

Examining “The Adam Smith Problem”: Individuals, Society, and Value

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ABSTRACT

In this paper I offer an analysis of the Adam Smith Problem. This Problem arises from perceived inconsistencies between Smith’s economic work, *The Wealth of Nations*, and his moral theory, the *Theory of Moral Sentiments*. I argue that far from being inconsistent with Smith’s economic theory, his moral theory serves as a necessary foundation. I suggest that, because he takes humans to be moral by nature, Smith defends social capitalism which requires moral economic agents rather than homo economicus. I then sketch some specific implications for the moral limits of Smithian social systems.

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1. INTRODUCTION

Recently there has been much interest in Adam Smith's social and economic thought. Discussion has primarily focused on continuity between his two major works, the *Theory of Moral Sentiments* (*TMS*) and *Wealth of Nations* (*WN*), with some focus on applications to contemporary society. My aim in the following project is to closely examine Adam Smith's social philosophy¹ with the goal of working out admissible Smithian social systems. Before explaining my project, let me say a few words about what my project is not and what I do not claim. First, I am not attempting to offer a single interpretation of Smith. Likewise, I am not suggesting that the interpretation(s) on which I focus and for which I argue are the definitive readings of the relationship between Smith's texts.

That said, here is what I do intend to do. First I offer a survey of the major literature, most of which falls within the scope of what is known as the Adam Smith Problem. In advancing this literature review, I will note potential problems and further questions that stem from the various interpretations. In addition, I will analyze the aspects and extents to which the various views are supported in Smith's writing or bring out important features of his thought. I will also note where the various secondary interpretations overlap in agreement and diverge from one another. In so doing I hope to get a clear picture of some of the key aspects of Smith's thought including the role and description of the invisible hand, the relation between individual and society, conceptions of autonomy and freedom, imagination, and especially Smith's view of human nature. Also of interest will be the role of intrinsic and instrumental values. Once I have a textually supported, useful interpretation I will use this to frame discussion of the limits on Smithian social systems. I assume for the time being that Smith's thought

¹I intend 'social philosophy' to include all aspects of Smith's thought, particularly as encompassed in his *Theory of Moral Sentiments* and *Wealth of Nations*

does not yield a single particular system, but rather a range of varied systems within certain reasonable limits. This stems from understanding of his moral theory as shall hopefully be justified to the reader after a review of the relevant literature below. Specifically, I will try to make plausible that the best way to understand Smith's moral and economic works is on a virtue theoretic model whereby humans are moral by nature. Rather than being inconsistent then, I suggest that Smith's two works are necessary to one another. Smith's moral theory is essential to his economic theory. As I will show in what follows, this is important because Smithian economic agents are moral agents rather than based on the homo economicus model. Ultimately, I contend that Smith defends social capitalism whereby economic systems are justified insofar as they promote certain virtues and help humans achieve certain moral and material ends. In order to begin to sketch out the range of potential actual systems which could be instantiated on Smith's account, I will offer a discussion of implications from an interpretation of the relation between Smith's *TMS* and *WN* for several examples of particular economic systems². I will conclude by raising some lingering issues and suggesting some fruitful avenues for future work.

2. LITERATURE REVIEW AND CONCEPTUAL CLARIFICATION

There has been a significant revival of interest in issues surrounding “the Adam Smith problem” in recent years. The question concerns whether and what sort of relationship Smith saw between his moral theory and his economic theory as laid out in the *TMS* and *WN* respectively. Thinkers have emphasized the fact that there are elements of a number of distinct moral theories present in Smith’s work—from Kantian themes of autonomy to consequentialist ideas of aggregate welfare and virtue theoretic notions of moral education to Humean sentimentalism. What I want to do in this paper is not

² Some of these will be theoretical constructs designed to zero in on certain important features; some will be actually existing systems of contemporary society.

so much offer a solution or interpretation of the Adam Smith problem as to use literature on this “Problem” to illuminate some key features of Smith’s moral thought that frequently tend to be overlooked as providing an important foundation for his economic account. Apart from being interesting in its own right, an analysis of Smith’s views on the key features of imagination, community, and the individual is important because these interpretations will have different implications for analysis of apparent failures of the Smithian system. Getting clear on Smith’s account of these features is also important for understanding the extent to which Smith’s thought is in line with and diverges from traditional liberalism.

At the most superficial level, the Adam Smith problem ultimately seems to be a variation on the issue of normative versus descriptive theory generally. *TMS* is regarded as Smith’s moral work and presumably, in some way a normative theory. On the other hand, *WN*, regarded as an economic work, is expected to be descriptive—and perhaps also predictive. On such a superficial view, one broad way of casting the Adam Smith Problem is in terms of ways of bridging Hume’s is-ought gap³. Loosely speaking, there are several possible ways to go about bridging this supposed gap. First, one may try to show that Smith’s economic theory in *WN* is in some way normative rather than purely descriptive. Second, one may attempt to reveal Smith’s theory of moral sentiments is descriptive rather than normative. Thirdly, one may try to argue that Smith is seen as offering an account of how certain social and institutional structures have evolved within society and thus come to exert normative force as rules that members of the society follow. Finally, one may simply argue that there is no solution to the Adam Smith Problem and simply maintain that there are certain inconsistencies between his two major works. In essence,

³ I stress that I am speaking incredibly superficially here. The actual picture presented in Smith, and in general, regarding the positive / normative distinction is quite a bit more complicated. I am simplifying things for the sake of having some way of framing what is a vast amount of literature dealing with many different aspects of Smith’s work.

this is to deny that there is a problem by maintaining that the works have different goals. Smith as a moral philosopher is separate from Smith as an economist. What I argue is that Smith is neither economist nor moral philosopher strictly speaking. Rather, he is more like a social scientist. His economic theory is dependent on his moral theory in the following way. Smith sees human beings as moral by nature. As such, Smithian economic agents are moral agents rather than based on the traditional homo economicus model of rational choice. Ultimately, this entails that the economic theory Smith defends in *WN* is a type of social capitalism.

Each of these approaches brings forth a different set of secondary issues, questions, and criticisms. The first approach opens up issues concerning justification and whether—and if so, which—values are intrinsic and / or universal in Smith. Also with the first approach come issues of relativism and the extent to which individuals in society—and across societies—can actually share values and the implications this has for an internationally functioning and justified economic system. The second approach offers a way of bridging the gap, but entails that Smith is essentially just doing moral psychology which seems contrary to much of what he writes in both works. Smith focuses much on the notion of propriety and although it might not be impossible to do so, one would certainly have difficulty explicating propriety in wholly descriptive terms. The third approach whereby Smith is advocating a sort of descriptive normativity seems most plausible as I hope to show in what follows. However, once one views Smith as a social scientist serious questions regarding objectivity and value-freeness of the sciences begin to emerge. Much of this turns on Smith's view of human nature and psychology. This actually raises another potential inconsistency between Smith's works. In *TMS* he views human beings as having a capacity for sympathy with one another. Depending on one's reading, Smith also seems in *WN* to seriously suggest that unrestrained self-interest will wreak economic and social destruction. The fourth and final approach just implies that the question of continuity between Smith's works is ill-

formed and incoherent. Perhaps there are deep irreconcilable inconsistencies between Smith's works; however, this account should be a sort of last resort default. It should be so if for no other reason than charity. Furthermore, it may be that there are elements of continuity between the two works despite there also being seeming inconsistencies. To advocate wholesale rejection of any connection between the works and thereby to deny any relation between an account of human beings and economic agency and theory seems too strong a position.

Jerry Evensky focuses on the social evolutionary aspect of Smith's philosophy as a whole, suggesting we read Smith as wanting a social theory that parallels what Newton had offered for natural science. In this paper, I want to first argue that Evensky's insight is both textually supported and preferable because it can accommodate the various, seemingly at odds, strains in Smith's thought thereby avoiding the debates over whether Smith was more consequentialist or more virtue theorist.

Second, I want to explore some potential problems and further questions raised if Evensky's account is accepted. In particular, Evensky's reading requires one accept Smith's view that there is a coherent, harmonious design to the social world. Although this need not entail a religious commitment, it does require faith. The question remains: why think that there is such a harmonious design? Or, put in more secular and general terms, there is the issue of whether Smith saw conflict as arising on his view between groups especially, and if so, what he says to address this issue⁴. This is a highly contentious claim that needs support. Furthermore, unless we take Smith as offering a purely descriptive account there needs to be some justification as to why we ought to live our lives and structure our societies according to an approximation of this grand design. As I will argue, part of Smith's aim in *WN* is to

⁴The issue of harmony most prominently arises with discussion of Smith's account of sympathy and its role in social/moral cohesion. As such, I discuss this aspect in more detail later in the paper in terms of Robert Sugden's interpretation of sympathy in Smith.

justify and defend the development of market systems brought about by the evolution of commercial society. In order for this aspect of Smith's project to work, there needs to be some account of why it is good to and why we ought to seek to approximate the deity's design. Related to this large-scale question of harmonious design, is the issue of the co-evolution of individuals and societies⁵. Although I do not focus on the issue of religion in Smith's thought in this paper, I mention it here because it is one way the problem of spontaneous, harmonious order in Smith's thought—a central issue to my project—has been discussed in the literature.

Focusing on the importance of imagination in Smith's theory, Evensky suggests that Smith's invisible hand is that of a deity who has ordered the universe in an intentional and principled way. The link between Smith's economic and moral thought is this network of connecting principles that gives order to our world. Smith's vision was holistic and he sought to do for social theory what Newton did for natural philosophy. Thus, according to Evensky Smith's project is to offer a philosophical account of an approximation of the design drafted by the deity. Although Smith thinks we cannot ever know the mind or exact plans of the design, through imagination we can approximate such ordering principles (Evensky 2-7).

From the very beginning of *TMS*, the notion of approximation is apparent in Smith's thought. Smith is clear that sympathy, or fellow-feeling, arises from one's imaginary placing herself in the situation of another. It is not simply that one sees another in pain and gets an idea of pain from the sight. Smith's view is most apparent when discussing the way a mother feels for her child who cries in

⁵ Evensky places considerable emphasis on the fact that Smith's account rests with a deistic picture of the universe. I will not explicitly discuss the role of religion in Smith's thought due to limitations on the scope of my project. However, I think it is possible to read Smith more secularly. What gives order to the universe need not be a deity, but could just as well be a system of natural laws so far as my current project is concerned.

sickness. Smith writes, “In her idea of what it suffers, she joins, to its real helplessness, her own consciousness of that helplessness, and her own terrors...and...forms, for her own sorrow, the most complete image of misery and distress” (*TMS* 17). On the other hand, the infant “...feels only the uneasiness of the present instant...” (*TMS* 17). What the mother and the infant feel is necessarily qualitatively (and quantitatively) different. The mother can only approximate what her child feels by placing herself in the child’s situation. It is precisely this limitation that allows Smith to explain why, with regard to some situations, spectators may feel sentiments which the individual in the situation does not or may feel sentiments that are the opposite of what the individual in question feels. To illustrate this particular point, Smith offers the example of one who completely lacks reason. This individual does not realize what she is lacking and may feel perfectly at ease—even happy—while spectators will feel pity and “deep commiseration”. The emphasis on approximation is important because it suggests limits on sympathy. Additionally, it reveals that Smith’s conception of sympathy is not wholly unbiased.

However, this raises the question of what exactly the limits on approximation are. Smith is clearly of and focuses on the fact that even at the level of human-human interaction between individuals who live in close proximity to one another, there are necessarily limits to the imagination. The one who views the individual lacking reason, by limitations of her own situation—specifically, her possession of reason—cannot very closely approximate what the fool thinks, feels, and experiences. As I discuss in more detail later, this seeming limit on imagination may not be a limit so much as an implication of the fact that for Smith, sympathy includes retaining some of one’s own traits when projecting into the situation of another.

Evensky makes the much more abstract claim that Smith thinks humans can approximate the design of the designer. If Smith himself is aware—and indeed, points out—such limitations on accurate approximation of human-human interaction, one well wonders just how it is possible that humans may approximate the principles of some wholly superhuman (or at least, nonhuman) deity with any level of accuracy. Seeming to anticipate and remedy this problem, Smith suggests that the individual experiencing the emotion, when in the company of others, imagines himself in the spectators' shoes and thus brings down the intensity of his sentiment. Thus, Smith's emphasis on harmony plays an important role at the level of individual interaction as well as overall social cohesion. The notion of sympathy and harmony in Smith will be discussed in more detail later in this chapter.

To this end, Evensky interprets Smith within a (social) evolutionary framework not unlike that of Hegel or Marx. Despite his deism, Smith does not think that human beings lack autonomy. This is where Smith's discussion of virtue and vice in both his *TMS* and *WN* come in. On Evensky's reading, just as society shapes individuals, so individuals exert autonomous influence on their societies. Evensky cites discussion from *TMS* where Smith likens human society to a machine that is "the production of human art" and "whatever tended to render its movements more smooth and easy, would derive a beauty from this effect" while that which obstructs is displeasing. This is where virtue and vice enter the picture. Virtue, on Evensky's account, is according to Smith that which oils the machine; vice, that which rusts the machine (Evensky 8). We can have knowledge of these principles and thereby know what virtuous and vicious behavior entail through an examination of history. Evensky thus explains the historical focus of *WN* as well as the tension in both of Smith's writings between extolling self-interest and seeming to recognize that humans have a capacity for great destruction through the weakness of their nature and greed (Evensky 9). While Smith's theory does contain some degree of idealism as humans can change (and improve) their societies over time, Evensky notes that Smith is not an idealist. Rather, we should

read Smith as discussing an “ideal limiting case”. This simply means that the evolutionary process never terminates. There is some ideal, but Smith believes actual human societies will progress toward what he calls a liberal plan, where the least well off members of society are “tolerably well fed, clothed and lodged”. However, Evensky suggests that the liberal plan is not ideal for Smith because it is the most free or materially wealthy but rather because all citizens can enjoy “a life of secure tranquility” (Evensky 15). Thus, Evensky interprets Smith as placing social moral value ahead of material value which is merely a means to the end since material wealth allows for tranquility through allowing for “peace of body” essential to peace of mind.

By social moral value I mean that the value of material items derives from the fact that they promote wellbeing. The idea is that for Smith economic market value is based on a good’s value in promoting non-material goods like tranquility. Evensky’s analysis indicates the primacy of human goods like security and peace of mind for Smith such that economic systems are means to society’s and humanity’s ends. Specifically regarding the co-evolution of individual and society, Evensky offers a full account of how Smith sees the mutual influence of individuals on society and vice versa including how Smith explains the relation between moral education and moral autonomy. Evensky’s discussion is illuminating because it gives a holistic picture of Smith’s systematic thought.

While Evensky’s overall framework seems best, other writers have discussed in more detail the specific concepts present in Smith’s thought of both *TMS* and *WN*. It is important that these accounts be highlighted. Hanley in particular offers an excellent analysis of Smithian self-interest and the invisible hand. He points out that for this invisible hand to work and for one’s self-interest to promote the good of society, there must be a moral framework of shared values underlying one’s decision-making process. Hence, the invisible hand will only align self-interest with overall social benefit if the capitalist system is

located within such a moral community. Hanley contends that Smith was well aware of negative aspects of commercial society and saw his capitalist vision as offering ways to counteract those negative aspects. Hanley interprets Smith as requiring agents to cultivate the specific virtues of prudence, beneficence, and magnanimity in order for self-interest to be pursued in the right way. That is, Smith's conception of self-interest is based in virtue and not merely pure selfishness.

Self-interest is not simply an individual being motivated and pursuing passive desires. In order to be a Smithian agent, the self-interested individual considers factors such as social context, propriety, balancing of the short-term and long-term, social outcomes into account. This is not to say that the individual places the overall utility of society ahead of his own benefit. Rather, the idea for Smith is that in many cases negative social outcomes cut against an individual's interests. For example, I might very much like to have my neighbor's car. Disregarding laws and/or social conventions against theft might seem to be in my interest. However, reflection and prudence reveal that the best way to pursue my interest is to not steal the car because in the long-term it may make my neighbors dislike me, cause me to be distrusted by most of my community. It might also eventually lead to a breakdown in rules and allow others to steal from me. In short, in the long-term this action that seems in my immediate self-interest cuts against my interests more than it will serve them. Self-interest dictates that I act with prudence and self-restraint in certain situations where selfishness need not entail such demands on my conduct. This view of self-interest has much to do with Smith's conception of sympathy as will be discussed in detail later. The upshot of Hanley's interpretation is that Smith takes morality to have a more universal appeal. The three virtues are specific to all human agents as such and are therefore not relative to specific communities.

Hanley's argument for the three virtues all human beings must cultivate to be functioning Smithian agents points to the importance of individuals as does Evensky's view of Smith as setting up an ideal limit toward which actual systems aspire. While Smith focuses on virtue and emotion, he also discusses approbation and disapprobation as being the justification and motivation for his moral agents. The question though again seems to surface as to just how relative to specific communities Smith's moral theory is. Answering this question will help us in discovering the extent to which Smith's economic vision is compatible with pluralism.

An outgrowth of discussion of the Adam Smith problem is the issue of exactly what type of moral agent Smith's economic vision requires. Even among scholars who agree that there is continuity between *TMS* and *WN* and that this continuity yields a normative economic vision, there is serious disagreement as to what Smith's vision actually entails and requires. In particular, this issue is focused on questions about the extent of idealism and universality in Smith's moral and economic theory.

Evensky offers a single theory that can explain important threads in Smith's thought as well as shed important light on other crucial—and often overlooked—aspects of Smith's theory. As such, it seems most promising as a means of focusing investigations of The Adam Smith Problem. That is not necessarily to say that it is the best theory or the final word. Evensky himself is well aware of the fact that he cannot know Smith's mind and explicitly cautions at the outset that he is not intending to claim that his account is the final word. Rather, I am proposing that we use Evensky's evolutionary framework as a way of contextualizing Smith and framing focused discussion of important, but often subtle and overlooked, threads that run through Smith's theory as a whole.

It is interesting to note that all of these writers agree that Smith places emphasis on the social whole. Society may be comprised of individuals, but for Smith these individuals are born into and grow

up in social communities. People do not simply develop alone and in isolation such that the invisible hand somehow makes everything coordinate and turn out in a harmonious fashion. What differ in these analyses are the technical details of how Smith sees the relationship between the individual and his or her society. More obviously, these thinkers in some ways offer analyses of different levels of abstraction. Evensky focuses on a more abstract level concerning Smith's holistic system and vision, while Hanley and Sugden focus on detailed particulars within Smith's writings.

One aspect of Smith's thought that comes out of this evolutionary analysis is the idea of value as a social rather than a purely material construct. This comes out both in *TMS* and *WN*. In *TMS* Smith discusses merit and the desire of individuals to better themselves and seek better jobs at least in part because of an increase in perceived status that comes with such advancement. Status is not something inherent in jobs, but valued because of societal perception. Similarly, Smith's discussion of what is essentially fiat currency in *WN* expresses a similar idea. Money is not valuable because of the paper or ink or anything physical and inherent in the bills. Its value is social and public. This is directly related to Evensky's insight that for Smith the material is a means to the ultimate value of tranquility. Accumulation of material possessions in and of itself does not create value and is not the end for which individuals and societies should strive.

This is apparent in *WN* when Smith criticizes the spendthrift and praises the financially prudent man. When discussing how people tend to save a portion of their income, Smith explains that part of this motivation comes from the desire to avoid bankruptcy which is, "...the greatest and most humiliating calamity..." (Wealth II.3.29). The underlying motivation for one to save is first to better his or her condition which links back to social order in that it involves social rank. In the second place, motivation comes from a desire to not be looked down upon by one's neighbors.

The link between economic motivation and social system here is rather obvious. The fact that one may be looked down upon for bankruptcy by one's neighbors implies not only a strong social unity, but also a shared value system. In order for one person to be able to look down upon another for something and for the one who is looked down upon to feel guilt and be motivated to avoid such a situation implies that the value or trait that is being judged matters to both the judge and the one who is judged in the same way.

Despite this emphasis on the social nature of value, Smith also wants to focus on the individual as having a fairly high level of autonomous ability to create his or her own values and to exert control over the values and norms of the society into which he or she is brought up. This comes out in his emphasis on imagination as well as the way he talks about society and the market in terms of relationships between individuals as well as collective social group(s).

A consequence of this reading of Smith is that *WN*, rather than being seen as a prototypical economic theory, is just a focused analysis of one type of value—wealth or money--within the broader framework of a social theory. As Hume has laid out a science of man, one way of seeing Smith's project is in terms of taking this science of man, refining and narrowing it, in order to formulate a science of (economic) value. This aspect of Smith's project raises questions and concerns regarding objectivity and secure foundations within science. It is important then to accurately figure out how Smith sees the relationship between individual and society in order to even begin to answer questions such as the extent to which Smith is a precursor to contemporary economic theory and resolve problems regarding the relationship between his two works. A careful and accurate analysis of how Smith sees the relationship between individual and society is also important because of its implications for Smithian explanations of apparent market failure.

On its face, the claim that Smith fits into the classical liberalist camp does not seem contentious. However, this view of Smith is not uncontroversial. Evensky's account entails that Smith is, at least to some extent, more proto-Marxist than allied with traditional liberalism. Evensky is not alone. Debra Satz has argued in "Liberalism, Economic Freedom, and the Limits of Markets" that as a classical liberal, Smith recognized that market freedom and individual freedom are not wholly compatible. Especially, with regard to labor markets, regulation is seen as necessary in order for individuals to not be exploited by their employers. In this sense then Satz argues that Smith distinguishes between types of markets and that labor and credit markets are not natural developments of individuals' tendency to trade (Satz 1). She rightly notes that "liberalism" is a wide term that applies to a number of divergent accounts of market freedom all of which share a focus on individual choice. Satz defines a market as an institution in which exchange occurs between consenting parties. Satz points out that the two primary schools of contemporary liberal economics, Paretianism and libertarianism, support unlimited ideal markets. Such commitment to freedom in the ideal case raises interesting puzzles and problems regarding cases of voluntary slavery. The question ultimately concerns the concept of freedom and whether a commitment to freedom requires one to respect free (market) decisions of individuals to restrict future freedom. Satz argues that Smith offers insight and solutions to this issue that contemporary liberal theorists cannot.

Central to Satz' analysis is recognition that Smith saw capitalism as a means to freedom from feudal arrangements where such voluntary servile agreements were necessary. As a consequence, Satz argues, Smith sees intervention in certain kinds of markets—labor and credit specifically—as necessary for capitalism to advance freedom and move society beyond feudalism. Satz points to passages in Smith's *WN* where he explicitly offers an asymmetric view of government intervention in the case of workers and merchants. Smith defends intervention to protect workers, yet frequently condemns

intervention in the service of vested interests of the latter. Satz contends that on Smith's analysis the central point of feudal dependence relations is that they were voluntary because given one's economic, political, and cultural circumstances serfdom was the peasant's best choice (Satz 12-16). The development of capitalism's most important effect then on Smith's view is to allow for horizontal relationships based on "free interaction, equality, and reciprocity" (Satz 14).

Satz' account is important because it shows that Smith does see institutions as playing a necessary role in economic systems. Furthermore, it is worth noting that on Satz' account as with that of Hanley and Evensky there appears to be a moral, or at least social, justification for the aspect of the economic system in question. On Satz' analysis, Smith supports asymmetric institutional intervention on behalf of the workers because this fosters horizontal relationships. Satz' view then is not only interesting in that it, like the other mentioned accounts, reveals Smith as offering something of a moral justificatory framework for his economic vision, but further because it shows that despite his emphasis on society and what at times appear to be consequentialist arguments, Smith does place considerable emphasis on the individual.

Implicit in Satz' discussion is also the fact that Smith sees his evolutionary approach as not merely descriptive, but justificatory. Satz' points out that Smith sees capitalism as important because it represents an improvement and progress, not merely change, over earlier systems. Moreover, the progress is not framed only in terms of economic or monetary value, but in terms of social, personal, and moral values. The notion of progress implies some normative standard or basis for a value judgment. So, at a minimum Smith's economic account has a normative aspect. The explicit reference to freedom and horizontal relationships—examples that few would deny are moral concepts—makes highly plausible the idea that Smith sees economic systems as serving as a means to moral ends and

therefore, sees his economic principles and theory as morally justified rather than merely and only a statement or bald assertion of economic facts and principles. As Satz explains, the unique insight Smith offers regarding markets and society is that “the range of choices an individual has is not exogenously determined, but largely endogenously determined by the existing property rules, distribution of power, and social norms” (Satz 15).

Satz’ work also raises an interesting question: given the fact that there are such different and divergent views of ‘freedom’ present in liberal thought, what was Smith’s conception of ‘freedom’ and to what extent are his views consistent across both texts? Satz focuses on credit and labor markets as labor markets especially have serious political and social impacts on human lives. This is why she argues Smith sees a need for institutional regulation of labor markets. In contrast, she explains that for Smith other markets like those for goods such as apples do not have such serious and direct effects and so are not seen as in need of intervention. It seems it may well be that Smith goes further regarding intervention. If it is the case that Smith is primarily concerned with human freedom, then it would seem that material goods—especially things like food—which are essential to such freedom would also warrant intervention. This seems to essentially be Evensky’s point when he argues that the primary value for Smith is peace of mind and all other goods are valuable as they are essential to achieving such peace or freedom.

What is important from the foregoing discussion is that each of these sets of issues and approaches to the Adam Smith Problem fundamentally comes back to issues of human nature, the nature of value, and most importantly, the relationship between individual and society. If we are to make progress in a way that is true to Smith’s vision, we should try to first get a textually accurate view of what Smith has to say regarding these foundational concepts. Clarification of Smith’s social / moral

theory and the relationship between his works as well as the general questions regarding history, harmony, and the relationship between his thought and that of others with whom he is often compared requires a working out of Smith's conceptions of freedom, sympathy / imagination, agency, and rationality / general psychology as well as the roles these concepts play in his account.

Smith on Human Nature

Implicit in the analysis of the role of institutions in Smith's thought is also the fact that Smith may not have had such a positive view of human nature as is often supposed, especially by those who attempt to fit him into a more libertarian camp. On such views, the account of Smith given is typically that human beings have a natural tendency to barter, exchange, make agreements, and engage in various reciprocal transactions such that the market is literally a collection of individuals' free interactions. The idea is essentially that markets and economic trade are unavoidable with regard to human interaction and that they are entirely self-regulating in a way that is beneficial. Hanley also alludes to this when he indicates that Smith was aware of the negative effects of commercial development and the importance of moral education and cultivation of virtue to Smithian agency.

At this point, the reader is likely wondering whether and if so, how, these discussions revolving around metaphysical/epistemological issues in Smith and those dealing with economic and social-political issues relate. The split into these two seemingly different sets of issues it seems to me arises at least in part because of a perceived divide between Smith's works. *TMS* is presumed to deal with issues of moral philosophy while *WN* is presumed to be a far more theoretical and scientific work dealing with principles of trade and commerce. Such division is based on the assumption that moral philosophy is not scientific and completely distinct from economic theory. This supposition is mistaken generally, but especially with regard to interpreting Smith's project(s). What comes out in discussions of the Adam

Smith problem and a search for continuity between the works is the way in which both sets of issues fundamentally involve the human imagination, value theory—I use the term in its broadest possible sense—and the relationships between individuals and the world—including society and beyond. This is not surprising when we consider that Smith was fairly close with and writing at the same time as Hume. As part of the Scottish Enlightenment, he also had empiricist tendencies. It should be kept in mind that Hume’s empiricist project in moral philosophy is to lay out a *science* of man. This involves epistemological discussion of individual psychology and then principles of moral and political theory. However else Smith’s and Hume’s accounts of humanity, politics and economics may differ, they are alike in that their approach is to look to human nature to explain and justify theoretical principles.

The approach of basing theory in humanity helps explain why Evensky’s account seems so complete. Rather than treating Smith as economist, natural scientist, or ethicist he views Smith as essentially a social scientist. By using the term ‘social scientist’ I mean to draw attention to the empirical aspect of Smith and Evensky’s claim that Smith sought to do for social theory what Newton had done for the natural sciences. The question that becomes pressing on this interpretation is what holds all of these principles together for Smith.

The fact that this view of Smith as having a unified project rather than two distinct projects in *TMS* and *WN* presses the issue of how harmony between the various theoretical may explain why although Smith only mentions the invisible hand several times, it continues to be of central focus in Smith scholarship. Evensky himself proposes the invisible hand as a sort of metaphor for understanding how and why Smith thinks there are principles that approximate how individual actions and principles come into harmony to form a coherent whole. Evensky however interprets the invisible hand as plans drawn up by a designer of the universe. Setting aside issues of the extent to which Smith himself saw

religion as important to his theory, I want to lay out one way of making plausible a holistic reading of Smith that is wholly empirical and compatible with his being secular rather than deist. I suggest that the unifying aspect of Smith's thought is that humans are moral by nature because they possess a capacity for sympathy and that this natural capacity gives rise to social virtues essential to proper function of economic systems.

In addition to the virtues highlighted by Hanley and the notion of self-interest, sympathy is also essential to Smith's account of human nature and the relationship between the individual and society. If the idea for Smith is that economic systems are socially and morally based in societies and societies are made up of individuals, then it is essential to the present project that we get clear on Smith's conception of sympathy. This is easier said than done. As with Hume's account of sympathy, Smith's account is complex and significantly different from the way we use the word in everyday speech. In "Beyond Sympathy and Empathy: Adam Smith's Conception of Fellow-Feeling," Robert Sugden has offered a discussion of sympathy is Smith's thought precisely as it relates to his economic thought and how it sets his view apart from the contemporary traditional economic accounts. Sugden argues that the best interpretation of what Smith terms 'empathy' is fellow-feeling. Neither the contemporary concept of sympathy nor that of empathy fully captures the Smithian notion. Sugden ultimately argues not only that this sets Smith's account apart from that of rational choice theory, but importantly, that it allows Smith's account to "explain how social relations have subjective value for human beings" (Sugden 63). Sugden argues that this sets Smith's account apart from other Scottish Enlightenment theorists as well as utilitarians like Bentham and Paretianism. Sugden asserts that sympathy and empathy⁶ entered into rational choice theory in order to solve two problems: explanation of non-selfish behavior and

⁶ in a non-Smithian sense

interpersonal comparisons of utility when utility is a representation of preferences rather than a measure of pleasure. It is interesting that one aspect of this discussion is Sugden's emphasis on the way both Harsanyi and Binmore's suggested solutions make a distinction between the individual's preferences and value judgments. Harsanyi frames this in terms of subjective vs. ethical preferences while Binmore distinguishes between the game of life and the game of morals (Sugden 66-67). Sympathy then is revealed through one's actual choices while empathy influences ethical preferences only. This implies then that on the rational choice framework, there is not a way to say that one person's feelings are affected by the perception of another's feelings without saying the first person is also motivated to act in ways that benefit the other. Empathy also becomes about preferences rather than understanding of another. Within rational choice theory, to empathize fully is only to have full knowledge of another's preferences (Sugden 68-69).

Sugden further discusses that Binmore suggests the solution to the Adam Smith problem lies in viewing Smith's conception of sympathy as akin to our common speech use of empathy. Thus, it seems Binmore on Sugden's analysis⁷ seeks to bridge the gap between Smith's social and economic works by fitting his moral theory and account of sympathy into the rational choice framework of contemporary economics. Sugden does not think this is a solution, but rather that "...the confusion results from trying to read Smith through the lens of modern rational choice theory." He makes the further assertion that Smith's model may actually represent aspects of the real world that modern theory does not (Sugden 70).

⁷ And Binmore is surely not alone. It often seems that many modern economists (and others) seek to appropriate Smith.

Sugden focuses on the most famous examples in Smith: the example of one's response to knowing that another is being tortured and the example of one observing another whose limb is about to be hit. Sugden makes clear that imagination is critical and that the spectator is imagining the experience of pain which is what enables her to attribute such feelings to the other. However, he notes that what makes Smith's account of sympathy different from traditional concepts is that the spectator's imagining causes real pain to the spectator. Furthermore, Sugden argues that with these examples and his concept of sympathy Smith is discussing the natural, immediate psychological response of the spectator, but leaves open how this impacts the spectator's actions. Thus, sympathy is affective rather than about preferences (Sugden 71).

This analysis, it should be noted, fits with what Evensky says about imagination playing the role of allowing the individual to have control over his or her values independent of the influence of society. It also makes plausible Darwall's claim that for Smith the individual has a value and is important independently of the collective of society. By interpreting sympathy as purely affective and claiming Smith leaves open how the individual acts in consequence of sympathetic affection, Sugden's account implies, or at least does not preclude, that, for Smith, individuals have some level of control over their actions. There is, on Sugden's analysis, a gap between the psychological and emotional effects of knowledge or observation and action. So, it does not seem too far off the mark to say that it is possible that for Smith, the individual has some level of autonomy and is a moral agent in a sense that goes beyond automatic emotional response.

The other aspect of Smith's concept⁸ that distinguishes it from rational choice concepts is that there is "pleasure of mutual sympathy". That is, there is a psychological mechanism in human nature by

⁸ Sugden refers to the concept as fellow-feeling rather than sympathy to avoid confusion and I shall do the same.

which both individuals derive pleasure from fellow-feeling regardless of whether the fellow-feeling is with respect to pleasure or pain (Sugden 71). Sugden also points out that Smith considers a view where sympathy is a reflection of feeling and rejects it as contrary to the psychology of his time. Sugden cites a passage in *TMS* where Smith explains that the rejected view of sympathy would not allow for the asymmetry of how fellow-feeling enlivens joy and alleviates grief. Rather, the reflection of feeling view would entail that sympathy enliven or exacerbate grief. In fact, however, Smith argues that this is not the case since fellow-feeling with one who is grieving causes a positive affective experience for both parties (Sugden 72).

This highlights another facet of Smith's conception of sympathy: pleasure is derived from a correspondence of sentiments via fellow-feeling whereas any inability to sympathize because sentiments do not correspond causes pain and distress (Sugden 73). Thus, it is not just doing an activity or being together that is important for Smith; it is that because we have the capacity for fellow-feeling that we subjectively value the correspondence of sentiment that comes from doing things with others rather than alone (Sugden 73).

Sugden offers Smith's example of a poem which one no longer enjoys becoming enjoyable again when read to someone to whom it is new because our natural capacity for sympathy causes a fellow-feeling with the listener's amusement and thereby enlivens our own amusement. Smith notes that if the sentiments of the reader and listener do not correspond then this shared activity will be painful rather than pleasant. Smith makes the further remark that 'we should be vexed if he [the listener] did not seem to be entertained with it and we could no longer take any pleasure in reading it to him' (*TMS* 14?). Sugden interprets this as Smith using his psychological account of the causal relations of affective

mental states to ground a theoretical view of the difference as subjectively experienced between doing something alone and with others (Sugden 73).

One thing worth noting here is Smith's assertion that we should be vexed if the listener were not entertained. As with some of his claims—particularly about individuals' management or lack thereof of personal finances—in *WN*, this claim is striking in that it seems ambiguous to what extent it is normative and to what extent it is merely descriptive. On Sugden's explanation, this puzzlement is cleared up a bit. If Sugden's interpretation is correct, then what Smith seems to be saying is that due to our psychology we expect others to have the same affective response to things—be they poems or experiences of pain—as we do and would thereby be surprised, frustrated, and feel pain were the other to not share our response. The seeming normativity of the claim derives from the fact that, whether based in natural psychology or not, expectations can be either fulfilled or not. They create a sort of future standard that we project. More than that, however, this passage also provides evidence that Smith sees human nature and affective responses as normative and moral. He describes the reader as “...enter[ing] into the surprise and admiration which it [the poem] naturally excites in him [the listener]...” (Sugden 73). Smith describes the poem as naturally exciting a certain state in the listener which is similar to the state it excited in the reader when he or she was first amused by it. The normativity, it seems, does not just derive from the reader's expectation that the listener will react in a certain way, but derives from the deeper psychological aspect of human nature. In a sense, in laying out and describing human nature and psychology, it seems plausible to see Smith as also laying out natural, normative standards of what it is to be a good human being. Smith sees psychological and other empirical facts of human nature as both explaining and justifying.

However, Smith also clearly emphasizes the necessity of social convention in the establishment of normative standards for affective response. Propriety and impropriety are what the correspondence of sentiment and fellow-feeling depend on. In this way, as Sugden explains, approval and disapproval form for Smith the basis of humans' sense of morality (Sugden 73). We ultimately approve of someone else's sentiments to the extent that we are able, or capable, of having fellow-feeling with them. The qualification of capability of having fellow-feeling is importantly pointed out by Sugden. We need not on Smith's account actually fully experience an exact and complete correspondence of sentiment with another to approve. It is possible for us to judge the other's sentiment as appropriate on the basis that were his circumstance closer to us or were certain things to be the case, we recognize that we would experience fellow-feeling. Sugden thinks this aspect is important because we need not fully imaginatively identify with others on Smith's account (Sugden 74). Sugden notes that, interestingly, when we do not enter into the sentiments of another on Smith's account it is not that we are somehow at fault for not being sympathetic enough. Rather, we judge that the sentiments of the other are at fault and judge her affective response to be improper given the circumstances (Sugden 74).

This is also important because, similarly to the earlier discussion of the separation between affective response and action, it shows that Smith's account leaves room for agents to employ reason and be reflective. Smith's discussion of the judgment process allows individuals some level of freedom and liberty. The judgment made is not just a passive feeling, but is something more intentionally arrived at by the agent through psychological processes that include both affective emotional response and reasonable reflection on the circumstances and relevant factors of the situation in question.

Beyond the judgment process itself, Smith explicitly explains that we have some level of control over expression of our affective responses. In fact, such control is essential to the virtues—particularly

dignity and self-command—which ground propriety and impropriety. Propriety and impropriety are the basis for the normative force of judgments arising from sympathy. Smith praises one who exhibits dignity and self-command, “...what noble propriety and grace do we feel in the conduct of those who...exert that recollection and self-command which constitute the dignity of every passion, and which bring it down into what others can enter into..” (*TMS* 31). While an individual cannot perhaps help her natural affective response to a tragic event such as a loved one’s passing, Smith makes clear not only that she can, but also that she ought to, restrain her expression of this affective emotional response. Recollection here seems to refer to one’s ability and practice of taking a moment after being affected, to get him or herself under control perhaps through some sort of rational reflection of internal reasoning with herself. Whether or not such recollection includes rationality is not so important however. The main point to notice here is that just like Sugden explains regarding judgment, so too with affective response, there is a gap between internal psychological goings-on / affectation and our outward manifestation of these internal processes whether as regards formation of judgment, expression of preferences, undertaking action, or otherwise emotionally or physically expressing the internal.

While discussing self-command, Smith also references selfishness. He makes the strong assertion that “...to feel much for others and little for ourselves...to restrain our selfish, and to indulge our benevolent affections, constitutes the perfection of human nature.” He further states that this perfection “...can alone produce...that harmony of sentiments and passions in which consists their whole grace and propriety.” Additionally, he writes “...it is the great precept of nature to love ourselves only as we love our neighbor, or what comes to the same thing, as our neighbor is capable of loving us” (*TMS* 31). What is interesting first of all here is that Smith explicitly argues against selfishness. This passage makes very plausible Hanley’s distinction between self-interest and selfishness in Smith. Selfishness is a moral failing and involves placing oneself above all others while self-interest involves caring about one’s

survival and seeking to better oneself and one's position. The second interesting thing here is that Smith explicitly says that "love yourself only as you love your neighbor" is equivalent to "love yourself only as your neighbor is capable of loving you". This is interesting because first of all, it is further evidence for a distinction between selfishness and self-interest in that one is not to love himself above all others or to give himself a value above that which others are capable of conferring on him. The second point with this equivalence is the implicit fact that we are all psychologically similar and subject to the same sorts of principles and restraints. It's not just that I ought not value myself above other individuals; Smith here seems to suggest that it would be difficult for me to do so. Implicit in the equivalence is the equivalence of the level of love I have for my neighbor and the level of love my neighbor is capable of having for me. Unless Smith intends to be begging the question or asserting a highly contentious "fact", there is the question here of why we ought to think these are equivalent. It seems that Smith is here implicitly relying on the notion of propriety and sympathy or harmony of sentiments. The assumption here is that humans are by nature social. I want my self-valuation sentiment to correspond with my neighbor's valuation of me.

The discussion here of self-command, dignity, and valuation of individuals also supports the fact that for Smith individuals matter. This discussion illuminates that for Smith, natural liberty is important. When Smith asserts that how I love my neighbor is equivalent to how my neighbor is capable of loving me, he implicitly asserts a weak version of the idea that individuals have equal value. I say this is a weak version because Smith first of all is not saying anything about dignity in a Kantian sense that individuals have equal worth in an inviolable, absolute sense. Smith is also not so much talking about broad moral value of the individual here as he is about valuation of the individual in the sense that we care about others via a sort of emotional attachment or involvement. It is also worth noting that here Smith describes the "love your neighbor" rule as a natural precept. Clearly this rule has moral import and is

linked to sympathy and what it is to be a good human being or achieve “perfection of human nature”. But by referring to it as a precept of nature he seems to invoke the idea that its moral import is not just established by human convention, but is a standard found in nature—whether facts about human psychology or something else—that we do not choose. Indeed, right after this discussion of natural precept, Smith shifts to discuss virtue as something beyond propriety. Propriety is ordinary morality. Virtue is human excellence and therefore propriety in “uncommonly great and beautiful” levels. With self-command, to be virtuous is to be so in command of oneself and composed that one’s command “...astonishes by its amazing superiority over the most ungovernable passions of human nature” (*TMS* 32). However, virtue also may come in degrees since under extremely trying circumstances, one may fall short of “absolute perfection” and yet still go far beyond common moderation such that he exhibits “a much nearer approximation towards perfection” (*TMS* 33).

Again, note here the idea that we do have some control over our responses and judgments, but also Smith’s reluctance to say we have total control. Also here it is worth mentioning that the notion of approximation found in Evensky returns. Ignoring the economic realm, within the social-moral realm, Smith already seems to be setting up the notion of an ideal that is not something to be practically reached, but rather to serve as a goal we approximate more or less nearly and toward which we progress although, given empirical circumstance, we will not, perhaps cannot, ever actually achieve the ideal.

Smith on Virtue and Propriety

This analysis makes plausible the idea that Smith’s account is virtue theoretic as Hanley highlights. What does much of the work in setting the standard for judgment is circumstance. Judgments of propriety and impropriety are the basis for fellow-feeling to enable correspondence or

dissonance of feeling with others. According to Smith, the way judgment works is that an individual—the spectator—observes the experience of another as well as her expression of response. The spectator places herself, with all of her traits, biases, and so forth, imaginatively into the situation of the other person and determines whether or not she would react similarly to the individual observed. This yields a moral judgment as to the propriety or impropriety of the response of the observed individual. Judgments of propriety and impropriety are relative to the given situation. So it would seem that the spectator's judgment that another's sentiment is appropriate or inappropriate requires her to take into account first the nature of human beings including psychology and second the judgment-relevant aspects of the other's situation that has excited the affective response in question.

Insofar as Smith is correct that human moral psychology is universal, standards of moral judgment will be intersubjective. However, because of the implicit importance of circumstance, there may well be a highly subjective element to moral judgments rendering what is considered proper and improper sentiments and levels of expression in a single, given situation to be relative to the society in which the spectator finds him or herself. Ultimately, then there is a question raised here as to whether or not Smith sees propriety and impropriety as bounded by human psychology or a matter of socially constructed convention. Sugden suggests that Smith be read as suggesting the former. This is important because if Sugden is correct, then Smith's account of fellow-feeling, which grounds much of his moral theory in *TMS*, could be the basis for virtues or values that are standards for all humanity rather than relativized. This is important because this would then allow for a reading of Smith whereby certain values such as perhaps, freedom, peace of mind, beneficence, and prudence are standards to which all humans and all human societies ought to strive and on which any acceptable social and/or

economic system must be based. In short, it would be possible to pinpoint specific (moral)⁹ values that underwrite Smithian economic theory.

Sugden argues that Smith is simply describing psychology and that there is nothing prescriptive in his account. Approval and disapproval on Sugden's interpretation are psychological mechanisms that induce norms of propriety of sentiment within groups of interacting people (Sugden 77). Approbation, Sugden argues, is like a mirror for Smith. The only way individuals become aware of their own sentiments as objects of thought is through society and interaction with other humans. To become conscious of the approval of others just is becoming conscious of correspondence of sentiments (Sugden 76).

Sugden also is clear that Smith distinguishes between the propriety and the merit of an action. Propriety concerns the proportionality between motivating sentiment and cause which excites it in the actor. Merit is based on the spectator's sympathy with gratitude of those who are benefitted; demerit on sympathy with the resentment of those harmed by it (Sugden 77). Justice is therefore on Smith's account a matter of the psychology of resentment rather than a utilitarian calculus of consequences (Sugden 78).

Regarding the distinction between propriety and merit, Smith devotes entirely separate sections in *TMS* to discussing each of these. He titles the section on merit "Of Merit and Demerit; or, of the objects of reward and punishment". In the introduction, he writes of merit and demerit, "there is another set of qualities ascribed to the actions and conduct of mankind, distinct from their propriety of

⁹ Throughout this paper I will refer to such virtues and standards of the good for humanity as moral values. I know this may be contentious for some. However, I want to set aside the metaethical issues of whether or not virtues and descriptive normativity are enough for morality.

impropriety, their decency or ungracefulness, and which are the objects of a distinct species of approbation and disapprobation" (*TMS* 81). Smith continues and explains that what makes this distinction possible is the fact that sentiments, which motivate action and are the basis for virtue or vice, have a twofold relation. Sentiment considered in relation to the circumstances which arouse it is the basis for propriety and impropriety. Sentiment in relation to the "end which it proposes, or the effect which it tends to produce" forms the basis for both the decency and grace of the consequent action while with regard to such consequences, the beneficial or hurtful effects the affection tends to produce are the basis for merit and demerit and thus "the good or ill desert of the action to which it gives occasion" (*TMS* 81).

While Smith's project is ultimately an account of human motivation both economic and social, his account does not limit him to merely doing moral psychology. He is here explicitly clear that from a discussion of sentiment, he is able to discuss judgments of propriety / impropriety, moral character through virtue and vice, and specific actions and moral responsibility in the fairly strong sense of entailing good or ill desert. Given this and Smith's insistence on the importance of consequences in the context of merit, it might seem that Sugden is wrong to deny that Smith is in any sense utilitarian. There is certainly a consequentialist strand of thought in Smith as he discusses the importance of consequences of actions and Sugden might assent to this since he only denies Smith is utilitarian and there are non-utilitarian varieties of consequentialism. However, there is also some evidence of specifically utilitarian considerations in Smith. He does not just mention consequences generally but more specifically writes of "beneficial or hurtful effects" thereby seeming to invoke concepts of pleasure or pain as measures of moral qualification (and perhaps too, quantification) of an action's desert. Indeed, when Smith begins to discuss merit in detail, he does discuss gratitude and sentiment—specifically, gratitude and resentment—but he does not drop the consequentialist language. He writes

that “There are some other passions, besides gratitude and resentment, which interest us in the happiness or misery of others; but there are none which so directly excite us to be instruments of either” (*TMS* 82). I take it here Smith is referring to humans as instruments of happiness or misery insofar as their actions impact the happiness or misery of others and as making the additional claim that what forms the basis of our interest in the happiness or misery of others are the sentiments of gratitude and resentment as they evoke sympathy (fellow-feeling).

Despite the previous emphasis I have placed on Smith’s discussion of consequences, I want to be clear that I think Sugden is right that Smith is not wholly consequentialist or even utilitarian. We should equally reject readings of Smith that interpret him as ignoring consequences and those that interpret him as wholly arguing for pleasure and pain entailed by outcomes as the basis for moral evaluation of actions. Smith’s view here is complicated. He is not simply taking on two projects and saying that we are motivated by sentiment, but that moral worth consists only in outcomes. While he invokes consequential language, he also speaks of actions and their desert as objects of sentiment. He writes, “To us...that action must appear to deserve reward, which appears to be the proper and approved object of that sentiment which most immediately and directly prompts us to reward, or to do good to another” (*TMS* 82). Sentiment and approbation/disapprobation continue to be the ultimate basis here for merit/demerit and desert. What seems to change, and this is why Smith begins to bring in and focus on consequences, is that our sympathy of sentiment is based on resentment and gratitude with effects in the sense that we base our judgment of the actor or action’s merit or demerit on the way it both has effects on and affects the recipient individuals. This is what I think Sugden is after when he says that from a utilitarian calculus perspective, Smith’s account is significantly biased. The basis for our moral judgment and justification of desert regarding the actor /action is wholly based on the individuals

affected rather than any relationship—sympathetic, disinterested, or otherwise—with the individual whom the judgment concerns.

Smith's Impartial Spectator: Individual and Society

For Smith character and action, motivation and consequences, social relationships and moral justificatory judgments are not just all one lump thing nor do they come cleanly apart. The confusion and general complication involved in Smith's account in this regard I suspect may be a significant contributing factor to perceived problems of continuity between *TMS* and *WN*. Even if we say that Smith's economic theory is based in his moral theory, there seems to be a need for further clarification to fully bridge gaps between the works. This is so because in *WN* Smith primarily discusses the social benefit of economic development and therefore its moral basis and justification in terms of outcomes and consequences because he focuses on the generation of wealth. Contrastingly, it seems that in *TMS* he discusses morality and sociality in a way that privileges the individual since even with sympathy and social cohesion, the basis for order comes back to an individual's judgments of another's sentiments based on what the judging individual would feel were he placed in the external causal circumstances of the other. If the account I have clarified above from Sugden is correct, this apparent distinction breaks down even at the level of just discussing Smith's moral theory in the context of his one work, *TMS*. If this is the case, then it seems not only more plausible that there is continuity between the two works, but that a working out of Smith's account of morality and individual psychology and sentiment puts us on the right track toward an accurate account of precisely how the two works are continuous.

Despite his emphasis on the descriptive aspect of Smith's account, Sugden is aware that Smith uses the impartial spectator to establish an ideal standard of moral sentiment. Sugden is clear that this impartiality though is not like impartial empathy found in ethical preferences views of rational choice.

Smith's spectator is not an aggregating construct, but rather represents "the mirror of social approval" or the idealized form of the correspondence of sentiments that occurs as the result of social interaction (Sugden 78). The impartial spectator then has fellow-feeling for each sentiment in its due proportion such that "due proportion" just is the proportion that human beings generally have fellow-feeling with most easily (Sugden 78). Thus, because some pleasures and pains are easier to go along with than others¹⁰ Smith's impartial spectator is significantly biased from a utilitarian's perspective.

Smith writes that "to approve of another man's opinions is to adopt those opinions and to adopt them is to approve of them" (*TMS* 22). He further claims, "To approve or disapprove of the opinions of others is acknowledged by everybody, to mean no more than to observe their agreement or disagreement with our own" and that "this is equally the case with regard to our approbation or disapprobation of the sentiments or passions of others" (*TMS* 22). Here, Smith bases approbation and disapprobation through correspondence of sentiment obviously completely on what is, in fact, the case. Furthermore, notice here too that the distinction discussed earlier between action and judgment is broken down. To judge that you approve of someone's opinion or think his sentiment is justified just is to adopt the opinion or express the same sentiment in the same amount as the person. The reverse also holds. To adopt another's opinion or to express the same amount of the same sentiment of another is to make a judgment of approbation. Adopting and expressing are generally thought of more as actions in that they are outwardly directed and involve an interaction between individual and world while judgment is typically seen as internal and need not be directed outwardly such that judgment often tends to be placed more on the side of one's character development morally speaking. At this point though, Smith has only said that approbation and disapprobation are a matter of what is, in fact,

¹⁰ Sugden mentions in particular Smith's discussion that 'appetites of the body' are felt intensely but difficult for others to enter into fellow-feeling with.

the case regarding actual human beings. He has said nothing to Sugden's claim that the impartial spectator is in some sense idealized.

Smith then moves on to address cases where "...we seem to approve without any sympathy or correspondence of sentiments..." (*TMS* 23). It is in such cases where the notion of some sort of real ideal enters. Smith particularly discusses a case where we approve of a joke and the laughter of others although we ourselves do not laugh because we are distracted or not in the mood to do so. In this case, Smith argues that although we do not go along with the laughter we approve because we "feel it is natural and suitable to its object; because, though in our present mood we cannot easily enter into it, we are sensible that upon most occasions we should very heartily join it" (*TMS* 23). This is also where the normative and justificatory force Smith seems to import to his descriptions comes through. He is not merely describing social interaction, but making the claim that through our social interactions with others and the formation of society certain patterns and conventions emerge which become expectations. It is because of our past experience both that there is a standard of propriety for the laughter case and that we are then aware of the standard and able to approve although we are not in the mood to engage in it ourselves. We approve because we recognize that were we in the exact situation the others are—namely, were our mood different—we both would and ought to express the laughter in roughly the same proportion as our companions express at present.

Where Sugden believes Smith's account of sympathy in particular (and his account of society and wealth in general) is advantageous over contemporary rational choice frameworks is that Smith's account not only explains social cohesion, but offers a more fundamental explanation of why individuals seek out one another's company in the first place (Sugden 79). This in turn allows Smith to account for "the added value" that doing things together has for humans. Sugden further asserts that this

subjective added value of companionship is for Smith an intrinsic rather than instrumental good because it is a source of pleasure in and of itself. This is indeed a distinguishing feature of Smith's account. He says as much explicitly at the very start of *TMS*. He writes "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it" (*TMS* 13). The first noteworthy aspect of this quote is how strong Smith's claim is. He does not merely say that we tend to like to feel with others and so we do so to make ourselves happy. He claims that we are necessarily—that we cannot help but be—interested in the happiness and sentiments of others. For Smith, enjoying the happiness of others is just part of our nature and what it is to be a human being. Human beings are from the beginning moral then for Smith since there is a natural social impulse. It is also important to note that again Smith discusses value in terms of pleasure, yet not quite in instrumental terms. If social impulse were only a means to selfish pleasure, then this claim of Smith's would not get off the ground since there are any number of other ways one might gain pleasure instead of taking an interest in the happiness of others and engaging in social interaction. But Smith thinks it is necessary to human nature that even "the greatest ruffian, the most hardened violator of the laws of society", is not without this feature of deriving pleasure from such intrinsic pleasure in the happiness of others (*TMS* 13). If it were only a matter of maximizing pleasure and companionship were merely instrumental to this end, it would be just absurd for Smith to claim that the most antisocial among us have some level of capacity to derive pleasure from others' happiness.

Sugden extends Smith's analysis to contemporary discussion of relational goods such as the atmosphere of a salon. He argues that Smith's account in *TMS* can help explain why seemingly inconsequential exchanges matter for our sense of well-being (Sugden 81). We gain subjective well-being from feeling that our lives are going well and our goals are worthwhile. What Smith contributes is

that our sense of what is worthwhile is based in and sustained in part by recognition of the approval of others (Sugden 81).

Smith is forthright about this in *TMS*. Particularly when he discusses merit in the context of rank within society, Smith shows how much of the ambition that drives human progress at the individual level derives from socially constructed values. He writes first, “it is because mankind are disposed to sympathize more with our joy than our sorrow, that we make parade of our riches and conceal our poverty” (*TMS* 62). Here again, behavior goes back to individual human psychology and nature. Further, wealth and poverty are presented as being within a social context; riches and poverty are paraded and concealed from others. Smith argues that if the goal of ambition and pursuit of wealth and power were only natural necessities, we would be satisfied being wage laborers so long as we could afford food, housing, and clothes. This is not the case. Many, especially the educated, experience aversion to the laborer’s situation and seek to distinguish themselves as of higher rank. Smith posits vanity and a need for the attention of the world in a positive way. Since people like to be happy and experiencing the wealth of others gives pleasure, we seek to be wealthy and those who are put their riches on display and are proud of their status. On the other hand, poverty is avoided and concealed because those in poverty want to avoid the judgment and attention of others since they either make him feel insignificant or are unable to sympathize very far (*TMS* 62-63). We defer to those who have wealth and power not because we think we will somehow benefit from winning their favor, but because we admire the advantages of their situation. Such advantages seem for Smith to focus more on the social—being in the public eye and being held up as an ideal of sorts of perfect happiness. The entire distinction of classes in society for Smith then becomes based on social relations of recognition and approval. We admire and want to be the rich because people admire and want to be the rich and we want to be admired and envied.

Smith is also aware that this is problematic and addresses the fact that our tendency to idolize the rich and ignore the poor is “both necessary to establish and maintain... the order of society... [and] at the same time, the great and most universal cause of the corruption of our moral sentiments” (*TMS* 73). This is because the only proper objects of “respect and admiration” and “contempt” are virtue and vice for Smith. Admiration is not just a matter of illusory idol worship, but desert. Unfortunately, most people value illusory status and wealth over virtue (*TMS* 74). Smith attempts to get around this by arguing that for the middle classes, “the road to virtue and that to fortune...are, happily, in most cases, very nearly the same” (*TMS* 75). The idea Smith proposes is that with the exception of those born into great wealth, people are subject to the law and justice. They therefore are not at liberty to be wholly vicious. To do well in life and be wealthy relative to where their middle class, they need to be virtuous and develop talents. Since these are the majority of individuals in society, Smith argues that conventions of virtue generally hold and so total corruption does not occur (*TMS* 76-77). Smith also addresses the issue of those who essentially seek to be of the utmost wealth by basically faking it and doing incredibly vicious things to get status while presenting the illusion of virtue to the public. Smith argues that such individuals “flatter himself that...he will have so many means of commanding the respect and admiration of mankind...that the lustre of his future conduce will entirely cover...the foulness of the steps by which he arrived at that elevation” (*TMS* 77). Smith’s point seems to be that for those lucky enough to be born into great wealth, they have the liberty to be vicious in private and still receive undeserved approbation publicly. However, for the majority this is not the case and they should moderate ambition so as to remain virtuous and worthy of public approbation that comes with improvement in status they are able to achieve although they will not reach the absolute top level of wealth and rank. Thus, although there is some corruption and rank and social order are not perfect nor

does social construction based in sentiment of rank render social status wholly illusory and devoid of morality and desert.

The recognition that the value attached to social status is socially constructed is interesting in its own right, but it also sketches evidence of a potential link between Smith's project in *TMS* and that in *WN*. It also provides further support for the idea that Smith's economic theory is founded and dependent on his social/moral theory. This in turn seems to make highly plausible the idea that, for Smith, wealth—and therefore the value of money and goods—is at least in part a matter of social value. Smith says as much in the context of discussing prudence at the end of *TMS*. He writes that although external fortune initially is sought to help us meet our physical needs, "...yet we cannot live long in the world without perceiving that the respect of our equals, our credit and rank in the society in which we live, depend very much upon...those advantages " (*TMS* 250). He then goes on to claim that, "Security...is the first and principal object of prudence" (*TMS* 251). We desire wealth not only to survive physically but as a means to dignity, respect, and social value in the eyes of others. To be prudent is not to be ambitious, but to be virtuous and to seek security. As with his discussion of controlling affective response in accord with propriety, there is here also the implicit suggestion of moderation as part of virtue. Just as propriety dictates one moderate expression of emotion so others can sympathize, so too does prudence dictate that one restrain selfishness and exercise commitment power in the pursuit of status, wealth, and other social and material goods.

Smith's Social Capitalism

In *WN* Smith essentially lays out the economic concept of fiat currency. With regard to stock, in Book II, Smith explains that its "accumulation must, in the nature of things, be previous to the division of labour, so labour can be more and more subdivided in proportion only as stock is more and more

accumulated” (Wealth II.I.4). So, for Smith the purpose and value of stock derives from its ability to support and lead to improvements in labor and thus, what he calls the “yearly produce of land and labor” which is the equivalent of the modern day Gross Domestic Product (GDP). Smith argues that it is because value (wealth) is measured in terms of such annual produce rather than amassing gold, silver, or currency that stock matters to a society.

Currencies are a means of transferring value, but wealth for Smith derives its value from its ability to support societies and the human beings who make up such societies. As discussed earlier this support is both physical and socio-moral. Currency has value only in a derivative sense that it may be used to purchase the things people want and need. Smith’s capitalism is based in the idea that the economic system is a way for societies to flourish. This idea would be almost incoherent if one thought that value derived only physically from a piece of currency as material object. A dollar bill, for example, is worth one dollar because of implicit and explicit social contracts, conventions, and social evolutionary processes and structures based on human needs and desires rather than because the physical bill itself actually contains some inherent, non-constructed worth. Economic, monetary value derives from social interaction and cooperation essential to human individuals’ achieving goals and meeting both physical needs and non-physical needs such as liberty, peace of mind, and security. Economic systems are a means of more easily and effectively helping societies (and the individuals who comprise such societies) develop and achieve these goals and needs that Smith sees as crucial to human flourishing.

In a similar vein, Smith discusses lending and interest on loans in *WN*. His discussion makes clear that an essential component of loans is social because they depend on trust and reciprocity. He writes that “Almost all loans at interest are made in money...”, but is clear that “...what the borrower really wants, and what the lender really supplies him with, is not the money, but the money’s worth, or

the goods which it can purchase.” He continues, noting that “by means of the loan, the lender, as it were, assigns to the borrower his right to a certain portion of the annual produce of the land and labour of the country to be employed as the borrower pleases” (*WN* 300). This analysis supports the reading that for Smith economic systems matter because they promote the goals and survival of humanity. It also brings out the fact that money serves a social function because it represents a common standard of value. Smith describes the interaction between borrower and lender in terms of a transfer of right that is also important. Even more interesting and important is Smith’s claim that what monied men transfer to borrowers is the power of making certain purchases. Not only does Smith here explicitly reference power, but he makes the stronger claim that not only is power what is transferred, but that “...in this power consist both the value and the use of the loans” (*WN* 301). This is important especially for the issue of freedom discussed by Satz regarding Smith’s view that capitalist economic systems are useful in fostering more horizontal relationships between individuals in society.

This mention of power is important because it makes plausible Satz’ claim that capitalism for Smith improves horizontal relationships. It is also important because it makes clear that Smith does not think that in actuality capitalism is perfectly ideal. First, power is implicit and explicit in the social relationships within society that serve as a foundation for value in Smith’s claim here. Power implies a vertical rather than horizontal relationship and may often be divisive rather than promote cohesion among individuals. Second, the very fact that the lenders have power that can be transferred to the borrower presupposes an unequal relationship prior to the transfer. This makes complete sense given Smith’s analysis of the ranks of society and initial assertion in *WN* that social order and division of labor are necessarily prior to and required for economic development.

Regarding Satz' claim that Smith sees capitalistic economic development as moving society toward more horizontal power relationships, this discussion of loans is important in the following way. If the lenders start with more power, transferring some to the borrowers will not yield an entirely equal or ideally horizontal relationship between the individuals doing the borrowing and lending unless a specific amount is transferred such that each party ends up with an equal amount. To take a highly simple case, suppose a lender has \$20 total and the equivalent level of power. The borrower has \$10 and is seeking a loan so as to increase his purchasing and socioeconomic power. For the transaction to yield a wholly horizontal and exactly equal result, the lender would have to lend exactly \$5 so that each would then have \$15. This seems a highly implausible assumption given the situation as Smith has laid it out. In the first place, Smith thinks borrowers borrow not merely to have an equal amount as the lender, but rather because they need more capital than they at present have in order to invest in some project, obtain some goods, etc. Second, Smith discusses interest as a means of ensuring security of repayment of loans. The fact that the borrower will owe the lender what is in essence a fee for this loan in addition just to the very fact that the borrower must repay the principal entails that the new distribution of power that results is not such that there is exact equality. Rather, the transfer may be seen as improving horizontal relationships by allowing the borrower temporary increase of freedom in that she is able, through the loan, to pursue projects or investments or make purchases, that otherwise might have remained closed to her due to her shortage of currency at the relevant time.

The upshot is that there is great support both for Hanley's claim that Smith recognized the potential negative effects of commercial society and its non-ideal nature in actuality and Evensky's claim that Smith sees the evolution of commercial society as unfolding toward an ideal limit. The transfer of power does not—and perhaps Smith might also say need not—bring about perfect horizontal equality,

but it does show that on Smith's analysis capitalism and economic development improve horizontality at least in the short-run.

Implicit in this whole analysis is a background of conventions addressing things like property rights. In order for the lender to transfer a right to goods, the lender must first have a right—whether natural or socially delineated—himself to the goods or produce in question. This brings out the fact that while Smith's account places economic society within a broader social network, it also clearly sees individuals as important entities to some extent independent of their societies. Related to this is the explicit mention of individual freedom. While money serves as the means of facilitation for the loan, what is transferred is a right. As such, once transferred, the borrower may do as he so chooses with the stock acquired. Granted, there are more and less prudent and productive ways of using the new acquisition; but, the individual is not commanded or required to use it in specific ways. There may also be conditions on the use set forth in contract. For example, the lender may only agree to lend funds if the borrower contracts to use the funds for a specific project or to purchase a particular type of good or service. In this sense, the specific bills or physical capital loaned may be seen as entailing limitations on the borrower's use. However, indirectly, there is a sense in which even given such contractual limitations, a loan is freely at the borrower's disposal.

To take a specific example of such a potentially limiting loan arrangement, consider a mortgage. For example, because a mortgage is a loan specifically for the purchase of home property it might seem then that this is a condition that restricts what the borrower may do with the borrowed stock acquired. The individual, it may be supposed, cannot take out a mortgage to buy a car. So, then loans are not entirely at the borrower's disposal. While it is true that one cannot explicitly take out a mortgage to buy a car, this does not preclude one from indirectly using it as a means to such end. Homes are expensive.

The function of a mortgage is to allow individuals to buy a home without having the funds up front. Most people need a place to live at some present time; however, few have the many thousands of dollars accumulated to just handover at this present time in order to purchase the home. Through a mortgage, the person is able to acquire and use a home now while paying for it over twenty years or so rather than up front. Depending on one's income, it is possible that the mortgage will not just allow the individual to live in a home, but will also have mortgage payments that are a relatively small portion of their income such that there is essentially extra income freed up each month. Such income would allow the individual to save more and thus to have savings that would enable her to purchase a car that she might otherwise not have been able to purchase at the time in question. Granted, this example may be a bit of a stretch and is certainly using a mortgage to buy something other than a house in an extremely indirect sense.

This discussion of money in relation to value more generally brings out still another important strand in Smith's thought. Money helps standardize means of exchange between individuals and groups, but price and money value also contains an element of relativity. Smith thinks proportions between capital value and interest value remain constant because he asserts that unless the rate of interest is changed, whatever causes a change in the value of capital will cause a corresponding and equal change in the value of the interest (*WN* 304). Because price is expressed in proportions there is something of a constant element to Smith's theory of value. At the same time, there is an element of relativity because proportions may change when rates are changed and the proportion is relative to both the value of capital and the value of interest. This is important because even at the level of discussion of price and value Smith's analysis manifests elements that apply across human contexts as well as those that are dependent and relative to circumstance. This makes sense given the complex

interplay between individuals' natural human goals and good and their conventional, socially-constructed values and goals.

Sugden argues that Smith's account is useful today because of its similarity to the contemporary literature on team thinking. The idea both in Smith and in team thinking is that as individuals interact and form groups, they come to share norms of approval, disapproval, commitments, and desires. However, as Sugden importantly brings out, there is a potential problem regarding the boundaries of a social group. Human beings form distinct societies and within those societies, individuals form various social sub-groups. In fact, a single individual may belong to several such intrasocietal groups. It seems plausible that these groups may have different norms of propriety/impropriety, approbation/disapprobation. In fact, Sugden notes, "there is nothing in the psychology of fellow-feeling to prevent the same person from approving some norm as a member of one social group while also approving a conflicting norm as a member of another" (Sugden 83). As with Humean sentimentalist accounts then, the issue is that insofar as we are all human beings we do share certain standards and values in virtue of that fact. However, because social interaction and evolution play a role in development of morals, there are aspects of Smith's value theory that would seem to imply a level of relativism. The extent to which Smith's account is relativistic depends on the extent to which he sees society as influencing individuals' norms and the extent to which he sees individuals as having the capacity to autonomously create their own values and exert influence on the values of society.

Smith: Neither Moralist nor Economist

Sugden argues that Smith attempts to hedge the problem of conflicting group values by asserting that human psychology is such that we have a desire to please and therefore, he is able to downplay the potential for such conflict. Sugden, like Evensky, however also notes that Smith then

seems to backtrack on this statement when he explains that as adults, we see we cannot please everyone and then turn to our own conscience regarding value and adopt the standard of an impartial spectator. Sugden ultimately concludes that there is simply a basic tension between “Smith the social theorist, looking for a naturalistic explanation of actual human sentiments, and Smith the moralist, committed to the virtues of benevolence, justice, and self-command” (Sugden 83-84).

I think it is too quick to accept that Smith is inconsistent. As mentioned earlier, these two seemingly conflicting positions can be reconciled if we take Smith to be offering a holistic account that is virtue theoretic such that the moral virtues to which he is committed are teleological and naturalistically based in human nature. There is still, however, even on such an interpretation, the fact that some level of relativism is entailed by Smith’s account.

Sugden draws out this seeming divergence between Smith the moralist and Smith the social theorist and economist, by suggesting that Smith offers two complementary accounts of spontaneous order. One approach is top-down and reflects Smith’s “deist or functionalist” tendencies as it starts from certain presuppositions about what sort of order we may expect to find in human affairs (Sugden 84). The other approach is bottom-up and similar to a transcendental argument whereby Smith looks at facts about humanity and then traces theoretical implications for consequences of interactions between human beings given these facts (Sugden 84). Furthermore, on Smith’s account we do not use reason to figure out how best to achieve social organization. Rather, Sugden explains that we have natural passions that direct us to act best in ways that enable social organization as well as basic biological ends such as continuation of the species (Sugden 85). This allows Sugden to make the connection between *TMS* and *WN*. On Sugden’s interpretation, Smith sees social organization as serving a natural purpose. This purpose is economic. Society is necessary to human beings’ functioning because it creates physical

security and material wealth that allow for humans to continue to survive. To this claim, I would also add that economic serves a social function in that it helps individuals secure social security and a sense of personal respect and sense of being valued by others. In this way wealth does not just allow humans to survive, but it helps them to flourish. Despite this, Sugden is clear that Smith should not be read as saying the ultimate goal is wealth. We are naturally endowed such that we directly want to be part of society rather than only wanting to be part of society in order to get the economic benefits it enables. Through this basic natural process, Smith thinks more complex psychological processes give rise to “more complex moral sentiments of benevolence and justice” which move us to desire society and be willing to accept the constraints that society puts on us (Sugden 85-86).

Sugden argues that based on his concept of sympathy alone, Smith ought to be distinguished from contemporary rational choice models of economics. Satz agrees that Smith is outside the contemporary liberal framework, but for different reasons and in a different way. There is another way in which Smith diverges from contemporary frameworks of both moral philosophy and economics. This issue is significant and has implications for the social sciences in general. Smith’s economic account, at least on the interpretation I am defending here, is not value-free.

In “The Scientist qua Scientist Makes Value Judgments,” Rudner argues that scientists accept or reject hypotheses in accordance with probabilities. As a result, before any hypothesis is accepted, a scientist must make a value judgment. This is because she must consider the seriousness of a mistake and on that basis judge whether the evidence is strong enough or the probability high enough to warrant acceptance of some hypothesis or other. The idea seems roughly to be that because scientific questions are often—and perhaps even almost always—practical questions, they are also value questions. Rudner suggests that in light of this that there needs to be a re-envisioning of the scientist.

Rather than a passive observer who attempts to objectively and dispassionately mirror nature, the scientist becomes an active participant who gains objectivity through seeking reflective self-awareness of the value judgments she must make (Rudner 1956).

In many ways this is an accurate description of implications of Smith's project in *WN* and why his *TMS* plays such an integral role. Evensky's emphasis on imagination in Smith brings this aspect out nicely. Imagination occurs at the level of individuals as well as scientists (social, moral, and natural) qua scientists. Smith, as moral philosopher, must imagine and approximate the principles of the universal design just as Newton, as natural philosopher, imagines and seeks to approximate the natural connecting principles. Similarly, all individuals once they reach a certain age are able to reflect on the societal standards they have been taught and autonomously accept and reject what they agree and disagree with. The point here seems to be that scientific investigation—seeking principles and connecting chains that order daily life, whether economic, moral, or natural—is ultimately and perhaps, inherently, social. Importantly, a large part of the motivation for inquiry and theory is practical use. Humans want to find the order in apparent chaos. The investigation into approximate economic principles matters because economic activity is a vital part of human societies. Specifically, Smith sees it as a means to a good life—both physically and mentally-- for individuals and society as a whole.

All of this helps explain too why Smith's discussion in *TMS* of motivational issues such as why and how humans seek to better themselves and accumulate wealth and status seem echoed at various times throughout *WN*. At the same time, Smith wants to avoid the idea that individuals do not matter or have no power. Innovation at the level of individuals is what enables Smith to have such a dynamic evolutionary account. The similarity to transcendentalism especially may simply be due to the fact that Smith is taking an historical approach. As such, he necessarily is undertaking an investigation with the

structure of looking at what is the case and then seeing what truths or principles—or approximations thereof—must correlate.¹¹

It is important to establish the extent to which Smith thinks individuals have control over outcomes as well as the extent to which Smith sees economic principles as deriving from practical use or being created and the extent to which he sees them as being merely discovered. It is important to do so in order to establish his view regarding the various ways these principles can appear to fail. If Smith is suggesting, as Evensky argues he is, primarily that there is a designer who gives order, then apparent failures of principles would likely be interpreted as a failure on our part to accurately approximate the deity's design. Social scientists will then have to further investigate and seek to revise the principles. On the other hand, if Smith is primarily concerned with practical uses, then the principles laid out will have a more normative bent. As such, apparent failures will require societies and individuals to change their behavior and act more in accord with the principles prescribed (provided of course they want the benefits and accept the goals to which the principles are an end). This is critical to assessing Smith's account as before we can praise and / or criticize his arguments and principles, we need to have some idea of what role he saw his account as playing.

If Hanley's account is chosen, then it would seem that apparent market failure is due to individuals' viciousness. A failure of members to cultivate virtues of prudence, magnanimity, and beneficence is what Smith would point to as an explanation for the system's failure. The upshot of this is that it would become essential in Smithian theory to educate and instill these three virtues as values in the members of society. If, in fact, these three virtues are what enable markets to function in line with design, then Smith will also have available a solution to problems of international social and trade

¹¹Although as discussed elsewhere in this chapter, this is not the only part of his project.

relations that are often raised against empiricist—especially Humean—moral theories. If Hanley's reading is correct, the implication is that for Smith, capitalism will not be beneficial if agents do not work to cultivate virtuous character. Market failure then can be seen as moral or educational failure. Because Hanley's interpretation specifies precisely what aspects of agency are required for the economic system to function, it also offers a diagnosis of why the system might seem to fail. Because the source of failure is located with aspects of agency that agents and societies can control—moral education and pursuit of virtue—potential solutions to economic failures are moral. More importantly though, the solutions are within agents' control and highlight the importance of education both formal or institutional and perhaps the general education that comes from life experiences as we learn from our mistakes and successes.

Hanley's Smith leads toward a view of Smith that places him in a traditional liberal framework. If the relation between individuals and societies, and therefore individuals and markets, is based on placing the individual first through the cultivation of virtues, then first of all market failure lies with the behavior of individuals rather than the theoretic principles which have been approximated. Secondly, this view implies a minimal interventionist role for institutions in economic affairs because it would seem that so long as the three virtues are properly cultivated, markets will function smoothly and yield socially beneficial outcomes. With his virtue theoretic analysis, Hanley allows sense to be made of the various and seemingly inconsistent aspects in Smith's thought.

I hope at this point to have at least made plausible the idea that *TMS* and society form the basis for *WN* and economic value within Smith's theory. Furthermore, I hope to have made a case for the view that Smith, although focusing on the psychology of sentiment, should be interpreted within a virtue theoretic, moral framework such that economic agents are moral agents because they possess a

natural capacity for development of virtues. Given that economic cooperation derives from the formation of society and is the result of complex processes resulting from interactions between individuals and society, it seems that what Smith is up to in *WN* is something quite a bit different from what might fall under contemporary economics. Furthermore, on the framework presented, an account of how Smith sees markets as functioning or failing and the role institutions are to play depends on Smith's account of human nature. On the account sketched, if it turns out that Smith is wrong about human nature, then his economic principles will also be problematic. It is important to recognize Smith's core insight that economic agents are at base human agents and so, economic principles cannot just be derived from assumptions if we want them to serve as having practical application to actual markets and economic systems. If we want markets that are advantageous to human society and human individuals—and it seems this is a basic function and justification for a given economic system—we need to work to understand human nature including both human psychology and human behavior.

In the next section, I want to consider the implications of the previous analysis for Smithian economic theory. Specifically, I want to suggest that economic markets are morally bounded and that Smith is not so much offering an account of the definitive economic system. Rather, his project in *WN* is to sketch general economic principles based on his analysis of human nature and moral psychology as laid out in *TMS*. The ways these principles are instantiated in actual societies may well differ such that a Smithian system is not a single system, but rather includes a range of different particular possibilities. Despite variation however, because we are all human beings and given that for Smith psychology and virtues are derived from human nature, there will be commonalities among the possibilities and these commonalities will be constraints that define whether a given actual system is in or out of a Smithian framework.

3. THE RANGE OF POSSIBLE SYSTEMS

My aim in this section is to offer insight into implications of the previously advanced view of the solution to the Adam Smith problem for actual economic systems. To do so, I will offer Smithian analyses of examples of various different economic systems, some of which include those actually in existence in contemporary society and some of which are constructed to bring out important features. I should note that I am not intending to give the definitive interpretation of Smith nor am I suggesting that this Smithian analysis is primarily aimed at criticism or justification of contemporary systems. Rather, I am merely using contemporary examples to provide a basis for laying out a potential range of systems that could be the outcome of Smith's moral and economic theory. The primary focus remains on Smith's account and its implications and interpretations. The method employed will be to take the systems one at a time and to examine them in terms of the key aspects discussed in the previous section that are essential to Smith's theory.

I am going to begin with the current U.S. system. I do this for several reasons. First, I am most familiar with it. Second, and more importantly, analysis of this system can provide valuable insight into the limits that Smith's account implies for free market systems. The U.S. system is a capitalist, free market system. There is presently not a well-developed, public health care system. Healthcare is privatized and exorbitantly expensive. Issues of public benefit programs and welfare services are divisive amongst individuals and policy makers. The result tends to be constant efforts to justify welfare programs as they are often among the first proposed to be cut in order to balance the federal budget. There are minimum wage laws in effect, but the current standard is about \$7.50 an hour. There is also much income inequality which often manifests itself within communities dividing citizens as well as causing a disparity in quality of education for different districts. Citizens in regions with more income

can afford private school education and have excess financial, material resources, and time available to invest in public schools in these districts.

The first key aspect of Smith's theory is the idea that economic development and increase of wealth are a means to peace, security, and freedom. In terms of this aspect, a free market system like that of the U.S. would likely not accord with Smith's framework. Related to this is the role of institutions in helping direct the economic system toward fostering more horizontal relationships. In this regard, the Smithian diagnosis would likely be that there needs to be a bit more institutional support. This institutional support could come from a larger role for workers' unions. However, going back to earlier mention of the divisiveness of welfare programs, there is a similar widespread anti-union sentiment. Political and public opposition that is dogmatic and divisive would need to be somehow overcome in order to actually establish change with regard to the role of institutions to transform the existing U.S. system into a variation that would be permissible on Smith's account.

I mention this fact of the necessity of overcoming popular opinion not as a criticism of Smith's theory or the U.S. system, but rather because it seems plausible that what is keeping the contemporary U.S., with respect to the role of institutions and public policy regulation, out of the range of acceptable Smithian systems is divided views and values among individuals and groups within society. This is important because it highlights the pressing nature of conflicting norms between groups that Sugden raises regarding Smith. It also opens up the possibility that maybe human sentiment does not accord as much as Smith describes. However, I want to be careful here. It need not be that human beings do not possess a capacity of sympathy or that they are not social by nature. On Sugden's discussion of sympathy it is interesting and important that nowhere does he say that this natural capacity alone is sufficient for the cohesion and functioning of society. In fact, because he stresses the separation

between action and affective motivation on Smith's account, it would seem plausible that one could sympathize very much with others and yet act in ways that are not necessarily beneficial to society as a whole.

Issues of human nature and the accuracy of Smith's empirical claims aside, it may be that rather than the source of this divisiveness is a failure of individuals within the U.S. system to pursue self-interest in a way that accords with the virtues of beneficence, prudence, and magnanimity. Perhaps then the problem with U.S. type systems generally, and why they would be outside the range of Smithian theory is that they do not serve humanity. That is, systems that do not promote social cohesion, individual welfare, and individuals' liberty and ability to pursue their personal projects as well as the universal goals of peace, security, and the respect of society. The suggestion then on this analysis is that the problem is not that Smith gets human nature wrong, but that the system in question does not promote the goals and ends that Smith sees economic systems serve.

In order to have a system that forms the lower bound of a range of Smithian systems then, we would need to take the U.S. system and tweak it in some way such that it better serves human individuals and societies. Specifically, as mentioned above better public provision of welfare programs and healthcare to ensure all individuals are provided with a basic standard of living would be essential. Additionally, we would likely need to find ways to reduce political control and manipulation of the system—and less powerful individuals—by those with the most economic and political power that the current structures allow. On Smith's account, some economic inequality is acceptable. He is also aware that political inequality is implicit in the notion of economic inequality because, as Satz reveals, he is aware of the political dimension of the pursuit of wealth. However, the current U.S. system exhibits such economic inequality and this economic inequality is often largely due to political factors beyond an

individual's control. The fact that a very small minority has such great economic and political power within the system and that all too often this power is not gained through hard work and virtuous, socially conscious pursuit of interests I think would greatly trouble Smith. This is especially true in light of the fact that at the other end of the income distribution, there are individuals and families who cannot afford all the basic necessities like healthcare, food, shelter, and clothing. Ultimately, the worry seems to be that within the current system, economic outcomes have become politicized to such an extreme that it seems the notion of a middle class is breaking down.

In his analysis of the problems associated with seeking social status and those who are born into privilege being able to present a virtuous façade while viciously abusing their status and wealth, Smith uses the idea of these people being a minority to circumvent the worry that virtue is not important and that commercial society leads to a corruption of morality. This fact coupled with the assumption that, for the majority who are neither excessively powerful nor excessively born into poverty, virtuous hard work will pay off is challenged by the contemporary system. Smith relies on the idea that functioning, justifiable economic systems include a middle class where the majority of citizens are neither impoverished nor wealthy and have the opportunity for upward mobility. Because the current system may be seen as a counterexample, Smith would have to say that the current system is problematic. One could contend that this aspect of the system reveals that Smith gets human nature wrong and we are not moral by nature. Additionally, and in line with the readings of Smith explored in this paper, this could be interpreted such that Smith would say we need to work to de-politicize the system so that it does not lead to corruption of virtue.

By 'lower bound' I simply mean the most free market system as actualized on Smith's theory. I qualify this with 'in actuality' because for Smith it seems that the ideal limit could be the case where

there is a total free market and individuals are ideal in that they act virtuously entirely of their own accord. However, as Evensky discusses at length this is an ideal limit which Smith does not see as an actual possibility. Generally speaking this is why it seems that cultivation of the virtues has economic import on Smith's account. In particular, the virtues help restrain self-interest so that it serves society rather than runs counter to it.

This is where it becomes evident that what Smith's principles yield is a range of potential systems rather than a unique solution. There are a number of specific ways in which the U.S. system could institute various changes including public policies, individual changes in behavior, and legal reforms. So long as the various ways achieve the same outcomes outlined above without impinging on liberty, security, and human welfare generally, they would all be acceptable on a Smithian analysis. Education however seems particularly critical for Smith. This may be because education is the means of remedying problems with the system that preserves the most individual liberty.

For example, we could focus more on education and teaching our children through parenting, setting an example, and even within the school systems the importance of values that promote sociality such as benevolence and prudence. Additionally, the problems noted above might be addressed through policies that provide incentives for companies that enact beneficial policies. Such beneficial policies could include things from affordable benefits for employees to operating in accord with environmentally sustainable practices. While the latter option would address the problematic outcomes of the current system, it would not necessarily address the difference in values and the differences in importance placed on virtue and morality that occur at the individual level. Such individual, moral, divergence is what often gives rise to problems with the system. So, while instituting policies and incentive structures would mark an improvement in the current system for Smith and would probably

even be seen as necessary, such practical institutional solutions would probably not be sufficient. There would also need to be more fundamental changes in terms of individuals' views of themselves in relation to society and the importance of the moral virtues.

At the opposite end of the spectrum, suppose we have an economic and social system that is almost entirely centralized. Essentially, what I am suggesting is the example of a command economy. Suppose that through institutions individuals are simply told exactly how much to produce, what price to sell for, and all other relevant aspects of their economic activity are so controlled. Suppose further, that the central command system functions well such that the result in terms of overall wealth generated, prices, amount of various goods produced, income distribution, and so forth are in perfect accord with the end circumstances of the system at the ideal limit for Smith.¹² Such a system, I argue, would be out for several reasons. In the first place, this sort of situation seems to imply a highly one-way relationship between the system and individuals. Individuals and society works for the system almost entirely rather than the other way around. As discussed in terms of various key concepts for Smith in the last chapter, individuals retain a fairly high degree of freedom and individuality on Smith's account.

An additional, but related problem with the above system for Smithian analysis is that it fosters an almost entirely vertical power structure between the central authority and the individuals that constitute society. Recall Satz' point that part of the benefit of capitalism and economic development for human society and individuals on Smith's account is that it promotes more horizontal relationships between citizens. To this end, Smith's account would allow for institutional or governmental

¹² I leave aside here the issue of whether or not Smith thinks it would be possible for such a centrally human-controlled system to yield economic results as well as the capitalist system.

intervention, especially to protect the workers. In the case of our hypothetical system, even if the intent is to produce a more horizontal free association among individuals through the centralization of economic planning, Smith would probably want to say that to allow centralization to such an extreme extent essentially cuts against what it was intending to promote. Ultimately, there would be more horizontal relations between individuals who are workers or stock owners, but with a new vertical relationship between both of these groups and the public official(s) setting the goals and doing the planning.

Lastly, because the individuals would be so ends-oriented rather than means-oriented, they would not really be cultivating virtues of prudence, self-command, and so forth under this system. These virtues are important for the economic system to function properly on Smith's account; however, that is not their only purpose.¹³ They are important in their own right for human development and the persistence of the species. The system in question would seem to be problematic on Smith's account because it does not encourage—and in fact, probably would discourage—the virtues that are important for social cohesion as well as important to each individual's human moral development. It is in this sense that one might say on Smith's account that such a system is dehumanizing in a very literal sense.

Next, suppose an economic system almost identical to the one previously mentioned except, rather than based on central command, outcomes are controlled through incentive. In this case, self-interest is restrained in a way such that through incentives and penalties, individuals act in ways such that the outcome is a system that functions and yields material and social wealth equivalent to what would be the outcome were the society to actualize the ideal which Smith thinks we only approach. The idea is that whereas with the last system people were simply told what to do, with this one they are not

¹³ or even, it could be argued, their primary importance

so explicitly told, but will be motivated to act in the same ways as in the previous system if they are financially prudent.

It is difficult to say for certain whether this system would be in or out on Smith's account. This system would certainly enforce and encourage individuals' development of the virtue of prudence. It would also encourage productive rather than unproductive labor. However, it would not so much encourage benevolence or other virtues. As Satz discusses, it would allow individuals to remain free in the sense that they have choices, but these choices would be endogenously determined by the system. Furthermore, unless one has no sense of basic prudence or intentionally chooses to act in ways that do not benefit her, there is a sense in which, on this system, even the endogenous choice is not really a choice. However, this rests with a view of human freedom and choice that may not be Smith's view. The extent to which the idea that a choice between an economic action that is prudent and one that is not is going to depend in part on the extent to which the virtue of prudence includes values other than financial values and also on the extent to which Smith sees humans' psychology and nature as deterministic.

Ultimately, we could tentatively say that this sort of system would be acceptable as an instantiation on Smithian theory. This is so because while there is a serious question as to just how much control Smith saw individuals having over their lives, he does explicitly discuss the role of government and positive law in social and economic life. Evensky notes the fact that Smith lectured on jurisprudence and saw positive law as playing an important role. Specifically, Smith thinks that the primary "design of every system of governments is to maintain justice". This is because the actual world is not ideal and so agents are not perfectly virtuous, necessitating government's instrumental role in allowing for progress over time (Evensky 59). Given that Smith seems to equate the non-ideal nature of

actuality to the lack of perfection of virtue in agents—and, it seems, not agents as a collective but rather as individuals—because he sees social cohesion as so important and virtues as playing such a critical role in social support on the whole including economic functioning that he would need to grant that insofar as agents fail to be virtuous, public intervention or law is acceptable to reign in the economic system. This is reminiscent as well of his discussion of interactions between borrower and lender whereby given that the borrower has acquired a right—and freedom—to employ new capital as he pleases, because he has given up something in exchange for this right, he ought to employ it in a productive, prudent manner. Smith would plausibly see the incentives and penalties established in this system being examined in a similar way. Notice also that because the wholly incentivized system under discussion is general, in actuality it could well be instantiated in a variety of ways. So long as the incentives and penalties promote the relevant virtues and ensure a well-functioning society that benefits everyone individually and collectively, any of the potential instantiations would be allowed under Smith's account.

Lastly, suppose a sort of capitalist system with a good social welfare benefits system. The difference between this sort of economy and the last is that whereas the last worked solely through an incentivized structure, this one works the same way except in regard to social welfare needs such as health care, benefits to guarantee basic essentials like food and a place to live if one's income falls below the minimum required to afford these things, and so forth. Insofar as this system provides such benefits through public funding via income taxes or other means, it may really just be a variant—or range of variations—on the previously discussed wholly incentivized system. Whether or not this is the case is not critical for anything I say. If this is in fact the case, it will just further support the claim that Smith's account implies a range of acceptable economic systems. The fact that on this system there is an explicitly defined welfare system as part of the economic setup though makes a difference because it

indicates a clear commitment to the wellbeing of humans and implies something like a weak right of individuals to have their basic needs guaranteed.

What Smith's account implies regarding such a system depends in part on the extent to which he thinks human beings are social and moral by nature. Because he sees economic development as serving the ultimate goal of helping humanity survive and flourish, it would seem that Smith would approve of the system in question. However, I think we should be careful because Smith does seem to think humans are by nature social and moral but only to a certain extent. To the extent that he thinks this, his account may imply that the role of public welfare should only be necessary as a means of corrective action. That is, rather than conceiving of the minimum welfare standard in terms of a conventional right, he may see it rather as something that will naturally develop as the result of individuals interacting independently of any sort of social institution. If this were the case, his account would accommodate the system in question to the extent that the public welfare system only corrected what nonpublic institutional interaction was not achieving in terms of welfare or to the extent that the welfare system was supported perhaps by non-institutionalized organizations if a lot of welfare support were provided.

Further Questions and Issues

Most of the analysis of implications for acceptable economic systems of the previous chapter was focused at the level of individual societies. Both at Smith's time and increasingly in our time and into the foreseeable future, an important aspect of economic development is its international scope. Economies are not closed off in little bubbles along territorial lines. Trade is not just between individuals in the same society, but occurs in crucial ways between societies. Smith himself recognized this fact and explicitly discusses international trade at length in *WN*.

If the interpretation and implications offered in this paper are accurate, the problems discussed at the intrasociety level will also occur at a global level. Thus, there is much further work to be done in terms of working out the global implications of Smith's account. In particular, given the importance of community and human society to Smith's theory, it will be important to examine implications of Smith's theory with respect to the possibility of a global human society. This may prove difficult. At the level of individual societies, it seems plausible in practice, to say that Smith's account implies we need to re-establish a sense of community and shared values and virtues. Although today's society is quite different from that of Smith's time, neighbors and community members still have at least the daily possibility of face to face interaction. Re-establishing a sense of shared purpose and humanity at this level is surely difficult, but certainly not impossible. At the international level, it becomes far more worrisome that such reestablishment of shared purpose may actually be impossible.

At an international level, things become far more complicated. In the first place, it will be more difficult to figure out what is shared across all societies. In practice, reconnecting with one another and a shared sense of humanity will be extremely difficult. It will be so in two respects. First, there is much divisiveness that runs deep into fundamental values reflected in the systems of different societies. Of particular negative import are the religious ideals and values that are explicitly and implicitly present in the social and economic systems of different nations. Secondly, because of the geographical distance between persons, re-establishing a sense of common humanity will be problematic. According to Smith—at least as Sugden reads him—sympathy need not be actual but can be based on a reasoned “in principle possibility”. Remember here the example where an individual is not in the mood to laugh, but recognizes that were he in the mood of his companions, he would laugh and on that ground approves of his companions' sentiments and behavior. So, it might seem that an individual in Japan and an individual in the U.S. could connect via sympathy through recognizing through the use of reason that

were the other's situation brought nearer—in terms of distance and immediacy of perception—she would be able to experience fellow-feeling. Smith sees context that prompts affective responses as a crucial part of morality and social cohesion. The idea at the international level would be roughly that although I am in America—with my given set of socialized values, conventions, cultural norms, and so on—I may be able to have some level of sympathy—harmony of sentiment and approbation/disapprobation—by recognizing that were I brought up and living in the same cultural context as the Japanese individual, I would approve and disapprove of aspects where I at present, in fact, do not. If this works, it would also need to work in the opposite direction allowing the person in Japan to do the same regarding my situation.

However, if all such sympathetic connections are through such reasoned, in-principle rather than actual, bases it seems to significantly weaken the sense of community that can be had at the international level. Simply put, recognizing that were we closer I could or would feel with you does not have the same level of affective force that actually entering into fellow-feeling with you. Additionally, such an “in principle” solution almost begins to feel like a non-solution in that it basically just explains the problem away. It is possible to grant that I can recognize that were I Japanese, I would hold different values and normative standards that are in line with what my Japanese friend now holds and that she can recognize the same regarding mine. However, the fact remains that at present we do not, in fact, agree. At the international level and regarding things significantly more serious than the appropriateness of laughter at a joke, it seems difficult to just completely bridge this gap of in fact and in principle. To make this more concrete suppose I am confronted with evidence of an individual from another country who accepts her country's practice of infanticide or agrees that women are inherently subservient to men. First, in such cases it does not seem to terribly far-fetched to say that I can disapprove of such values and therefore disagree with this person, yet also recognize to some extent

that had I grown up in her society I might share her approval. At the very least, there is nothing obviously physically or logically impossible about such a description. The problem though comes when one tries to argue, analogously to the laughter case, that this recognition of how counterfactual circumstances would change my judgment and prompts me to in fact, approve of the practices now. I grant that the following is based on intuition, but it seems important that I can—and often do—recognize that I might have different values were I raised elsewhere and yet, still feel sometimes even strongly, disapproval of certain cultural practices.

Perhaps all of this just goes back to the fact that Smith does not have an ideal theory and he would be happy to grant that at the international level, in principle recognition can allow for only a minimal level of sympathy. Perhaps one need not then argue all is lost since some minimal level of sympathy such that although actual sentiments diverge, in principle sentiments are somewhere in the ballpark of one another, is still better than nothing. Maybe the idea could be that whereas prior to reflection, I was almost dogmatic in my disapproval and thought it OK for those who share my values to take military action and impose them on the citizens of the other country, post-reflection my recognition that I could be in the other individual's situation makes me less dogmatic and able to rethink forceful intervention although I still may not wholly approve. The idea here is that maybe I do not have an obligation or have any motivation to help the individual and her society enforce their norms of infanticide and second-class citizenship, but I do have an obligation and motivation not to forcefully interfere.¹⁴ It might even be suggested that once both of us have in principle sympathy and are not so

¹⁴David Miller has, in fact, advanced a contemporary Nationalist account of global justice along similar lines. He also argues for a global obligation of non-interference rather than a duty to aid.

ready to use forceful means against one another, we can begin to have less dogmatic, more peaceful dialogue about our respective differences.¹⁵

Implicit in Smith's emphasis on affective psychology, humanity, and the importance of social cohesion is a potential means of repairing the social fabric. It seems plausible that aesthetic experiences might be able to bring people together and serve as a way of ultimately ameliorating some of the social ills caused by divisiveness and volatility. Music, movies, comedy, fiction, paintings, and other art forms seem to have a unique and important relationship to the affective aspects of our psychology and human experience. It might be that there could be a case made that an implication of Smith's account is that art has an important role in humans' lives as well as a social and economic function in that it can serve as an indirect means of humanizing and cultivating virtue in individuals thereby inducing both economic and social benefits. It would also perhaps be a means to make it easier to overcome the challenge of international distance to fellow-feeling.

Related to this are issues of technology. With regard to closeness of individuals in the international sphere, it seems that things like Skype, Facebook, and other media that allow for something approaching actual face-to-face contact between very distant individuals might be a significant aid in establishing social bonds at the international level. Finding out exactly what role such communication technologies might play and the extent to which it could be effective in helping the global economy better serve humanity would be important and fruitful for future research.

Independent of the international aspect, further exploration of how Smith would see the relationship between technological advances, economic improvement, and the goals of humanity may

¹⁵ I am fully aware that this suggestion might be too idealistic for someone like Smith. However, even so perhaps it might be a way of going beyond and extending his account to address problems.

be worthwhile. On one hand the intuition, especially in contemporary economic theory, is that developments in manufacturing techniques are an essential part of generating increasing material wealth. On the other hand, there are negative side effects such as displaced workers, work and that interpersonal relations become potentially mediated and less meaningful. There then seems to be something of a tension between the positive effects on increased wealth and the negative effects on human individuals and their relations to one another and the world. The extent to which Smith's account can address such seeming tensions is important. A divergence of this sort could be problematic for his account in the same way that intrasocietal groups with conflicting norms might be.

4. CONCLUSION

Smith's account does not fit into a contemporary framework. This is because his economic theory is derived from his moral theory including both empirical considerations about how human beings think and act and ideal considerations both moral and economic that are not so much the basis for right and wrong as an ideal limit which to which we aspire and which serves as a basis for corrective action. From the start, Smith's account depends on a conception of the human good and human beings acting in accord with specific virtues. Sympathy, or fellow-feeling, is the facet of human nature that allows Smith to begin with the idea of human beings as moral. It is also what helps serve to bridge the is/ought gap by giving rise to a cohesive social fabric that then allows for division of labor and economic development of commercial society.

The social and moral aspects of humanity and society then set limits on the range of economic systems of Smithian theory. Because there is also a significant element of relativism even within societies on Smith's account, there is not one Smithian system, but a range of possibilities within the

moral limits. The relativism and potential conflict between groups to which sympathy gives rise as well as general considerations regarding the limits of sympathy present serious challenges to Smithian theory as applied internationally. I have made a first pass at sketching how perhaps they need not be wholly destructive to Smith's account and one might address such problems in a Smithian spirit. However, there is much room for future work to address the relationship between Smithian theory and contemporary circumstances and policy.

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