

ADAM SMITH REVISITED

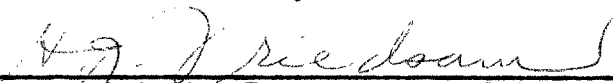
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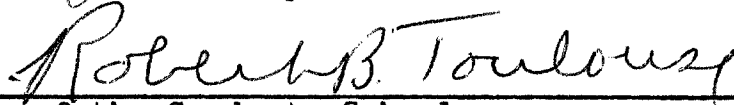
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ADAM SMITH REVISITED

THESIS

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By

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CHAPTER I

INTRODUCTION

Adam Smith was born at Kirkcaldy, Scotland, in 1723, the posthumous son of a successful lawyer and civil servant who had died three months before the birth of Adam.¹ Throughout the next sixty years, his mother was the most important woman in his life, for he never married. Comparatively little is known of Smith's early life, but it seems to have been fairly uneventful. Admittedly, he was kidnapped for a few hours by gypsies at the age of three, which prompted W. R. Scott to suggest that this episode may have inspired his lifelong belief in the principle of individual freedom.² But apart from this incident and a brief encounter with a highwayman, there were few adventures.

Most of Smith's life was spent in academic pursuits--as a student at Glasgow University from 1737-1740, and for the next six years at Oxford under a Snell fellowship, an award designed for those intending to take holy orders. At Balliol College, Oxford, he made few friends and lamented

¹John Rae, Life of Adam Smith (London, 1895), pp. 1-7.

²W. R. Scott, Adam Smith as Student and Professor (Glasgow, 1937), p. 26.

the lack of intellectual challenge.³ After graduation, he served as public lecturer in Edinburgh, and then in 1751 he became professor at Glasgow, first of logic, then of moral philosophy, retaining the latter position until he went to France in 1764. There for nearly three years he acted as tutor to the young Duke of Buccleuch, an employment that was sufficiently well paid to provide a reasonable income for the rest of his life. This income enabled him to devote ten more years to his Wealth of Nations.⁴ From 1777 until his death in 1790, he was employed as a Commissioner of Customs for Scotland, a position similar to the one his father had held, and he probably relished the irony of the situation, for he had been a very vocal critic of the existing customs and excise system.

In 1759 Adam Smith published his treatise, The Theory of Moral Sentiments.⁵ The work was an almost immediate success, and even those who disagreed with its philosophic content enthusiastically praised the prosaic skill and analytical insights into human nature exhibited by the author.⁶

³Rae, op. cit., pp. 38-42.

⁴Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations (New York, 1937).

⁵Adam Smith, The Theory of Moral Sentiments (London, 1871). All references in this thesis are to the edition edited by Herbert W. Schneider, Adam Smith's Moral and Political Philosophy (New York, 1948).

⁶Rae, op. cit., p. 143.

Smith's An Inquiry into the Nature and Causes of the Wealth of Nations was published on March 9, 1776. The selling price was thirty-six shillings, and the first edition, consisting of approximately 1,000 copies, was depleted in less than six months. Despite its popularity a reprint (with very few corrections and additions) was not published until 1778. This book, as the one before it, was an almost immediate success and received the praises of most of Smith's contemporaries, notably Hume, Gibbon, and Samuel Johnson.⁷

A number of knowledgeable economists have suggested that the works, though written by the same author and published within seventeen years of each other, are logically inconsistent. The apparent inconsistency arises from various facets of the two works, depending upon which interpreter one reads.

This study represents an interpretation of Smith's attitude toward a commercial society based upon natural liberty. It will become apparent that the two works of Smith are consistent only within this framework of a commercial society based upon the "obvious and simple system of natural liberty."⁸ The virtues or foundations of Smith's system of morality are developed, it will be shown, as

⁷Ibid., pp. 285-287.

⁸Smith, Wealth of Nations, p. 651.

philosophic abstractions in his Moral Sentiments, and are applied to the actual world in his Wealth of Nations. It will become obvious that within the Smithian schema of morality, it is the middling class, the artificers and manufacturers, who represent the truly virtuous as described in the Moral Sentiments.

The assertion that there exists an inconsistency between the Moral Sentiments and the Wealth of Nations dates at least from the German Historical School.⁹ It was the German Historical School which specifically established what they characterized as "Das Adam Smith Problem."¹⁰ After pointing out the apparent discrepancy, an explanation was presented by them:

Smith was an idealist so long as he lived in England under the influence of Hutcheson and Hume. After living in France for three years, and coming into contact with the materialism that prevailed there, he returned a materialist. This is the simple explanation of the contrast between his Theory (1759), written before his journey to France, and his Wealth of Nations (1776), composed after his return.¹¹

Such an explanation attributed a great deal of influence to

⁹Roll dates this School from 1843, when Wilhelm Roscher published his work Grundriss. Eric Roll, A History of Economic Thought (London, 1961), p. 303. For an analysis of various interpretations of Smith's two works, see Appendix.

¹⁰Jacob Viner, "Adam Smith and Laissez Faire," Journal of Political Economy, XXXV (1927), 199. For examples of the School, see the writings of Gustav von Schmoller, Werner Sombart, and Ludwig Joseph Brentano.

¹¹W. von Skarzynski, Adam Smith, cited in Francis W. Hirst, Adam Smith (New York, 1904), p. 181.

the physiocrats with whom Smith came into contact while in Europe.

It is a matter of record that a great deal of discourse transpired between Smith and the French physiocrats, but to imply that these discussions influenced Smith profoundly is erroneous.¹² The publication in 1896 of Smith's lectures while a professor of moral philosophy at the University of Glasgow proved conclusively that he already embraced the social, political, and moral theses found in his Wealth of Nations before going to France.¹³ With the publication of the Lectures, Cannan contends that an argument may be made that Smith had a profound influence on the physiocrats:

. . . and as . . . Turgot's Reflexions were not even written till after Adam Smith had ceased lecturing and had seen and conversed with Turgot, it may be supposed that the enthusiasts of plagiarism will now seek to show that instead of Smith stealing from Turgot, the truth was that Turgot stole from Smith.¹⁴

With the discrediting of the influence argument, scholars recognized that there must be some logical connection between his two works. One argument has suggested that the two works are different in that the Moral Sentiments analyzed all the affections of man and the Wealth of Nations represented the development of simply one of those

¹²Rae, op. cit., pp. 196-231.

¹³Adam Smith, Lectures on Justice, Police, Revenue and Arms, edited by Edwin Cannan (Oxford, 1896).

¹⁴Ibid., p. xxxiv.

affections, prudence.¹⁵ Others have contended that in the Moral Sentiments the hand of God was active, while in the Wealth of Nations God was omitted.¹⁶

The following pages develop a different interpretation of the consistency in these two works. This interpretation is not to discredit the previous interpretations; indeed, it will become obvious that there is often a great deal of overlapping between this interpretation and many others. This is simply another example of the work of later students being built on or superimposed upon that of former students.

In developing the thesis that the two works are logically consistent, it is necessary to establish the reason or reasons why Adam Smith embraced a commercial society based upon the "obvious and simple system of natural liberty." It will be established that he embraced such a system because it allowed the maximum accumulation of capital, which is the manifestation of being truly virtuous, as developed in his Moral Sentiments. To go one step farther, it will be seen that, so far as Smith is concerned, it is the rising bourgeoisie, the manufacturers and artificers, which is truly virtuous, i. e., accumulates capital.

¹⁵Francis W. Hirst, Adam Smith (New York, 1904). See especially pp. 46-67 and 164-186.

¹⁶William Grampp, "Adam Smith and the Economic Man," Journal of Political Economy, LVI (1948), 315-336.

Chapter II of this study analyzes the four components of Adam Smith's system of morality which he develops in his Moral Sentiments. In this work, the virtues of prudence, benevolence, justice, and self-command are treated as philosophic abstractions, and this manner of presentation is followed in Chapter II.

Chapter III examines the role of society in the works of Adam Smith. In the Moral Sentiments, Smith points out that society teaches the individual propriety, which consists of the impartial spectator and sympathy. Furthermore, Smith in his Moral Sentiments emphasizes that man is built for what he characterizes in this work as active utility. His idea of active utility leads us into his concept of productive labor in the Wealth of Nations and establishes a close connection between the two works. From his concept of productive labor is developed his interpretation of capital and its accumulation. Capital is the key to Smith's conception of the wealth of a nation, and it is shown that he attributes its accumulation to the middling class as opposed to the idle rich, who at one time dominated society and are now a detriment to the development of the wealth of a society.

Chapter IV takes the virtue of justice as a philosophic abstraction in the Moral Sentiments and examines it within the social context of the Wealth of Nations. In this latter work, Smith uses "conjectural" history to trace the development of the realization of an equitable administration of

justice as a result of the development of commercial society. As a nation becomes wealthier, i. e., as capital accumulates, there arises the need for greater protection from crude and barbarous neighbors. Within a commercial society, two causes directly contribute to the need for a standing army. "Those two causes are, the progress of manufactures, and the improvement in the art of war."¹⁷

The need for a standing army makes it impossible for the great lord to support the military from his own personal funds. Therefore, taxation is undertaken. With the use of taxes, it is no longer necessary for the ruler to obtain his revenue from the administration of justice, which was something more or less than justice depending upon the size of the gift presented by the person on trial to the lord. As a result, the equitable administration of justice is, according to Smith, a result of the development of commercial society. And ". . . upon the impartial administration of justice depends the liberty of every individual, the sense which he has of his own security."¹⁸

Chapter V places the virtues of prudence, benevolence, and self-command within the context of the Wealth of Nations. In this chapter, it is seen that it is the functioning of prudence, as practiced by the rising bourgeoisie, which leads

¹⁷Smith, Wealth of Nations, p. 656.

¹⁸Ibid., p. 681.

to the promotion of the increased wealth of society, a benevolent result of much more magnitude than would have resulted had one individual deliberately practiced benevolence on another individual. Saving, the very heart of the wealth of a nation (for it creates capital accumulation), is the exercise of the virtue of self-command as practiced by the prudent man, *i. e.*, a manufacturer or an artificer.

True virtue as it is presented in the Moral Sentiments manifests itself in the accumulation of capital as presented in the Wealth of Nations. It is the manufacturer and the artificer who practice saving and accumulate capital. As Smith points out in his Moral Sentiments, "In the middling and inferior stations of life, the road to virtue and that to fortune . . . are, happily, in most cases very nearly the same."¹⁹

Chapter VI consists of a summarization of the principal argument and emphasizes the conclusions from the present study.

¹⁹Smith, Moral Sentiments, p. 104.

CHAPTER II

VIRTUE

In order to reconcile the two works of Adam Smith, it is necessary that the ethical system developed by Smith be understood. Each of the components of his system is presented in a philosophic setting in his Moral Sentiments. His Wealth of Nations applies each component to the setting in which it can function effectively, in a commercial society based upon the "obvious and simple system of natural liberty." This chapter examines the components of Smith's system of ethics as they are presented in his Moral Sentiments.

According to Smith, prudence, justice, benevolence, and self-command are the excellences of the perfectly virtuous man, and it is in his Moral Sentiments which he develops these components of virtue.¹ Each of these virtues is useful when it is confined to a certain degree of moderation, and, as Macfie writes,

according to this system, therefore, virtue consists not in any one affection, but in the proper degree of all the affections.²

¹Smith, Moral Sentiments, pp. 229-274. Also cf. R. B. Haldane, Life of Adam Smith (London, 1887), pp. 68-72.

²A. L. Macfie, "Adam Smith's Theory of Moral Sentiments," Scottish Journal of Political Economy, VII (February, 1961), 16.

It is natural liberty which permits the proper degree of the affections within the individual to develop completely. Each of these affections is presented in its proper turn.

Prudence

To Adam Smith, prudence is considered to be excellence of character and conduct considered as it may affect the personal happiness of an individual. Smith gives a more specific definition of this particular virtue:

The care of the health, of the fortune, of the rank and reputation of the individual, the objects upon which his comfort and happiness . . . depend, is considered as the proper business of that virtue which is commonly called prudence.³

The prudent man is one who makes it his business to care for his health, fortune, rank, and reputation. Smith adds a further clarification, when he elaborates the meaning of the word "care":

We suffer more . . . when we fall from a better to a worse situation than we ever enjoy when we rise from a worse to a better. Security, therefore, is the first and principal object of prudence.⁴

Prudence, therefore, is a virtue and must be understood to relate to the acquisition of the external good of life. As Cropsey states, it is acquisition ". . . in the manner most conformable to the sufferance of the world of spectators" ⁵ Industry and frugality stand out as the most

³Smith, Moral Sentiments, p. 230.

⁴Ibid.

⁵Joseph Cropsey, Polity and Economy (The Hague, 1957), p. 41.

striking characteristics of prudence, suggesting it for the role of the commercial virtue.⁶

To be able to care for himself presupposes the concept that man is a reasoning animal. Reasoning in this sense is predicated upon man's possessing the ability to judge his situation relative to that of his associates. In this regard, man is possessed of reason as the result of, first, Deity, and, second, the society from which the individual judges his situation.⁷

As a child, the individual is taught by nature and by his parents to be concerned with his own care, that is, to be concerned with his appetites, pleasure and pain, heat and cold, etc. He soon learns that some care and foresight are required to provide ". . . the means of gratifying those natural appetites" ⁸ In the proper degree of this affection (prudence) consists the art of maintaining and increasing one's external fortune.

Prudence, itself, involves two components. First, the knowledge according to which one foresees the remote consequences of an action; second, the self-control according to which one abstains from short-run benefit in favor of

⁶Ibid.

⁷Smith, Moral Sentiments, pp. 384-386, 184-185.

⁸Ibid., p. 229.

long-run benefit. In this regard, prudence consists of superior reason and self-command.⁹

The prudent man is always sincere, but not always frank and open. And though he always tells the truth, he does not feel bound to tell the whole truth. Since he is cautious in action, he is reserved in speech and never forces his opinions or advice on other men.¹⁰

Regarding the thesis that the two works are reconcilable within a framework of commercial society based on the "obvious and simple system of natural liberty," Smith makes a distinction between what he characterizes as superior prudence and inferior prudence. This distinction is significant because it is the Wealth of Nations which evolves from the functioning of superior prudence.

When directed simply at the care of the health, fortune, rank, and reputation of the individual, prudence is considered to be inferior. Such prudence exists without the other virtues and commands only ". . . a certain cold esteem, but seems not entitled to any very ardent love or admiration."¹¹

But prudence which is interspersed with justice, benevolence, and self-command is considered to be superior. When combined with "benevolence, with a sacred regard to the

⁹Ibid., p. 220. The importance of self-command, in itself an important virtue, is discussed below, pp. 20-22.

¹⁰Ibid., p. 231.

¹¹Ibid., p. 234.

rules of justice" and supported by "a proper degree of self-command," prudence is

the best head joined to the best heart. It is the most perfect wisdom combined with the most perfect virtue. It constitutes very nearly the character of the Academical or Peripatetic sage, as the inferior prudence does that of the Epicurean.¹²

It is the virtuous man who realizes the distinction between the inferior and the superior forms of prudence and, as Smith emphasizes, is ". . . willing that all those inferior interests should be sacrificed to the greater interests of the universe . . . of which God himself is the immediate administrator and director."¹³

With respect to the above distinction, Smith is echoing the sentiments of Jonathan Swift, who argues that while ". . . the self-love of some men inclines them to please others, the self-love of other men is wholly employed in pleasing themselves . . ." and it is this which ". . . makes the great distinction between virtue and vice."¹⁴

After defining imprudence in combination with other vices to be the highest degree of infamy and disgrace, Smith concludes his analysis of prudence. He leaves his reader

¹²Ibid. Smith's concern with this distinction is intelligible in light of the method in which a system of natural liberty is conducive to superior prudence. See infra, pp. 67-68.

¹³Ibid., p. 249.

¹⁴Jonathan Swift, Thoughts on Various Subjects, p. 278, cited in James Tyne, "Gulliver's Maker and Gullibility," Criticism (Spring, 1965), p. 163.

with the thought that "as prudence combined with other virtues constitutes the noblest, so imprudence combined with other vices constitutes the vilest, of all characters."¹⁵

Justice

It will be demonstrated below that justice is a virtue brought to full fruition by a commercial society based upon the "obvious and simple system of natural liberty." In the Moral Sentiments justice is presented as excellence of character and conduct as it may affect the happiness of others by the avoidance of doing positive harm to them. According to Smith,

a sacred and religious regard not to hurt or disturb in any respect the happiness of our neighbour, even in those cases where no law can protect him, constitutes the character of the perfectly innocent and just man¹⁶

Opposed to justice, injustice is injury and does positive harm to individuals. Injustice is, therefore, ". . . the proper object of resentment, and of punishment which is the natural consequence of resentment."¹⁷

The civil magistrate is established to insure the equitable administration of justice and to pass sentence upon violations of this virtue. By so doing, the public peace is preserved, and vice and impropriety are discouraged.

¹⁵Smith, Moral Sentiments, p. 235.

¹⁶Ibid., p. 236.

¹⁷Ibid., p. 117.

"Mere justice is . . . but a negative virtue and only hinders us from hurting our neighbour."¹⁸ But its equitable administration presupposes that conduct in accordance with the rules of justice is not left to the discretion of individuals. Men are forced by fear of retaliation to act in accordance with the virtue of justice, and it is in this sense which Smith speaks of justice as a virtue which is not free, but forced.¹⁹

Although the virtues of prudence, benevolence, and self-command are salutary, they are possible to a society only after the establishment of justice. In this regard, justice

. . . is the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society, that fabric which to raise and support seems, in this world, if I may say so, to have been the peculiar and darling care of nature, must in a moment crumble into atoms.²⁰

Justice is a virtue needed to facilitate the operation of commerce, and which acts as a restraint upon imprudence. Without this restraint, self-interest might prevent the establishment of a truly virtuous society. As Smith writes,

In the race for wealth and honours and preferments, the individual may run as hard as he can, and strain every nerve and every muscle, in order to outstrip all his competitors. But if he should justle, or throw down any of them, the indulgence of the spectators is entirely at an end.²¹

¹⁸Ibid., p. 119.

¹⁹Ibid., p. 117.

²⁰Ibid., p. 125.

²¹Ibid., p. 121.

This affection, therefore, is the principle of fair play. Smith occasionally calls it negative beneficence, since it consists in refraining from doing injury to others. Morrow interprets Smith's concept of justice to be ". . . the objective point of view from which all individuals are alike, each one entitled to as much consideration as another."²²

As opposed to the other virtues, which are defined vaguely by nature for man, justice is precise and may be compared to the rules of grammar. "A man may learn to write grammatically by rule, with the most absolute infallibility; and so, perhaps, he may be taught to act justly."²³ He may be taught, and in so being, justice is known and understood before an action is committed.

Benevolence

Benevolence is excellence of character and conduct considered as it affects the happiness of others by the performance of beneficial services in their behalf.

Beneficence, as Smith calls it, is always free, and cannot be extorted by force. The omission of this virtue does not provoke punishment, although the impartial spectator "rejects all fellow-feeling" with the selfishness of motives

²²Glenn R. Morrow, The Ethical and Economic Theories of Adam Smith (New York, 1923), p. 48. See also Cropsey, op. cit., pp. 31-37, and Macfie, op. cit., p. 17.

²³Smith, Moral Sentiments, p. 205.

lacking in beneficence, and motives which omit this affection are ". . . the proper object of the highest disapprobation."²⁴

Although benevolence cannot be extorted by force, it is an affection which is contagious. As Smith says,

Nature, which formed men for that mutual kindness so necessary for their happiness, renders every man the peculiar object of kindness to the persons to whom he himself has been kind.²⁵

Indeed, Smith goes so far as to state that "no benevolent man ever lost altogether the fruits of his benevolence."²⁶ If an individual does not receive the fruits of his benevolence from whomever receives his beneficence, he will gather it, with a tenfold increase, from other people.

Adam Smith clarifies the method in which benevolence is acquired by contrasting it with justice. Justice is forced, and benevolence is a free virtue. Even though benevolence is a free virtue, individuals are recommended to a certain order in which the happiness of others is to be intended. An individual is recommended to perform benevolent services for others according to two specific circumstances: First, to help others in the degree that one has knowledge of their situation and needs; second, to help others in the degree that one has the capacity to affect their situation.

²⁴Ibid., p. 116. The omission of beneficence either purposely or inadvertantly would indicate imprudence on the part of the individual. See supra, pp. 14-15.

²⁵Ibid., pp. 237-238.

²⁶Ibid., p. 238.

According to the two above circumstances, "every man, as the Stoics used to say, is first and principally recommended to his own care."²⁷ That Smith's conception of benevolence should dovetail so neatly with that of prudence emphasizes the thesis that the two are compatible, as they must be, if an individual is to attain true virtue. The reason an individual should prefer his own benefit before that of others is that he has immediate knowledge of his own situation and is in a position to help himself to a much greater extent than he is to affect the condition of others. Smith states that ". . . every man is certainly, in every respect, fitter and abler to take care of himself than of any other person."²⁸

The administration of universal happiness for all men is the concern of God and not of man. Man must be concerned with a much more humble pursuit, the care of his own happiness, which spreads in widening circles to embrace his country.²⁹ Pope expresses the same concept:

²⁷Ibid., p. 237.

²⁸Ibid.

²⁹Ibid., pp. 133, 162, 215, 237, and 250. Like so many other philosophers of the eighteenth century, Smith was concerned with the reason for the existence of evil in the world. Smith explains the presence of evil by pointing out that the benevolent and all-wise Being ". . . can admit into the system of his government no partial evil which is not necessary for the prosperity of the universe" Ibid., p. 249. Pope expresses the same concept in the same words. See Alexander Pope, "An Essay on Man, in Four Epistles, to H. St. John, Lord Bolingbroke," A Collection of English Poems: 1660-1800, edited by Ronald S. Crane (New York, 1932), pp. 466 and 481. See also Bernard Mandeville, "The Grumbling

Self-love but serves the virtuous mind to wake,
 As the small pebble stirs the peaceful lake;
 * * * * *
 Friend, parent, neighbour, first it will embrace;
 His country next; and next all human race³⁰

Although such a comment anticipates the next chapter, it is relevant at this point to emphasize that it is within a social framework that prudence and benevolence dovetail. Indeed, it will become apparent that, so far as Smith is concerned, it is within commercial society that these two virtues are united with justice and self-command to make the individual truly virtuous.

Self-Command

The virtue of self-command is the affection which allows the individual to act in accordance with the requirements of prudence, justice, and benevolence. It is self-command which governs human affections, and Smith acknowledges its importance in enabling the individual to do his duty:

The man who acts according to the rules of perfect prudence, of strict justice, and of proper benevolence, may be said to be perfectly virtuous. But the most perfect knowledge of those rules will not alone enable him to act in this manner The most perfect knowledge, if it is not supported by the most perfect self-command, will not always enable him to do his duty.³¹

Hive: or, Knaves turn'd Honest," A Collection of English Poems: 1660-1800, pp. 316-325.

³⁰Pope, op. cit., p. 492.

³¹Smith, Moral Sentiments, p. 251.

The degree of self-command necessary in any situation directly affects the approbation which an individual receives, for "where little self-command is necessary, little self-approbation is due."³² Acquiring this virtue is the result of hardships, dangers, and misfortunes, "but these are all masters to whom nobody willingly puts himself to school."³³ Yet to attain true virtue, it is necessary that this virtue be learned and exercised.

Smith places so much stress on this quality or virtue of self-command that Cropsey believes "in a radical sense, self-command becomes the only virtue."³⁴ But Smith is explicit in maintaining that the other virtues exist as separate entities, the other three being enhanced by the operation of self-command. As Smith, himself, says, "Self-command is not only itself a great virtue, but from it all the other virtues seem to acquire their principal lustre."³⁵

It is self-command which induces the greatest approbation of the impartial spectator, or the man within the breast.³⁶ To the impartial spectator, the future and the present are considered as one and the same; that is, ". . . he sees them nearly at the same distance, and is affected by

³²Ibid., p. 172.

³³Ibid., p. 179.

³⁴Cropsey, op. cit., p. 48.

³⁵Smith, Moral Sentiments, p. 255.

³⁶Ibid., p. 232. To Smith, this man within the breast is reason; see ibid., p. 162, and infra, pp. 25-27.

them very nearly in the same manner"37 But he knows that men are affected quite differently in their views of the present and of the future. To such a weakling as man, the present is a great deal more important than the future. The impartial spectator approves and even applauds the exertion of self-command which enables men to act as though ". . . their present and their future situation affected them nearly in the same manner in which they affect him."38

With its comprehension of the importance of the long-run, self-command serves to coordinate the other virtues so that the individual may obtain true virtue. It is by its sense of propriety, by the regard to the man within the breast, that self-command is recommended to the individual. As Smith says,

Without the restraint which this principle imposes, every passion would, upon most occasions, rush headlong, if I may say so, to its own gratification.39

Smith concludes his analysis of this last affection by emphasizing that its quality is in the steadiness of its exertion and in the strong sense of propriety which is necessary to exercise self-command. Alas, "the effects are too often but too little regarded."40

³⁷Ibid., p. 232.

³⁸Ibid.

³⁹Ibid., p. 275.

⁴⁰Ibid., p. 277. It will be shown that the analysis of these effects which are too little regarded constitutes a major argument of Smith's Wealth of Nations.

Conclusion

In order to understand the two principal works of Adam Smith, the Moral Sentiments and the Wealth of Nations, it was necessary to present his abstract conception of virtue as he developed it in his Moral Sentiments. It was shown that each separate virtue must be present and exercised in order for the individual to attain true virtue. An elaboration remains: These virtues must function for the benefit of society. In the next chapter, Smith's conception of society and its importance to his philosophic system are presented.

CHAPTER III

SOCIETY

To develop the assertion that Adam Smith considers commercial society to be the vehicle through which an individual attains true virtue, the preceding chapter analyzed the four specific affections of Smith's system of morality. But one more aspect of the system must be developed in order to delineate completely his system of virtue.

This additional aspect consists of the importance of society to Adam Smith, an importance which has prompted one interpreter to remark that in Smith's view of society ". . . there sometimes seem to be no individuals at all, so organic is the relation of person to person conceived to be."¹

The various roles of society are presented below, beginning with society's function in developing the individual's understanding of morality and concluding with a social concept of value.

Propriety

Society plays the key role in developing the individual's concept of propriety and in forming one's interpretation of

¹Gladys Bryson, Man and Society: The Scottish Inquiry of the Eighteenth Century (New York, 1945), p. 160, cited in A. W. Coats, "Adam Smith: The Modern Re-Appraisal," Renaissance and Modern Studies, VI (1962), 42.

what is or is not moral. The individual develops the concept and forms the interpretation through the reference to the sentiments of others. This reference is based upon two factors, sympathy and the impartial spectator.

Impartial Spectator

To Smith, all moral interpretations suppose the idea of some other being ". . . who is the natural judge of the person who feels them" It is by sympathy with this judge that the individual ". . . can conceive either the triumph of self-applause or the shame of self-condemnation."²

Smith indicates the need for this impartial spectator at the beginning of his chapter "Of the Influence and Authority of Conscience."³ The judgment of this imaginary being is necessary on all occasions. As Smith says,

. . . it is only by consulting this judge within that we can ever see what relates to ourselves in its proper shape and dimension, or that we can ever make any proper comparison between our own interests and those of other people.⁴

A love of virtue is guided by knowledge to achieve the goal of propriety of conduct. The vision of propriety is achieved only by a comparison of our own interests with those of others.⁵ Such a concept of virtue has prompted

²Smith, Moral Sentiments, p. 224.

³Ibid., p. 160.

⁴Ibid.

⁵This comparison of sentiments and its role in forming the individual's concept of virtue prompted one scholar to accuse Smith of being a moral relativist. Alfred Chalk, Professor of Economics, Texas A & M University, seminar of October 22, 1965, at Southern Methodist University.

Schneider to write of Smith, "This pluralistic and social approach to the psychology of morals became his great pre-occupation and remains today his chief contribution to ethics."⁶

The impartial spectator, which is developed as a result of man's contact with man, is referred to by Smith as the man within the breast.⁷ And it is this man within the breast which is reason. The fitness or propriety of an affection, i. e., of prudence, justice, benevolence, and self-command, can be measured only in the sympathetic feelings of this impartial spectator. Moral sentiments in the individual and the progress of morality in mankind are due to a reflex action of sympathy. Man applies to himself the moral judgments he has learned to pass on others.⁸ The impartial spectator becomes more and more the ideal man, and the inner voice becomes more important than the judgment of the world. According to Hirst,

the pangs of conscience are far more terrible than the condemnation of the market place. Praiseworthiness comes to be better than praise; blameworthiness comes to be worse than blame. The true hell is the hell within the breast⁹

⁶Schneider, op. cit., p. xvii.

⁷Smith, Moral Sentiments, p. 162.

⁸Ibid., pp. 160-179. Sympathy is developed in greater detail infra, pp. 27-30.

⁹Hirst, op. cit., p. 58.

The impartial spectator which one finds in the Moral Sentiments plays an important role in Smith's Wealth of Nations. In the steadiness of his frugality and industry and in his exercise of self-command, ". . . the prudent man is always both supported and rewarded by the impartial spectator, and of the representative of the impartial spectator, the man within the breast."¹⁰ Through his seeking the approval of this man within the breast, the prudent man is led to save and to accumulate capital. With the increase in capital, there is an increase in industry and an increase in the number of individuals who can share in prosperity.¹¹ So society benefits from the appeal by an individual to the approbation of the impartial spectator. Smith states that

As the capital of an individual can be increased only by what he saves from his annual revenue or his annual gains, so the capital of a society, which is the same with that of all the individuals who compose it, can be increased only in the same manner.¹²

Sympathy

The individual spectator judges the action of another by considering what his own sentiment might be under similar conditions. He then compares this sentiment to the conduct of the other person. If the spectator finds that he, too, would act the same way, the action is approved. If he feels

¹⁰Smith, Moral Sentiments, p. 232.

¹¹Smith, Wealth of Nations, p. 321. See below, pp. 47-53

¹²Ibid.

that he would have acted in a different way, the action is disapproved. As Morrow has said,

Briefly stated, when we approve of the actions or emotions of another we do so because we perceive that we fully sympathize with his sentiments, i. e., that we would feel the same in his place When we sympathize we approve¹³

Thus, when one approves or disapproves of himself, he identifies himself with the spectators of his actions and determines whether under such conditions he can or cannot sympathize with his own conduct. "Society," writes Morrow, "is a mirror which shows us ourselves."¹⁴

The Moral Sentiments looks for the origin of moral judgment not in an individual source of insight but in social experience. An individual's moral consciousness with its judgments of approval and disapproval is a reflection of the social conscious. "The facts of individuality," asserts Morrow, "were gradually seen to be relative to social facts and dependent upon explanatory principles that transcend the individual."¹⁵

Smith points out that an individual who grows to manhood in solitude does not acquire a true sense of virtue because he does not acquire insight into the proper

¹³Glenn R. Morrow, "Adam Smith: Moralist and Philosopher," Adam Smith, 1776-1926 (Chicago, 1928), p. 175. Cf. Smith, Moral Sentiments, p. 79.

¹⁴Morrow, "Adam Smith: Moralist and Philosopher," p. 176.

¹⁵Morrow, The Ethical and Economic Theories of Adam Smith, p. 23.

functioning of sympathy. "Bring him into society, and he is immediately provided with the mirror which he wanted before."¹⁶ The man of solitude lacks insight because he is concerned only with himself. Society has not taught him, through the impact of the impartial spectator, to sympathize automatically with others and to act according to the dictates of his social environment. "Bring him into society, and all his own passions will immediately become the causes of new passions."¹⁷ So it is that, as Macfie asserts,

The way in which sympathy acts to create social opportunities, duties, and institutions works through its social reflection in public opinion. Thus, through its reasoning side, /sympathy/ establishes a proper code of human behavior.¹⁸

This proper code of human behavior which results from reason, the man within the breast, is developed in the Wealth of Nations as the foundation of social benefit. Social benefit results through reason's dictate that the individual provide for his future by saving, an exertion of self-command which receives the greatest approbation of the impartial spectator.¹⁹ In this way, sympathy acts upon the individual and teaches him to act for the benefit of society. Indeed, the

¹⁶Smith, Moral Sentiments, p. 138.

¹⁷Ibid.

¹⁸A. L. Macfie, "Adam Smith's Moral Sentiments as Foundation for His Wealth of Nations," Oxford Economic Papers (New Series), XI (October, 1959), 215.

¹⁹Smith, Moral Sentiments, p. 231.

individual's action is like that of one who founds a public workhouse, for ". . . he establishes as it were a perpetual fund for the maintenance of an equal number in all times to come."²⁰

Active Utility

In developing the thesis that the two works are reconcilable in a commercial society based upon the "obvious and simple system of natural liberty," it has been necessary to analyze Smith's interpretation of the association of man and society. In the next chapter, it will become obvious that this thesis follows from a close inspection of Smith's two works.

Smith rejects the contemplative life as the proper existence for man, contending that man is made for action. He points out that

man was made for action, and to promote by the exertion of his faculties such changes in the external circumstances both of himself and others as may seem most favourable to the happiness of all.²²

Smith uses for the example of a venerated non-producer Marcus Antoninus, emperor-philosopher of Rome in the second century A. D. The man who is believed to be principally occupied in sublime contemplation ". . . seldom fails to be

²⁰Smith, Wealth of Nations, p. 322.

²¹Schneider, op. cit., p. xx.

²²Smith, Moral Sentiments, p. 134. Here, again, Smith demonstrates his concern for all society.

the object of our highest veneration"23 Though such an individual's life may be altogether contemplative ". . . we often regard him with a sort of religious respect"24 Smith then praises such an individual by referring to Antoninus:

The meditations of Marcus Antoninus, which turn principally upon this subject [sublime contemplation], have contributed more, perhaps, to the general admiration of his character than all the different transactions of his just, merciful, and beneficent reign.²⁵

But Smith does not leave the subject of sublime contemplation and its admirability on this note. He continues by pointing out that the care of universal happiness of all is the concern of God and not of man. Man must be concerned with a much more mundane topic: "the care of his own happiness, of that of his family, his friends, his country."²⁶ Occupation with the contemplation of the sublime can never be an excuse for neglecting "the more humble department."²⁷ One must beware to avoid the mistake which Marcus Antoninus committed, for

. . . while he employed himself in philosophical speculations and contemplated the prosperity of the universe, he neglected that of the Roman empire. The most sublime speculation of the contemplative philosopher can scarce compensate the neglect of the smallest active duty.²⁸

²³Ibid., p. 250.

²⁴Ibid.

²⁵Ibid.

²⁶Ibid. Note that these are the words used by Smith to describe the prudent man. See supra, p. 11.

²⁷Ibid.

²⁸Ibid.

According to Smith, an individual can be benevolent, just, prudent, and self-controlled, but, if these affections do not result in a benefit for society, he is not truly virtuous. A philosopher may sit beneath an olive tree and desire the greatest benefit for his fellow man, but "he is made to know that the praise of good intentions, without the merit of good offices, will be but of little avail . . ." to incite great applause.²⁹ The individual who has performed no single productive activity, but whose conversation and action express the justest, noblest, and most generous sentiments ". . . can be entitled to demand no very high reward, even though his inutility should be owing to nothing but the want of an opportunity to serve."³⁰ In such an instance,

we can still ask him, What have you done? What actual service can you produce to entitle you to so great a recompense? We esteem you and love you, but we owe you nothing.³¹

The development to this point of Smith's concept of man and society may be summarized as follows: In his Moral Sentiments, Smith develops the acquisition of a notion of morality on the part of an individual through the operation of the impartial spectator and of sympathy. Both of these

²⁹Ibid., p. 134.

³⁰Ibid.

³¹Ibid. Cropsey carries this concept beyond the point necessary here. He has written an entire book based on Smith's comment, "Thus self-preservation and the propagation of the species are the great ends which nature seems to have proposed in the formation of all animals. Mankind are endowed with a desire of those ends . . ." Smith, Moral Sentiments, p. 115.

entities are the reflection of a man-society matrix. Smith recognizes the presence of virtue in an individual, for example, in a philosopher or a teacher, but such an individual need not necessarily be truly virtuous. According to Smith, true virtue is attained only when the components of virtue function to the benefit of society. As we shall establish below, Smith's basic premise is that the highest order of virtue (the true virtue of the Moral Sentiments) is obtainable only in a commercial society based upon the "obvious and simple system of natural liberty." This society alone, according to Smith, permits the maximum contribution by the individual to society.

The man-society matrix is widely utilized and developed in Smith's Wealth of Nations. Smith begins this work with an analysis of the division of labor, a result of man's ". . . propensity to truck, barter, and exchange one thing for another."³² This propensity arises from the operation of self-interest, which Smith traces from the rude state of society. He points out that in this rude state of hunters and fishers one individual made bows and arrows to exchange for venison, and ". . . he finds at last that he can in this manner get more cattle and venison, than if he himself went to the field to catch them."³³ So from the functioning of

³²Smith, Wealth of Nations, p. 13.

³³Ibid., p. 15.

self-interest, his fellow tribesmen are furnished with bows and arrows while he is furnished with venison.

This division of labor results in a number of benefits which Smith summarizes by saying, "The division of labour, however, so far as it can be introduced, occasions, in every art, a proportionable increase of the productive powers of labour."³⁴ From the self-interest of the individual, there is a residual benefit for all society, a concept which is of great importance to the development of this thesis. It is important because it represents the simultaneous functioning of two of the virtues presented in the Moral Sentiments, prudence and benevolence.

Saving is also a manifestation of prudence. Smith points out that saving results from the "desire of bettering our condition," which is an innate desire.³⁵ Indeed, it is this desire which has ". . . maintained the progress of England towards opulence and improvement in almost all former times, and which, it is to be hoped, will do so in all future times."³⁶

The prompting of man's desire to better his own condition reflects his need

to be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation . . . it is the vanity, not the ease or the pleasure which interests us The rich man glories in his riches,

³⁴Ibid., p. 5.

³⁵Ibid., p. 324.

³⁶Ibid., p. 329. See also pp. 326, 503, 632.

because he feels that they naturally draw upon him the attention of the world³⁷

So in two important branches of economic activity, exchange and saving, Smith explains man's conduct by reference to his fellow man.

A social and an active-utility view helps to understand of what consists the wealth of a nation. The Wealth of Nations opens with a concise statement of the essence of wealth considered as the goal of society:

The annual labour of every nation is the fund which originally supplies it with the necessaries and conveniences of life

According, therefore, as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessaries and conveniences of life.³⁸

So wealth is the proportion between annual produce and population. This proportion is regulated by three factors:

". . . first, by the skill, dexterity, and judgment with which its labour is applied; and, secondly, by the proportion between the number of those who are employed in useful labour,

³⁷Smith, Moral Sentiments, cited in Coats, op. cit., p. 42.

³⁸Ibid., p. lvii. Lindgren cites Smith as maintaining, "A nation consists of many families who have met together, and agreed to live with one another." John Ralph Lindgren, "Adam Smith's Theory of the Ultimate Foundations of Commercial Society," unpublished doctoral dissertation, Department of Philosophy, Marquette University, Milwaukee, Wisconsin, 1963, pp. 17-18.

and that of those who are not so employed."³⁹ Finally, this proportion is regulated by the rate of capital accumulation.

Smith presents an explicit interpretation of productive labor. Productive labor results ". . . in some particular subject or vendible commodity, which lasts for some time at least after the labour is past."⁴⁰ In this way, productive labor adds net value to the product. "That subject, or what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to [or greater than] that which had originally produced it."⁴¹ This type of labor is contrasted with unproductive labor which ". . . does not fix itself in any subject or vendible commodity."⁴² The latter's services ". . . generally perish in the very instant of their performance . . ." and leave no value ". . . for which an equal quantity of service could afterwards be procured."⁴³

An analysis of Smith's attitude toward society and the individual's role within society has been undertaken to emphasize the thesis being developed that Adam Smith embraced

³⁹Ibid. Recall that Smith in his Moral Sentiments points out that man is built for active utility. See supra, p. 30.

⁴⁰Smith, Wealth of Nations, p. 314.

⁴¹Ibid.

⁴²Ibid., p. 315.

⁴³Ibid. Smith includes his own profession, teaching, in the category of unproductive. He does not imply that such activity should be eliminated, for it ". . . has its value, and deserves its reward as well as that of [productive labor]." Ibid., p. 314.

commercial society because it permits the individual to become truly virtuous in the Smithian sense. To this point, it can be seen that, according to Smith, truly virtuous must include the following: functioning of all four separate virtues simultaneously within the individual, a social benefit from the activities of the virtues, and the culmination of the virtues in a manner to afford the active utility of other individuals.

Capital

Productive labor results in a tangible good which ". . . naturally divides itself into two parts."⁴⁴ One part is used to replace capital or to renew provisions and materials, and the other part constitutes ". . . a revenue either to the owner of this capital, as the profits of his stock; or to some other person, as the rent of his land."⁴⁵ But whenever a man employs a part of his stock in maintaining unproductive labor, that portion is immediately withdrawn from his capital. Landlord, merchant, and even the common laborer have a choice concerning which method to employ in spending their capital. Each of these groups ". . . might maintain indifferently either productive or unproductive hands."⁴⁶ Too often the

⁴⁴Ibid., p. 316.

⁴⁵Ibid. The manner in which the individual virtues perform their services in this context is elaborated infra, pp. 65-77.

⁴⁶Ibid., p. 317.

landlord expends his capital to feed ". . . generally more idle than industrious people."⁴⁷ While the rich merchant's capital maintains only industrious people with his capital, ". . . yet by his expence, that is, by the employment of his revenue, he feeds commonly the very same sort as the great landlord."⁴⁸

The proportion between the funds which go to the maintenance of productive labor, that is, as a capital investment, and the funds which go to support idle workers ". . . necessarily determines in every country the general character of the inhabitants as to industry or idleness Wherever capital predominates, industry prevails: wherever revenue, idleness."⁴⁹ The merchants, artificers, and manufacturers are responsible for the increase in funds going to the productive laborer. In a significant exposition, Smith asserts his admiration for these arising classes:

The improvement in the productive powers of useful labour depends, first, upon the improvement in the ability of the workman; and, secondly, upon that of the machinery with which he works. But the labour of artificers and manufacturers, as it is capable of being more subdivided, and the labour of each workman reduced to a greater simplicity of operation, than that of farmers and country labourers, so it is likewise capable of both these sorts of improvement in a much higher degree. In this respect, therefore, the class of cultivators can have no sort of advantage over that of artificers and manufacturers.⁵⁰

⁴⁷Ibid.

⁴⁸Ibid.

⁴⁹Ibid., pp. 319-320.

⁵⁰Ibid., p. 641.

In the above excerpt, Smith is pointing out to those who feel the wealth of a nation is due only to the agricultural class that the artificers and manufacturers are also conducive to national wealth. Smith asserts that the physiocrats, those who attributed all wealth to the production of agriculture,⁵¹ committed the ". . . capital error . . . in its representing the class of artificers, manufacturers and merchants, as altogether barren and unproductive."⁵² After emphasizing that the rising bourgeoisie is as productive as the farmer, Smith then lays down the ultimate source of the wealth of a nation so far as he envisions it:

The increase in the quantity of useful labour actually employed within any society must depend altogether upon the increase of the capital which employs it; and the increase of that capital again must be exactly equal to the savings from the revenue, either of the particular persons who manage and direct the employment of that capital, or of some other persons who lend it to them. If merchants, artificers and manufacturers are, as this [Smith's] system seems to suppose, naturally more inclined to parsimony and saving than proprietors and cultivators, they are, so far, more likely to augment the quantity of useful labour employed within their society, and consequently to increase its real revenue, the annual produce of its land and labour.⁵³

So the chain is complete, and the analysis has come full circle. The wealth of a nation is that nation's real revenue, i. e., its quantity of capital which permits a greater

⁵¹Ibid., p. 637. Smith especially takes to task Francois Quesnai, primary spokesman for the Physiocratic School.

⁵²Ibid., pp. 638-639.

⁵³Ibid., p. 641.

"produce" from land and labor for all of society. The quantity of capital depends altogether upon savings. To Smith, saving is spending. "What is annually saved," he writes, "is as regularly consumed as what is annually spent, and nearly in the same time too; but it is consumed by a different set of people."⁵⁴ The rich man spends his revenue on idle guests and menial servants ". . . who leave nothing behind them in return for their consumption."⁵⁵ The portion which he saves is consumed, but ". . . by labourers, manufacturers, and artificers, who reproduce with a profit the value of their annual consumption."⁵⁶

It is only when the savings of the middling class become available to the artificers, labourers, and manufacturers, that the wealth of a nation is augmented. The idle rich are unable to utilize for their own selfish passions the quantity of goods which accrues to them in their striving to better their own condition. Their eyes are larger than their stomachs. Thus the idle rich expend their excess in supporting unproductive citizens: ". . . churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera singers, opera dancers, &c."⁵⁷ When these unproductive expenditures predominate, the wealth of a nation will not expand; it is then up to divine Providence to spread

⁵⁴Ibid., p. 321.

⁵⁵Ibid.

⁵⁶Ibid.

⁵⁷Ibid., p. 315.

the goods equitably among the populace. "The rich only select from the heap what is most precious and agreeable . . ." and in a system without the middling class, ". . . all . . . derive from this luxury and caprice that share of the necessaries of life which they would in vain have expected from his humanity or his justice."⁵⁸ The rich

. . . consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own convenience, though the sole end which they propose from the labours of all the thousands whom they employ be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements.⁵⁹

By employing menial servants, the idle rich ". . . are led by an invisible hand to make nearly the same distribution of the necessaries of life which would have been made had the earth been divided into equal portions . . ." ⁶⁰ This invisible hand represents the action of a Divine Being. As Smith writes, "When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition."⁶¹

The invisible hand of the Almighty ensures a just distribution of output because the idle rich cannot consume very much. So they employ buffoons, opera singers, etc.,

⁵⁸Smith, Moral Sentiments, p. 215.

⁵⁹Ibid. This is the method of distribution in any system other than a commercial society based on the "obvious and simple system of natural liberty."

⁶⁰Ibid.

⁶¹Ibid.

who in the end eat almost as much as the idle rich. And this, as Grampp emphasizes, ". . . is the natural law, and it emanates from God."⁶²

But this method of distribution through the intervention of an invisible hand of a Beneficent Nature is not to be found in a commercial society.⁶³ Here again is found the invisible hand. But in the framework of a commercial society, i. e., a society of manufacturers and artificers within an "obvious and simple system of natural liberty," the competitive harmonies of society are demonstrated and substantiated in the market by a free price system, a price system in which real prices are free to gravitate toward their natural price.⁶⁴

In such a system, consumers seek to pay the lowest price possible for what they buy, and producers can sell at lowest prices because of the efficiency which competition forces on them. Smith clearly explains that in a free economy goods will be produced for which there is an effectual demand. Effectual demand is that demand which is ". . . sufficient to effectuate the bringing of the commodity to market."⁶⁵ That is, effectual demand is when consumers will pay the natural price. Smith defines this last term as follows:

⁶²Grampp, op. cit., p. 320.

⁶³Viner, op. cit., pp. 199, 226.

⁶⁴Grampp, op. cit., p. 323.

⁶⁵Smith, Wealth of Nations, p. 56.

When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock employed in raising, preparing, and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price.⁶⁶

Smith makes another significant point when he states, "Consumption is the sole end and purpose of production" ⁶⁷ As Blaug writes, "Therefore all men, if unimpeded will maximize aggregate wealth."⁶⁸ Harmony in the Wealth of Nations is not produced by benevolence, or by Beneficent Nature, or by the wisdom of government. As Grampp says, "The famous invisible hand of the Wealth of Nations is nothing more than the automatic equilibration of a competitive market."⁶⁹

But what does the above exposition do to the thesis that Smith embraced natural liberty on moral grounds? Cannot it be asserted that he embraced natural liberty because it permitted the production of an ever burgeoning quantity of goods among the entire population? Certainly such an assertion is correct, but it will be shown in the next chapter that this dissemination of goods is the manifestation of one facet of virtue, and is in turn caused by the functioning of

⁶⁶ Ibid., p. 55.

⁶⁷ Ibid., p. 625.

⁶⁸ M. Blaug, Economic Theory in Retrospect (Homewood, 1962), p. 55.

⁶⁹ Grampp, op. cit., p. 334. Blaug uses the same terms in defining the invisible hand; see Blaug, op. cit., p. 55.

all virtues. Smith, the philosopher, believes that to continue to chase wealth is a deception.

The deception, as Smith refers to it, of seeking wealth and greatness, is good to the extent that it ". . . rouses and keeps in motion the industry of mankind" ⁷⁰ But to continue to seek wealth in itself is delusive. Smith tells us,

In what constitutes the real happiness of human life, the poor are in no respect inferior to those who would seem so much above them. In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar who suns himself by the side of the highway possesses that security which kings are fighting for. ⁷¹

Smith cites a parable of the poor man's son, who strives to attain wealth. "Through the whole of his life . . ." he labors night and day to ". . . acquire talents superior to all his competitors." ⁷² After attaining a position of esteem and wealth, after his body is ". . . wasted with toil and diseases, his mind galled and ruffled . . ." he realizes that

. . . wealth and greatness are mere trinkets of frivolous utility, no more adapted for procuring ease of body or

⁷⁰ Smith, Moral Sentiments, p. 214. Again the concept of active utility is presented. For a more important benefit resulting from the deception, justice, see infra, pp. 47-64. See, also, Smith, Wealth of Nations, pp. 387-390.

⁷¹ Smith, Moral Sentiments, p. 215.

⁷² Ibid., p. 212. Use of a parable of a poor man's son is exactly the device used by Plato. See Plato, The Republic, translated by Francis MacDonald Cornford (Oxford, 1946), pp. 266, 271, 272, 273, 280.

tranquility of mind than the tweezer-cases of the lover of toys⁷³

It is noteworthy that Smith's criticisms of the effects of wealth center around the idle rich. He believes that this group is incapable of producing a residual benefit for all society, to ". . . put into motion a quantity of labour" which will result in an increase in the stock of possessions of the nation.⁷⁴ "The palaces, the gardens, the equipage, the retinue of the great, are objects of which the obvious convenience strikes everybody" ⁷⁵ These are manifestations of the landlord's uses of his revenue in a wasteful manner, that is, to support unproductive labor. Such uses might well corrupt the society: "The idleness of the greater part of the people who are maintained by the expence of revenue, corrupts, it is probable, the industry of those who ought to be maintained by the employment of capital" ⁷⁶ After citing Edinburgh as the seat of courts and of other unproductive entities, Smith writes, "The inhabitants of a large village, it has sometimes been observed, after having made considerable progress in manufactures, have become idle and poor, in consequence of a great lord's having taken up his residence in their neighbourhood."⁷⁷ Such an accusation

⁷³Smith, Moral Sentiments, p. 212.

⁷⁴Smith, Wealth of Nations, p. 314.

⁷⁵Smith, Moral Sentiments, p. 212.

⁷⁶Smith, Wealth of Nations, p. 320.

⁷⁷Ibid.

could hardly be more pungent. Certainly true virtue is not to be found in an economic system in which the great lords predominate. In a system where they do predominate, Smith assures his reader that any distribution of wealth is a result of the invisible hand of a beneficent Providence.⁷⁸

After the ". . . obvious and simple system of natural liberty . . ." ⁷⁹ has been in fact established, the great lord serves only as a drag on the increasing growth of the wealth of a nation. Smith points out that "power and riches appear then to be what they are--enormous and operose machines contrived to produce a few trifling conveniences to the body, which must be kept in order with the most anxious attention, and which . . . are ready every moment to burst into pieces and to crush in their ruins their unfortunate possessor."⁸⁰ So the rich man is not only a drag on the growth of the wealth of a nation, but also a miserable individual who is incapable of enjoying his own operose machines.

In the next two chapters it will be seen that true virtue and happiness are to be found in a commercial society based on the obvious and simple system of natural liberty. This system is one which permits the middling and inferior classes the full scope of their propensities and abilities that not only maximizes the wealth of a nation, but also permits the fulfillment of true virtue.

⁷⁸See supra, pp. 41-42.

⁷⁹Smith, Wealth of Nations, p. 651.

⁸⁰Smith, Moral Sentiments, p. 213.

CHAPTER IV

NATURAL LIBERTY AND JUSTICE

It is being demonstrated that a commercial society based upon natural liberty permits the individual to become truly virtuous as defined in the Moral Sentiments. It is within such a framework that the individual can exercise each individual virtue and make a significant contribution to society. The plan of this chapter is to present the development of justice as Smith envisions its functioning in the "obvious and simple system of natural liberty."

Although the virtues of prudence, benevolence, and self-interest are commendable, they are possible to society only after the establishment of justice. In this regard, justice ". . . is the main pillar that upholds the whole edifice . . ." of society.¹

"Among the savage nations of hunters and fishers . . ." there is little or no private property, so that ". . . every individual who is able to work, is more or less employed in useful labour . . ." ² Smith contrasts this condition with that existing in civilized and thriving nations, where

¹Smith, Moral Sentiments, p. 125.

²Smith, Wealth of Nations, p. lvii. (Italics mine.)

. . . though a great number of people do not labour at all, many of whom consume the produce of ten times, frequently of a hundred times more labour than the greater part of those who work; yet the produce of the whole labour of society is so great, that all are often abundantly supplied, and a workman, even of the lowest and poorest order, if he is frugal and industrious, may enjoy a greater share of the necessaries and conveniences of life than it is possible for any savage to enjoy.³

The extremes between the two orders of society are obvious, but Smith points out the development of commercial society which enables an individual to ". . . enjoy a greater share of the necessaries and conveniences of life . . ." also leads directly to the development of justice.

"Justice," Smith writes, "is the main pillar that upholds the entire edifice [of society]. If it is removed, the great, the immense fabric of human society . . . must in a moment crumble into atoms."⁴ Society may exist among individuals who are bound together by ". . . the agreeable bands of love and affection . . . in which case the ". . . society flourishes and is happy."⁵ In such a society, the need for justice does not exist.

To Smith, "mere justice is . . . but a negative virtue and only hinders us from hurting our neighbour . . ."⁶ Justice is developed only in commercial society, a society based upon a mercenary exchange of good offices. As Smith

³Ibid.

⁴Smith, Moral Sentiments, p. 125.

⁵Ibid., p. 124.

⁶Ibid., p. 119.

says,

Society may subsist among different men, as among different merchants, from a sense of its utility, without any mutual love or affection; and though no man in it should owe any obligation or be bound in gratitude to any other, it may still be upheld by a mercenary exchange of good offices according to an agreed valuation.⁷

It is in his Wealth of Nations that Smith traces the development of justice as an accompaniment to commercial society.⁸ His analysis of the unfolding of history within an economic context is typical of the Scottish intellectual of the eighteenth century.⁹

With the accumulation of property, that is, in the age of shepherds, it becomes necessary for men of property to band together for the mutual protection of their property. "The rich, in particular, are necessarily interested to support that order of things, which can alone secure them in the possession of their own advantages."¹⁰ Likewise, "men of inferior wealth . . ." join in defending the property of their superiors so that they may in turn receive the protection of their superiors.¹¹ In this respect, justice is

⁷Ibid., p. 124.

⁸Smith, Wealth of Nations, pp. 653-681.

⁹See A. Skinner, "Economics and History--The Scottish Enlightenment," Scottish Journal of Political Economy (February, 1965), pp. 1-22.

¹⁰Smith, Wealth of Nations, p. 674.

¹¹Ibid. Note that here the mutual protection is due to the self-interest of each party.

begun as a reflexive action arising from the accumulation of property. As Smith says,

Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.¹²

Smith uses a number of pages in developing the steps through which society passed to attain the ultimate stage, civilization with agriculture, manufacture, and commerce. The character of "civilized," according to Cropsey, "is reserved exclusively" for commercial society.¹³

Adam Smith prefaces his discussion of the development of justice within a society by an analysis of "the first duty of the sovereign, that of protecting the society from the violence and invasion of other independent societies"¹⁴ Interest in his analysis of the expense of defense is twofold: First, it includes his interpretation of the stages of economic development. Second, to Smith this expense is a key component in the progress of justice and natural liberty in a commercial society.

"Among nations of hunters, the lowest and rudest state of society . . . every man is a warrior as well as a hunter."¹⁵ In this, the first stage of economic growth, the individual ". . . maintains himself by his own labour, in the same

¹²Ibid.

¹³Cropsey, op. cit., p. 57.

¹⁴Ibid., p. 653.

¹⁵Ibid.

manner as when he lives at home."¹⁶ There is no expense to society to equip and to train him, and "an army of hunters can seldom exceed two or three hundred men."¹⁷

The second stage, that which consists of ". . . nations of shepherds, a more advanced state of society . . ." is the first to have chiefs or sovereigns.¹⁸ Here, too, every man is a warrior, and there is no expense to equip and to train an army. The size of the army may sometimes be as many as two or three thousand men, a formidable foe for a nation of artificers and manufacturers: "A nation of hunters can never be formidable to the civilized nations in their neighborhood. A nation of shepherds may."¹⁹

"In a yet more advanced state of society, among those nations of husbandmen who have little foreign commerce . . ." and few manufactures except the ". . . coarse and household ones . . ." every man either is a warrior or becomes one easily.²⁰ He becomes one easily because his way of life prepares him well to serve in such a capacity. "The hardiness of their ordinary life prepares them for the fatigues of war, to some of which their necessary occupations bear a great analogy."²¹ They are soldiers, but are not extremely

¹⁶Ibid.

¹⁷Ibid., p. 654.

¹⁸Ibid., pp. 653-654.

¹⁹Smith, Wealth of Nations, p. 654.

²⁰Ibid., p. 655.

²¹Ibid.

skillful in this capacity. "Such as they are, however, it seldom costs the sovereign or commonwealth any expence to prepare them for the field."²²

In a more advanced state of society two different causes contribute to render it altogether impossible that they, who take the field, should maintain themselves at their own expence. Those two causes are, the progress of manufactures, and the improvement in the art of war.²³

When the artificer or smith quits the workhouse to take the field of battle, ". . . the sole source of his revenue is completely dried up."²⁴ As a result, he must be maintained by the public. The greater the proportion of artificers and manufacturers, the greater will be the public burden to support them when they are called from their jobs. When the art of war becomes highly developed, ". . . it becomes universally necessary that the public should maintain those who serve the public in war, at least while they are employed in that service."²⁵ For these reasons, the power of the nation depends upon the wealth of the nation. As Smith writes,

The number of those who can go to war, in proportion to the whole number of the people, is necessarily much smaller in a civilized, than in a rude state of society. In a civilized society, as the soldiers are maintained altogether by the labour of those who are not soldiers, the number of the former can never exceed what the latter can maintain, over and above maintaining, in a manner suitable to their respective stations, both

²²Ibid.

²³Ibid., p. 656.

²⁴Ibid.

²⁵Ibid., p. 657.

themselves and the other officers of government, and law, whom they are obliged to maintain.²⁶

War, "the noblest of all arts,"²⁷ is carried to perfection by specialization. "The division of labour is as necessary for the improvement of this, as of every other art."²⁸ But unlike every other art, the prudence of individuals is not a sufficient motive for attaining the needed specialization. It did not occur in any of the former stages, nor does it in this, except for the ". . . wisdom of the state"²⁹ The state should "render the trade of a soldier a particular trade, separate and distinct from all others."³⁰ In so doing, the state creates a standing army.

Such an army, as it can best be maintained by an opulent and civilized nation, so it can alone defend such a nation against the invasion of a poor and barbarous neighbour. It is only by means of a standing army, therefore, that the civilization of any country can be perpetuated, or even preserved for any considerable time.³¹

Where the military force is placed under the command of individuals who are most interested in supporting the civil

²⁶Ibid. See also pp. 409 and 411. In this regard, maintaining the soldier is similar to maintaining any other unproductive class. See supra, pp. 40-43.

²⁷Smith, Wealth of Nations, p. 658. Cf. Smith, Moral Sentiments, pp. 181, 253, 260, where Smith expresses his admiration and respect for war.

²⁸Smith, Wealth of Nations, p. 659.

²⁹Ibid.

³⁰Ibid., p. 660.

³¹Ibid., p. 667.

authority, such an army cannot be dangerous to liberty.

"On the contrary, it may in some cases be favourable to liberty."³² This situation will occur where the sovereign is secure in his position. That is, he is supported by the standing army and the "natural aristocracy" and can safely pardon or even neglect rude and groundless remonstrances.

Smith concludes this section on the expense of defense by pointing out that the expense of defending the nation ". . . grows gradually more and more expensive, as the society advances in civilization."³³ But this expense is to some degree an advantage: "In modern war the great expence of fire-arms gives an evident advantage to the nation which can best afford the expence; and consequently, to a opulent and civilized, over a poor and barbarous nation."³⁴ Whereas before the present time, civilized nations had difficulty defending themselves against poor and barbarous nations, now the situation is reversed. "The invention of firearms, an invention which at first sight appears to be so pernicious, is certainly favourable both to the permanency and to the extension of civilization."³⁵

Though it may appear that the above analysis of Smith's interpretation of defense is a digression, the need for such an analysis will become obvious below. Now is being examined

³²Ibid., p. 668.

³³Ibid.

³⁴Ibid., p. 669.

³⁵Ibid.

the manner in which commercial society alone truly generates justice, one of the four virtues according to Adam Smith. With the above presentation of the development of a need for a standing army in mind, the development of justice will be examined further.

In his Moral Sentiments, Smith writes, "The civil magistrate is entrusted with the power . . . of preserving the public peace by restraining injustice" ³⁶ It is in his Wealth of Nations that he presents his interpretation of the development of an exact administration of justice. A development which is a result of the development of the middling class of men.

Among nations of hunters there is hardly any property ". . . so there is seldom any established magistrate or any regular administration of justice." ³⁷ In such a society, men only can injure each other in their reputations or persons. The person who does personal injury, though he inflicts injury on another, he who does it receives no benefit. "It is otherwise with the injuries to property." ³⁸ As a society becomes more opulent, it is possible for the person doing the injury to benefit as much as the person injured. Smith tells the reader that "wherever there is great property

³⁶Smith, Moral Sentiments, p. 119.

³⁷Smith, Wealth of Nations, p. 669.

³⁸Ibid., p. 670.

there is great inequality."³⁹ With such a comment, he again harangues the activities of the rich in utilizing their revenues in an unproductive manner:

For one very rich man, there must be at least five hundred poor, and the affluence of the few supposes the indigence of the many. The affluence of the rich excites the indignation of the poor, who are often both driven by want, and prompted by envy, to invade his possessions.⁴⁰

This fear of losing his wealth is only one factor which leads to the development of a just and liberal society. The other is the development of the middling class, which became economically independent of the idle rich.

In the three rude stages of economic growth, the superiority of fortune is very great. The rich, who are also the powerful, utilize their revenue unproductively. "A Tartar chief, the increase of whose herds and flocks is sufficient to maintain a thousand men, cannot well employ that increase in any other way than in maintaining a thousand men."⁴¹ There is no additional labor set in motion because funds have not been placed in the hands of a middling class. As Smith says, "The rude state of his society does not afford him any manufactured produce, any trinkets or baubles of any kind, for which he can exchange that part of his rude produce which is over and above his own consumption."⁴² Since the thousand are totally dependent upon him economically,

³⁹Ibid.

⁴¹Ibid., p. 671.

⁴⁰Ibid.

⁴²Ibid.

they ". . . must obey his orders in war, and submit to his jurisdiction in peace."⁴³

Contrast the rude state with an opulent and civilized society, one in which ". . . a man may possess a much greater fortune, and yet not be able to command a dozen of people."⁴⁴ Smith realizes that the estate of the rich man ". . . may be sufficient to maintain, and may perhaps actually maintain, more than a thousand people, yet as those people pay for everything which they get from him . . . there is scarce any body who considers himself as entirely dependent upon him, and his authority extends only over a few menial servants."⁴⁵

Adam Smith has anticipated this analysis of the development of natural liberty. At the conclusion to Part I, he makes this comment: "The landlord exchanges that part of his rude produce, which is over and above his own consumption, or what comes to the same thing, the price of that part of it, for manufactured produce."⁴⁶ Smith has already told us that revenue may be spent either on objects for immediate consumption ". . . in which one day's expence can neither alleviate nor support that of another; or it may be spent in things more durable, which can therefore be accumulated . . ." and increase the wealth of a nation.⁴⁷

⁴³Ibid.

⁴⁴Ibid., p. 672.

⁴⁵Ibid. (Italics mine.) The same sentiments are expressed elsewhere by Smith. See ibid., pp. 380, 388, 389, 390.

⁴⁶Ibid., p. 248. (Italics mine.)

⁴⁷Ibid., p. 329.

The rich man may spend his funds unproductively, e. g., on menial servants, dogs, and idle guests, or productively, e. g., on ornamental furniture or on baubles and ingenious trinkets. Here, too, the rich man is motivated by self-interest. As Smith says, "The latter species of expence [on durable commodities], therefore, especially when directed toward frivolous objects, the little ornaments of dress and furniture, jewels, trinkets, gewgaws, frequently indicates, not only a trifling, but a base and selfish disposition."⁴⁸ Smith amplifies what he is saying by adding,

All that I mean is, that the one sort of expence, as it always occasions some accumulation of valuable commodities, as it is more favourable to private frugality, and, consequently, to the increase of the public capital, and as it maintains productive, rather than unproductive hands, conduces more than the other to the growth of public opulence.⁴⁹

Recall that the idle rich all too often spend their revenues unproductively, so it cannot be that Smith thinks the wealth of a nation is due to the idle rich. Indeed, it has already been seen that the wealth is due almost exclusively to the middling and inferior classes.⁵⁰ The importance of the spending the small portion of their revenue on trinkets and gewgaws, that is, on manufactured

⁴⁸ Ibid., p. 332. Smith tells us that the greed of the great lords for trinkets and gewgaws led to the dissolution of their power. As Smith says, ". . . Thus, for the gratification of the most childish, the meanest and the most sordid of all vanities, they gradually bartered their whole power and authority." Ibid., p. 389.

⁴⁹ Ibid.

⁵⁰ Supra, pp. 42-44.

products, is twofold: First, it gets some capital into the hands of the artificers and manufacturers and ". . . rouses and keeps into continual motion the industry of mankind."⁵¹ Second, it leads to the economic independence of the lower classes from the great landlord. As Smith says, "The gradual improvements of arts, manufactures, and commerce . . . destroyed the power of the great barons" ⁵² So the process of the landlord's being "deceived," as Smith calls it in his Moral Sentiments,⁵³ creates an atmosphere in which his system of natural liberty can be maintained.

As important as the concept of economic independence is to natural liberty, Smith reminds his reader that an equitable administration of justice is also requisite. "But upon the impartial administration of justice," writes Smith, "depends the liberty of every individual, the sense which he has of his own security."⁵⁴

Smith continues with his economic interpretation of history by tracing the development of an impartial administration of justice, an interpretation in which the expense of defense plays an important, almost an indispensable role.

In earlier stages of society, the judicial and executive powers were in the same hands, that is, in the control of

⁵¹Smith, Moral Sentiments, p. 214.

⁵²Smith, Wealth of Nations, p. 755.

⁵³Smith, Moral Sentiments, pp. 211-216.

⁵⁴Smith, Wealth of Nations, p. 681.

the wealthy. "He is necessarily both their general and their judge, and his chieftanship is the necessary effect of the superiority of his fortune."⁵⁵ The judicial authority in such a situation was not a cause of expense, but ". . . was for a long time a source of revenue to him."⁵⁶ During this period, administration was handled by the sovereign and the inferior chiefs. But as the number of cases needed to be adjudicated increased, the sovereign and inferior chiefs ". . . universally found it convenient to delegate it to some substitute, bailiff, or judge."⁵⁷ This substitute was still accountable to his lord.

A continuation of justice in a subservient position to revenue led to many abuses. Individuals who appeared before the bailiff appealing for justice were ". . . likely to get something more than justice . . ." if they had a large present.⁵⁸ The use of a bailiff did make it possible occasionally to receive some redress, especially if the bailiff had committed an injustice ". . . for his own benefit only" ⁵⁹ So already some hints of true justice were beginning to appear in society. So long as presents constituted the whole revenue, or a great proportion of the revenue, which the sovereign received, it could not be expected that he would give up such a position voluntarily.

⁵⁵Ibid., p. 671.

⁵⁶Ibid., p. 674.

⁵⁷Ibid., p. 675.

⁵⁸Ibid.

⁵⁹Ibid.

But when the private estate of the sovereign became incapable of defraying the expenses of the sovereign, it became "very commonly stipulated" that no present should be given for the administration of justice. "Those presents, it seems to have been supposed, could more easily be abolished altogether, than effectually regulated and ascertained."⁶⁰ The primary cause of the great increase in expense to the sovereign was need to defend the nation against foreign attack. This need, it will be recalled, occurred because of the increase in the size of the middling class. Such a class increased the wealth of the nation, making other nations jealous, and such a class could not leave its work to take the necessary military training.⁶¹ Now a further refinement is introduced: The artificers and manufacturers, who are now economically independent of the wealthy, are capable of paying taxes. Property had by now begun to accumulate, property which could generate revenues for taxation.⁶² As Smith writes, "Men of inferior wealth combine to defend those of superior wealth in the possession of their property, in order that men of superior wealth may combine to defend

⁶⁰Ibid., p. 677. Smith's historical conception of the progress of society could be criticized as excessively hypothetical, but his interpretation of history is not being analyzed here to determine its validity. The interest is in the insight which such an analysis gives into his development of the virtue of justice.

⁶¹Ibid., p. 656. See also supra, pp. 53-55.

⁶²Ibid., pp. 769, 677.

them in the possession of theirs."⁶³ They will do so because "it is only by means of a standing army . . . that the civilization of any country can be perpetuated, or even preserved for any considerable time."⁶⁴

With the abolition of presents, the bailiffs and judges were given fixed salaries. These fixed salaries were to compensate for ". . . the loss of whatever might have been their share of the ancient emoluments of justice; as the taxes more than compensated to the sovereign the loss of his."⁶⁵ Smith summarizes his argument in the following way:

The separation of the judicial from the executive power seems originally to have arisen from the increasing business of the society, in consequence of its increasing improvement. The administration of justice became so laborious and so complicated a duty as to require the undivided attention of the persons to whom it was entrusted. The person entrusted with the executive power, not having leisure to attend to the decision of private causes himself, a deputy was appointed to decide them himself They universally, therefore, discharged themselves of it by appointing a deputy, bailiff, or judge.⁶⁶

Because commercial society generated the funds to support a separate judicial system, the executive became separated from the judicial power, a prerequisite to liberty and, therefore, to justice. When the separation occurs, every individual can feel secure in the possession of his rights.

⁶³Ibid., p. 674. Again is witnessed the salutary result of self-interest.

⁶⁴Ibid., p. 667.

⁶⁵Ibid., p. 677.

⁶⁶Ibid., pp. 680-681.

Ideally, the judicial should be completely independent of the executive power. "The judge should not be liable to be removed from his office according to the caprice of that power. The regular payment of his salary should not depend upon the good-will, or even upon the good economy of that power."⁶⁷

So it is seen that Smith embraces the obvious and simple system of natural liberty because it is the system which generates justice. The process presented by Smith is a dynamo of progress. The increase in commercial activity leads to a wealthier nation; as the nation becomes wealthier, it becomes necessary to maintain a standing army. With the need for a standing army, more revenues are needed to support the commonwealth. The levying of taxes makes the sovereign independent of revenues from the administration of justice, meaning the judicial and the executive powers are separated. The separation of these powers is indispensable to the establishment of Smith's "obvious and simple system of natural liberty," or, as Smith says, justice ". . . is the main pillar that upholds the whole edifice."⁶⁸

Regarding the link between Smith's two works, so far as justice is concerned it is obvious. The concept of justice, which is presented in its philosophic setting in the Moral

⁶⁷ Ibid., p. 681.

⁶⁸ Smith, Moral Sentiments, p. 125.

Sentiments, is traced as a concomitant development with the growth of the wealth of a nation, illustrated in the Wealth of Nations.⁶⁹

⁶⁹Smith's concept of the development of justice is similar to that which Socrates developed in the Republic. Socrates is asked by his colleagues to tell them what justice is. He then launches upon a discussion of the development of society, beginning with a division of labor. Finally Socrates points out that it is justice which he has been talking about all the time. "I believe we have been talking about the thing all this while without ever understanding that we were giving some sort of account of it." Notice, too, that Smith follows Socrates' insisting on the presence of justice in order to attain the other virtues: "I think," says Socrates, "that this quality which makes it possible for the three we have already considered, wisdom, courage, and temperance, to take their place in the commonwealth, and so long as it remains present secures their continuance, must be the remaining one. And we said that when three of the four were found, the one left over would be justice." Plato, op. cit., p. 124.

CHAPTER V

PRUDENCE, BENEVOLENCE, AND SELF-COMMAND

The thesis being developed is that Adam Smith embraced a commercial society based on the "obvious and simple system of natural liberty" because it allowed the individual to attain the true virtue depicted in the Moral Sentiments. In the preceding chapter, his concept of justice was presented within the context of both his works, the Moral Sentiments and the Wealth of Nations. It was determined that the attainment of wealth by the inferior and middling classes led to the establishment of justice, upon the impartial administration of which ". . . depends the liberty of every individual" ¹

Prudence, benevolence, and self-command are discussed together primarily because this type of presentation is done by Smith in his Wealth of Nations. In his Moral Sentiments, he discusses each virtue as a philosophic abstraction; ² it is in his Wealth of Nations that their functioning in actual society is seen.

"In the middling and inferior stations of life," Smith writes, "the road to virtue and that to fortune . . . are,

¹Smith, Wealth of Nations, p. 681.

²See supra, pp. 10-23.

happily, in most cases very nearly the same."³ With these words, he emphasizes that, so far as he is concerned, it is these two classes which possess true virtue. Though the road to virtue and to fortune are the same in these classes, "in the superior stations of life the case is unhappily not always the same."⁴ The reasons for this distinction are to be found in his Wealth of Nations.

Prudence is the art of taking care of the health, fortune, rank, and reputation of the individual.⁵ And in this affection, the "obvious and simple system of natural liberty" is requisite: "Every man is, no doubt, by nature first and principally recommended to his own care; and, as he is fitter to take care of himself than of any other person, it is fit and right that it should be so."⁶ These sentiments are the basis for Smith's confidence in a system of natural liberty. They constitute the foundation for his criticism of government interference. After berating the impertinence of kings and ministers to watch over the economy of private people, he tells his reader why he is so critical of this control:

They [kings and ministers] are themselves always, and without any exception, the greatest spendthrifts in

³Smith, Moral Sentiments, p. 104.

⁴Ibid.

⁵See supra, p. 11.

⁶Smith, Moral Sentiments, p. 120. Cf. the same sentiments expressed in nearly the same words in Smith, Wealth of Nations, p. 423.

the society. Let them look well after their own expence, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will.⁷

Natural liberty is a necessity for the proper functioning of prudence within the individual because it is the individual, himself, who knows best how to take care of himself. And the prudent man is the very heart of the wealth of a nation. Schneider recognizes this, and states, "The Wealth of Nations is not based, as some have maintained, on a psychology of self-interest, but on a theory of natural laws of prudence (dictates of right reason) or social art of self-command, which is not a theory of motivation at all, but a theory of moral judgment."⁸ What Schneider means is that self-interest must occur within a framework of an equitable administration of justice in order to be beneficial to society. Self-interest (prudence) can be vicious and destructive in a setting in which one class is subservient to another, but once justice is obtained the balance of the natural order is regained so that self-interest is restrained to such an extent that it benefits society.⁹ As Macfie writes,

⁷Smith, Wealth of Nations, p. 329.

⁸Schneider, op. cit., p. xxii. A. L. Macfie states, "The economic man is the prudent man in the economic sphere. So the economic man also is under the sway of social sympathy and the impartial rulings of the informed spectator. Macfie, "Adam Smith's Moral Sentiments as Foundation for his Wealth of Nations," p. 223.

⁹See supra, pp. 61-64.

The prudent man may respect social opinion as one of his highest criteria. In his personal career he therefore seeks to find his own happiness through earning social esteem. In this way self-interest can dovetail with society's benefit¹⁰

Self-interest is the well-spring of economic activity, and will serve as a point of departure in the following analysis of the functioning of all the virtues, justice, prudence, benevolence, and self-command.

The division and specialization of labor results from self-interest, *i. e.*, the desire to better one's own condition. "In a tribe of hunters and shepherds" one individual may become adept at making bows and arrows.¹¹ He is able to gain as much, or more, cattle and venison from the exchange of his bows and arrows for the produce of the hunters. "From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business, and he becomes a sort of armourer."¹²

In a civilized society, *i. e.*, one in which there is developed a system of agriculture, manufacture, and commerce, the individual is ". . . in need of the cooperation and assistance of great multitudes."¹³ In such a condition,

¹⁰Macfie, "Adam Smith's Moral Sentiments as Foundation for his Wealth of Nations," p. 223.

¹¹Smith, Wealth of Nations, p. 15.

¹²Ibid. Note that some capital has accumulated in the form of bows and arrows. For the cause of this accumulation, see infra, pp. 71-74.

¹³Smith, Wealth of Nations, p. 14.

it is folly for a man to appeal to the benevolence of others. "He will be more likely to prevail if he can interest their self-love in his favour" ¹⁴ In so doing, the individual is benefitted.

It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their own advantages. ¹⁵

It is this appeal to self-interest which causes dissimilar aptitudes to supplement each other and to result in a greater benefit for all:

Among men . . . the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for. ¹⁶

The significant result of the appeal to self-interest is that each individual participating in an exchange benefits, and benefits much more effectively than he would have from an appeal to benevolence. Note that the result is still beneficial, and in this respect the individual is inadvertantly performing a benevolent act. Smith emphatically brings out the resulting benefit (benevolence) resulting from self-interest: Every individual is interested in using his capital

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid., p. 16. The use of the word stock is significant; see infra, pp. 72-75.

to maximize his own return. "But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment [of capital] which is most advantageous to the society."¹⁷ Smith continues this line of thought in one of the most outstanding passages of his Wealth of Nations:

As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it.¹⁸

So it is that self-interest, or prudence, leads to an even greater form of benevolence than would be the case if one individual were benevolent to another individual. Through gratifying his own self-interest, the individual promotes the interests of society. He promotes the interests of society by causing a greater accumulation of stock, which leads to an increasing level of living for the population, an increase in the wealth of a nation.

¹⁷Smith, Wealth of Nations, p. 421. (Italics mine.)

¹⁸Ibid., p. 423. (Italics mine.)

Before one can analyze effectively this ultimate culmination of benevolence, it is necessary that the accumulation of capital be considered. Obviously, if this accumulation is the source of the ultimate benefit for society, its cause is of paramount importance. Its cause is the ultimate effects of the remaining virtue, self-command, joined with prudence.

It will be recalled that Smith has said, "Self-command is not only itself a great virtue, but from it all the other virtues seem to acquire their principal lustre."¹⁹ Why should this pre-eminent position be given to self-command? Smith leads up to the answer to this question in his Moral Sentiments and actually answers it in his Wealth of Nations.

In the Moral Sentiments, it is told that self-command enables the individual ". . . to abstain from pleasant pleasure, or to endure present pain in order to obtain a greater pleasure or to avoid a greater pain in some future time."²⁰ The impartial spectator²¹ sees both the future and the present as the same; that is, ". . . he sees them nearly at the same distance, and is affected by them very nearly in the same manner" ²² But to the individual, the

¹⁹Smith, Moral Sentiments, p. 255. See also supra, pp. 20-22.

²⁰Smith, Moral Sentiments, p. 220.

²¹The impartial spectator is presented above; see p. 25.

²²Smith, Moral Sentiments, p. 232. Significantly, Smith analyzes self-command in the same terms at two separate points in this work. See ibid., pp. 220-221 and 232. He emphasizes foregoing present enjoyment to secure future pleasure at both points.

present is much more important for the present only touches him. The impartial spectator realizes that such is the case with men:

To him the pleasure which we are to enjoy a week hence, or a year hence, is just as interesting as that which we are to enjoy this moment. When for the sake of the present, therefore, we sacrifice the future, our conduct appears to him absurd and extravagant in the highest degree On the contrary, when we abstain from present pleasure in order to secure greater pleasure to come, when we act as if the remote object interested us as much as that which immediately presses upon the senses . . . he cannot fail to approve of our behaviour"23

In the analysis of prudence in his Moral Sentiments, Smith tells his reader that it is the prudent man who exercises this self-command. "In the steadiness of his industry and frugality, in his steadily sacrificing the ease and enjoyment of the present moment . . . the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator."²⁴ At another point, Smith, writing on exactly the same concept, says, "Hence arises that eminent esteem with which all men naturally regard a steady perseverance in the practice of frugality, industry, and application, though directed to no other purpose than the acquisition of fortune."²⁵

Now the question posed earlier is ready to be answered. Why does Smith give such a pre-eminent position in his system

²³Ibid., p. 221.

²⁴Ibid., p. 232.

²⁵Ibid., p. 221.

of morality to self-command? Because self-command expresses itself in saving, which is utilized by the middling class in a productive manner to increase the wealth of a nation.

"Capitals," Smith says, "are increased by parsimony, and diminished by prodigality."²⁶ Parsimony is simply a synonym of frugality, a term applied to the prudent man.²⁷ And the process of adding to one's capital is saving. As Smith writes,

Whatever a person saves from his revenue he adds to his capital, and either employs it himself in maintaining an additional number of productive hands, or enables some other person to do so by lending it to him at interest, that is, for a share of the profits.²⁸

Yet the real benefits derived from the exercise of self-command do not come from a single individual, nor do they accrue to a single individual:

As the capital of an individual can be increased only by what he saves from his annual revenue or his annual gains, so the capital of a society, which is the same with that of all the individuals who compose it, can be increased only in the same manner.²⁹

So the wealth of a nation accumulates from parsimony, the activity of an individual by which he is ". . . enabled to abstain from present pleasure, or to endure present pain, in order to obtain a greater pleasure or to avoid a greater

²⁶Smith, Wealth of Nations, p. 321.

²⁷Smith, Moral Sentiments, p. 221.

²⁸Smith, Wealth of Nations, p. 321.

²⁹Ibid.

pain in some future time."³⁰ This abstinence is the exercise of self-command.

Smith emphasizes the role of parsimony by saying,

Parsimony, and not industry, is the immediate cause of the increase of capital. Industry, indeed, provides the subject which parsimony accumulates. But whatever industry might acquire, if parsimony did not save and store up, the capital would never be the greater.³¹

It has already been pointed out that to Smith saving means spending for capital goods.³² This is a concept which is of importance in tying the three virtues, prudence, self-command, and benevolence, together. The saved funds will be spent productively. It is when they are spent productively that they constitute benevolence, because it is such an expenditure which benefits society. As Smith says,

That portion which he annually saves, as for the sake of profit it is immediately employed as a capital, is consumed in the same manner, and nearly in the same time too, but by a different set of people, by labourers, manufacturers, and artificers, who reproduce with a profit the value of their annual consumption.³³

It is what a frugal man saves which affords maintenance for productive laborers ". . . for that or the ensuing year . . ." and ". . . like the founder of a public workhouse . . . establishes as it were a perpetual fund for the maintenance of an equal number in all times to come."³⁴

³⁰Smith, Moral Sentiments, p. 220.

³¹Smith, Wealth of Nations, p. 321.

³²Supra, p. 40.

³³Smith, Wealth of Nations, p. 321.

³⁴Ibid., p. 322.

The antithesis of the frugal man is the prodigal, who encroaches upon his income by using his funds in an unproductive manner. Since his funds do not go to productive labor, labor which creates an additional real product, ". . . he necessarily diminishes . . . the value of the annual produce of the land and labour of the whole country, the real wealth and revenue of its inhabitants."³⁵ Smith continues this train of thought by saying,

If the prodigality of some was not compensated by the frugality of others, the conduct of every prodigal, by feeding the idle with the bread of the industrious, tends not only to beggar himself, but to impoverish the country.³⁶

It is the middling and inferior classes which are frugal. It is they who cause the accumulation of capital, and it is they who use their funds in a productive manner. Now it is seen why Smith in his Moral Sentiments says, "In the middling and inferior stations of life, the road to virtue and that to fortune . . . are happily, in most cases, very nearly the same."³⁷

The Wealth of Nations is a study of capital accumulation which occurs from the middling class being given its freedom to seek its own benefit. It is the middling class

³⁵Ibid.

³⁶Ibid. Recall that to Smith it is the idle rich who spend their money unproductively, i. e., they are the prodigals. See supra, pp. 45-46.

³⁷Smith, Moral Sentiments, p. 104.

which exercises prudence, justice, benevolence, and self-command, thus creating the wealth of a nation. In this sense, true virtue as developed in the Moral Sentiments is the equivalent of capital accumulation in the Wealth of Nations. To Smith, these two concepts are identical and compose the wealth of a nation.

Smith's favor of the middling class has led Edwin Cannan to refer to Smith as the father of bourgeois economics, ". . . that is the spokesman of those economists who look with favour on working and trading and investing for personal gain."³⁸ In light of the development of this thesis, which has demonstrated the link between Smith's two works and has shown that natural liberty (commercial society) permits the individual to become truly virtuous, Cannan's assessment is cogent.

To Smith, the panacea for accumulating the wealth of a nation is to get the funds into the hands of the artificers and manufacturers, for they make a significant contribution in two ways: First, they produce a tangible, vendible commodity which puts into motion an additional quantity of labor. Second, they are the individuals who sacrifice the ease and enjoyment of the present moment for that of a more distant, thus by saving and investing leading to still a greater accumulation of capital. In other words, it is they

³⁸Edwin Cannan, "Adam Smith as an Economist," Economica (June, 1926), p. 129.

who are truly virtuous (Moral Sentiments) and create the wealth of a nation (Wealth of Nations).

Cannan concludes his article by writing, "The modern workman and the modern trader can practice virtue as well as a Greek philosopher, a medieval begging friar, or a twentieth century social reformer."³⁹ In the light of the thesis here developed, we must beg to disagree in part with Cannan. So far as Smith is concerned, a workman or a trader can practice virtue better than a Greek philosopher or a medieval begging friar!

³⁹Ibid., p. 134.

CHAPTER VI

CONCLUSION

This study was undertaken to demonstrate why Adam Smith embraced a commercial society based on the "obvious and simple system of natural liberty." In so doing, it has been determined that Smith's two works, the Moral Sentiments and the Wealth of Nations, not only were consistent with each other, but also the latter followed logically from the former.

It is in a commercial society based upon the concept of natural liberty that the individual becomes truly virtuous, that is, virtuous in the sense Smith uses the term in his Moral Sentiments. The four virtues, Smith points out, are prudence, justice, benevolence, and self-command.¹ Each of these is useful when it is confined to a certain degree of moderation, and, as Macfie writes, "According to this system, therefore, virtue consists not in any one affection, but in the proper degree of all affections."² So to be truly virtuous, it is necessary that all the virtues be functioning simultaneously.

¹Smith, Moral Sentiments, pp. 229-274.

²Macfie, "Adam Smith's Theory of Moral Sentiments," p. 16. (Italics mine.)

Prudence is the affection which is concerned with "the care of the health, of the fortune, of the rank and reputation of the individual" ³ Prudence, therefore, is a virtue and must be understood to relate to the acquisition of the external good of life. These particular qualities of prudence have prompted Cropsey to write, "Sobriety, industry, and frugality are the qualities that stand out in the portrait of prudence and that suggest it for the role of the commercial virtue par excellence." ⁴

Smith makes one more clarification of his concept of prudence. He differentiates between inferior prudence and superior prudence. It is superior prudence which is interspersed with justice, benevolence, and self-command. When prudence is combined with these other virtues, it is ". . . the best head joined to the best heart. It is the most perfect wisdom combined with the most perfect virtue." ⁵

As a philosophic abstraction, justice is conceived by Smith to be a negative virtue which only hinders one from hurting his neighbor. ⁶ Yet negative though it is, Smith emphasizes that it ". . . is the main pillar that upholds the whole edifice [of society]." ⁷ In order to prevent the

³Smith, Moral Sentiments, p. 230.

⁴Cropsey, op. cit., p. 41.

⁵Smith, Moral Sentiments, p. 234.

⁶Ibid., p. 119.

⁷Ibid., p. 125.

destruction which would occur through injustice, it is necessary that a civil magistrate be utilized.

The civil magistrate is entrusted with the power, not only of preserving the public by restraining injustice, but of promoting the prosperity of the commonwealth by establishing good discipline and by discouraging every sort of vice and impropriety.⁸

Benevolence is excellence of character and conduct considered as it affects the happiness of others by the performance of beneficial services in their behalf. Significantly, Smith implies that benevolence is contagious:

Nature, which formed men for that mutual kindness so necessary for their happiness, renders every man the peculiar object of kindness to the persons to whom he himself has been kind.⁹

Smith goes so far as to state that "no benevolent man ever lost altogether the fruits of his benevolence."¹⁰ If an individual does not receive the fruits of his benevolence from whomever receives his beneficence, he will ". . . gather them, and with a tenfold increase, from other people."¹¹ The above comments of Smith's imply that the frugal man who saves and uses his capital in a productive manner receives a profit:

As soon as stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials. In exchanging the complete manufacture either for money,

⁸Ibid., p. 119.

⁹Ibid., pp. 237-238.

¹⁰Ibid., p. 238.

¹¹Ibid.

for labour, or for other goods, over and above what may be sufficient to pay the price of the materials, and the wages of the workmen, something must be given for the profits of the undertaker of the work who hazards his stock in this adventure.¹²

The similarity between benevolence and prudence in the above analysis only serves to emphasize the thesis developed here. If the individual is to attain true virtue, it is necessary that each virtue function concurrently. Indeed, to Smith one of the outstanding characteristics of a commercial society under the "obvious and simple system of natural liberty" is that there is no basic difference between prudence and benevolence. This will become apparent in a review of the total benefits accruing to society in the commercial society.¹³

Self-command as developed in the Moral Sentiments is the affection which permits the individual to act according to the requirements of prudence, justice, and benevolence. Smith devotes so much attention to this affection that it has prompted Cropsey to remark, "In a radical sense, self-command becomes the only virtue."¹⁴ Indeed, Smith, himself says, "Self-command is not only itself a great virtue, but from it all the other virtues seem to acquire their principal lustre."¹⁵

¹²Smith, Wealth of Nations, p. 48. (Italics mine.)

¹³See below, p. 85.

¹⁴Cropsey, op. cit., p. 48.

¹⁵

Self-command receives the highest approbation of the impartial spectator, the man within the breast. This imaginary arbiter of moral action sees the present and the future ". . . nearly at the same distance, and is affected by them very nearly in the same manner" ¹⁶ But men do not see the present and the future as the same; the present is to them a great deal more important than the future. As a result, when men exercise this virtue of self-command and ". . . abstain from present pleasure in order to secure greater pleasure to come . . ." they receive the highest approbation. ¹⁷

One further qualification of Smith's conception of true virtue was necessary in addition to each one of its components. This further qualification was elaborated in Chapter III, which demonstrated that the effect of true virtue was a benefit for all society.

Society develops within every individual a conception of propriety, which consists of two components, sympathy and the impartial spectator. To Smith, the impartial spectator is reason, the man within the breast. ¹⁸ The fitness or propriety of any of the four affections can be measured only in the sympathetic feelings of this impartial spectator. Sympathy consists of comparing the actions of another with

¹⁶Ibid., p. 232.

¹⁷Ibid., p. 221.

¹⁸Ibid., p. 162.

one's own actions. If one, too, would act in the same way, the action is approved; otherwise, it is disapproved. "Society," as Morrow writes, "is a mirror which shows us ourselves."¹⁹

This concept of propriety, which is analyzed in the Moral Sentiments, is developed in the Wealth of Nations as the foundation of social benefit. Social benefit results through the dictate of reason that the individual provide for his future by saving, an exertion of self-command which receives the greatest approbation of the impartial spectator.²⁰ In this way sympathy acts upon the individual and teaches him to act for the benefit of society.

Smith rejects the contemplative life as the proper existence for man. He points out that "man was made for action, and to promote by the exertion of his faculties such changes in the external circumstances both of himself and others as may seem most favourable to the happiness of all."²¹ According to Smith, an individual may be benevolent, prudent, just, and self-controlled, but, if these affections do not result in a benefit for all society, he is not truly virtuous.

The Wealth of Nations, as was seen in Chapter III, is greatly concerned with the social viewpoint and Smith's

¹⁹Morrow, "Adam Smith: Moralism and Philosopher," p. 176.

²⁰Smith, Moral Sentiments, p. 231.

²¹Ibid., p. 134.

concept of active utility. The wealth of a nation is regulated by the quantity of productive labor and the rate of capital accumulation. Productive labor results ". . . in some particular subject or vendible commodity, which lasts for some time at least after the labour is past."²² Productive labor adds net value to the product, that is, ". . . the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to or greater than that which had originally produced it."²³

The fruits of productive labor divide themselves into two parts: First, that which is used to replace capital or to renew provisions and materials. Second, ". . . a revenue to the owner of this capital, as the profits of his stock; or to some other person, as the rent of his land."²⁴ This revenue may be used by the recipient either on productive or on unproductive labor. Too often the landlord expends his capital to feed ". . . generally more idle than industrious people."²⁵ It is only when the savings of the middling class become available to the artificers, laborers, and manufacturers that the wealth of a nation is augmented. The idle rich are unable to utilize for their own selfish passions the quantity of goods which accrues to them, and expend the

²²Smith, Wealth of Nations, p. 314.

²³Ibid. (Italics mine.)

²⁴Ibid., p. 316.

²⁵Ibid., p. 317.

excess unproductively, *i. e.*, on physicians, opera singers, and buffoons.²⁶ When these unproductive expenditures predominate, the wealth of the nation will not expand and it is up to Providence to spread the goods equitably among the populace. "The rich only select from the heap what is most precious and agreeable . . ." and in a system without a middling class, all ". . . derive from his luxury and caprice that share of the necessaries of life which they would in vain have expected from his humanity or his justice."²⁷ By employing menial servants, buffoons, *etc.*, the idle rich ". . . are led by an invisible hand to make nearly the same distribution of the necessaries of life which would have been made had the earth been divided into equal portions among all its inhabitants" ²⁸ But within a commercial society based on the "obvious and simple system of natural liberty," the competitive harmonies of society are demonstrated and substantiated by a free price system, where real prices are free to gravitate toward their natural price.²⁹ Harmony in the Wealth of Nations is not produced by benevolence, or by Beneficent Nature, or by the wisdom of government. "The famous invisible hand of the Wealth of Nations," states

²⁶Ibid., p. 315.

²⁷Smith, Moral Sentiments, p. 215.

²⁸Ibid.

²⁹Smith, Wealth of Nations, p. 58.

Grampp, "is nothing more than the automatic equilibration of a competitive market."³⁰

Chapter IV brought attention to the importance of justice within commercial society, and the power of commercial society, in turn, to generate justice. "Justice," Smith writes, "is the main pillar that upholds the entire edifice [of society]. If it is removed, the great, the immense fabric of human society . . . must in a moment crumble into atoms."³¹ Justice is developed only in a commercial society, a society based upon a mercenary exchange of good offices. As Smith says,

Society may subsist among different men, as among different merchants, from a sense of its utility, without any mutual love or affection; and though no man in it should owe any obligation or be bound in gratitude to any other, it may still be upheld by a mercenary exchange of good offices, according to an agreed evaluation.³²

In his Wealth of Nations, Smith, relying on "conjectural" history, traces the development of an impartial administration of justice, upon which ". . . depends the liberty of every individual, the sense which he has of his own security."³³ Smith points out that as a society becomes wealthier, men of property ban together for the mutual protection of their

³⁰Grampp, op. cit., p. 334.

³¹Smith, Moral Sentiments, p. 125.

³²Ibid., p. 124.

³³Smith, Wealth of Nations, p. 681.

property, a manifestation of self-interest. "The rich, in particular, are necessarily interested to support that order of things, which can alone secure them in the possession of their own advantages."³⁴ Likewise, "men of inferior wealth" join in defending the property of their superiors so that they may in turn receive the protection of the wealthy for their property.³⁵

In the rude state of society, *i. e.*, before the rise of a commercial society, the populous is entirely dependent upon the caprice of the wealthy. "The rude state of his society does not afford him any manufactured produce, any trinkets or baubles of any kind, for which he can exchange that part of his rude produce which is over and above his own consumption."³⁶ Since so many are dependent upon the rich man, they ". . . must obey his orders in war, and submit to his jurisdiction in peace."³⁷

The development of manufacturers and artificers has three effects: First, it leads to the independence of the society from the caprice of the rich, or as Smith says, ". . . as those people [the middling class] pay for everything which they get from him . . . there is scarce any body

³⁴Ibid., p. 674.

³⁵Ibid.

³⁶Ibid., p. 671. Recall that in this state a Beneficent Deity is needed to distribute the produce; Smith, Moral Sentiments, p. 215.

³⁷Smith, Wealth of Nations, p. 671.

who considers himself as entirely dependent upon him, and his authority extends only over a few menial servants."³⁸ Second, it places funds into the hands of those individuals who are most in a position to contribute to the wealth of a nation, *i. e.*, the middling class. Finally, it causes an equitable administration of justice.

This last point Smith traces from the rude state where the rich man ". . . is both their general and their judge, and his chieftanship is the necessary effect of the superiority of his fortune."³⁹ But both functions are removed from the wealthy. He is no longer a general because as a nation becomes wealthier it is necessary for a standing army to be established. "Such an army," says Smith, "as it can best be maintained by an opulent and civilized nation, so it can alone defend such a nation against the invasion of a poor and barbarous neighbour."⁴⁰ Thus, not only does the development of a commercial society create the need for a standing army, but also it creates the economic power to support such an army.

The wealthy are no longer judges because with the development of commerce the number of cases needed to be adjudicated increased. As the number of cases increased, the sovereign ". . . universally found it convenient to

³⁸Ibid., p. 672.

³⁹Ibid., p. 671.

⁴⁰Ibid., p. 667.

delegate it [jurisdiction] to some substitute, bailiff, or judge."⁴¹ As the expenses of the estate of the sovereign increased, especially the expense of maintaining an army, it became necessary for the sovereign to tax. By now the middling class had accumulated some wealth and possessed funds which could be tapped by the sovereign.⁴² Since income for the sovereign was acquired by taxing, it was no longer necessary for him to receive revenues for dispensing justice. "Those presents, it seems to have been supposed, could more easily be abolished altogether, than effectually regulated and ascertained."⁴³ With the abolition of presents, the bailiffs and judges were given fixed salaries, which assured an impartial administration of justice. "The separation of the judicial from the executive power seems originally to have arisen from the increasing business of the society, in consequence of its increasing improvement."⁴⁴

It is because only a commercial society can generate the funds necessary to support a separate system of justice that Smith embraces a society based on commerce. In summary, Smith's line of thought is something like this: As a country increases in wealth, a larger army is needed for purposes of defense. Revenues must be obtained from sources other than the treasury of the rich man. Through the levying

⁴¹Ibid., p. 675.

⁴²Ibid., pp. 769, 677.

⁴³Ibid., p. 677.

⁴⁴Ibid., p. 680.

of taxes, the rich man obtains revenues which replace those derived from acting as a judge. Since "presents" are no longer needed, an equitable administration of justice can occur, a factor upon which ". . . depends the liberty of every individual, the sense which he has of his own security."⁴⁵

Chapter V of this thesis demonstrated the functioning of prudence, benevolence, and self-command within a commercial society based upon the "obvious and simple system of natural liberty." It was only within such a framework that each of the virtues could culminate in a benefit for all society.

"In the middling and inferior stations of life," Smith says, "the road to virtue and that to fortune . . . are, happily, in most cases very nearly the same."⁴⁶ Though the road to virtue and to fortune is the same in these classes, "in the superior stations of life the case is unhappily not always the same."⁴⁷ But natural liberty is required for the middling and inferior classes to become truly virtuous. Smith says, "Every man is, no doubt, by nature first and principally recommended to his own care; and, as he is fitter to take care of himself than of any other person, it is fit and right that it should be so."⁴⁸ These sentiments

⁴⁵Ibid., p. 681.

⁴⁶Smith, Moral Sentiments, p. 104.

⁴⁷Ibid.

⁴⁸Ibid., p. 120.

are the basis for Smith's confidence in a system of natural liberty. They constitute the foundation for his criticism of interference with the laws of nature--the automatic equilibration of the market.

Through the operation of the virtue of prudence, the individuals of the middling class will create increased goods and services for all society, a greater form of benevolence than would be the case if one individual were benevolent to another individual. Since ". . . every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him," one need simply give him his own hand, and he will promote the interests of ". . . society more effectually than when he really intends to promote it."⁴⁹ Prudence is a much more effective manner of receiving good offices than is benevolence:

It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their own advantages.⁵⁰

It is this appeal to self-interest which causes dissimilar activities to supplement each other and to result in a greater benefit for all.⁵¹ The appeal to self-interest results in each individual participating in an exchange to benefit, and to benefit more effectively than from an appeal

⁴⁹Smith, Wealth of Nations, p. 423.

⁵⁰Ibid., p. 14.

⁵¹Ibid., p. 16.

to benevolence alone. Thus, through gratifying their own self-interest, the artificer and manufacturer promote the interests of society. They promote the interests of society by causing a greater accumulation of stock which leads to an increasing level of living for the population, an increase in the wealth of a nation.

Obviously, to Smith capital is the sine qua non of promoting the wealth of a nation; indeed, it represents the wealth of a nation. If capital is the most important element in the Smithian conception of the wealth of a nation, then its ultimate cause must be the greatest of all virtues. Capital accumulation is the result of saving:

Whatever a person saves from his revenue he adds to his capital, and either employs it himself in maintaining an additional number of productive hands, or enables some other person to do so, by lending it to him for an interest, that is, for a share of the profits.⁵²

Saving is the result of parsimony, or as Smith says, "Capitals are increased by parsimony"⁵³ It is the prudent man who practices frugality, that is, it is the prudent man who possesses the virtue of ". . . self-command, by which we are enabled to abstain from present pleasure, or to endure present pain, in order to obtain a greater pleasure or to avoid a greater pain in some future time."⁵⁴ This is the

⁵²Ibid., p. 321.

⁵³Ibid.

⁵⁴Smith, Moral Sentiments, p. 220.

functioning of what Smith calls superior prudence, the virtue of prudence combined with that of self-command.

In a commercial society based upon the "obvious and simple system of natural liberty," the rising bourgeoisie, *i. e.*, the middling class, practices prudence and self-command, which results in an increase in the wealth of a nation. It is in such a system that an individual becomes truly virtuous, and it is in this sense that virtue and capital accumulation are to Smith synonymous. It is the accumulation of capital which indicates the true virtue of the individual.

Obviously, the link between Smith's two works, the Moral Sentiments and the Wealth of Nations, is complete. The Wealth of Nations is the practical application of four virtues developed as philosophical abstractions in the Moral Sentiments, virtues which are found in the bourgeoisie if its members are given their own free hand to seek their own gain. Only in a commercial society, where the idle rich no longer dominate the social structure, can virtue predominate. Only in a commercial society based on the "obvious and simple system of natural liberty" will the artificers, manufacturers, and laborers effectively promote an end to which they are no part. By increasing the quantity of capital, the wealth of a nation is augmented; by increasing the quantity of capital, the individual becomes truly virtuous.

APPENDIX

INTERPRETATIONS OF THE MORAL SENTIMENTS AND THE WEALTH OF NATIONS

There are several interpretations which attempt to reconcile Adam Smith's two works. In the following pages some of the leading theories are presented and evaluated. It is obvious that at many points these theories overlap, yet each is different in its emphasis and logical composition.

Charles Gide and Charles Rist,¹ two historians of economic thought writing during the first half of the twentieth century, offer an interpretation of the Moral Sentiments and Wealth of Nations which implies that the rules of prudence do not always govern the rules of action of the individual, but that prudence always influences the group or class. The many deeds and misdeeds of the several individuals, when taken in total, sum to the good of the mass. They say,

Non pas que le sentiment ne joue un rôle, un grand rôle, dans la philosophie de Smith, mais le sentiment ou, comme il dit, la sympathie, a son domaine propre, le monde moral tandis que l'intérêt domine le monde économique.²

Not that sentiment does not play a role, a large role, in Smith's philosophy, but sentiment or, as he says,

¹Charles Gide and Charles Rist, Histoire des Doctrines Économiques (Paris, 1926).

²Ibid., p. 101.

sympathy, has its own domain in the moral world, while self-interest dominates the economic world.³

In this way they dichotomize Smith's concept of social activity into the moral and the economic, implying that the two cannot be the same. Even assuming that Gide and Rist are correct in their interpretation, they fail to go far enough in developing their argument. Thus, their explanation is superficial.

Francis W. Hirst in many respects presents the same explanation as that of Gide and Rist, but in greater depth.³ According to Hirst, Smith conceives the truth to be that man is actuated at different times by different motives, benevolent, selfish, or mixed.

The moral criteria of an action are its benefit to society and its approval by the impartial spectator. The Moral Sentiments is concerned with these moral criteria. The economic criteria of an action are the benefit derived by the individual from the action and any accompanying increase in wealth. The Wealth of Nations is concerned with these economic criteria.

Hirst points out that Smith constructs his theory of industrial and commercial life on the assumption that wage-earners and profit-makers are motivated to obtain the highest possible wages and profits; thus, in the economic sphere

³Francis W. Hirst, Adam Smith (New York, 1904). See especially pp. 46-67 and 164-186.

men are in a constant state of agitation to better their own condition.⁴

That Smith believed in two levels of man's existence should be easily acceptable, or as Hirst writes,

There is nothing whatever either to excite surprise or to suggest inconsistency in the circumstance that a philosopher, who . . . distinguished between self-regarding and other-regarding emotions, should have formed the first group into a system of economics and the second into a system of ethics.⁵

Hirst, therefore, accepts the fact that there is a dichotomy and compartmentalizes it into self-regarding and other-regarding motives. The motives are attributed to the economic and the ethical worlds, respectively.

But Smith believed that man was actuated by these two motives in both spheres, *i. e.*, economic and ethical. The investigation by Hirst would have been more fruitful had he developed the ramifications of the impartial spectator's approval. Hirst was content to emphasize this important concept in the moral world, but by compartmentalizing the moral and the economic, he failed to see the many implications involved.

Eli Ginzberg expresses the conviction that Smith is aware of and practices the art of rhetoric, *i. e.*, the

⁴Hirst overlooks the implications in Smith's concept of the wages fund, *viz.*, that the worker cannot benefit beyond a certain limit (the size of the fund), except as the fund grows through the plowing back process by the capitalist.

⁵Hirst, *op. cit.*, p. 182.

skillful use of words to persuade others to one's own viewpoint. Ginzberg sees Smith as an opportunist in the Wealth of Nations who believed rhetoric ". . . could be most effectively developed by appealing to the self-love of one's fellow man."⁶

Ginzberg is representative of the body of scholars which places emphasis upon the belief that Smith has an immediate purpose for writing the Wealth of Nations, that is, to malign the mercantilist policies then pursued by England. Because man is most concerned with his own fortunes and misfortunes, Adam Smith addresses himself to the instinct of self-love in his audience.

Ginzberg's argument continues in this manner: Smith realizes that his program of reform has little, if any, chance of adoption unless it is skillfully maneuvered. Thus, Smith's attack upon mercantilism is so directed in order to impress the populace with the losses which it suffers from the existing system (mercantilism), and to illustrate the benefits which society can derive by reforming the economic organization. Smith appreciates the fact that he cannot appeal to the private interest of each and every individual; thus, he is quite willing to antagonize small minorities so long as he has the support of the majority. Ginzberg supports the last contention by citing Smith's example of the

⁶Eli Ginzberg, The House of Adam Smith (New York, 1934), p. 120.

removal of tariffs lessening the profits of native manufacturers, but benefiting all other groups.

Smith, like most social philosophers, is more interested in the benefits for society than in the benefits for the individual. For society to progress, the special advantages and disadvantages of different sectors of the population must be removed. Ginzberg's explanation is directed entirely to Smith's role as a reformer. For example,

Adam Smith did not preach the doctrine of economic freedom for its own sake He believed that the state control of industry was inimical to the true interests of the public.⁷

Laissez faire is interpreted as a powerful weapon in the class struggle, for it can deprive the wealthy of their illegitimate gains.

But what explanation does Ginzberg advance concerning the egoism found in the Wealth of Nations and the alleged benevolence found in the Moral Sentiments? He maintains that Smith altered his concept of the functioning of the ethics in man when he came into contact with the "real" world.

The sixties and seventies [of the eighteenth century] were important decades in English political history, and Smith did not hesitate to scrap a substantial part of his work when he discovered that events had made much of his analysis academic.⁸

Since the Moral Sentiments was published in 1759 and the Wealth of Nations in 1776,⁹ the obvious implication is that

⁷Ibid., p. 131.

⁸Ibid., p. 136. (Italics mine.)

⁹Cf. John Rae, Life of Adam Smith (London, 1895), p. 55.

Smith rejected and revised his beliefs in the "true" ethics of man.

Ginzberg does not seem to acknowledge the many concurrent revisions to the two works, nor does he seem cognizant of the fact that the basic ideas and many of the illustrative examples of the Wealth of Nations are in the lectures delivered by Smith to his ethics class at Glasgow.

William Grampp explains the apparent dichotomy of benevolence in the Moral Sentiments and egoism in the Wealth of Nations by emphasizing that they are two separate states of the economic man.¹⁰

In the Moral Sentiments, so Grampp says, Adam Smith is concerned with how man distinguishes right from wrong and how he reacts upon that distinction. Grampp points out that Smith in this work indicates

Virtuous behavior is that which receives the approval of the disinterested onlooker, and the desire for such approval is a yearning innate in all men.¹¹

The impartial spectator, though, is deluded by man's seeking gold; when that is acquired, one sees that wisdom and virtue are "more solid," but society equates wealth and happiness. Society sanctions the wealth-seeking action, and since all want approbation, man continues to seek riches.¹²

¹⁰William Grampp, "Adam Smith and the Economic Man," Journal of Political Economy, LVI (1948), 315-336.

¹¹Ibid., p. 316.

¹²The similarity of the economic man to mercantilistic policies which Grampp imputes to the Moral Sentiments is quite striking.

There are benefits derived for the whole of society, for the wealthy man spends his surplus; his capacity to utilize goods and services is no greater than that of the poor, and because of that wealth is distributed throughout society.

[The rich] only select from the heap what is most precious and agreeable. They consume little more than the poor . . . and in spite of their natural selfishness and rapacity . . . they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life which would have been made had the earth been divided into equal proportions . . .¹³

According to Grampp, Smith's ascending ethical scale found in the Moral Sentiments is propriety, prudence, benevolence, and justice.

Grampp continues by writing that human nature is composed of moral faculties. Such a nature is common to all men and is governed by a force superior to men and to society.

That force is the natural law, and it emanates from God. Its end is beneficent: it is the glorification of God as his benevolence is revealed in the happiness of man, and it is realized when the natural order is established.¹⁴

The natural law is discoverable by man through the use of his moral faculties, which show the path of virtue and which guide him along it.

Grampp concludes that the economic man of the Moral Sentiments pursues wants only to obtain approbation of his

¹³Smith, Moral Sentiments, cited in Grampp, op. cit., p. 322.

¹⁴Grampp, op. cit., p. 320.

fellow man and, even more important, of the impartial spectator. But if riches are not acquired, the unsuccessful man is kept from want by the generosity, calculated or fortuitous, of the successful man.

A different picture is presented by the Adam Smith of the Wealth of Nations. Individual behavior is now made harmonious by the operation of the free market, and justice is no longer considered the special charge of a benevolent deity. Justice is now under the jurisdiction of the government, which exists to protect private property.

In this work, Grampp suggests, one sees that man may turn his efforts away from wealth to the satisfying of any desire; there is no yearning to be just and benevolent, for now the impartial spectator is not present.¹⁵

Grampp points out that in asserting that men love ease and find labor painful, Smith is quite contrary to his thesis conveyed in the Moral Sentiments, i. e., that men are driven by furies into pursuing wealth. Smith suggests that if men are observed closely, their self-seeking will reveal itself. In the lower classes, egoism is of necessity directed toward making a living, and the success of these classes in acquiring the materials of life has much to do with their moral and

¹⁵Recall that in this study it is determined that the impartial spectator (reason) admires most the virtue of self-command. This virtue, as practiced by the middling class, results in saving, which in turn increases the wealth of a nation. See supra, p. 72.

intellectual merit.¹⁶ What Smith is saying is that for the greatest part of the population, real income determines happiness, truth, beauty, and goodness. Grampp says,

This idea, it must be noticed, is precisely the opposite of the view expressed in his first work Moral Sentiments that wealth is a poor way to happiness and he who pursues it must end in disillusionment.¹⁷

Also replaced in the Moral Sentiments is the idea of a sovereign to rule: the Wealth of Nations endorses a theory of government which acts on a material basis. In the latter work, the citizen respects the authority of the government because it protects his wealth, or at any rate because he thinks it does.

Grampp continues his analysis by pointing out that competition is possible only in the presence of certain political conditions. Law must be established to make property secure, and security calls for an exact and equal administration of justice. In the Wealth of Nations the competitive harmonies of society are demonstrated and substantiated in the market by the system of relative prices. Consumers pay the lowest prices for what they buy, and producers sell at low prices because of the efficiency which competition forces upon them. Wages rise to their natural level because no employer can act alone or with others to force them down. Being free to enter areas of greatest yield, capital becomes

¹⁶Cf. Smith, Wealth of Nations; pp. 716-764.

¹⁷Grampp, op. cit., p. 329.

allocated to the most productive yields. Harmony is not produced by benevolence inherent in individuals or by the wisdom of government, but is the result of egoism. "The famous invisible hand of the Wealth of Nations is nothing more than the automatic equilibration of a competitive market."¹⁸

Grampp concludes that in the Wealth of Nations man is not considered a mere automaton who seeks only to maximize wealth in everything he does. He may be acquisitive or not, depending on his environment and on other traits and desires. On the contrary, there are other goals sought by man which in many ways dominate the acquisitive drive. Finally, if there is any resemblance to what is considered today as the economic man, Grampp avows it is the individual characterized by Smith in the Moral Sentiments.

Jacob Viner¹⁹ prefaces his work by stating that Smith's major claim to fame rests on an application of the concept of a unified order to the economic world. The application operates according to natural law, and, if left to itself, it will produce results which are beneficial to mankind.

In his Moral Sentiments, Smith develops a system of ethics based upon a harmonious order in nature guided by God, hardly concerning himself with the economic order, per se.

¹⁸Ibid., p. 334.

¹⁹Jacob Viner, "Adam Smith and Laissez Faire," Journal of Political Economy, XXV (1927), 198-232.

In the Wealth of Nations he devotes himself to a specialized inquiry into the nature of the economic order.²⁰

According to Viner, underlying all phenomena of human and physical nature in the Moral Sentiments is benign Nature, a guiding providence, which is concerned to see that all actions shall operate to produce happiness. Justice is the main pillar which supports society, a society which may exist without beneficence, but without justice will be completely destroyed.

Beneficent Nature so directs the system that even the inequality in the distribution of happiness is more apparent than real. The explanation of the facts that Nature is at times harsh and at others cruel is interpreted in the Moral Sentiments to be that man has been given one standard by which to judge, but Nature has retained another and different standard by which to judge.

Traces of the beneficent order in nature expounded in the Moral Sentiments are found in the Wealth of Nations, but says Viner, traces of every conceivable doctrine are to be found in the latter. There is almost no reference to a beneficial Deity as an important force in Smith's economic system, only incidental references.

To Viner the importance of the disappearance of the concept of the order of nature arising from God is that it

²⁰Cf. Hirst, supra, pp. 95-96.

leaves Smith free to find defects in the order of nature without casting reflection on the Deity.

There are a number of passages in which Smith asserts the existence of a more or less complete harmony between the interests of society as a whole and those of individuals, but

Nowhere in the Wealth does Smith place any reliance for the proper working of the economic order upon the operation of benevolence or sympathy, the emphasis upon which was the novel feature of the Theory of Moral Sentiments.²¹

Self-interest means to Adam Smith of the Wealth of Nations not only desire for wealth, but also self-love in many different manifestations, envy, laziness, resentment, etc.²²

There are a number of flaws in the order which demonstrate beyond dispute the existence of a wide divergence between the perfectly harmonious natural order and the limited harmony in the economic order of the Wealth of Nations. As Viner writes,

In his early work Smith was a purely speculative philosopher, reasoning from notions masquerading as self-evident verities. In the Wealth of Nations Smith made use of a rich harvest of facts gathered by personal observation at home and abroad.²³

Again there appears the implication that Smith derived his information for his latter work separately from his former, a suggestion which is totally untenable.

²¹Viner, op. cit., p. 210.

²²Cf. Grampp, supra, p. 100.

²³Viner, op. cit., p. 216.

Viner recognizes that Smith revised the Moral Sentiments in the last years of his life, but writes that Smith failed to reconcile the two works because at such an advanced age Smith

. . . had lost the capacity to make drastic changes in his philosophy, but had retained his capacity to overlook the absence of complete co-ordination and unity in that philosophy.²⁴

Joseph Cropsey writes that Smith's principle of the relation of moral and intellectual virtue leads to the conclusion that man should live for active utility, *i. e.*, service, and that the perfection of a human being is ultimately intelligible in terms of doing good for others.²⁵ In Cropsey's interpretation, doing good means to Smith contributing to man's self-preservation. It is this force of self-preservation which is the dominating principle of society.

Cropsey discredits the idea that the Moral Sentiments is concerned only with benevolence in the following way: It is perfectly possible to act at the command of the selfish passions in a manner with which the impartial spectator may sympathize. There is room among the excellencies for every passion, and it is the intensity with which the passion is performed rather than the nature of the passion which affects its reception as virtuous or vicious.

²⁴Ibid., p. 217.

²⁵Joseph Cropsey, Polity and Economy: An Interpretation of the Principles of Adam Smith (The Hague, 1957), p. 8.

The explicit doctrine of the Moral Sentiments is that each man will act virtuously when he wins the approbation of his conscience, *i. e.*, that "man within the breast" who is the symbol of the impartial spectator. Cropsey interprets Smith to mean a virtuous act will contribute to the preservation of life. Each man has the right to pursue life, but he must beware not to exceed the limits imposed by the equal rights of all others:

In the race for wealth, and honors, and preferments, every man may run as hard as he can, and strain every nerve and every muscle, in order to outstrip all his competitors. But if he should jostle, or throw down any of them, the indulgence of the spectators is entirely at an end.²⁶

Smith's teaching concerning justice is in opposition to his doctrine respecting benevolence.²⁷ Justice, continues Cropsey, is basically reciprocity and is the only virtue whose requirements are understood in advance; thus justice is entirely reducible to rules. Justice is not guaranteed by any rational perception of the good of society which is produced by the punishment of injustice, but by the passion for retaliation, an extremely important, socially useful passion more reliable than reason.²⁸

²⁶Smith, Moral Sentiments, cited in Cropsey, op. cit., p. 23.

²⁷Cf. Glenn R. Morrow, "Significance of the Doctrine of Sympathy in Hume and Adam Smith," The Philosophical Review, XXXII (1923), 60-78.

²⁸Cropsey, op. cit., p. 31.

Cropsey places a great deal of emphasis upon the idea that Smith in the Wealth of Nations is writing against the mercantilistic practices of England. Cropsey uses the term rhetoric in referring to that work, and defines rhetoric to be the art of working upon men to make them manageable.²⁹

Smith, continues Cropsey, is writing to convince his audience that history is not the standard of excellence of the order that exists. Cropsey says,

Since history is not the rational expression of nature but in principle may conflict with nature there arises the need for a statement of the strictly natural, which of course is the substance of the Wealth of Nations, a book that delivers the truth about nature.³⁰

The Wealth of Nations concentrates upon an appeal for the securement of freedom for each individual class of society. But Cropsey tells us that there is another aspect of freedom which is just as important: freedom of the individual from restraint. Basic to this latter freedom is the idea that the individual is dominated by a desire to better his condition, which is in turn a result of that ultimate drive, self-preservation. Cropsey writes that the result of such freedom is the substitution of commercial competition (in the Wealth of Nations) for virtue (in the Moral Sentiments). The central distinction of the Wealth of Nations is this substitution of competition for virtue.³¹

²⁹Ibid., p. 30. Cf. Ginzberg, supra, p. 97.

³⁰Cropsey, op. cit., p. 62.

³¹Ibid., p. 71.

Cropsey cites the example of the allocation of the distributive shares to demonstrate the above mentioned substitution:

The progress, stagnation, or retrogression of society works its effects upon the natural rates through the force of competition. To take an example, progress . . . would witness an increase in stock . . . and demand for labor, with laborers being put at a temporary bargaining advantage and masters bidding up their wages.³²

Such an effect will be only temporary, because high wages will tend to increase the quantity of laborers so that the adjustment will reverse. The natural rates are not natural in the sense that they conform with any level determined by a moral or an ethical presupposition.

Cropsey concludes that to Smith the real choice evolved into one between a society based upon the principle of virtue and one based upon a substitute for virtue, *i. e.*, commerce. Justice is the very soul of commerce and is the substitute for benevolence.³³ Cropsey goes so far as to suggest that Smith sought commerce strictly for the sake of relaxed authority, and not vice versa, as many contend. Such a suggestion indicates that Smith designed his commercial system as a means to an end. As Cropsey has already indicated, Smith attributes the greatest urge in man to be that of self-preservation; capitalism, in order to insure freedom, is the formulator of the best method of self-preservation.

³²Ibid., p. 76.

³³Ibid., p. 93.

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