

Adam Smith's moral economy¹

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ABSTRACT

This paper has the following four-part structure. In the first part, I quickly rehearse the classical disparagement of commercial or economic life (in deliberate contrast to the more highly valued life of politics or active citizenship). In part 2, I outline Smith's defence of commerce—his vindication of what he calls opulence and freedom. In the third part, I correct that interpretation of Smith that reads this defence as unleashing asocial or selfish behaviour and thus as freeing the 'economy' from moral norms (as a 'de-moralisation'). Rather, I argue that Smith's own moral philosophy, with its roots in social interaction, is based on a criticism of self-love that does, moreover, permit a wider critique of aspects of his contemporary commercial society, while steadfastly adopting a view of 'liberty' that is thoroughly moralised. I conclude in part 4 with a brief summary.

1 The Classical Critique

The roots of the Western classical critique of commerce lie in Aristotle. Man, he says famously, is by nature a creature of the polis. Since for Aristotle humans only realise themselves when they act according to their nature then being political, that is to say doing politics, is a fulfilment. 'Doing politics' meant participating in the public realm of the polis. Those who participated were *polites* or, using the Roman vocabulary, citizens. Citizens are active. As actors they enjoy a moral equality one with another and possess an educated ethical disposition to maintain the public good. Implicit in this characterisation is that citizens are also free or independent—Aristotle indeed defines the polis as 'a community of free men'.²

¹I follow the standard procedure and cite (by book. part. chapter. paragraph/page) *The Theory of Moral Sentiments*, [1759/90] Glasgow Edition, eds. A. MacFie and D. Raphael (Indianapolis: Liberty Fund, 1982) and *Inquiry into the Nature and Causes of the Wealth of Nations* [1776] Glasgow Edition ed. R. Campbell and A. Skinner (Indianapolis: Liberty Press, 1981). Other Smith citations are to page.

²Aristotle *The Politics* III, iv (1279a23) (*polis koinōnia tōn eleutherōn estin*).

This freedom entailed a necessary sociology. Citizens were independent heads of households. The household looked after the instrumental business of mere living—it was the realm of women, slaves and animals. With his needs taken care of the male head of the household had ‘leisure’ [*skole*] to devote himself to the ‘good life’, to intrinsically worthwhile activity, of which doing politics was a central feature.

This vision of active citizenship was re-articulated by Roman political moralists. For them the citizen was one who devoted his activity to the public affairs (*rei publicae*), whence the association of this vision with ‘republicanism’. Republican thought re-emerged in the independent city states of Renaissance Italy, where the key name is Machiavelli, and from there it was transported into seventeenth century English thought in the work of James Harrington amongst others and then into the eighteenth century, where the best known name is Rousseau but it clearly impacted on the formulation of that century’s revolutions in America and France.

Alongside this account of the meaning of citizenship was an urgent concern with what threatened it. The particular threat differed in emphases but it retained the same structure. Again its roots are Aristotelian. The intrinsically worthwhile public task of politics should not be confused with the instrumental private purpose of the household, and its governance (from which we derive the term ‘economics’). Nor should it be confused with the task of money-making. The household’s function is to gather such goods as are necessary to its function (meeting limited needs). This may be extended to exchange, so a coat may be exchanged for some rice, as long as the recipient uses it for its proper or natural purpose [*kata phusin*], that is, the coat should not be produced for the sake of exchange but to be worn, to meet the need for warmth. While money can play a legitimate role in facilitating this process the danger is that this instrumental role becomes perversely an end in itself. This was the enduring threat — that ‘economics’ and money-making (exchange), in short, private interests would subvert the public good. There was, that is to say, a moralised context for ‘economics’ based on the meeting of imputed finite needs, posited on a conception of a worthwhile human life that is debased if it spent slavishly pursuing private ends, which were defined essentially by seeking the satisfaction of appetite and desire.

It was further assumed that pre-eminent among those who served their private interest were traders or merchants. Compared to a citizen in the full sense, that is, one who dedicated his life to the public good, a merchant lived a less fulfilling, less humanly worthwhile, life. This disparagement was sharpened once commerce began to spread and it came to a head in the eighteenth century. Commerce was suspect because of the uncertainty or risk that lies at its core. I will come back to this point. These suspicions were given seeming substance by the spectacular financial collapses of the late seventeenth and early eighteenth century, such as the South Sea Bubble. These worries were given a focus by the presence of a contrasting model in the person of the independent landowner or country gentleman. This individual enjoys stability and certainty. In sharp and deliberate contrast to

the fluidity of a money economy, the giddy whirl of fashion and the evanescence of ‘profit’, the landowner with his commitment to a fixed ‘place’ is able to practise what Edmund Burke called the great and masculine virtues—‘constancy, gravity, magnanimity, fortitude, fidelity and firmness’.³ These can be contrasted to the proverbial unreliability of women (it is their ‘prerogative to change their mind’). Commercial societies were liable to become ‘soft’ (hence the enduring moralistic critique of them for fostering effeminacy and luxury).⁴

2 Smith’s Vindication of Commerce

To defend commerce required a deflation of this whole set of ideas. Smith undertook this task but this deflation does not mean that he disavowed a moral perspective or ‘de-moralised’ the economy; rather what he did was undertake a re-scheduling of values and, as we will see, a re-assessment of the role of desire.

A student records Smith professing in his Glasgow lectures that ‘opulence and freedom’ were the ‘two greatest blessings men can possess.’⁵ This linkage is central to Smith’s vindication of commercial society—a commercial society is morally better than that celebrated by Aristotle and his heirs—everyone [not a select few] is free and everyone enjoys a materially better life. A modern commercial economy is a moral economy.⁶ As a first step I wish to elaborate on those two ‘blessings’. They are, as we shall see, connected.

For Smith one characteristic of a developed commercial society is the presence of a ‘universal opulence which extends itself to the lowest ranks of the people’ (*WN* I.1.10/22). A mark of this opulence is that these ranks are supplied ‘abundantly’ with what they have ‘occasion for’. Smith illustrates how an extensive

³ ‘Speech on American Taxation’ (1774).

⁴ I discuss this at length in my *Idea of Luxury* (Cambridge: Cambridge University Press, 1994).

⁵ A. Smith *Lectures on Jurisprudence* Glasgow edition ed. R. Meek, D. Raphael, P. Stein (Indianapolis: Liberty Press, 1982) p. 185. Hereafter *LJ*.

⁶ To avoid possible confusion I should declare that the term ‘moral economy’ here is employed in a sense distinct from that associated with E.P. Thompson. Thompson uses it to refer to the legitimating function of traditional rights and customs that reflected a communal consensus and which was manifest in eighteenth-century English ‘crowds’. Thompson contrasts this ‘moral economy’ with the ‘new political economy’, whereby the economy was ‘disinfected of moral imperatives, and he identifies Smith as an exponent (‘The Moral Economy of the English Crowd in the Eighteenth century’ reprinted in his *Customs in Common* (London: Merlin Press, 1991) 185–258, pp. 201ff). His view was contested by, among others, I. Hont and M. Ignatieff, ‘Needs and Justice in the Wealth of Nations’ in *Wealth and Virtue* eds. Hont & Ignatieff (Cambridge: Cambridge University Press, 1983) 1–44. Thompson subsequently wrote a lengthy reply/rebuttal. There he stressed that his focus was on those passages in *WN* that dealt with the Corn Trade and reiterated that he was distinguishing between two different sets of assumptions and was not arguing that Smith was operating in a moral vacuum (‘Moral Economy Revisited’ in *Customs in Common* 267–351, pp. 271, 268–9). I am grateful to Hideo Tanaka for suggesting the need for some clarification.

division of labour produces opulence with the famous example of pin-making. He calculates that through the division of labour ten individuals could make 48000 pins a day—equivalent to 4800 each—whereas, if each performed all the tasks required, ‘not twenty each’ would have been manufactured. A society where tasks like pin-making are minutely divided must necessarily be complex. The members of a commercial society are deeply interdependent. Smith illustrates this with the example of a coarse woollen coat. The production of even this relatively simple garment, he remarks, involves ‘many thousands’ (*WN* I.i.11/22–23). The fact of interdependence means that each individual ‘stands at all times in need of the co-operation and assistance of great multitudes’ (*WN* I.ii.2/26). So extensive does this become that ‘everyman thus lives by exchanging or becomes in some measure a merchant’. And when this has happened then this is ‘properly a commercial society’ (*WN* I.iv.1/37). We will meet this ‘proper’ characterisation again.

We now turn to ‘liberty’ the second ‘blessing’. The interdependence of relationships in a commercial society entails a particular reading of liberty. Commerce requires stability or consistency and security because it rests on a set of expectations and beliefs. Exchange presupposes specialisation. I will only specialise in making coats in the expectation that others are specialising in hats, gloves, shirts and so on, so that when I take my products to market I can, via the medium of money, exchange them for theirs. This means acting now in expectation of future return. To make this prudent there has to be a constancy or predictability in human social life; I need the confidence to commit to making coats. Where the actions of others are not predictable, then it is better (more rational) to be independent and self-sufficient and not rely on anyone—I make all my own clothes. But, of course, that option means forgoing the blessing of the opulence—poorer quality of clothing, even of coats because I can no longer devote as much time to their manufacture—that comes from interdependence. That said, it is in the nature of expectations that they be dashed. The future is always uncertain. There are risks in specialising—my coats may not sell. This uncertainty at the centre of a system that seems to depend on predictability was thought by many to be its inherent flaw.

Expectation and belief are thus central to the functioning of society where everyman is a merchant. It is one of the great, and historically significant, contributions of Smith, and a number of his fellow-Scots, to situate the role of ‘expectation’ in a historical, institutional narrative. This also has the incidental effect of side-lining the republican story of citizenship. The credit system can be briefly cited as an illustration. According to Smith, and others, property began as the concrete immediate possession of an object but it became increasingly abstract, as something could be ‘mine’ although I have no contact with it.⁷ Credit, a pivotal factor in commerce, is a culmination of this process; it is

⁷I have elaborated upon this in my *Social Theory of the Scottish Enlightenment* (Edinburgh: Edinburgh University Press, 1997) Ch.5.

simultaneously, and for the same reason, both abstract and belief-dependent. A promissory note (cf. *WN* II.ii.28/292), contrary to any direct concrete ‘experience’, can be a substantial piece of property. Its substance obviously does not lie in the physical object and neither does it lie in the fact that it represents symbolically something tangible like land; rather it lies in the fact that *others believe* it to have value. It is evidence of that belief’s substance that it supports action—possession of a promissory note can be used as surety to secure a loan.

This constitutes a contract. Smith argues that in the first periods of society, and even for some considerable time subsequently, contracts were not binding and the earliest forms required both parties to be present.⁸ But in commercial society contracts between strangers are central. Smith maintains that the obligatoriness of contract arises ‘entirely from the expectation and dependence which was excited in him to whom the contract was made’.⁹ This now brings us back to predictability.

What lies behind this obligation and what sustains the co-operativeness that these contracts embody is what Smith calls the ‘regular administration of justice’ (*WN* V.iii.7/910). A system of justice is an impersonal abstract order that operates through general rules and is the antithesis of the personal particular rule of the tribal chiefs or local landlords, that is, of the practice in earlier pre-commercial societies—those of hunter-gatherers, shepherds or farmers. At the heart of the commercial system, what constitutes its regularity, is the implementation of the rule of law. (I can here aptly quote Smith’s pupil then colleague at Glasgow University John Millar, who wrote that in ‘opulent and polished nations’ the ‘impartial administration of justice is looked upon almost as a matter of course’.¹⁰) It is, says Smith, only through living under the rule of law that individuals will have ‘confidence’ in the ‘faith of contracts’ and ‘payment of debts’ (*WN* V.iii./910). Only in ‘commercial countries’, he says this time in the *Moral Sentiments*, is the ‘authority of the law... perfectly sufficient to protect the meanest man in the state’ (*TMS* VI.ii.1.13/223).

The rule of law embodies a distinctively modern view of liberty. This enjoyment of liberty-under-law is a blessing. It is linked to the blessing of opulence. The establishment of opulence requires markets and they require stable belief and they require the rule of law to operate. In a commercial society its members have, for example, the liberty to change occupations as often as they please and he is explicit that it is the presence of this choice, along with others, that makes individuals ‘free in our present sense of the word Freedom’ (*WN* III.iii.5/400).

⁸ *LJ* 88, 91.

⁹ *LJ* 92.

¹⁰ J. Millar, *Historical View of the English Government* [1803] I, 251 (London 1812 edition) see also modern edition ed. M. Phillips & D. Smith (Indianapolis: Liberty Fund, 2006) p. 131.

What this modern liberty of choice taps are the deep wells of human motivation. In so doing Smith accepts the 'modern' consensus. At the heart of this consensus—and here I generalise sweepingly— is that the way to seek the truth about human nature is, in principle, no different from the way to seek the truth about nature in general. In both cases it is a search for causes (the full title of *Wealth of Nations* is an enquiry into its 'nature and causes'). But the 'causes' in question reflect this modern consensus, according to which, when seeking explanations attention should be paid to efficient or material causes. We explain human behaviour by identifying motives, that is, literally, what causes motion in us.¹¹ The material facts about human nature are that humans react to bodily sensations (they desire pleasure and are averse to pain).¹² The universalism here undercuts any deep social or cultural differentiation and any recourse to 'essences'. Aristotle might claim that the final end (*telos*) of some is to be the natural slaves of others but materially prick any human and they bleed, as Shylock, the Jew, declared with powerful rhetorical force in Shakespeare's *Merchant of Venice*. In addition to this hard determinism of physical causation, there is also what I have called, in order to capture explanatory thrust given to socialisation, the 'soft determinist' perspective of 'moral causation'.¹³ In Smith this expresses itself in, for example, his comment that the difference between a philosopher and a porter arises "not so much from nature as from habit, custom and education" (*WN* I.ii.4/29).¹⁴

One further aspect of this consensus to be noted is that because it is impossible for humans to be impervious to their senses then they are always 'on the move' and, as sensory input keeps changing, so what is desired is transient; they are in Locke's version 'uneasy' or, as Jefferson put it, it is the *pursuit* of happiness (not its attainment) that is an inalienable right.

Humans are thus creatures of desire. Smith's identifies a bewildering, seemingly ad hoc, list of desires. I want, though, to follow up on their restlessness. This is manifest in one of Smith's most famous remarks, namely, that the 'desire

¹¹ See *Lectures on Rhetoric and Belles-lettres* Glasgow Edition ed. J. Bryce (Indianapolis: Liberty Fund, 1983) p. 171.

¹² Smith is explicit: 'pleasure and pain are the great objects of desire and aversion'. Moreover, he adopts the corollary that it is 'immediate sense and feeling' not reason that distinguishes these objects (*TMS* VII.iii.2.8/320).

¹³ See my 'Smith and Science' in *Cambridge Companion to Smith* ed. K. Haakonssen (Cambridge: Cambridge University Press, 2006) 112–135. See Hume's definition of 'moral causes' as "all circumstances which are fitted to work on the mind as motives or reasons and which render a peculiar set of manners habitual to us." 'Of National Characters' [1748] in *Essays: Moral*, This 'softness' allows for qualification and can thus accommodate Smith's acknowledgement, as reported in his Rhetoric lectures, that there is no infallible link between human actions and their causes (*LRBL* 171). *Political and Literary* ed. E. Miller (Indianapolis: Liberty Press, 1987) p. 198.

¹⁴ For a recent argument for a strongly egalitarian strain in Smith see S. Fleischacker, *A Philosophical Companion to the Wealth of Nations* (Princeton: Princeton University Press, 2004).

of bettering our condition [is] a desire... which comes with us from the womb and never leaves us till we go into the grave'. Nor is this a mere background condition, because he goes on to declare that 'there is scarce perhaps a single instant in which any man is so perfectly and completely satisfied with his situation as to be without any wish of alteration or improvement of any kind'. What this leaves unspecified is the object of the desire but, in this same passage, Smith gives a telling example; this restless desire creates opulence because 'an augmentation of fortune is the means by which the greater part of men propose and wish to better their condition' (*WN* II.iii.28/341).

In order to achieve this betterment individuals should enjoy the private liberty to decide for themselves how to deploy their resources (*WN* IV.ii.4/454). This is what Smith calls the 'obvious and simple system of natural liberty' where everyman is 'left perfectly free to pursue his own interest his own way' (*WN* IV.ix.51/687). This goes to the heart of liberty as a 'blessing'. Hence sumptuary laws, which aim to regulate consumption, and which were strongly advocated by civic republicans (modern as well as classical) as part of their assault on luxury, are rather for Smith, the 'highest impertinence' and show up the presumptuousness of 'kings and ministers' as they attempt 'to watch over the economy of private people' (*WN* II.iii.36/346).

According to Smith's system of natural liberty, government has only three tasks—protection from external foes, maintenance of public works, including importantly education, and 'an exact administration of justice' (*WN* IV.ix.51/687). Provided individuals do not violate the laws of justice then they are to be left alone to pursue their own interests. On this understanding modern liberty consists in living under equitable laws or rule of law. What is important here is that this liberty is enjoyed by all. This inclusiveness demarcates it sharply from 'ancient liberty'. Ancient liberty was exclusive. It was enjoyed by those who had leisure and that was made possible, as Hume¹⁵ and Smith¹⁶ pointed out, by the presence of a class of slaves. The abolition of slavery was part of the civilising process brought about by the emergence of commerce. (Smith observed that slavery was economically unproductive [*WN* III.ii.9/387, IV.ix.47/684]—wealth was increased by diligent workers and diligence is enhanced by the 'liberal reward for labour' [*WN* 99].)

To conclude this part, I want to pick up the reference to justice. For Smith, justice is indispensable, it is 'the main pillar that upholds the immense fabric of human society' (*TMS* II.ii.3.4/86). Justice is a negative virtue because it requires forbearance, not hurting another. As a consequence Smith declares that 'we often fulfil all the rules of justice by sitting still and doing nothing' (*TMS* II.ii.1.9/82).

¹⁵ D. Hume, 'Of Commerce' [1752] *Essays* p. 257; 'Of the Populousness of Nations' [1752] *Essays* p. 383.

¹⁶ *LJ* 226.

Smith likens these rules of justice to the rules of grammar since both can be taught (*TMS* II.6.11/175). Everyone (porters and philosophers) can be taught how to conjugate and everyone can be educated or socialised to abide by 'general rules' (*TMS* III.5.2/163). The effect of this process of instruction or socialisation is to establish what we have already seen as crucial to commercial society, namely, certainty and predictability, for 'without this sacred regard to general rules there is no man whose conduct can be much depended upon' (*Ibid*). Smith illustrates the indispensability of justice by the fact that it makes a society of merchants possible (*TMS* II.ii.3.2/86). This example was chosen to identify quite deliberately a society where 'mutual love and affection' are absent. An important conclusion can be drawn from this, namely, 'beneficence is less essential to the existence of society than justice' (*Ibid*). And since, as we have noted, in commercial society 'everyman is a merchant' this further entails that a commercial society's coherence—its social bonds—does not depend on love and affection. You can coexist socially with those to whom you are emotionally indifferent.

This state of affairs is the reality of commercial life. The very complexity of commercial society means, on the one hand, that any individual needs the assistance of many others (the message of the coarse woollen coat) but, on the other, that only a few of this 'many' are personally known (*WN* I.ii.2/26). In a commercial society we live predominantly among strangers. Relationships of mutual love and affection or friendship are correspondingly relatively scarce. Since the bulk of our dealings are impersonal then they must thus be conducted on the basis of adhering to the rules of justice. In a complex society a shopkeeper is unlikely to be also your friend; to you he provides something you want, to him you are a customer. This pattern of relationships lies behind Smith's famous passage,

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 chuses to depend chiefly upon the benevolence of his fellow-citizens (*WN* I.ii.2/26–7).

Nothing in this means that Smith is denying the virtuousness of benevolence. Indeed in the *Moral Sentiments* he is careful to say that a society of merchants would be 'less happy and agreeable' than one where beneficence was practised. Moreover, since just 'action' is 'inaction' (restraining from injury) then one who is 'merely' just is entitled to 'very little gratitude' and, possessing 'very little positive merit', will be treated without affection (*TMS* II.ii.1.10/82).

That justice was distinct from other virtues such as benevolence was, of course, not Smith's argument alone, indeed it has a long history. In spite of this distinction between justice and the other virtues, it is an important element in Smith's vindication of commerce that he does not regard them as inversely related. He argues that the concern 'not to hurt our neighbour' constitutes the character of the 'perfectly innocent and just man'. And such a character, he continues, can

‘scarce ever fail to be accompanied with many other virtues, with great feeling for other people, with great humanity and great benevolence’ (*TMS* V.ii.intro.2/218). Members of a commercial society can be both just and benevolent.

These two virtues do however have a different focus. Justice is primary but negative; do nothing but abide by the rules. Positive action, such as deeds of generosity or benevolence or mutual love, is reserved for those known personally to us. We exercise these positive virtues in a necessarily partial fashion; everybody cannot be our neighbour, everybody cannot be the proper recipient of our beneficence, everybody cannot be our friend. We treat ‘everybody’ impartially, we treat them in accordance with the rules of justice.

3 Smith’s Socialised Morality

The very emphasis on humans as desirous creatures was integral to the establishment of the ‘moral sciences’ (see the full title of Hume’s *Treatise of Human Nature*) or what we would today call the ‘social sciences’. Once the recourse to final causation is effectively side-lined the consequence is not (as traditional moralists feared and as their eighteenth-century heirs continued to fear) disorder but an order premised on the predictability and certainty inherent in the ‘new’ psychology based on Man’s material nature—all humans enjoy pleasure and avoid pain, these are as Bentham said their ‘sovereign masters’.¹⁷ The most palpable evidence of such constancy is the ‘fact’ of the salience of self-interest in human nature.¹⁸

All this is true but it is liable to give a misleading picture of Smith’s position. His acceptance of the modern consensus, outlined in part 2, does not mean he accepts the Hobbesian interpretation of it. The basic fault with that interpretation, as post-Lockean thought established, was that it was contradicted by experience. The facts of how humans actually behaved was at odds with the view provocatively promoted by Mandeville. While Mandeville, for example, could severely criticise Shaftesbury’s classicism for its hypocritical divergence from the evidence about how humans behaved, his own position was itself judged to diverge from those facts. It was evident that humans naturally acted on more than purely self-interested grounds.

¹⁷ *Introduction to the Principles of Morals and Legislation* ed. W. Harrison (Oxford: Blackwell, 1948) Ch.1 p. 125.

¹⁸ It is the manifestation of this in market behaviour that led Joyce Appleby to account for ‘economics becoming the first social science’ *Economic Thought and Ideology in Seventeenth Century England*, (Princeton: Princeton University Press, 1978) p. 184. Cf. A. Hirschman, *The Passions and the Interests* (Princeton: Princeton University Press, 1977). It is, perhaps, worth noting that Hobbes had declared that political science (civil philosophy) was no older than his *De Cive*. For a differently emphasised genealogy see P. Force *Self Interest before Smith* (Cambridge: Cambridge University Press, 2003). I have discussed Force’s reading in my ‘Smith under Strain’ *European Journal of Political Theory*, 3, (2004), 455–63.

Notwithstanding that each individual has a 'natural preference...for his own happiness above that of other people' (*TMS* II.ii.2.1/82) it is, for Smith, a weakness of the Hobbesian/Mandevillean view that it cannot accommodate the fact that the interactions of social life 'humble the arrogance of self-love' (*TMS* II.ii.2.1/83) so that no-one 'dares to look mankind in the face' and admit he acts according to the principle of self-preference. For Smith this reveals something profoundly true about the nature of human nature. Indeed this is the leitmotif of the *Moral Sentiments*. The opening sentence of the book bears this out,

How selfish soever a man may be supposed, there are evidently *some principles in his nature* which interest him in the fortune of others, and render their happiness necessary to him, though he derive nothing from it except the pleasure of seeing it (*TMS* I.i.1.1/9 my emphasis).

And recall that in the 'society of strangers' he does not deny the presence of friendship or mutual love just the scope of their application.

In this commitment to the evidential reality in human nature of disinterested concern for the happiness of others, Smith is following the lead of his teacher Francis Hutcheson. Hutcheson built on Shaftesbury to oppose Mandeville's position that public benefits derived from private vices.¹⁹ The central thrust of Hutcheson's argument is that the undeniable fact of morality (both its actions and the very existence of a moral vocabulary) cannot be derived from the principle of self-interest. The desire for the public good, the exercise of generosity and other virtues are inexplicable on the assumption that humans are solely motivated by a sense of their own advantage. According to Hutcheson humans possess a 'moral sense' by means of which they perceive, independently of any personal benefit, the difference between actions motivated by self-interest and those motivated by 'an ultimate desire' for the happiness of others.²⁰ Smith accepted Hutcheson's affirmation of the reality of moral judgments and behaviour but he differed by rejecting Hutcheson's invocation of a distinct moral sense to justify that reality.

Nonetheless Smith's argument still relies on certain key postulates about the nature of human nature. One such postulate is that humans are imaginative creatures. It is a key feature in the *History of Astronomy* for example but, above all, it has a decisive enabling role in his moral philosophy. Through our imagination we are able to conceive what we would feel if we were in the situation of another.

¹⁹ The title of Mandeville's notorious book is *Fable of the Bees or Private Vices, Publick Benefits*. Starting as a poem in 1705 it had by its 6th Edition of 1732 expanded into a large volume. The modern edition [1924] of F. Kaye has been reprinted by the Liberty Press, Indianapolis, 1988.

²⁰ *An Inquiry concerning the Original of our Ideas of Virtue and Moral Goodness* (1725, 4th. edit. 1738) Sect.1 (*Philosophical Writings* ed. R. Downie [London: Everyman, 1994] p. 70–1).

In this way we can bring ‘home to ourselves’, though in a necessarily weaker form, the other’s sensations (*TMS* I.i.1.2/9). This ‘fellow-feeling’ Smith terms ‘sympathy’ (*TMS* I.i.1.4/10) and it is an ‘original passion of human nature’ (*TMS* I.i.1.1/9). But in the articulation of his moral theory, Smith’s meaning is technical. It is the context, circumstance or situation that is crucial. Smith stresses that this ‘sympathy’ in his technical sense is not based on another’s exhibited passion but on our view of the ‘situation that excites it’ (*TMS* I.i.1.10/12).

For Smith it is a fact about human nature that ‘nothing pleases more than to observe in other men a fellow-feeling with all the emotions of our own breast’ (*TMS* I.i.2.1/13). This pleasure, he notes, cannot be explained by those who would derive all our sentiments from self-love. This is all the more significant since it is this fellow-feeling that is the root of moral judgment. If we, as spectators, replicate through sympathy the passions emoted by others in their situation then we approve (*TMS* I.i.3.1/16). To give one of Smith’s own examples: if I see a tearful stranger and am informed that he has just learnt of his father’s death then I approve of his grief. What makes this possible is that I have learnt from experience that death of a parent is distressing (*TMS* 18). The experience can only come from socialisation, from the fact that humans are, as social creatures, educable. It was this sociality that effectively marked Smith’s departure from Hutcheson’s moral sense theory.

Smith illustrates the natural fact of human sociality (that it is human nature to belong to a group or to live within society) with an instructive analogy. He says living in society is like looking in a mirror (*TMS* III.i.3.3/110). Just as the mirror allows us to see our own appearance so life in society enables us to see the impact of our behaviour on others. A crucial effect of this exposure to the social gaze is that ‘a human creature’ will observe that others approve of some of his actions and disapprove of others with the consequence, for Smith, that he ‘will be elevated in the one case, and cast down in the other’. It is this responsiveness to others—pleasure in their approval, pain in their disapproval—that Smith used to explain why the rich parade their wealth while the poor hide their poverty. The rich value their possessions more for the esteem they bring than any utility (*TMS* II.iii.2.1/51) and it is this disposition to ‘go along with the passions of the rich and powerful’ that establishes the foundation for rank distinctions (*TMS* II.iii.2.3/52). And it is this desire for esteem that constitutes the key explanation of that incentive to better our condition mentioned above (*TMS* II.iii.2.1/50 cf. IV.i.10/183).

It is a further given fact of human nature that a spectator’s sympathetic emotions are less intense than those of the party observed (the actor). It is equally a fact that the actor wishes the spectator’s sympathy. In response to these facts the actor in order to induce ‘harmony and concord’ between his emotions and those of the spectator ‘lowers his passion to that pitch in which the spectators are capable of going along with him’ (*TMS* I.i.4.7/22). This has direct bearing on Smith’s analysis of commercial society. As mentioned earlier, the very complexity of that society meant that the bulk of inter-personal dealings were with strangers. Since an actor can expect less sympathy from a stranger than from

a friend then the habitual effect of living among strangers is to induce greater moderation and self-command than that required in more tribal or clannish eras. A stranger is more like the 'impartial spectator' who corrects the 'natural misrepresentations of self-love' and who demonstrates the 'deformity of injustice' (*TMS* III.3.4/137) (recall the importance of justice to commerce).

The 'impartial spectator' is another vital ingredient in Smith's account. The emphasis upon morality as learnt seems to entail a conflation of social conformity and ethical standards. Smith however denies that his account of morality precludes criticism. Humans have been endowed with an 'original desire to please and an original aversion to offend' (*TMS* III.2.6/116) and it is yet another of the facts that Smith attributes to human nature that humans wish 'not only to be loved but to be lovely ... not only praise but praiseworthiness' (and similarly dread to be hated and to be blameworthy (*TMS* [III.2.1/113–4])). One consequence of this is that we are pleased with having acted in a praiseworthy manner even if nobody praises us. We do not therefore rely on actual praise or blame but seek to act in such a way that an 'impartial spectator' would approve of our conduct (*TMS* III.2.5/116).

This spectator adjudicates. As such it functions as an internalised standard of rectitude hence Smith also refers to it as 'conscience, the inhabitant of the breast, the man within' (*TMS* III.3.4/137). It is only by 'consulting this judge' that we can ever get a proper evaluative distance or perspective on our actions (*TMS* III.3.1/134). Everyman, he says later, is able to form gradually from his own 'observations upon the character and conduct of both himself and other people' an idea of 'exact propriety and perfection' (*TMS* VI.iii.25/247). In other words, we are all able, though to varying degrees, to establish an ideal or benchmark. By implicit extension this benchmark in principle enables us to obtain a distance on social practices. Individuals and institutions can be judged as, for example, too heavily swayed by praise and insufficiently attentive to the praiseworthiness of their endeavours. Hence Smith's criticism of the court of king Louis XIV of France for making that monarch's mediocre talents and virtues estimable and conversely for causing 'knowledge, industry, valour and beneficence' to lose respect (*TMS* I.iii.2.4/54). More dramatically, perhaps, Smith has no qualms about declaring infanticide to be a 'dreadful violation of humanity' even if it is a long established, and therefore presumably morally approved, practice in some societies (*TMS* V.2.15/210).

This same scope for criticism can be applied closer to home and reflects Smith's version of a 'moral economy'. In the *Wealth of Nations* he made it clear that the 'wealth' lay in the well-being of the people. This covered not only their material prosperity but also their moral welfare. Accordingly he thought to be in poverty is to be in a miserable condition and, as we have already seen, he regards opulence as a blessing. Despite that last point Smith is alert to the potential moral damage attendant upon life in a commercial society.

In a well-known juxtaposition, in the opening chapters of the *Wealth of Nations*, he celebrates, as we have seen, the productiveness of the division of

labour with the example of pin-making but he expresses concern, in Book 5, for the ‘social’ and ‘intellectual’ (as well as ‘martial’) ‘virtues’ of pin-makers. He notes that those whose lives were spent performing a ‘few simple operations’ (a phrase employed in Book 1 about pin-making) were rendered “stupid and ignorant” and incapable of ‘conceiving any generous, noble or tender sentiment and consequently of forming any just judgment concerning many even of the ordinary duties of private life’ (*WN* V.i.f.50/782). The ‘morality’ into which they are socialised is defective; the ‘mirror’ in which they see themselves reflects back to them to their ‘mutilated’ condition because the all-enveloping nature of their shared work experience deprives them of perspective and weakens the impartial spectator’s jurisdiction. As a result, their self-command is reduced and they are prey to enthusiasm and superstition (*WN* V.i.f.61/788). This at any rate is the probable course of events unless ‘the public’ takes remedial steps by instituting a subsidised system of elementary schooling (*WN* V.i.f.55/785). Here we can see Smith’s social and moral theory meshing to support his policy prescriptions.

Recall that the tasks of government are to oversee the provision of public goods, ensure defence against external threat and internally administer justice (*WN* IV.xi.51/687). Enabling, through education, the pin-makers to lead lives of ‘virtue’ is an example of the first of these. This is more than a technical matter of addressing market failure (like the provision of bridges [*WN* V.i.d.1/724]) but a moral commitment to their well-being. And, as we have seen, this commitment is integral to Smith’s conception of morality as a process of social interaction.

The third task equally embodies a moral commitment. It is not indeed the role of government to make people make pins. This is part of Smith’s famous polemic against the ‘mean and malignant’ (*WN* IV.vii.c.56/610) mercantilist endeavour to direct economic activity; an endeavour that he criticises as ill-conceived and injurious to the wealth of nations, that is, to the welfare of its inhabitants. What government does properly, via the exact administration of justice, is enable the ‘system of natural liberty’ to function (*WN* IV.xi.51/687). Liberty is a blessing and enabling it is good. It is morally wrong to use the power of the state to direct individual actions, as in choice of employment or dress. But Smith does see a proper role for government regulation (including that of banks [*WN* II.ii.94/324]). Nor is he above criticising those private individuals who would distort the ‘market’. His well-known judgment of merchants belongs in this context—they are hypocrites who complain of others while being silent on the ‘pernicious effects’ of their own gains (*WN* I.xi.24/115); they are conspirators as they contrive to raise prices (*WN* I.x.c.27/145), indeed they have an ‘interest to deceive, and even to oppress the publick’ (*WN* I.xi.p.10/267).

4 A Modern Moral Economy

To summarise: that Smith continued to work on the *Moral Sentiments* after he had published the *Wealth of Nations* should alert us to the fact that Smith

never forsook his roots as a professor of moral philosophy. More significantly it indicates that Smith's thought is a 'whole'—there is no 'Adam Smith Problem' that contrasts the selfish human nature of the *Wealth of Nations* against an altruistic version in the *Moral Sentiments*. For Smith 'economic' activity took place within society; its participants were socialised beings. This socialisation was also necessarily a moralisation. Just because Smith rejected a version of a moralised economy based on the meeting of imputed finite needs, posited on a conception of a 'good life' devoted to transcending the essentially animalistic realm of appetite and desire, does not mean that he 'de-moralised' the economy. Rather what he did was undertake a re-scheduling of values.

This occurred on two fronts. On the political or civic front, Smith undermined the republican's emphasis on active citizenship or deliberate pursuit of the public good. For Smith the true public good lay in the world of material well-being and that was best obtained via 'commercial' endeavour (making coats) not via privileging the political over the economic. Opulence is a blessing.

On a wider philosophical front this interpretation of the materiality of well-being represented a rejection of the classical/Christian perspective. For Aristotle mutability was characteristic of normative imperfection and this set up the basic classical/Christian distinction between, on the one hand, the tranquil/ascetic life, devoted to the contemplation of the immutable First Cause or the eternal perfection of God, and, on the other, the mundane life which is unceasingly at the beck and call of the demands of bodily desires. One consequence of rejecting the normative superiority of the eternally immutable was the acceptance of the worth of the mundanely mutable. Life, self-preservation, from being for the Stoics a 'thing indifferent' or for civic moralists being sacrificeable *pro bono publico*, became valued for its own sake.

Politically this means that desires are to be accommodated not proscribed. It is the particular desires of individuals that determine what they judge subjectively to be worthwhile and they properly should have the freedom to pursue those desires within the framework of the rule of law. Liberty is a blessing. The sovereign's interest lies not in the specific content of the desires only in the likelihood of their peaceful co-existence; not in the choice of music but the volume at which it is played, not in the religious ritual performed but in its confinement to those who have chosen to practise it, not in the nature of the business enterprise but in its conformity to general rules and so on. This is the view that comes to be called liberalism. In effect, liberalism valorises the mundane. As a mundane liberal, Smith's 'economy' is 'moral.'²¹

²¹ Earlier versions of this paper were delivered as lectures at Fudan University, Shanghai and Hong Kong University. I am grateful to both institutions for their invitation and for discussion.