantile system and culminates in the system of natural liberty (as we saw above in section 3.2). Specifically, we meet the invisible hand in Chapter 2, the title of which is “Of Restraints upon the Importation from foreign Countries of such Goods as can be produced at Home.” Smith's purpose with this chapter is to show that restricting imports to favour local business (as part of the mercantile “balance of trade”) is, depending on which industry is protected, either counter-productive to producing wealth or pointless and ineffective, and thus it would be more conducive to the wealth of the nation to free the market.

Smith's argument is that ultimately, government regulation of the market can only “divert” part of the whole capital of society into a different direction, “and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone of its own accord.” (WN. IV. II. p.453.). His reasoning is that the “general industry” of society, that is the total work being done by all the productive⁶⁰ workers of that society, is always determined by how much capital is available to employ them. This total industry of society in turn determines the total revenue (in modern terms the Gross Domestic Product or GDP) of society and hence its wealth (WN. II. V. pp.371-372). Regulations cannot increase the amount of industry done beyond what the capital of society can maintain, and serve only to divert capital into

60 Smith distinguishes between productive labour, that is work which adds to the value of a commodity, such as labour employed in manufacturing, and unproductive labour which “adds to the value of nothing”, such as menial servants and entertainers etc. (WN. II. III. pp.330-331.). Smith is not so short sighted as to deny that unproductive labour serves a purpose, he merely points out that it consumes capital rather than creates it.

particular industries⁶¹ (WN. IV. II. p.453.). Therefore, protectionist/mercantile policies which restrict or ban imports of certain goods in order to grant a monopoly of the home market to local merchants can only divert capital into the favoured industry, and cannot increase the amount of capital in the society and so do not actually increase the amount of industry or what we would now call the GDP of the nation. In short, protectionism cannot improve the wealth of the nation.

In order to make the case that “artificial” market control is inferior to allowing people to invest their capital according to what they think is their best advantage, Smith makes what appears to be a very strong and broad claim about human behaviour:

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 this 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. p.454.)

Smith explains how this translates to the 'advantage of society' as follows: First, he tells us that when offered equal or nearly equal profits in local and foreign markets, the “wholesale merchants” prefer local markets because they offer superior security⁶². The merchants know the local laws, they can get to know the people they trade with and therefore trust them, and they can keep their capital within sight, which people naturally prefer over unseen capital on the other side of the world (Ibid.). Second, while supporting local industry, every individual invested in it “necessarily endeavours to direct that industry, that its produce may be of the greatest possible value”. Since the annual revenue of society is determined by the total exchangeable value of the products of its industry, following their own self-interest, the merchants are “led by an invisible hand” to indirectly increase the wealth of society (Ibid. pp.455-456.).

61 There is another aspect to protectionism: regulations could serve to restrict capital from leaving a country by encouraging merchants to invest locally rather than abroad. Smith is critical of this being worthwhile (WN. IV. II. p.455), discussed below.

62 Thus protectionism which keeps capital at home is pointless – the merchants want to do that anyway!

These natural preferences apply in both free market systems of natural liberty, and in mercantile, protectionist economies. However, in the latter, the merchants will often find their capital best invested in industries which, without those protectionist regulations, would not be profitable. Now we find the crux of Smith's attack on mercantilism which I covered briefly in the previous chapter:

To give the monopoly of the home-market to the produce of domestick industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must, in almost all cases be either a useless or a hurtful regulation. (Ibid. p.456.)

Useless regulation attempts to promote a domestic industry that is already competitive. Smith gives the example of regulation against importing live cattle: the logistics involved in importing cattle made it (in the 18th century) an unreasonably expensive exercise. As a result, if all regulations against it were lifted, “so few could be imported that the grazing trade of Great Britain could be little affected by it” (Ibid. p.459.). In other words, the regulation protects an industry that does not need to be protected, because foreign trade cannot undercut local industry taking into account the costs involved. Harmful regulation on the other hand, seeks to promote an industry that is otherwise unprofitable, and here Smith gives the (purposefully absurd) example of making wine in Scotland:

By means of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expence for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland? (Ibid. p.458.)

Clearly not. Such a law would hurt the consumers by forcing them to pay thirty times more for wine, merely to ensure that the enormously inefficient vineyards of Scotland could compete. According to Smith, instead of protecting inefficient local industries, we should always seek to buy abroad what we cannot make at home for less.

The result is what in modern economics is called “absolute advantage”: international trade encourages specialisation and specialisation increases productivity (and wealth) in the long run. On this subject, Smith draws one of his many parallels between the individual and the nation:

It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The taylor does not attempt to make his own shoes, but buys them from the shoemaker. The shoemaker does not attempt to make his own cloaths but employs a taylor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it in their interest to employ their whole industry in a way in which they have some advantage over their neighbours [...] What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. (WN. IV. II. pp.456-457.)

When seen in context and examined carefully, the invisible hand section of WN clearly poses no threat of contradiction within Smith's work. He is speaking about a certain kind of self-interested action (investing capital) and using that as part of an argument for free trade. The object of the metaphor is human nature itself: people naturally prefer to keep their capital close to home, and naturally prefer to make more money than less money, so most people will invest it for the best returns that they can find in the home market. The problem is just how commonly this passage has been misread. We have already encountered the most prevalent misreading by Samuelson above in section 4.2.1, and it should be clear that although it is related to something resembling the very modern concept of comparative advantage, the invisible hand has nothing to do with efficiency in a theoretical free market. In fact, the invisible hand in WN merely states the obvious: people look for the best way to invest their capital, free market or no.

But what of Milton Friedman's reading that the invisible hand grants moral amnesty to corporate officials and labour leaders, and that Smith's message is to focus on establishing a framework of laws which allow individuals to promote the greater good through following their self-interest (2002. p.133.)? That we should establish such laws is

certainly in line with Smith's thinking – justice is after all the central pillar of society – but the invisible hand in WN grants absolutely no moral concessions. According to Smith, a society where justice is strictly enforced but morality is not expected can “subsist” and be “upheld by a mercenary exchange of good offices”, but it cannot flourish and be happy (TMS. II. II. III. pp.85-86.). He would certainly be against legally enforcing social responsibility (beyond the rules of justice) on business and labour leaders, but he supports expecting such behaviour as part of our culture on the grounds that the benevolent as well as just society is the happy society (Ibid.).

Another easy trap to fall into is to read too strongly Smith's statement about every individual exerting “himself to find out the most advantageous employment for whatever capital he can command” (WN. IV. II. p.454.); Bishop (1995) understands that this statement is linked to the invisible hand, but reads it as a statement about self-interest broadly conceived, leading him to formulate the invisible hand as a broad empirical claim about human behaviour:

It is an empirical claim because it predicts that in certain situations (a free market), certain types of actions (everyone pursuing their own interests), will cause a certain result (promoting of the public good). (p.167)

It's easy to then see the invisible hand as contradicting with other parts of WN, especially Book I, where Smith repeatedly blasts the merchants and manufacturers, claiming that what is in their self-interest “is always in some respects different from, and even opposite to, that of the public” (WN. I. XI. p.267.). That the “wholesale merchants” are seen here in Book IV to be best promoting the interests of society by pursuing their own self-interest is a contradiction. This contradiction becomes intolerable later in the same chapter when we see that taking away the mercantile trade restrictions in order to promote the interests of society will hurt the interests of the merchants whose investments have been made profitable by harmful protectionist regulation:

If the free importation of foreign manufactures was permitted, several of the home manufacturers would probably suffer, and some of them, perhaps, go to ruin altogether, and a considerable part of the stock and industry at present employed in them, would be forced to find some other employment. (WN. IV, II. p.459.)

Bishop argues that the invisible hand can only be viewed as consistent if it applies specifically to a narrow definition of self-interest in terms of individuals investing their capital under the conditions of a free market (Bishop. 1995. pp.172-173.). The reasoning here is that the merchants and manufacturers want to continue to gain from regulations which make their present investments worthwhile. As Smith points out above, if those regulations were repealed, the merchants would lose the capital they have invested in otherwise unprofitable ventures. Therefore, it is in their overall self-interest to coerce the government into protecting their industries. According to Bishop, the invisible hand ceases to function as their self-interest is working to protect their own profits rather than to advance the interests of society through the natural investment of capital. Therefore, the invisible hand cannot refer to the self-interest of the merchant and manufacturers in general (Bishop. 1995. p.173.). Or rather, if it does, Smith has blatantly contradicted himself since their self-interest is seen to be working both for and against the interests of society.

What Bishop has done however, is start from a misreading of the passage in question and arrive back at more or less what Smith was actually saying. As we saw above, Smith is making an argument against “artificial” direction of capital, based on the idea that if we leave people alone to make up their own minds, they'll find the best use for their capital that they can. The first part of the statement, that each person continuously works to “find out the most advantageous employment for whatever capital [they] can command” sets the scope for the second part of the claim that this “necessarily” leads one “to prefer that employment which is most advantageous to the society” (WN. IV. II. p.453.). Finding the most advantageous employment of capital is an example of self-

interest, but what is in the interests of the merchants *in general* will be far broader than merely investing their capital for the best returns. Their self interest in general causes them to seek preferential treatment from government (WN. I. XI. p.267.), and to collude to form cartels in order to raise prices (WN. I. X. c. p.145.). To put this another way, the self-interest of the merchants and manufacturers is only advantageous towards society in as much as it causes them to invest their capital in the most profitable local industries, thereby increasing the income of the society as a whole; it is entirely contrary to the interests of society when it leads them to seek to coerce government into protectionist policies, or to conspire against the public to raise prices.

I mentioned above that Smith refers to the “artificial direction” of capital as a result of mercantile policies in contrast to the “direction it would have gone of its own accord” (WN. IV. II. p.453.), and the entire chapter of WN, if not the entire book seems to hinge on this contrast between natural and artificial direction of capital. It is that “certain propensity in human nature” to “truck, barter, and exchange one thing for another”, which drives the division of labour and the whole engine of economic progress (WN. I. II. p.25). It is the self-interest of the wholesale merchant which “naturally or rather necessarily” leads him to prefer to employ his capital to improve his own income and by extension, the income of society (WN. IV. II. p.454.). It is “unnecessary” for the legislator to take on the burden of directing capital (WN. IV. II. p.456.); Nature has got it covered! If we let Nature take its course, if we follow the “natural Progress of Opulence” (WN. III. I. p.376. Title.), then the “the obvious and simple system of natural liberty establishes itself of its own accord” (WN. IV. IX. pp.687-688.).

Seen in context, the invisible hand passage in WN throws light on some foundational concepts in Smith's philosophy, and the crucial distinction between nature and artifice must be explored in order to understand Smith and his philosophical commitments. I will explore this issue below in section 4.3.1.

4.2.4: Conclusion

In this section, I have discussed the tendency in the recent literature to view the invisible hand as not particularly important, and, under Kennedy's interpretation, merely a stand in for “necessity”. I've set out to show that this is incorrect: The invisible hand is a metaphor for the hidden workings of a benevolent Nature. In TMS, it shows that Nature deceives the greedy landlord into redistributing his wealth; in WN it shows that there are natural rules available that are superior to the artificial mercantile policies which Smith criticised, policies which came about as a result of the deception of the merchant classes (WN. I. XI. p. p.267.). In a sense, the instance of the invisible hand in WN is the inverse of the invisible hand of TMS: rather than Nature deceiving the individual rich landlord, individuals have subverted Nature through deception. The mercantile system itself is seen as interfering with the workings of nature, as the merchants and manufacturers disrupt the correct working of the invisible hand and create an artificial direction of capital. In both cases the individual is unaware of the larger results of their actions, and in both cases they are merely intending their own gain. The importance of these passages and the metaphor is that they shed light on some of the underlying workings of Smith's theory: we can see that Smith viewed Nature as an intelligent system, far superior to the reason of mankind, that works through us to greater ends, that we need not understand to partake in. It looks, in short, rather a lot like God.

4.3: The Superior Wisdom of Nature

In Chapter 1 I raised the question of what role the invisible hand plays and how far self-interest can be trusted to promote the greater good; it is clear that it does not sanction *all* self-interest, or always promote the greater good, but it is clearly linked to Smith's concept of nature and natural systems. There is also some sense in which natural symptoms are good, and artificial systems, such as the 'progress of opulence' Smith observed in Europe are inferior. As a result, these words take on a normative meaning for

Smith, which is in many ways typical of the 17th and 18th centuries; he does not approach nature merely in an empirical way as something to understand and manipulate, but rather he examines it with a view to unlocking the truth about right and wrong, natural jurisprudence and the perfection of what it means to be human.

If we follow Becker's (2003) analysis, Smith fits into a “climate of opinion” where the traditional Christian theology was losing its power to Newtonian thinking. But this was not a climate of atheistic empirical research, it was instead a reversal of church doctrine; rather than turning to the revealed religion of the bible to understand God and nature, the philosophers of the 18th century were seeking to understand God by way of understanding the workings of nature (Becker. 2003. pp.50-53.). As a result, the tendency was to see nature as good, nature as wise, nature as an expression of the perfection of God. Far from declaring God dead, as Nietzsche famously did, the Enlightenment philosophers, by and large gave “a new form and a new name to the object of worship: having denatured God, they deified nature.” (Becker. 2003. p.63.). Schabas (2005) has a similar view, emphasising Aristotelian aspects to 18th century scientific investigation as filtered through Christianity: Nature was seen as balanced and efficient, acting according to laws laid down by God (pp.22-29.). This view was still common, even in the comparatively secular science of political economy, as late as the end of the 19th century (Ibid. pp.39-40.).

I will not in this section attempt to taxonomize every way in which Smith uses the term “nature”, as others have already made an effort to do so (e.g. Griswold. 1999. pp.314-316.; Schabas 2005. pp.84-85.), nor will I attempt to identify every attribute of nature. Instead I will focus on nature as an ideal, which to Smith meant an ordered, rational and above all, designed system encompassing the whole world. The purpose of this is to show that when we step back from the invisible hand passages and look at what they represent, we find that contrary to some recent work in the field, nature as designed

by God is a significant part of Smith's conceptual framework. But first I will attempt to show that this divinely ordered system view of nature manifests in Smith's work in two fundamental ways: in section 4.3.1 I will show how Smith explains the failings of society and contemporary mercantile political economy as artificial rather than natural, i.e. he relies on a nature/artifice distinction. This distinction ultimately fails to be coherent, but it shows that Smith viewed nature as rational and human beings as comparatively irrational and that we need to adopt his view on nature to make sense of some of his arguments against mercantile policy. Second, in section 4.3.2, I will explore the theme of the problem of evil in TMS and Smith's thoughts on Stoicism. In section 4.3.3, I shall make some remarks about how he thinks that deception of the self and deception by orders of people in society can derail the natural order, and finally I will set out my conclusions for this chapter in 4.4.

4.3.1: Nature, Artifice and the Rationality of Nature in WN

We have seen above in section 4.2.3 how the nature/artifice distinction manifests at a crucial location in Smith's argument for free trade in WN and is expressed in his invisible hand metaphor, but we have not yet seen how Smith distinguishes between natural and artificial behaviours. In this section I will discuss what this distinction meant to Smith by way of his views on the “progress of opulence” - or what we might now call “economic growth” - across Europe throughout the preceding centuries. This argument forms the main thrust of Book III of WN, and is of interest because he begins with a description “Of the natural Progress of Opulence” (WN. III. I. p.376. Title.). This turns out to be a sort of idealised model of economic growth, which Smith contrasts with the actual state of affairs in Europe to show that the progress of opulence is being hampered by “unnatural” circumstances imposed by human institutions. By careful examination of these arguments, I will attempt to show that his claims do not tally with the arguments made. Instead of showing that these human institutions are “unnatural”, his historical

investigations are an exercise in judging the past according to his principles, particularly his ideas of what constitute rational as opposed to irrational behaviour. The implication is that “Nature” and natural systems are endowed with a rationality, which, according to Smith, is superior to human reason.

Smith's description of the “natural Progress of Opulence” centres around the relationship between the towns and the countryside, and the argument that they benefit from mutual advantage: the countryside gains from the industry of the towns, and the people in the towns depend on the country for food and raw materials of industry. This argument runs exactly parallel to the invisible hand argument discussed above in 4.2.3, and Smith draws on exactly the same ideas regarding the natural direction of capital, saying that people naturally prefer to employ their capitals in certain ways, and again blaming the failings of the system on mismanagement by man:

That order of things which necessity imposes in general, though not in every particular country, is, in every particular country, promoted by the natural inclinations of man⁶³. If human institutions had never thwarted those natural inclinations, the towns could no-where have increased beyond what the improvement and cultivation of the territory in which they were situated could support; till such time, at least, as the whole of that territory was compleatly cultivated and improved. Upon equal or nearly equal profits, most men will chuse to employ their capitals rather in the improvement and cultivation of land, than either in manufactures or in foreign trade. The man who employs his capital in land, has it more under his view and command, and his fortune is much less liable to accidents than that of the trader, who is obliged frequently to commit it, not only to the winds and the waves, but to the more uncertain elements of human folly and injustice, by giving great credits in distant countries to men, with whose character and situation he can seldomly be thoroughly acquainted. The capital of the landlord, on the contrary, which is fixed in the improvement of his land, seems to be as well secured as the nature of human affairs can admit of. (WN. III. I. pp.377-378.)

In other words, the *natural* order of improvement (i.e. priority of capital investment) is for the land to be improved first, then the manufacturing capabilities of the

63 The sentence structure here is slightly confusing, but I take it to mean that necessity of circumstance imposes a different "order of things" (i.e. correct priority for capital investment) in some particular countries, while the template order of things is imposed by necessity in general and by the "natural inclinations of man". These natural inclinations work towards the template order, even in countries where circumstance has produced a different order.

town for commodities that will be consumed locally, and finally the manufacturing capabilities geared specifically for foreign trade. Smith himself makes the link between this argument and his later argument for free trade, saying that even among "all the absurd speculations that have been propagated due to the balance of trade, it has never been pretended that either the country loses by its commerce with the town, or the town by that with the country which maintains it"⁶⁴ (WN. III. I. p.377.). The implication is clear – if mercantile thinkers can accept the mutual benefits of trade between town and country, why do they deny the mutual benefits of trade between nations?

What is important about this argument however, is the way in which Smith then justifies the fact that nations have not advanced according to the “natural progress of opulence”. He claims that this natural order is subverted by “human institutions”, and in particular “the modern states of Europe” have “inverted” the order, artificially preferring manufacturing geared for foreign trade and improving the land from the profits. This is, according to Smith, an “unnatural and retrograde order” (Ibid. p.380.). The reasons he cites for this inversion, and which he must therefore view as in some way “unnatural”, are then of crucial interest to us because by examining what he regarded as not natural, we shed light on what he considered to be necessary conditions for something to be regarded as a product of nature.

The first step towards universal opulence is therefore to improve agricultural production. This, Smith tells us in WN III chapter II, has not happened in Europe, because investment in agriculture has been restricted by several factors. The first of these factors are the laws of succession, which have changed from the “natural law” of dividing an estate equally amongst all the children of the family, as practised by the Romans, to the practice of primogeniture, or leaving the entire estate to the eldest son. Smith explains that this is a result of the “disorder” which followed the fall of Rome. During this

⁶⁴ I discussed Smith's attack upon the balance of trade above in Section 3.2.2.

disorder, land was seized by chiefs and lords who ran their estates as petty princes – magistrates, rulers and warlords rolled into one – frequently fighting their neighbours and their sovereigns. “The security of a landed estate, therefore, the protection which its owner could afford to those who dwelt on it, depended upon its greatness. To divide it was to ruin it, and to expose every part of it to be oppressed and swallowed up by the incursions of its neighbours” (WN. III. II. p.383.). The necessity of keeping a large estate intact resulted in the law of primogeniture, which kept vast tracts of land in the hands of a few families and prevented the land from being divided up across the generations. It is the stubborn staying power of laws long after their necessary circumstances ended, that has kept primogeniture in force and the land bound up even when security had come under the remit of the state rather than the local lord (Ibid. pp.383-384.). The problem with this concentration of land, according to Smith, is that the “great proprietor” is seldom the “great improver”: when he had to look after his own security, he had no time to attend to improving his estate; when security was guaranteed by the state, “he often wanted the inclination, and almost always the requisite abilities” (Ibid. p.385.). His reasoning for this is as follows:

To improve land with profit, like all other commercial projects, requires an exact attention to small savings and small gains, of which a man born to a great fortune, even though naturally frugal, is very seldom capable. The situation of such a person naturally disposes him to attend rather to ornament which pleases his fancy, than to profit for which he has so little occasion. The elegance of his dress, of his equipage, of his house, and household furniture, are objects which from his infancy he has been accustomed to have some anxiety about. The turn of mind which this habit naturally forms, follows him when he comes to think of the improvement of land. He embellishes perhaps four or five hundred acres in the neighbourhood of his house, at ten times the expence which the land is worth after all his improvements; and finds that if he was to improve his whole estate in the same manner, and he has little taste for any other, he would be a bankrupt before he had finished the tenth part of it. (Ibid. pp.385-386.)

The references to nature in this passage, and the explanation that “custom” forms the “habit” of mismanaging his affairs, may well introduce in us the suspicion that Smith uses the word “nature” merely to prop up a standard of the ultimate good which he

viewed as more correct than mere custom and habit. Unfortunately, the distinction between nature and custom seems to creak under the weight of this task; to quote Pascal: “But what is nature? For is custom not natural? I am much afraid that nature is itself only a first custom, as custom is a second nature” (2006. II. 93.). It seems to be part of our nature to establish these customs and habits, so how can we regard these as anything but natural? In TMS Smith expresses the view that custom alters behaviour away from what he seems to see as the fixed standards of human nature, and it can do so to different degrees in different aspects of human nature. Style and beauty for example, can vary greatly, while (as we saw in section 2.3.3) morality is far more rigid (TMS. V. II. p.200.). But as we've seen above, the invisible hand passage from TMS tells us that nature is still working through the selfish great proprietors to provision subsistence for the many employed on their estates. So if these behaviours are formed by habit and custom but are still operating according to the designs of “Providence”, how is it that we can see this investment of capital as contrary to the natural order? It seems that this can only be consistently explained by Smith as the 'natural' result of the “unnatural” circumstances which came about as result of the fall of Rome, and the Germans and Scythians over-running Western Europe (WN. III. II. p.381.). In other words, unnatural circumstances producing habits which trigger natural behaviours. But this only succeeds in pushing the question back – how can circumstances be unnatural?

We might also suspect that Smith is engaged here not with a particularly historical/scientific project, but rather a normative one. He does not, in fact, show that the succession laws of the Roman Empire were any more “natural” than primogeniture in the states that followed. His explanation is that “when land, like moveables, is considered as the means only of subsistence and enjoyment, the natural law of succession divides it, like them, among all the children of the family” (WN. III. II. p.382.), but this is just as much a result of circumstance as the apparently unnatural law of primogeniture. The

circumstances of the Roman Empire were such that the land held no special place, and was regarded merely as providing “subsistence and enjoyment”. The circumstances in Europe after the fall of Rome were such that the land was a source of security and the larger the estate, the more secure it became. The former circumstances resulted in equal inheritance, the latter primogeniture. The real division here seems to be between laws which Smith considered to be rational, due to his egalitarian principles, and laws which he considered irrational/absurd. This is apparent in his discussion of Entails (legal devices by which an estate cannot be broken up by its owner either through sale or when they pass on their estate through their will), which Smith called the “natural consequences of the law of primogeniture” (WN. III. II. p.384.):

[Entails] are founded upon the most absurd of all suppositions, the supposition that every successive generation of men have not an equal right to the earth (Ibid.)

Absurd as these consequences of primogeniture are, Smith does not show them to be in any sense artificial, he can only point out that they are unfair. That the actual contrast that Smith makes is between the rational and the absurd/irrational can be seen most clearly a few pages later in his discussion and condemnation of slavery and serfdom. Smith does not show that slavery or serfdom are “unnatural” or a result of an “unnatural and retrograde order” but instead he focuses on them being unprofitable and therefore an irrational economic choice. Serfs, being unable to acquire property and being bound to the land by law, could only improve the land as a result of the designs of their master, usually a great proprietor whom, as we saw, was likely uninterested and/or unqualified to make such improvements. Therefore, serfdom was inefficient as a means to progressing opulence. Slavery, according to Smith is even worse:

The experience of all ages and nations, I believe, demonstrates that the work done by slaves, though it appears to cost only their maintenance, is in the end the dearest of any. A person who can acquire no property, can have no other interest but to eat as much, and to labour as little as possible. Whatever work he does beyond what is

sufficient to purchase his own maintenance, can be squeezed out of him by violence only, and not by any interest of his own. (WN. III. II. pp.387-388.)

So why did slavery come about in the first place? Why did it (in Smith's time) continue if it was so manifestly unprofitable? Here Smith's natural/unnatural distinction fails completely, because it seems that slavery is a result of human nature:

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. (Ibid.)

Notice that this is not a specific claim, or one conditional upon historical circumstances, this is a claim about human nature itself: Slavery will always be preferred, even though it stands in the way of land improvement, which would advance opulence, simply because people love to dominate each other. Despite this however, serfdom (which Smith refers to as a “milder kind” of slavery (WN. III. II. p.386.)) was becoming less and less common in Europe; human nature was therefore being overridden. According to Smith, the reason for this is “one of the most obscure points in modern history”, but he speculates that a combination of the increased efficiency offered by freehold farming and the kings and queens of Europe finding it necessary to undermine the power of the great land proprietors, meant that over time, the serfs were granted more freedom and more power. In other words, in the long run, efficiency and greater interests win out over the human desire to dominate (Ibid. pp.389-390.).

This appeal to things in the long run is a particularly novel feature of Smith's economic discourse, and he used it for several purposes including correctly predicting the UK's decline after the colonial period (Schabas. 2005. p.93.). Whilst it's interesting in terms of economic analysis, what is most revealing about this is that the passage of time takes on a moral aspect. According to Smith, the fleeting, short-sighted desires might lead to short-term bad results, but in the long run they are overruled and the greater good wins

out. We see this manifest explicitly with reference to farmers who rent the land under unfavourable conditions and with short leases, which discourage the farmer from investing:

The proprietors of the land were antiently the legislators of every part of Europe. The laws relating to land, therefore, were all calculated for what they supposed the interest of the proprietor. It was for his interest, they had imagined, that no lease granted by any of his predecessors should hinder him from enjoying, during a long term of years, the full value of his land. **Avarice and injustice are always short-sighted, and they did not foresee how much this regulation must obstruct improvement, and thereby hurt in the long-run the real interest of the landlord.** (Ibid. p.393. Emphasis added.)

Avarice, injustice, the desire to dominate, all these things are short term desires which in the long term are overtaken by the “real interest”, i.e. the best interest. Nature's plan, the natural progress of opulence, wins out in the end. It's just a matter of time. However, we still find that Smith does not provide any account of why this long view approach is natural while short-term greed is artificial. Worse, there is a direct contradiction between his claim at the start of book III (p.377.) that the “natural inclinations of man” are being thwarted by “human institutions”, and those passages where we see mankind's pride, greed, avarice and short-sightedness hobbling economic progress rather than the institutions themselves. Instead of showing that an unnatural order has thwarted our natural inclinations, what Smith has actually done is set out an ideal, rational program for economic development, called it “natural” and then judged history against it⁶⁵. Interpreted thus, his statements about pride, avarice and injustice become intelligible: Man's irrational love of dominating others is the reason for slavery,

65 Becker, while not specifically discussing Smith, claims that this sort of thinking was common amongst “philosopher-historians” of the 18th century. In particular, he claims that they seemed to see history not as a starting point for understanding human nature, but rather as a sequence of events to be judged against the morals of the Enlightenment. He cites Fontenelle, Montesquieu and Diderot as all complaining that the facts meant nothing until they could be judged against their own principles (pp.103-104). The purpose of this cart-before-the-horse approach to history was, according to Becker, to show that Christian philosophy had had a negative effect on the state of Europe (pp.105-107), but this does not appear to be Smith's intention in WN Book III (or at least, it is not his immediate concern), as he does not link any of these circumstances to the rise of Christianity, instead stressing the necessities of the situation. His attacks on the church come much later (See: WN. V. I. g. pp.788-814.).

when reason tells us that it is unprofitable (and wrong); and the great proprietor's short sightedness causes them to inflict badly thought out leases on their tenants which run contrary to their own best interests.

We see Smith continue to use nature as an ideal against which to measure history throughout the rest of Book III of WN, most markedly in his discussion of how merchants have altered the natural progress of opulence. He tells us in chapter III that the finer manufacturers (those that should in the natural progress come last) can appear in two ways, either they can be allowed to “grow up naturally” or they can be created by the “violent operation”⁶⁶ of capital employed by merchants who seek to mimic foreign manufacturers for profit (WN. III. III. pp.407-408.). Unlike in the case of the great land proprietors, there does not seem to be any hint here that these merchants are acting in some way contrary to their own best interest. They do after all, make a profit, and indeed tend to reinvest that profit wisely, often in fulfilling the ambition of becoming a country gentleman by buying and improving land, thus reversing the “natural” order of capital investment (WN. III. IV. p.411.). Smith’s criticism is that they are investing in a way which is not in accordance with the best interest of the nation, producing an order which “being contrary to the natural course of things is necessarily both slow and uncertain” (Ibid. p.422.). This situation is not a result of “human institutions” or even “Avarice and injustice,” it's merely less efficient and a less certain path to improved opulence than the ideal, “natural progress of opulence.”

But it still seems to make little sense: how can it be that these merchants while pursuing their own self-interest in an entirely rational way are causing an “unnatural

66 Smith's language here is striking and it's not entirely clear what he means by it. He may mean to suggest that this is in some way an unjust use of capital in the sense that by investing in this way the merchants harm everyone in the nation. This would be an unusual argument for Smith to make, because justice for Smith means refraining from *actively* causing harm to others, and it's unclear how in this case the merchant can be said to be causing *active* harm by not contributing to the optimal good. It is more likely that he means that it upsets the natural balance or natural flow of capital, and in that sense it is violence against "Nature's" system.

order” when in so many other contexts they are promoting the greater good? I suggest that in order to understand this, we must bring in some concepts from TMS which we have already encountered in Section 2.3.2. We have seen that Smith views human beings more as components within the machinery of nature than as individuals making rational choices. We are like the “wheels of a watch” which turn according to the design of the watchmaker. We think that we act according to reason, but we are mistaken and fall into a confusion of causes when we seek to explain human behaviour:

But though, in accounting for the operations of bodies, we never fail to distinguish in this manner the efficient from the final cause, in accounting for those of the mind we are very apt to confound these two different things with one another. When by natural principles we are led to advance those ends, which a refined and enlightened reason would recommend to us, we are very apt to impute to that reason, as to the efficient cause, the sentiments and actions by which we advance those ends, and to imagine that to be the wisdom of man, which in reality is the wisdom of God. (TMS. II. II. III. p.87.)

When the efficient causes and the final causes line up, we think that people consciously act to produce those final causes and that they have acted according to a “refined and enlightened reason”. However, the truth is that they acted in that way because they were designed to act that way in order to produce that result, just like the parts of a watch. I suggest that we see WN Book III, and the “unnatural and retrograde order” of capital investment as what happens when human reason and the efficient causes become detached from the final causes and the designs of nature. To use Smith's watch metaphor: human reason has taken the watchmaker's place and the individual parts are working to the best of their ability; but they have been assembled in the wrong order and as a result the watch runs slow. Nature's watch design (or capital investment design) is the perfect ideal, while man's design is inferior and in that sense “unnatural and retrograde”.

This divide between the ideal design of nature and the imperfect approximations of mankind crops up in several places throughout Smith's work. For example, in his essay

“Of The External Senses”, he considers painting to be a crude representation, which “has never been able to equal the perspective of nature, or to give its productions that force and distinctness of relief and projection which nature bestows on hers” (Essays. p.160.). Similarly, he describes the relationship between vision and touch as a sort of language of nature “more perfect” and “more regular” than “any human language” with fewer and more exact rules (Ibid. p.161.). In TMS he describes “every system of positive law” as “a more or less imperfect attempt towards a system of natural jurisprudence” that is corrupted by the interests of the government, the interests of particular classes of people who “tyrannize the government”, or even the “rudeness and barbarism of the people” (TMS. VII. IV. pp.340-341.). We now see Book III of WN for what it is: a criticism of the inferior reason of mankind. Capital has been diverted into manufacturing fine commodities for export at the behest of the merchant classes, when instead it should have been invested first into improving the land, second into local manufacturing, and only then into fine manufacturing for export according to nature's plan. In that sense the system is unnatural – it does not follow nature's perfect design.

To summarise: nature has designed a perfect system for capital accumulation and investment. The natural path to national opulence starts with improving the land, then the manufacturing in the towns and finally manufacturing for export. Mankind, thinking it knows better, has inverted this order by letting the great proprietors of the land accumulate vast estates which they do not improve, and by encouraging export manufacturing at the expense of the land and local industry. The result has been a 'slow progress of opulence,' and an inversion of the proper order of investment where merchants made rich from foreign trade have come home to buy land and set themselves up as great proprietors. Similarly, Man's failings have manifested in unprofitable institutions like slavery, but over the centuries, nature has worked slowly and patiently through conflicting interests in society, and those institutions have fallen away. Nature

can be seen as the design and the designer, a rational system in the sense that it has a goal (in this case, the progress of opulence) and it works towards that goal in the long run, but at the same time it is the 'watchmaker' who set us in motion. Compared with the mind of nature the designer, human rationality is a faulty, short-sighted instrument. Despite the existence of an ideal and the designing hand of nature, the imperfections and conflicting desires of mankind not only explain why things are not ideal, but are also a barrier to the implementation of ideal systems. For example, in the same chapter that the invisible hand appears Smith admits that:

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the publick, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. (WN. IV. II. p.471.)

Above in section 2.3.3, I suggested that in Smith's impartial spectator theory we see a link between the divine, impartiality, and the objectively correct set of morals. Deviations from the 'correct' set of morals, such as infanticide in ancient Athens, are therefore symptoms of the ignorance and partiality of man. It seems that in the progress of opulence the situation is much the same: God has an ideal "natural" plan for us to follow, but "private interests", "prejudices" and short-sightedness have inverted it and will continue to invert it to a greater or lesser extent. However, we have also seen that according to Smith nature/God is patient, and over eons of time the injustices fall away and the efficiency of the natural order wins out. At least, as much as it can in a world populated by imperfect people.

If we were to read Smith's work as essentially atheist and empirical, as many modern readers do, or we were to deny the link between TMS and WN as some economists have, these arguments from book III would be incoherent. We would see Smith attacking various laws and practices in a sort of shotgun approach: sometimes calling them unnatural, sometimes calling them unprofitable, sometimes claiming that

they're inevitable but displaying a bizarre faith that it will all work out in the long run. We would wonder how a law could be anything other than a product of circumstances, and why he has introduced this seemingly normative use of the words “natural” and “unnatural” into a discourse that could equally have been undertaken with reference only to profitability. Smith could have written the entire book criticising primogeniture for concentrating wealth in a few idle hands, criticising slavery for being unprofitable, criticising investment of capital into foreign trade when the land was still 'unimproved' on the grounds that it was a slower path to opulence. But he did not. He chose to criticise it from the grounds that it is a deviation from nature's system, and he viewed the fact that these things were not profitable and unjust as symptoms of an arrogant and irrational mankind that thinks it can do better than the “the obvious and simple system of natural liberty” (WN. IV. IX. pp.687-688.).

4.3.2: The Divine Telos, Theodicy and Nature's Wisdom in TMS

Through the invisible hand, unintended consequences and the distinction between natural and artificial capital accumulation, we have arrived back at the teleological elements to Smith's theory. His belief in final causes, in the benevolent intentions of the “Author of Nature” and the production of the greatest good through the machinery of the universe, gives Smith the conviction that it will all come out well in the end, that society will tend towards greater wealth production and greater quality of life for all, despite the best efforts of the merchants and manufacturers to pursue their self-interest by colluding with one another and their current failure to appreciate what they should be manufacturing and selling. Smith’s optimistic theodicy and belief in a divine telos, an ultimate final cause and purpose for the universe itself that is laid down by God, permeates his work, but it is expressed most strongly in TMS part VI, where Smith tells us that God is “benevolent, and all wise” (VI. II. III. p.235.) and has “from all eternity, contrived and conducted the immense machine of the universe, so as at all times to

produce the greatest possible quantity of happiness” (Ibid. p.236.). Since we know that God is good, and we know that God has designed the “immense machine of the universe”, anything that the machine does must ultimately tend towards the final cause that God has in mind, which is the greatest happiness for the greatest number. If we investigate the machine enough, we'll find that to be the case:

[E]very part of nature, when attentively surveyed, equally demonstrates the providential care of its Author, and we may admire the wisdom and goodness of God even in the weakness and folly of man. (TMS. II. III. III. pp.105-106.)

Smith is not content to leave such statements hanging or to merely express them as 'theological window dressing'; he immediately seeks to demonstrate them, in this case by discussion of an apparent “irregularity” of our sentiments when it comes to moral judgement. He cites the Aquilian Law⁶⁷ of the Roman Empire, which states that negligence which causes damage to another's property must be compensated by the negligent party, and gives the example of “the man, who not being able to manage a horse that had accidentally taken fright, should happen to ride down his neighbour's slave, is obliged to compensate for the damage” (TMS. II. III. II. p.104.)⁶⁸. When by accident we harm another we “naturally” run over and offer support, apologies and acknowledgement that it was our fault, but, Smith asks rhetorically, if intention is really the most important factor why should we do so, given that we had no intention to cause harm and the results were an accident? According to Smith, “Every body agrees to the general maxim, that as the event does not depend on the agent, it ought to have no influence upon our sentiments, with regard to the merit or propriety of his conduct”. However, when it comes to actual examples “we find that our sentiments are scarce in any one instance exactly comfortable to what this equitable maxim would direct” (TMS. II. III. III. p.105.). Mankind professes

67 Latin: *lex Aquilia*

68 The attentive reader will notice that this example is from the section previous to the one containing the appeal to the 'wisdom and goodness of Nature', but Smith's argument runs on across sections, and in II. III. III. he is explicitly referring back to the same example and concept.

one doctrine, but nature leads us in another direction, and again we see with Smith the idea of an intention in nature, a plan for the greatest happiness:

Nature, however, when she implanted the seeds of this irregularity in the human breast, seems, as upon all other occasions, to have intended the happiness and perfection of the species. (Ibid.)

Nature's plan is, once again, shown by Smith to be superior to human judgement. If moral judgement actually took the form that 'every body agrees' that it should, then "[s]entiments, thoughts, intentions, would become the objects of punishment" and the result would be that "every court of judicature would become a real inquisition" persecuting the suspicion of bad thoughts even if they had not lead to action. Therefore, judgement based on motivation is "placed by the great Judge of hearts beyond the limits of every human jurisdiction" (Ibid.). The utility of this focus on consequences, according to Smith is that in the case of benevolence it incites us to action:

Man was made for action, and to promote by the exertion of his faculties such changes in the external circumstances both of himself and others, as may seem most favourable to the happiness of all. He must not be satisfied with indolent benevolence, nor fancy himself the friend of mankind, because in his heart he wishes well to the prosperity of the world. That he may call forth the whole vigour of his soul, and strain every nerve, in order to produce those ends which it is the purpose of his being to advance, Nature has taught him, that neither himself nor mankind can be fully satisfied with his conduct, nor bestow upon it the full measure of applause, unless he has actually produced them. (Ibid. p.106.)

Similarly, it forces us to be careful, and to consider the possibility of hurting others with our actions (Ibid.). Thus this apparent irregularity between reason and how moral judgement actually works, is seen by Smith to be evidence that nature is benevolent. An important corollary to this argument is that according to Smith, human reason is subservient to the sentiments and human nature when it comes to moral judgement: Reason tells us to look at the intention of the parties involved, but our sentiments of gratitude or resentment will always stem from the consequences. The only role for reason and its maxim is to justify our actions to ourselves, and appeal to others to not lose their

esteem for us when our 'generous designs' fail due to misfortune (Ibid. p.108.). Human reason is therefore very much secondary to our natural sentiments when it comes to moral judgement⁶⁹; just as in WN, Smith treats human reason in capital investment as inferior to the natural progress of opulence.

This deference to the wisdom of nature extends even to things for which Smith cannot find an explanation. For example, in 4.2.2 I mentioned that Smith admits in his “two roads” to virtue, that the top strata of society, having no need for the good will of their inferiors, have no incentive to follow the virtues beyond any desire they might cultivate to do so (TMS. I. III. III. p.62.). As we saw above, he shares similar sentiments in WN, where he describes the misrule of monarchs as “an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy” (WN. IV. III. p.493.), and although he sees our reverence for them as necessary for the stability of society, he does not offer any solution to the problem of misrule, nor any reason why it should produce unintended good. Smith's teleological commitments mean that he does not have to offer a remedy or an explanation because he can defer to the superiority of nature's wisdom over his own limited mortal reason, and indeed he does not attempt to do so.

Smith's optimism seems to borrow heavily from the work of Alexander Pope. In particular, he talks of the “wise and virtuous man” who is convinced that God “can admit into the system of his government, no partial evil which is not necessary for the universal good,” and as a result must accept all misfortunes that befall him, his family, his social class and even his nation. These he must see not only as necessary things, to be accepted with resignation, but great things, that “he himself, if he had known all the connexions and dependencies of things, ought sincerely and devoutly to have wished for” (TMS. VI.

69 Interestingly, empirical research has backed the view that rather than informing moral judgements, moral reasoning is constructed after a judgement has taken place. See Haidt, J (2001). *The Emotional Dog and Its Rational Tail: A Social Intuitionist Approach to Moral Judgement*. Psychological Review. 2001. Vol. 108. No. 4. pp.814-834.

II. pp.235-246.). The argument here is lifted straight from Pope's *Essay on Man*:

All nature is but art, unknown to thee;
All chance, direction, which thou canst not see;
All discord, harmony not understood;
All partial evil, universal good:
And, spite of pride in erring reason's spite,
One truth is clear, whatever is, is right. (2007. I. X.)

Smith was an admirer of Pope's verse⁷⁰, referring to it frequently during the course of the LRBL, and even finding space to praise it twice in TMS (III. II. pp.123-125; V. I. p.198). A first-hand account from Smith's later life relates that he was given to quoting his favourite verses off hand and at some length (LRBL. *Appendix I*. p.230.). However, we have seen in the previous section that Smith is not quite as optimistic as Pope; nature can harbour no true evil, only "partial evil", which turns out to be part of the greater scheme, but human weakness produces artificial situations which do not seem to quite fit with the plan, and which can only be righted by time. Smith's explanation for how these situations come about seems to invoke deception.

We have seen above that Smith's nature is deceptive, giving humanity desires which lead to unintended consequences, but there are two other forms of deception which feature, somewhat obscurely, in Smith's views. The first is the deception of the self, which prevents us from forming an accurate picture of our own moral worth which in turn affects our ability to undertake self-improvement. The second is the deception between orders of society, i.e. social classes, which privileges some interests over others and thereby derails the natural social order. Taken together, these factors go some way to explain why the individual and society are both seen in Smith's system to be tending towards nature's plan but never quite arriving at it.

According to Smith, there are two instances in which we are most likely to deceive

⁷⁰ Although apparently not the man himself. (LRBL. *Appendix I*. p.230.)

ourselves and to cultivate unjustly positive views of our own actions. The first is in the lead up to an action, when we are under the sway of the passions, which Smith sees as “violent” and full of “fury.” As a result, our “eagerness” overwhelms our good judgement, pulling us away from the cool stance of impartiality, so that “every thing appears magnified and misrepresented by self-love”. Harvey Mitchell has suggested that what Smith means by this is that at the point of acting “we are really thinking about how we should lead our lives” and this leaves us open to self-deceit because we think that we are acting according to our best moral principles (1987. p.405.). However, I do not think that this is quite accurate. What Smith says is that any self-examination undertaken at the point of action will be warped; we cannot help seeing the passions as if they “all justify themselves, and seem reasonable and proportioned to their objects, as long as we continue to feel them” (TMS. III. IV. p.157.). In other words, the strength of the passions gives us the impression that the action we are about to take is proportional and justified, even if to others it seems inappropriate and unwarranted.

The second instance in which we are most likely to self-deceive is any time after the action when we look back upon it, unaffected by the same passions we felt at the time of action. As Smith says, “[t]he man of today is no longer agitated by the same passions which distracted the man of yesterday”, and therefore he can examine his actions in a more impartial light. However, upon adopting the stance of the impartial spectator, we often find that our judgements “can produce nothing but vain regret and unavailing repentance.” According to Smith, these feelings cut especially deep, and threaten our positive self-image, which is built upon our judgement of our past behaviours. “It is so disagreeable to think ill of ourselves, that we often purposely turn away” from these past actions that give us shame, and we fool ourselves into thinking we're better than we are (Ibid. pp.157-158.). Worse, our weakness and our aversion to looking at ourselves in an uncompromising light lead us to continue to do things that we know are wrong:

He is a bold surgeon, they say, whose hand does not tremble when he performs an operation upon his own person; and he is often equally bold who does not hesitate to pull off the mysterious veil of self-delusion, which covers from his view the deformities of his own conduct. Rather than see our own behaviour under so disagreeable an aspect, we too often, foolishly and weakly, endeavour to exasperate anew those unjust passions which had formerly misled us; we endeavour by artifice to awaken our old hatred, and irritate afresh our almost forgotten resentments: we even exert ourselves for this miserable purpose, and thus persevere in injustice, merely because we once were unjust, and because we are ashamed and afraid to see that we were so. (Ibid. p.158.)

The “mysterious veil of self-delusion” therefore leads us astray at the moment of action and in moments of reflection on past actions. It even causes us to make the same mistakes again and again because we would rather live under the veil than examine our own “deformities” in the clear light of impartiality. Accordingly, this tendency towards self-deceit is “the fatal weakness of mankind” and the “source of half the disorders in human life” and if we could be made to see ourselves as others see us “a reformation would generally be unavoidable. We could not otherwise endure the sight” (Ibid. pp.158-159.). What is of particular interest here is that once again we find the designing hand of nature:

Nature, however, has not left this weakness, which is of so much importance, altogether without a remedy; nor has she abandoned us entirely to the delusions of self-love. Our continual observations upon the conduct of others, insensibly lead us to form to ourselves certain general rules concerning what is fit and proper either to be done or to be avoided. (Ibid. p.159.)

When others’ actions “shock our natural sentiments” and 'exasperate' our “natural sense of their deformity”⁷¹ we disapprove of them, and seeing others disapprove of them reinforces our disapproval. As a result, we form the “general rule” not to act in a like manner and bring the same judgements on ourselves. Conversely, when we see actions which we approve of, and see others approving of those actions, we seek to emulate the

71 This is almost an out of character phrase for Smith, seeming more in tune with Hutcheson's natural senses of beauty and virtue. However, the subject of the sentence is the person doing the action, not the action itself. I interpret him to mean that we view those who act badly as in some sense having deformed characters and as a result, we find them detestable, rather than the action having some sort of natural property of deformity which a "moral sense" detects in some way.

people responsible, and form rules for ourselves that we should act in a like manner. “It is thus that the general rules of morality are formed” (Ibid. p.159.). When we have learned these general rules, and when we consider what an “impartial spectator” would think of us, we learn how to keep our “self-love” from running amok, and the result is that even when we are in the grip of the passions at the point of taking an action, we can step back and control ourselves (Ibid. pp.158-159.; TMS III. V. pp.161-170.; See above, Section 2.3.3.). Therefore, morality is the antidote to self-love that is prescribed by nature. However, Smith suggests that good moral education is required to encourage people to follow these general rules, and regard it as their duty to do so, because very few people have the correct moral sentiments all the time:

None but those of the happiest mould are capable of suiting, with exact justness, their sentiments and behaviour to the smallest difference of situation, and acting upon all occasions with the most delicate and accurate propriety. The coarse clay of which the bulk of mankind are formed, cannot be wrought up to such perfection. There is scarce any man, however, who by discipline, education, and example, may not be so impressed with a regard to general rules, as to act upon almost every occasion with tolerable decency, and through the whole of his life to avoid any considerable degree of blame. (TMS III. V. pp.162-163.)

The “coarse clay”⁷² of mankind needs to be shaped for proper behaviour. Nature leads humanity to form general rules of conduct, and to follow them as a duty, and also leads us first through natural sentiments and then “through reason and philosophy” to view the general rules of morality as “the commands and laws of the Deity” (Ibid. p.163.). Smith explains this through a psychological account of how people in “any country” come to attribute sentiments to the “objects of religious fear,” and assume those “mysterious entities” think and feel as they do. “The man who was injured called upon Jupiter to be witness to the wrong that was done to him” and thought that Jupiter, feeling the same way, would punish the wrongdoer (Ibid. pp.163-164.). Thus the general rules of

⁷² The image of man as coarse clay is biblical. Isaiah 64:8: “Yet you, LORD, are our Father. We are the clay, you are the potter; we are all the work of your hand.” (NIV). It could be argued that it also refers to the creation story in Genesis chapter 2.

morality gained divine sanction. Rothschild suggests that such references to Jupiter are mocking in tone, particularly towards the Stoics (2001. pp.133-134), but I think that what Smith expresses in this passage is a type of natural theology. According to Smith, when intellectual investigation catches up with nature's design, it confirms and clarifies rather than sweeps aside the divine backing of the moral sentiments:

That the terrors of religion should thus enforce the natural sense of duty, was of too much importance to the happiness of mankind, for nature to leave it dependent upon the slowness and uncertainty of philosophical researches.

These researches, however, when they came to take place, confirmed those original anticipations of nature. Upon whatever we suppose that our moral faculties are founded [...] it cannot be doubted, that they were given us for the direction of our conduct in this life. They carry along with them the most evident badges of this authority, which denote that they were set up within us to be the supreme arbiters of all our actions, to superintend all our senses, passions, and appetites, and to judge how far each of them was either to be indulged or restrained. (Ibid. pp.164-165.)

We see the 'evident authority' of our moral sentiments, and their obvious purpose in regulating our behaviour, and as a result, we realise that “the rules which they prescribe are to be regarded as the commands and laws of the Deity” (Ibid. p.165. Repeating the same phrasing as on p.163.). The argument here is essentially teleological; we examine the moral faculties, we determine their purpose (telos), we realise why they are necessary to our design, and appreciate rationally (rather than by revelation) that these are in fact the commands of God.

However, while Smith holds up the divine command of the Deity manifested through the moral faculties as a solution to self-deceit brought on through self-love, he does not claim that there is any hidden good in self-deceit. Neither does self-deceit play any role in the divine telos. Instead, the veil of self-delusion encourages us to “endeavour by artifice” to re-experience old emotions and persist in bad actions, and we must turn to nature to overcome it. This is in stark contrast to the examples provided above, and somewhat detached from his claim that “we may admire the wisdom and goodness of God even in the weakness and folly of man” (TMS. II. III. III. pp.105-106.). It perhaps

hints at a Christian influence, the idea of original sin and the Fall from Eden filtered through Smith's theory as an inherent corruption⁷³, a tendency towards too strong a self-love which leads people astray from the natural ideal. Whatever the origin, the result is humanity conflicted. The 'natural moral sentiments' and divine command pushing one way, while self-love and self-deception pull in the other direction.

The difference between these conflicting parts of human nature seems to be related to causes. Lisa Hill (2001) suggests that we understand Smith's teleology as embracing a Greek attitude towards causation, which does not move in only one direction in time. The final cause, or telos, which is posterior to the event can *cause* the event, and therefore the final cause of humanity draws us towards it through our actions:

Smith believes that cause may in fact be posterior, rather than prior to an event (or even both simultaneously), a kind of magnet pulling growth towards it, or alternatively, as potential unfolding through time. As with Aristotelian entelechy, 'God' is the magnet of the universe, unattainable yet perpetually drawing all things towards 'Him'. (Hill. 2001. p.10.)

The lack of telos in self-deceptive behaviour suggests that this as a tug of war between prior causes and posterior causes in Smith's view of human nature. Human beings have a role in bringing God's plans to fruition, but free will means that we have a “considerable independence in the process” (Ibid.), including it would seem, the ability to push back against the telic current. Self-love does have a divine telos according to Smith, in that it is required to motivate us properly to maintain our survival (TMS. II. II. II. pp.82-83.), but it can also be a prior cause for self-deception which does not have a divine telos, and it is self-deceit which is seen to lead people astray morally. Therefore, the distinction between good and bad, natural and artificial, becomes a distinction between

73 I doubt that Smith put any stock in the Eden story. Brian Brock (2015) has written on the issue, and he suggests that Smith replaced Eden with a 'myth of original markets' in which trading is the central theme in human behaviour. As a result, we should understand Smith's views on the corruption of moral sentiments and on the weakness of man as Christian-influenced or Christian-themed but not strictly Christian.

that which has a divine telos and that which does not. There may be no partial evil that is not universal good in God's plan, but humanity is quite capable of producing actual evil.

We can now understand the issue of the “deception” on the part of the merchants and manufacturers, who as we saw above in Section 3.3.4, Smith regarded as “an order of men, whose interest is never exactly the same with that of the publick, who have generally an interest to deceive and even to oppress the publick” (WN. I. XI. p.267.). The merchants and manufacturers play a necessary role which has a divine telos (the investment of capital in wealth producing ventures), but when they get out of hand, they deceive government into granting them preferments, they reverse the natural progress of opulence and therefore cause society to stray away from the system of natural liberty towards an artificial direction which lacks a divine telos. And, as I suggested at the end of Chapter 3, we find that to Smith, the properly functioning nation is essentially a scaled up individual, with the role of self-love played by the capitalist classes, and the result being that the state functions against the Natural order, just as the self-love of the immoral individual functions against the natural moral sentiments.

In summary, although Smith implicitly rejects the problem of evil on optimistic grounds, human artifice can be considered objectively wrong when it deviates from God/nature's plan. Nature in this sense refers to what ought to be, if all things were being fully determined by the divine telos. But humanity, with its free will, can disobey and act against the divine telos (at least, for a time), and therefore some evils are not part of the plan, and should not be considered to be in some hidden way conducive to the universal good, contrary to Pope.

4.3.3: The Stoic Connection

As we saw in the previous chapters, much has been made of the Stoic influences on Smith's thought, from the “spheres of intimacy”, to the so-called “society of strangers”.

Certainly, there is a Stoic influence on Smith's views on nature and God, but he is critical of the conclusions that the Stoics reached.

God, Smith tells us, is “benevolent, and all wise” (TMS. VI. II. III. p.235.) and has, “from all eternity, contrived and conducted the immense machine of the universe, so as at all times to produce the greatest possible quantity of happiness” (Ibid. p.236.). The contemplation of this machine and its divine order is “by far the most sublime” thinking which we are capable of (Ibid.). Both of these ideas he attributes to Stoic philosophy; however, the Stoics then drew from this their paradoxes, and their indifference to all things:

The Stoical wise man endeavoured to enter into the views of the great Superintendent of the universe, and to see things in the same light in which that divine Being beheld them. But, to the great Superintendent of the universe, all the different events which the course of his providence may bring forth, what to us appear the smallest and the greatest, the bursting of a bubble, as Mr. Pope says, and that of a world, for example, were perfectly equal, were equally parts of that great chain which he had predestined from all eternity, were equally the effects of the same unerring wisdom, of the same universal and boundless benevolence. (TMS. VII. II. I. p.289.)

Smith criticises this thought on two grounds. First he dismisses the Stoic paradoxes which set out to show that all events are equal, and that all happiness and all misery are equal, as “violent” and “absurd,” and doubts that great thinkers such as Zeno and Cleanthes were the true authors of such “impertinent quibbles” (Ibid. p.291.). Second, he attacks their doctrine of indifference:

The plan and system which Nature has sketched out for our conduct, seems to be altogether different from that of the Stoical philosophy.

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. Should those passions be, what they are very apt to be, too vehement, Nature has provided a proper remedy and correction. The real or even the imaginary presence of the impartial spectator, the authority of the man within the breast, is always at hand to overawe them into the proper tone and temper of moderation. (TMS. VII. II. I. p.292.).

The contemplation of the sublime order, which the Stoics prescribe “as the great business and occupation of our lives,” is also given to us by nature, but “[s]he only points it out to us as the consolation of our misfortunes” (Ibid.). Notice here that Smith's criticism of the Stoic philosophy, like his criticism of the mercantile system, is ultimately that it is *unnatural* or artificial. The Stoics are seen to be trying to overrule the moral sentiments, endeavouring “not merely to moderate, but to eradicate all our private, partial, and selfish affections” and in so doing, trying to render us indifferent to “every thing which nature has prescribed to us as the proper business and occupation of our lives” (TMS. VII. II. I. p.292.). It is an artificial philosophy, and, according to Smith such philosophies can only affect reason, they are ineffective against the natural moral sentiments:

The reasonings of philosophy, it may be said, though they may confound and perplex the understanding, can never break down the necessary connection which Nature has established between causes and their effects. The causes which naturally excite our desires and aversions, our hopes and fears, our joys and sorrows, would no doubt, notwithstanding all the reasonings of Stoicism, produce upon each individual, according to the degree of his actual sensibility, their proper and necessary effects. (Ibid. p.293.)

Smith admits that philosophy can influence behaviour, but the mechanism by which it does this is to influence “the man within the breast,” the impartial spectator, which in turn spurs us to act according to that philosophy. He seems to suggest that the Stoics were conflicted, their impartial spectators always attempting to “overawe” their sentiments into “a more or less perfect tranquillity.” Curiously, Smith admits that the results of this for the Stoics seems to have been “the most heroic magnanimity and most extensive benevolence,” but still he holds that this is against nature and against our role in the system (Ibid.). “Man was made for action” according to Smith (TMS. II. III. III. p.106.); we must look after ourselves and those around us in that “little department in which we ourselves have some little management and direction”. We must leave the overall

benevolence of the universe to God, the “administrator and director” who oversees everything at the universal level (TMS. VI. II. III. p.235). The contemplation of the sublime, while it can lead us to magnanimous surrender to the will of nature, cannot be given as an excuse for “the neglect of the smallest active duty” (TMS. VI. II. III. p.236-237.).

In summary, it can be seen that Smith accepts the Stoic view of the universe as a benevolent system, but he rejects the conclusion that the Stoics reached, that all things are equal and should be met with an even temper. There is a sense in which we should, according to Smith, surrender to the divine will, and surrender to nature's plan, but this does not mean indifference or selfishness, rather we should embrace our natural tendencies towards moral behaviour, and cultivate happiness in the “little department” of our own lives and the lives of those around us. When we embrace the natural in this way, we cannot fail to produce the greater good, because we are then operating according to the divine plan in which there is no room for evil.

4.4: Conclusion of the Chapter

Smith's belief that society tends towards a “natural” system that is superior to artificial reasoning, his invocation of an invisible hand directing outcomes regardless of our intentions, and his defence of a doctrine of final causes are all part of a natural theology heavily influenced by Stoic thought. Becker's suggestion that nature was deified in the Enlightenment, while not specifically aimed at Smith, is a succinct summary of his view; nature (an ideal nature as opposed to merely that which exists) is a divine plan, with a final cause written into it: the happiness of all living things. However, Self-Deception means that we can't see each other as others see us. The deception of the merchants and manufacturers means that the state cannot be run for the maximum good. We are always tending towards God's plan but never arriving at it.

Still, we seem to run into the problem that calling both what “is” and what “ought to be” “natural” does not appear to be coherent. Smith's tendency to use the term “artificial” to describe that which doesn't promote the maximum good appears simply to push the problem back: how can the artificial be anything other than an expression of human nature? If we follow Hill (2001), we can explain the difference as one of teleology. If a state of affairs is “natural” then it is driven by the divine final cause, whereas if it is “artificial” its telos is man-made, rather than divine. Therefore, the system of natural liberty and the system of virtues endorsed by the moral sentiments, are both underpinned normatively by their divine telos, their role in the proper functioning of the “immense machine of the universe” towards God's ultimate goal to “produce the greatest possible quantity of happiness” (TMS. VI. II. III. p.236.). As a result, it can be argued that to Smith, the word “artificial” takes on a meaning close to sin, in the sense that evil is created in the world by imperfect man.

Where does this leave the invisible hand? If nature always tends towards the good, and the invisible hand is an expression of unintended consequences brought about through nature's systems, are we not left with something close to Samuelson's “mystical principle” of market equilibrium, or a principle of guided self-interest as Friedman reads it? As we saw above, it's certainly not the case that the invisible hand passages themselves do the conceptual work which Samuelson or Friedman attribute to them. Neither does the idea of nature as a designed system which produces the greater good, because, as we saw in chapter 2, Smith believed that our moral sentiments prompt us, naturally, to act with justice, prudence and benevolence, and regulate our behaviour with self-command. However, there is certainly a “mystical” element to this, and one which has Stoic influences but not Stoic conclusions. Nature might be pulling us towards its ideal system, but we must work with it and embrace the natural moral sentiments and the natural progress of opulence. Mankind is made for action, not magnanimous surrender to

the divine will.

The invisible hand, as it appears in TMS and WN, is both more important than Kennedy grants it and less important than Samuelson thinks and Friedman would like. It is important in the sense that it embodies the workings of the 'immense machine of the universe', the hand of God the designer in pushing us towards the divine plan, the telos. The invisible hand is however not a defining doctrine, and the examples, contrary to some commentators, do not endorse unfettered self-interest, declare the market morality free, or grant moral concessions to company directors and union officials. They instead show that "we may admire the wisdom and goodness of God even in the weakness and folly of man" (TMS. II. III. III. pp.105-106.).

Chapter 5: Solving the Adam Smith Problem

5.1 Introduction

In Chapter 1 I showed how the Adam Smith Problem originated in the political unrest of the late 18th century, was amplified by the prejudices of the German Historical School of economics, and continued in the 20th and now 21st centuries to shape our understanding of Smith's work. Along the way, I set out three issues that I think required clarification and which had, in their own ways, shaped modern interpretations and modern scholarly disagreements over Smith. The first issue concerned the principles of human nature to which Smith was committed; the second, the role of the invisible hand in producing good from selfishness; and the third, the question of how the supposed economic man of WN can be virtuous according to Smith. The order was set by chronology, i.e. the order in which various shifts in the literature and various ways of responding to the Adam Smith Problem happened. However, in the course of this thesis, these issues have been tackled in the order which is, I think, easiest to understand. By starting from TMS and working forwards through Smith's work and downwards to the heart of his philosophy. In this chapter, I return to these questions in their original order and reappraise them with the concepts which I have built up in the preceding three chapters in order to show the full coherence of Smith's philosophy.

5.2 What principles of human nature are the works committed to and do they contradict?

In Chapter 1, we saw that Zeyss and particularly Glenn Morrow, have created an interpretation, or perhaps an implicit assumption in the literature, that TMS and WN are fundamentally different in terms of their methodology, and their foundation in human nature. WN is seen as a “scientific” (i.e. synthetic) work which treats human beings as abstract competing agents in the manner of modern economics, while TMS has a more comprehensive view of human nature, and argues in an analytic manner from an

understanding of humans as complex and nuanced, with different motives and desires (Morrow. 1929. pp.85-86). In response to this, in Chapter 2 I showed that, rather than sticking to one methodology, TMS is both analytic and synthetic in character, using both forms of argument to reach the same conclusion, and in Chapter 3, I showed that WN was written in a particular style and for a particular purpose. It is not a textbook, but rather a manifesto, the purpose of which was to influence the British Government. Across both chapters, I discussed the component parts of human nature according to Smith, the things which make us tick, and in this section I will revisit them as one to show that human nature is coherent across Smith's work.

The first and most basic motive, according to Smith, and the most important that we acquire early on is a sense of self-love, a “natural preference which every man has for his own happiness above that of other people” (TMS. II. II. II. p.82.). “Every man, as the Stoics used to say, is first and principally recommended to his own care” and we are all more capable of looking after ourselves than we are of looking after anyone else, simply because we know our desires better than we know those of anyone else (TMS. VI. II. I. p.219.). However, Smith did not see human beings as at all times at risk of falling into the Hobbesian state of nature, of constant competition between hostile individuals and “the life of man, solitary, poore, nasty, brutish and short” (Hobbes. 1985. p.186.). Instead, Smith tells us, no matter how selfish we may suppose man to be, “there are evidently some principles in his nature, which interest him in the fortunes of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it” (TMS, opening line.).

The mechanism that allows us to escape self-love and the narrowness of that first motive of self-preservation, is Sympathy. As we saw in chapter 2, Sympathy clues us in to how others feel, it alerts us to how they react to our actions, it shows us gratitude and resentment, and the “great law” dictated by nature: “As every man doth, so shall it be

done to him, and retaliation” (TMS. II. II. I. p.82.). From observing others’ actions and reactions, from sympathising with their gratitude and resentment and generalising what situations cause those feelings, we build up an appreciation for the virtues of benevolence and justice. Similarly, from living in society, from interacting with others and sympathising with them, we learn to take less partial viewpoints of ourselves, to adopt the view of the impartial spectator, to restrain our selfishness and look after ourselves prudently.

Sympathy is therefore undeniably the cornerstone of Smith's ethics, and the core principle that TMS is founded upon, and what Smith hoped would bring a Newtonian order to moral philosophy. However, when it comes to WN, the central principle is a simple bargain that underlies all trade: “Give me that which I want, and you shall have this which you want” (WN. I. II. p.25). This cooperative venture is what drives the division of labour: Smith gives a philosophical history in which a primitive society begins the long road towards commerce with a bargain between one person who makes the bows and arrows, and the hunter who trades food for the results of his labour. The pin factory example shows how, ultimately, the division of labour increases the efficiency of production, which eventually results in “that universal opulence which extends to the lowest ranks of the people” (WN. I. I. p.22). As I argued in Chapter 3, Sympathy is implicit within this simple bargain; without it we could not 'address ourselves to the self-interest' of the butcher, brewer and baker while attempting to obtain our dinner.

When Smith does talk in the abstract, he does not discuss individuals as utility seeking agents, or the economy as an emergent phenomenon in the manner of modern Neoclassical economics, but rather treats individuals as members of a social class, bound together by the source of their income (Schabas. 2005. pp.14-15.). Smith's assumption here is that we can, by and large, trust the members of a class to act according to “common prudence”, which in this context means that they will seek to improve their

own income (WN. II. II. p.295.). As we saw in Chapter 3, the primacy of common prudence in economic relations is not in contradiction to Sympathy and morality as explored in TMS, because Sympathy is limited by both physical range and lack of intimacy. We Sympathise more with those we know, and we Sympathise most with those whom we have intimate relationships. However, this does not mean that economic relations are entirely immune from Sympathy or from moral considerations. First, because economic relations, such as those between business partners, often become friendly as people spend time together and habitually Sympathise with each other. Second, because the impartial spectator invokes our sense of justice in order to hold back our selfishness and prevent us from doing harm to distant unseen persons, even if we cannot directly Sympathise with them.

In conclusion, the Sympathetic mechanism which underlies the ethics of TMS, and that “certain propensity in human nature” to “truck, barter, and exchange one thing for another” (WN. I. II. p.25) which underlies the economic transactions of WN, cannot be seen to contradict one another. A careful examination of Smith's work shows us that they are part of the same conception of human nature. There is no separate species of simplified agent, no “*homo economicus*” lurking in the pages of WN, because it is a book of its time, written to promote both free trade and better governance in Great Britain, rather than, as authors such as Morrow seem to have expected, the first textbook of modern economics.

5.3 What role does the invisible hand play, and according to Smith, to what extent can we rely on it to produce the greater good?

In chapter 4, I tackled this question directly; I showed that the invisible hand is Smith's metaphor for unintended consequences, but more than that, that these unintended consequences are part of the design of the universe. God has planned things to come for the best in the end, and this at times involves deceiving us into taking actions which we

think are for our own gain, but aren't. However, this does not lead us into a 'greed is good' economic system where the fulfilment of selfish desires can be taken as the standard of right and wrong, because according to Smith, that is not the natural order. The system of natural liberty and the system of ethics dictated by the moral sentiments guarantee the greatest good, not the selfish passions which nature so carefully teaches us to control.

Smith's views on nature are a mix of Christianity, Stoicism and philosophical optimism. From the Stoics he takes the view of nature as an ordered system, a machine which produces the greatest good; but he rejects their doctrine of indifference, claiming that "Man was made for action" (TMS. II. III. III. p.106.). From Pope he takes an optimism that the divine plan admits no evil, what might seem wrong to us, is in truth a "partial evil" which will come out as "universal good" in the end (TMS. VI. II. III. pp.235-236.). This optimism he married to the concept of "deep time" developed by his friend James Hutton. The result is that progress towards the greater good is seen to happen over centuries rather than years (Schabas. 2005. p.93.). Finally, he takes a Christian view of the corruption of mankind; that the divine plan can be corrupted and led astray by free will, by those who think they know better than nature and seek to impose their own system.

An important requirement of this interpretation is that we must understand Smith as having a sincere, if unorthodox, belief in God. Smith's commitment to nature as something planned and necessarily good requires understanding the universe as having teleological aspects put there by the designer of all things, the "Author of Nature" to whom he repeatedly refers. As we saw in Chapter 4, Smith defends this teleological approach by invoking the argument from design or the "divine watchmaker" later made famous by Paley. However, there are arguments for interpreting Smith as an atheist and these must be excluded in order to make this thesis sound, I will examine some recent ones below in section 5.5.

In summary, I disagree with those who view the invisible hand as Smith's central doctrine, as much as I disagree with those who prefer to ignore it. When examined carefully, the invisible hand reveals to us some of the foundational concepts in Smith's philosophy, most importantly a teleological understanding of the universe as an “immense machine” calibrated to produce the greatest good, even if it takes centuries.

5.4 Can the economic man of WN be a virtuous man according to TMS, and if so, how?

In Chapter 1, I formulated this question as a response to the “spheres of intimacy” interpretations of Smith's work, which seek to isolate the “economic sphere” from the “intimate sphere” and in doing so grant commerce an amnesty from moral concerns. However, the answers to the previous questions essentially negate the issue. We've seen that there is no clean break between market interactions and personal interactions, and no separate species of man assumed in WN, so there is no conflict between markets and morals assumed or implied by Smith. In Chapter 3 I took this further, and showed that the virtue of prudence is assumed and the virtue of justice required by Smith for the proper functioning of commercial society, while benevolence is “the ornament that embellishes” society, and makes it happier rather than merely efficient (TMS. II. II. III. p.86.). In other words, commerce requires virtue.

5.5 Evidence for Smith's (A)Theism

In Chapters 2 and 4, I mentioned that there is some controversy over Smith's private religious beliefs. Several prominent scholars, including Kennedy and Rothschild⁷⁴, claim that he was likely an atheist, and they believe that mentions of God and particularly the references to providence in his works are there to shield him from controversy. Others, particularly Campbell, think that while Smith does seem to have believed in God, providence plays little role in his theory. This controversy does not

⁷⁴ I shall not here offer a reply to Rothschild (2001) because her arguments for Smith's atheism are built into her analysis of the invisible hand, which I implicitly rejected above in Chapter 4.

necessarily threaten my thesis, because even if Smith's personal lack of faith could be proved, his private views may well have contradicted his published work. I have already shown that the philosophical framework which TMS and WN express relies upon teleological explanations, without which many of his most famous arguments cannot be made coherent. The God of TMS and WN is certainly not the God of Calvin, whom humanity exists to glorify, but rather a gentle gardener, the kind "Author of Nature" who has set running the "immense machine of the universe" and is supremely benevolent towards all living things. Whether Smith really believed this incredibly optimistic world view is moot when it plays a fundamental part of his expressed philosophy. Regardless, the little evidence we have for Smith's personal belief or lack of belief has recently been thoroughly examined by Kennedy (2013. pp.464-482.), so in this last section before the conclusion, I will offer some commentary on this evidence, and what Kennedy claims we can draw from it. Finally, I will highlight a very passionate theological argument from TMS, which I interpret to be a direct reference to the death of Hume, and which I think may give some insight into Smith's personal faith.

There is not any single document or event in Smith's life which confirms his atheism, but Kennedy (Ibid.) has set out to collect the scraps of evidence, some from Smith's work, but most from his life and his private letters, which, when taken together may amount to a strong case. Kennedy suggests that Smith, in his childhood, was a firm believer in Christianity, encouraged by his firmly religious mother and his education at the local school in Kirkcaldy, but that as a young man Smith had a crisis of faith and became far more sceptical as a result. According to Kennedy, this was brought on from continued exposure to religious zealotry and bigotry, first during his degree at the University of Glasgow, where three of the professors, including Francis Hutcheson were accused of heresy, and later at Oxford University, where Smith himself came under fire (Ibid. p.465). Hutcheson's sponsorship allowed Smith to attend Oxford under the Snell

Exhibition, an award intended to support young scholars destined for ordination in the Church of England and a life of preaching in the Scottish Episcopal Church. There is some controversy over the question of whether ordination was expected of scholars after they completed study under the Exhibition, and Ross suggests that Smith took the funding with no intention to enter the church (2010. p.55.). However, Kennedy disagrees, and alleges that Smith went with the intention of following through, but lost his faith due to a combination of his dislike of his Church of England tutors, his experience of being censured by George Horne (Later Bishop Horne) for his defence of Hume, and anti-Scottish bigotry from the faculty and students linked to the Jacobite rising of 1745. In the end, Smith returned to Scotland in 1746 without finishing his degree and resigned the Snell Exhibition in 1749 (Kennedy. 2013. pp.465-467.).

Kennedy links these events to what Smith had to say on childhood credulity and the tendency for children to believe what adults tell them, no matter how ridiculous, until they are older and wiser (Ibid. p.465.); “It is acquired wisdom and experience only that teach incredulity, and they seldom teach it enough” (TMS. VII. IV. p.336.). Kennedy suggests that Oxford was the turning point at which Smith lost his credulity and became both sceptical of Christian religion, and adept at hiding his true views on the matter (2013. pp.465-467.). According to Kennedy, this explains the significance to Smith of the *History of Astronomy*, a work which he began at Oxford and kept hidden in his bedroom for over 40 years; it was a memento of the moment when his understanding of philosophy contradicted his Christian beliefs, and philosophy won out (Ibid. pp.468-469.).

Kennedy suggests that Smith spent the rest of his life hiding his scepticism of Christianity, both to avoid the same censure that Hume had received and to avoid upsetting his very religious mother, Margaret Douglas, with whom he was extremely close. As a result, he became adept at deflecting theological criticism and was known by his friends for his caution on the matter. This reputation among his friends was revealed

by an incident in 1785 when Smith was recommended to James Hutton as someone who could help make his work “a little more theological” in order to shield him from criticism (Ibid. pp.466-468.).

The evidence for Smith's lack of conviction in Christianity is very good, not least because we have his own remarks on how Hume died with “more real resignation to the necessary course of things, than any Whining Christian ever dyed with pretended resignation to the will of God” (Corr. 163. p.203.)⁷⁵. We also know that subsequent to the death of his mother, Smith edited TMS extensively, stripping out the appeals to revealed religion. The conclusion drawn by Kennedy is that her death gave Smith one less reason to avoid controversy on religious matters, and as a result he became more willing to speak openly (2013. pp.474). Kennedy also cites the *History of Astronomy*, where Smith describes polytheistic religion as growing out of early mankind's need to explain out-of-the-ordinary natural events, and a tendency to ascribe such events to the influence of intelligent and invisible supernatural beings (2013. pp.468-470.; *Essays*. pp.48-50.). As civilisation advances, the security and increased wealth available give the option of pursuing philosophy, “that science which pretends to lay open the concealed connections that unite the various appearances of nature”, and they set out to find the “chains” which link events, rather than merely ascribing them to the Gods (*Essays*. pp.50-51.). Kennedy seems to view the essay's preferment of scientific investigation over religious explanation as a veiled attack on Christianity (Kennedy. 2013. pp.470.). I think this is plausible, but strictly speaking it shows only that Smith had little interest in consulting revelation as a source of truth. Finally, Kennedy documents the various attacks on revealed religion from WN Book V, concluding that “Smith pulled no punches making clear his hostility to

75 By contrast, Oslington suggests that this letter was written in frustration after an insensitive visit to the dying Hume by James Boswell, who had sought from him a deathbed conversion, and as a result we shouldn't read into the remark too closely (Oslington. Ed. 2011. Introduction. p.5.). I think that the other evidence available is more consistent with Smith holding a negative view of Christianity even if this particular phrasing was born out of anger.

revealed religion as practised in Europe” (Kennedy. 2013. pp.473.).

All of this points to Smith being sceptical of Christianity, and unwilling to ground his philosophy in any sort of 'revealed truth'; however, it does not exclude him from holding the Deist view that God designed and set running the “immense machine of the universe,” and left it and us to our own devices. Here Kennedy's paper becomes slightly unclear; he seems to be trying to deny the possibility that Smith was a deist, but is sensitive that his arguments don't quite manage it (Ibid. p.381. n. 13). Still, he tries to claim that Smith's references to Deistic language is throwaway, and that providence is not deployed in WN or TMS in a theological manner. With reference to WN, Kennedy points out the lack of references to God, and that seeing the invisible hand as the Hand of God is to miss the point, but he does not pick up upon the normative use of the word “nature” in WN, specifically in book 3 (Ibid. p.470.). When it comes to TMS, Kennedy documents the changes Smith made to his work in order to strip it of the heavy Christian overtones in early versions (Ibid. pp.473-480.) and notes that providence is not specifically Christian but also pagan in origin (in particular that it is embraced by the Stoics). More significantly, he claims that all references to providence in Smith's work “are reports on pagan teachings” rather than a personal endorsement of providential order (Ibid. pp.480-481.). As a result, he argues that Smith's work is grounded in nature, rather than the providence of a Christian God:

Smith alluded to the origins of resentment from Nature (which predated Christianity) and he back-projects onto Nature those human behaviours later incorporated into the practice of Christian morality. Society's cohesion rests on the impartial resentment of justice, and by rooting this in Nature, and not in the deference accorded to religion he takes a step away from religious belief without mentioning the revealed Christian God. (Ibid. p.481.)

I agree with Kennedy that this was a step away from the revealed Christian God; however, I have already provided extensive arguments for understanding nature in Smith's work as being designed and operating according to final causes laid down by

God. This conclusion is I think supported within Kennedy's own essay, because part of the controversy which Smith attracted for his religious views was his enthusiasm for natural theology. In particular, Kennedy cites a report from John Ramsay who criticised Smith's lectures on natural theology for encouraging students to "draw an unwarranted conclusion, viz. That the great truths of theology, together with the duties which man owes to God and his neighbours may be discovered in the light of nature without any special revelation" (Kennedy. 2013. p.474.⁷⁶). As we covered in Chapter 4, viewing nature as an expression of the mind of God, and as a path through which to understand God was a typical approach in the 18th century, and a direct reversal of Christian revelation (Becker. 2003. pp.50-53.), and thus was controversial but not sceptical of the existence of God. Moreover, if Smith sincerely held views which amounted to natural theology, his appeals to nature and natural law are by definition appeals to providence in the sense of God's design for the universe, and therefore are not in any way throwaway or materialistic in character. Kennedy will need to show that Smith viewed nature in a fully materialistic way, otherwise his arguments can only amount to a denial that Smith was a Christian⁷⁷.

The biographical evidence therefore does not provide sufficient evidence to view Smith as an atheist, and instead seems to me to give support for the conclusion that Smith was a deist. In particular, the report from John Ramsay suggests that Smith sincerely held to the natural theology, which I have argued is foundational to his work. I want to add to this that there are a few paragraphs in TMS, towards the end of Part III, Chapter II, (pp.132-134) where Smith makes some very forceful theological arguments which I think are inconsistent with his supposed atheism and may express some personal beliefs. The passage is too long to quote in its entirety, so I will focus on a few parts of it. It starts just

76 Kennedy references Ramsay. (1888) *Scotland and Scotsmen in the Eighteenth Century. Vol. 1*, Alexander Allardice. Ed., Edinburgh: William Blackwood. pp.462-463.

77 That's not to say that Kennedy's project is without merit, as several scholars, such as Otteson (2002) and Oslington (2011. Ed.), have promoted a Christian reading of Smith.

after the description of God as the final ‘court of appeal’ in self-judgement, the trust that the “all-seeing Judge” will be truly impartial and fair when the impartial spectator is swayed (p.131.), which I covered above in section 2.3.3. Smith goes on to say the following about belief in the afterlife:

That there is a world to come, where exact justice will be done to every man, where every man will be ranked with those who, in the moral and intellectual qualities, are really his equals [...] is a doctrine, in every respect so venerable, so comfortable to the weakness, so flattering to the grandeur of human nature, that the virtuous man who has the misfortune to doubt of it, cannot possibly avoid wishing most earnestly and anxiously to believe it. It could never have been exposed to the derision of the scoffer, had not the distributions of rewards and punishments, which some of its most zealous assertors have taught us was to be made in that world to come, been too frequently in direct opposition to all our moral sentiments (Ibid. p.132.)

Smith, in his characteristic way, doesn’t explicitly commit himself to belief in the afterlife. However, the overall claim that he makes is that the only reason that some people mock this belief, is that there are “zealous assertors” who make claims that contradict the natural sentiments. In particular, these zealous assertors claim that “the public and private worship of the Deity [...] are the sole virtues which can either entitle to reward or exempt from punishment in the life to come” (ibid.). In other words, religious zealots tell us that the correct approach to worshipping God is the only way to obtain salvation, regardless of how good a person you are. This sends Smith into what I think it is fair to describe as a rant on the subject.

Smith claims that the idea of salvation only through worship was invented by people whose “station” in life made worship their primary “virtue”, and because “we are all naturally disposed to over-rate the excellencies of our own characters”, they thought that the business of worship was the highest good (Ibid. pp.132-133.). He provides what is likely his own translation⁷⁸ of Jean Baptist Massillon, the Bishop of Clermont, addressing the officers of the regiment of Catinat. Massillon tells the soldiers that “what is

⁷⁸ According to Raphael and Macfie (Ibid. Footnote.).

most deplorable” in their situation is that they may spend their whole lives in earnest and difficult service and duty, which will sometimes go “beyond the rigor and severity of the most austere cloisters” and yet they will not be guaranteed the grace of God on their deathbeds. Meanwhile the “solitary monk in his cell, obliged to mortify the flesh and to subject it to the spirit, is supported by the hope of an assured recompense, and by the secret unction of that grace which softens the yoke of the Lord”. All that may be required, Massillon suggests, is “one single day” or perhaps a “single action, painful to nature and offered up to Him” to secure salvation (Ibid. p.133.). Smith’s response to Massillon is unequivocal:

To compare, in this manner, the futile mortifications of a monastery, to the ennobling hardships and hazards of war; to suppose that one day, or one hour, employed in the former should, in the eye of the great Judge of the world, have more merit than a whole life spent honourably in the latter, is surely contrary to all our moral sentiments; to all the principles by which nature has taught us to regulate our contempt or admiration. It is this spirit, however, which, while it has reserved the celestial regions for monks and friars, or for those whose conduct and conversation resembled those of monks and friars, has condemned to the infernal all the heroes, all the statesmen and lawgivers, all the poets and philosophers of former ages; all those who have invented, improved, or excelled in the arts which contribute to the subsistence, to the conveniency, or to the ornament of human life; all the great protectors, instructors, and benefactors of mankind; all those to whom our natural sense of praise-worthiness forces us to ascribe the highest merit and most exalted virtue. Can we wonder that so strange an application of this most respectable doctrine should sometimes have exposed it to contempt and derision; with those at least who had, themselves, perhaps, no great taste or turn for the devout and contemplative virtues⁷⁹? (Ibid. p.134.)

This paragraph reads almost like a sermon and it is, in my opinion, the most forceful and passionate argument advanced by Smith in the entirety of TMS. But why would Smith deploy such fearsome rhetoric for the theological conclusion that good people, regardless of their religious beliefs or dedication to worship, are judged fairly by God, if he did not believe? It certainly cannot be taken as merely a nod to pervasive religious orthodoxy when the argument itself is against that orthodoxy, and specifically against Christian zealotry. Not only that, but by using “nature” to reach theological

79 Smith provides a footnote here to “See Voltaire.”.

conclusions, Smith has expressed exactly the sort of natural theology which John Ramsay criticised him for. Finally, this argument cannot be explained away as a relic from the early, more Christian editions of TMS, when these paragraphs were added in their entirety for the final edition of TMS (Ibid. pp.113-114. Footnote; pp.128-130. Footnote). Therefore, I find it almost absurd to think that Smith could have written this while being secretly an atheist, indeed I think that the tone of this argument indicates that it was of great personal importance to him.

We can only speculate as to why this argument was so important to Smith. It seems likely to me that it is a response to the torrent of angry letters he received for his glowing account of Hume's death (See: Corr. 189. p.230.), to the effect that Hume, like many other philosophers and thinkers of the past, has contributed to the "ornament" of human life, and will be judged by God according to that contribution, rather than his sceptical approach to faith. Understood in this way, Smith's description of "the virtuous man who has the misfortune to doubt" is especially striking, and perhaps expresses what he privately thought about Hume. If so, this suggests that Smith was in fact a deist, and believed the philosophical optimism which he espoused. This suggests that, consistent with his egalitarianism, he held what we would now term a "Universalist" belief in an afterlife available to all religious denominations, conditional only on each individual's contribution "to the subsistence, to the conveniency, or to the ornament of human life" as judged by the all-seeing and perfectly impartial eye of God.

5.6 Concluding Remarks

In this thesis, I set out to get to the heart of the Adam Smith Problem, to pin down the contradictions that so many readers have felt existed within Smith's work and to see if a coherent reading can be constructed. In the process, I have emphasised theological and teleological elements of his work, which I think have been neglected, extended Nieli's spheres of intimacy theory, and advanced a new interpretation of WN as a policy

blueprint for the virtuous state. I expect the debate over the coherence of Smith's work, his legacy, and his personal religious inclinations to rage on for many more years and decades, but I hope that I have made some small contribution to advancing the academy's understanding of this landmark thinker.

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