

## THE TWO ADAM SMITHS Philip Cam

*Philip Cam argues that we need to rise above Smith's fixation on self-interest in economic affairs.*

Adam Smith's portrait of economic man in *The Wealth of Nations* depicts a creature seemingly without virtue. According to Smith, while we are dependent upon one another for the satisfaction of almost every need, we do not provide for one another out of care and concern for each other. We act from self-interest. And it is the other's self-love rather than their benevolence to which we must appeal if we are to secure what we need. Although this suggests a dog-eat-dog world, acting from self-interest turns out to be for the best, says Smith. Since no party is likely to be able to satisfy their own interests unless they can satisfy the interests of others, each must appeal to the other's interests in order to satisfy their own. In this way the interests of all parties are met. This claim is most famously captured by Smith's metaphor of the 'invisible hand'. The agent in the marketplace generally neither knows nor cares about the public interest, and yet '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.' (*Wealth of Nations*, p. 456) The general good is thus a fortuitous consequence of the self-interested exchange of labour, goods and services, rather than something with which the individual is or ought to be concerned.

Regardless of whether such self-regard promotes the general economic welfare, we cannot escape the feeling that there is a taint about Smith's account of business dealings and the bargains that we strike at work. One way of capturing this is to say that if it is in our nature to be self-seeking in our economic affairs, then it seems that we are powerless to follow Immanuel Kant's moral dictum that we

should never treat others merely as a means to our own ends. That is to say, in Kant's terms, we are destined to be immoral in our working lives. While this may seem a harsh remark, the behaviour that Smith describes and celebrates is hardly consistent with the golden rule and its secular variations in Kant.

If *The Wealth of Nations* portrays self-interest as the natural motive in business dealings, in an earlier less well-known work, *The Theory of Moral Sentiments*, Smith stresses the role of sympathetic and benevolent inclinations in human psychology. Here he acknowledges that we do in fact take an interest in the welfare of others, and not just out of self-interest. He points to the feelings of sympathy that naturally arise when we project ourselves into the circumstances of others and in some degree experience what we would feel if we were in their shoes. By this means we enter into other people's feelings and judge the appropriateness of their motives and responses. We also apply such judgments to ourselves by adopting the perspective of what he calls the 'impartial spectator' or the 'judge within'. By viewing ourselves through the eyes of this imagined spectator we are able to view our feelings and motives more impartially, step aside from our own self-interest, and correct for bias in our judgments of others.

By way of example, Smith asks us to imagine that the whole population of China was to be destroyed in an earthquake, and how much less sleep we would be likely to lose over it than were we to know that tomorrow we must lose our little finger. Even so, no one with any semblance of humanity would be willing to sacrifice the entire population of China in order to preserve their little finger. While our self-interest appears much more salient, we *judge* otherwise. The impartial spectator censures our selfish impulses and restores things more nearly to their correct proportions.

It has long been a subject of debate how one author could have written both books, presenting human nature one way as a moral philosopher and another as an economist. While what is known as the 'Adam Smith problem' may be of

interest only to historians of ideas, the tensions between Smith's two accounts raise a more general and pressing problem. How are we to square our industrial arrangements and business dealings with a moral way of life? Since the economic sphere has become heir to the philosophy classically articulated by Adam Smith, and self-seeking urges are deeply embedded in our business culture, we face the real and present danger of succumbing to an out-of-business-hours morality. Yet, if the earlier Adam Smith is right, we have it within us to become less self-seeking and partial in our dealings with one another by building upon our natural sympathies so as to come to see our own reactions and motives in much the same light as they are seen by others. Through such reflection we might modify our baser motives and reach a more enlightened appreciation of our own self-interest.

Even if *The Theory of Moral Sentiments* points to an antidote for the poison of unadulterated self-interest, Smith's moral psychology is deficient. We can see this as soon as we begin to think about his impartial observer. While Smith treats our sympathetic feelings as naturally occurring responses, we cannot neglect the evidence that they are also shaped by history and culture. Although he is prepared to admit that people's sensibilities may vary somewhat according to the circumstances and customs of different ages, cultures and professions, Smith insists that their natural state remains more or less constant across time and circumstance, and that variation from this state warps what is otherwise straight. So the ancient Greeks' acceptance of infanticide, for instance, is put down to a long-established custom, which arose in the perilous circumstances of an earlier age, rather than being a counterexample to the claim that human nature is imbued with an enduring sense of what constitutes right conduct. Smith is shocked to find support for it in Plato and Aristotle, who on his reckoning should have known better and not been led astray by established custom. He might also have mentioned Plato's conception of justice, which saw nothing wrong in the practice of slavery, or the presumption that political decision-making was the

proper preserve of men, and countless other things. It is in such places that we become most fully aware of Smith's adherence to the implausible idea that throughout history there has been a natural state of human feeling about all such things, from which a society deviates only by its tendency to pervert.

Given this, it should come as no surprise that the judgments of the 'impartial spectator' should seem so unproblematic to Smith, whereas in reality such impartiality as we may attain must be sought in the social domain through collaborative effort, or else drawn from the cumulative results of such labour in the past. It is through open exchange and dialogue that we gain a broader perspective on our own motives and reactions, making it possible for us to be more impartial. Smith's impartial observer or inner judge may present itself as part of our native equipment, but the process of developing sympathetic judgment is in reality a social affair.

As elsewhere, this is apparent in our day-to-day dealings in business and the workplace. Management's judgment that an offer of pay and conditions is fair and their employees' judgment that it is not cannot be sorted out simply by both parties agreeing to consult their inner judge. Nor can it be done by everyone following their own self-interest and leaving the result to the invisible hand operating in the market-place – given that our concern here is to square our economic relations with a claim to be moral. Negotiations can be put on a moral footing only when the parties concerned recognize the legitimacy of their different perspectives in the concrete circumstances in which they find themselves and proceed to construct a common understanding that takes account of those differences. This does not preclude the views put forward from being subject to criticism or people changing their minds on the basis of reason and evidence. On the whole, however, it is not so much a matter of people trying to convince each other of the merit of their claims, but of seeking accord through a wider understanding. The limitations of viewpoints and the

vantages of wider perspectives have always to be borne in mind. Other things being equal, understandings that incorporate multiple perspectives are more impartial than ones that do not, and an agreement arrived at on that basis is more impartial than one that isn't.

Stressing the importance of genuine dialogue in business affairs may appear utopian, but only against a background of unenlightened self-interest that sees economic life as entirely self-interested and not at all other-directed. Of course there will always be such players in the marketplace, but they are no more to be emulated or encouraged than thoughtful children should be taught to imitate the behaviour of their more egocentric peers. As with antisocial behaviour in children, unbridled self-interest in business and working life should be condemned and steps taken to socialize offenders.

While the free market supplies a *cornucopia* of goods, there is a great moral difference between a world in which we consider each other's needs and interests only as a means to satisfying our own, and one in which we treat other people as ends in themselves. A society so centred on economic production as our own cannot claim to be moral unless we rise above Smith's fixation on self-interest in economic affairs. As a moral philosopher, Smith was right to point to the need for broader human sympathy and impartiality in our judgment. Yet Smith's belief that a source of impartial judgment naturally lies within the individual cannot be sustained. We must find it in a more open-minded engagement with one another. We need collaboration and dialogue rather than the continual clash of personal judgment and sectional interests if we are to find a practical solution to the problem posed by the two Adam Smiths.

## References

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