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ADAM SMITH ON THE VIRTUES: A PARTIAL RESOLUTION OF THE ADAM SMITH PROBLEM

BY
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I. INTRODUCTION

It is now easy to see, in the light of Adam Smith's *Lectures on Jurisprudence*, that *The Theory of Moral Sentiments* and *The Wealth of Nations* were parts of a grand system. Nonetheless, *TMS* and *WN* are not tightly linked. This paper pursues the following strategy: knowing that Smith wrote both works, one can go back to *TMS*, investigate Smith's handling of the virtues, and see how that work implicitly defended the acquisitive, commercial society analyzed so thoroughly in *WN*.¹ In doing so, it will be shown that Smith has a distinctive, key, narrow handling of the virtue *justice* which is based upon the passion *resentment*. Smith's treatment of justice explains why there can be no concept of just price in Smith's work. It serves to support market, flexible, or negotiated prices as ethically legitimate because it effectively removes market prices from the domain of government control or responsibility, at least insofar as government is enforcing justice. It will be seen that Smith views prudence as a virtue. He sanctifies self-interest with the appellation of virtuousness, and provides a virtuous underpinning to the logic of acquisitive, self-interested commercial society where everyone to some extent is a merchant. Moreover, Smith is relatively unconcerned with avarice. He does

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1. One can view *TMS* and *WN* as separate pillars of an intellectual construction which has no superstructure. Or, perhaps better: one can view *WN* and *TMS* as originally being flats in a partially finished three story building. *WN* was on the third floor, resting upon *LJRP* on the second floor, which rested upon *TMS* on the ground floor. Then, Smith took *WN* off the third floor and put it on the ground by itself. The partially built second floor was then demolished, and *WN* and *TMS* were further developed as independent free standing intellectual abodes.

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not address Aristotle's fear that the use of money to make more money generates the cancerous growth of avarice in society. This lacuna is odd and significant since Smith's general understanding of the virtues seems to be so influenced by Aristotle.² Smith's handling of the virtues of justice and prudence (and his lack of handling of avarice) facilitates moral acceptance of acquisitive commercial society. Hence, in this sense there is no "Adam Smith problem" of a radical inconsistency between Smith's two major works; indeed, the doctrines in *The Theory of Moral Sentiments* provide an ethical defense for the commercial society discussed in *The Wealth of Nations*.

Nevertheless, the paper argues that this study of Smith's handling of the virtues at best provides only a partial resolution of the Adam Smith problem. Key differences in the two texts remain, including divergent references to the divine Being, and general writing styles. These differences are held to result partly from differences in the subject matter, and from different anticipated audience reaction to the works. The paper concludes by suggesting that Smith may have wanted to keep the *TMS* and *WN* quite separate, and not link them up by publishing a book on jurisprudence. One grand theoretical system could become too unstable, fragile, and easily overthrown. Moreover, Smith may have taken to heart his own cautions against men of system and extravagant ambition, and he knew when to leave well enough alone.

II. JUSTICE, THE JUST PRICE, AND GOVERNMENTAL RESPONSIBILITIES

For Smith, the virtue *justice* is special. Justice is based upon the passion *resentment*. As with most³ passions, a person can have too much or too little resentment. A person with too little resentment is mean-spirited: "A person becomes contemptible who tamely sits still, and submits to insults, without attempting either to repel or to revenge them. We cannot enter into his indifference and insensibility" (*ibid.*, pp. 34-5).

2. The links between Aristotle and Smith on the virtues will hopefully be developed in another paper. Here, note that for both Aristotle and Smith, a) there are a lot of various virtues (Urquhart 1993); b) for each virtue there appears to be two vices: one of excess, and one of deficiency; c) there are a lot of various passions or emotions; d) virtue is a characteristic, a relation to the emotions; e) selected combination of virtues, vices, passions and emotions tend to get bound up into various character types, with important implications for rhetoric and communications (Aristotle 1991; Smith 1983). On the relationship between Aristotle and Smith on justice see Berns 1994.

3. Probably all passions. See Aristotle 1962 whom Smith seems to follow. For Aristotle as for Smith, not all the passions have names.

This want of proper indignation (lack of resentment) is a most "essential defect in the manly character" (*ibid.*, p. 243). However, too much resentment is called fury and leads to unwarranted revenge. The correct, moderate amount of resentment, if guarded and qualified "may be admitted to be even generous and noble" (*ibid.*, p. 38).⁴

Resentment is a protective passion. It is never properly called forth but by actions which tend to do real and positive harm to some particular persons. Resentment is given to us by nature for defense. "It is the safeguard of justice and the security of innocence" (*ibid.*, p. 79). It encourages fear in others. That action which appears to deserve punishment is the proper and approved object of resentment. Moreover, "resentment cannot be fully gratified, unless the offender is not only made to grieve in his turn, but to grieve for that particular wrong which we have suffered from him. He must be made to repent and be sorry for this very action, that others, through fear of the like punishment, may be terrified from being guilty of the like offence" (*ibid.*, p. 69). Hence, resentment prompts us to punish. The violation of justice is injury; "it does real and positive hurt to some particular person, from motives which are naturally disapproved of" (*ibid.*, p. 79). Violate justice, and you are exposed to resentment, and deserving of punishment, the natural consequence of resentment.

Smith makes the claim that "the rules of justice are the only rules of morality which are precise and accurate" (*ibid.*, p. 327). "The principles upon which those rules either are, or ought to be founded, are the subject of a particular science, of all the sciences by far the most important, but hitherto, perhaps the least cultivated, that of natural jurisprudence" (*ibid.*, p. 218). These rules of justice are indispensable. Mere justice may be upon most specific occasions, a negative virtue which "only hinders us from hurting our neighbor" (*ibid.*, p. 82). Yet the system of justice, is "the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society...must in a moment crumble to atoms" (*ibid.*, p. 86). Smith here can be interpreted as responding to Montesquieu's assertion that a republic must rest on political "virtue" (meaning love of the homeland, love of equality) and that a monarchy must rest on honor (1989, Book 3). Smith says no, in general, all societies must simply rest upon justice alone.

Smith then makes a crucial theoretical move. He claims that there is a "remarkable distinction between justice and all the other social vir-

4. This is reminiscent of Aristotle's doctrine of the mean (1962, II.5-II.9, and III.6 to the end of Book V).

tues...that force may, with the utmost propriety, and with the approbation of all mankind, be made use of to constraint us to observe the rules of the one [justice], but not to follow the precepts of the other [all other virtues]" (ibid., p. 80). Who first made this distinction? Smith writes that it was made "of late...by an author of very great and original genius" (ibid., p. 80). Some think Smith is referring to Hume. The editors of the Glasgow edition of *TMS* think it was Lord Kames, although they puzzle how anyone, even Adam Smith, could call Kames "an author of very great and original genius" (ibid., p. 80 fn. 1). Recent work by Knud Haakonsen suggests that the distinction was originally made by the Prussian jurist Samuel von Cocceji (1679-1755).⁵ Haakonsen argues that Cocceji's work "is the basis for Smith's sharp distinction between legal justice and the rest of morals. He [Smith] maintains that justice is a necessary and, in extreme (presumably temporary) circumstances, a sufficient condition for civil society" (1996, p. 146).

Smith's handling of justice shows why there is no just price for Smith.⁶ Smith's narrow definition of justice means there can be no just price in the sense of a price set or administered by the government. Smith wants to reserve the idea of justice to objects of resentment which impartial spectators feel should indeed be punished if violated. This ethical position allows for market or flexible or negotiated prices. For Smith, people have a right to justice; they have a right to not be injured. Yet, they do not have a right to charity or generosity. They do not have a right to purchase anything at a given set price. As opposed to e.g. Aristotle, justice does not call for the fixing or administering of prices (Aristotle, 1962, 5.5). Smith's narrow conception of justice removes market prices from the compass of government control or responsibility, at least insofar as government is enforcing justice.⁷ His conception of justice opens up the space for commercial society, and fluctuating market prices. Prices are the product of exchange, of higgling, of bartering, of voluntary, legitimate

5. See Haakonssen 1996, ch. 4.2-4.3. This appears to be the first study published in English on the relationship between Smith and Cocceji. In *The Lectures on Jurisprudence* Smith is recorded as saying that many of Cocceji's works "are very ingenious and distinct, especially those which treat of laws" (Smith 1978, p. 398).

6. Although Smith may with some justice be called "the last scholastic." On the relationship between the scholastics and Smith see Lapidus 1986, "Première Partie."

7. In general, Smith is trying to free himself from the terminology of commutative and distributive justice (see Smith 1976a, pp. 269-70). In practice, Smith did not totally ignore the concerns of what others called distributive justice (Young and Gordon 1996). Young and Gordon interpret Smith as continuing and developing the natural law tradition from Aquinas to Hutcheson (see, for example, Young and Gordon 1992).

actions; they are outside of the domain of justice. Hence, there can be no just price for Smith.

There are two caveats to the above. Government can set prices or control prices, as with the prohibition of usury. Yet, here the government acts in the name of what Smith calls police, or economic policy. Hence, for example, usury rates could be prohibited in the name of economic policy to promote economic goals; which Smith advocated. Yet, for Smith, they would not be prohibited in the name of justice.⁸

However, I think the problem for Smith is more complicated than the above implies. Consider times of scarcity, famine, skyrocketing food prices, starvation. Would the common people have a right to food at maximum food prices, i.e., at a food price ceiling? Smith's silence on this issue seems to mean no, you cannot force someone to sell food at a certain rate. High food prices cannot be the proper objects of resentment. Yet, in fact, people have been known to get resentful at high food prices. E. P. Thompson, for example, in his articles on the moral economy of the English crowd in the eighteenth century (1993) argues that the crowds were defending what they considered to be traditional rights and customs. They were upset, they "resented" the high food prices which came with famines. This "moral economy of the poor" (*ibid.*, p. 188) legitimated political arguments, fights against high famine prices, and actual punishment for those who charged unduly high prices.

Thompson claims that Adam Smith's economy "entailed a de-moralising of the theory of trade and consumption" (*ibid.*, p. 201). Thompson is basically correct, but the culprit is not Smith's economy so much as it is Smith's ethics and jurisprudence. Smith's theory of justice restricts government actions in the name of justice to objects of resentment, and Smith's silence suggests that he thinks high famine prices are not the proper objects of resentment. Nevertheless, empirically, high prices were no doubt an object of resentment for large segments of the poor, as Thompson documents. A conundrum presents itself: where is the impartial spectator to adjudicate these various claims to proper resentment? Who is correct: Adam Smith's lack of resentment at high famine food prices, or the resentment of the protesting crowds? The answer is not clear.

Again, note that by Adam Smith's system, the government could set maximum food prices in the name of police, or economic policy, but not

8. Smith argued in favor of the prohibition of usury on the grounds that it would discourage projectors and the misallocation of scarce resources. See Pack 1991 pp. 55-6; see also Levy's interpretation (1987).

in the name of justice. Indeed, Adam Smith argues against this course of action in his "Digression concerning the Corn Trade and Corn Laws" (1976b, IV.v.b). Now, it may be that Smith's economics, or "police" is faulty. It could be that in times of famine high prices impoverish the poor, they spend all their money, sell all their liquidable assets and then die needlessly (Sen 1981, pp. 161-2). At one point Thompson makes that argument, says that "riot and the threat of riot may have staved off starvation" and argues, only partly in jest, that the best things affluent countries "can do to help the hungry nations is to send them experts in the promotion of riot" (1993, p. 302). Here Thompson (following Sen) employs an argument for maximum food prices in the name of "police," economic policy. This is not an argument embedded in the terrain of justice.

III. PRUDENCE AND SELF-INTEREST AS VIRTUES

Consider now Smith's handling of prudence and self-interest. In response partly to the overly ascetic doctrines put forth by Mandeville (1976a, p. 313), Smith holds that "we love ourselves surely for our own sakes" (ibid., p. 171). For Smith self-love may frequently be the motive of virtuous action. In fact, even a tradesman "who does not bestir himself to get what they call an extraordinary job" is called poor-spirited (ibid., p. 173). Moreover, "carelessness and want of economy are universally disapproved of...from a want of the proper attention to the objects of self-interest" (1976a, p. 304). A person should take proper care of his health, life and fortune. People must not act only from benevolence in trying to help others. They must also take care of themselves. This is called prudence; prudence is a virtue.

For Smith, "the care of the health, of the fortune, of the rank and reputation of the individual, the objects upon which his comfort and happiness in this life are supposed principally to depend, is considered as the proper business of that virtue which is commonly called Prudence" (ibid., p. 213). Again: "Regard to our own private happiness and interest, too, appear upon many occasions very laudable principles of action. The habits of economy, industry, discretion, attention, and application of thought...are very praise-worthy qualities" (ibid., p. 304).

An important aspect of prudence is self command. Various facets of self command may also be distinct virtues in their own right. For example, "in the command of those appetites of the body consists that virtue which is properly called temperance...to confine them within those limits, which grace, which propriety, which delicacy, and modesty, require, is the office of temperance" (ibid., p. 28). The virtue prudence

consists primarily of the union of superior reasoning and self command. "The qualities most useful to ourselves are, first of all, superior reason and understanding, by which we are capable of discerning the remote consequences of all our actions, and of foreseeing the advantage or detriment which is likely to result from them; and secondly, 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. In the union of those two qualities consists the virtue of prudence, of all the virtues that which is most useful to the individual" (*ibid.*, p. 189). Superior reason and understanding "are originally approved of as just and right and accurate" (*ibid.*, p. 181). We feel they are right and accurate; they appear to be right and accurate. Of course, that does not mean that they are.⁹

Mere imprudence is a vice; it is "the mere want of the capacity to take care of one's-self" (*ibid.*, p. 216). As always for Smith, we disapprove of vice, and approve of virtue. "In our approbation of the character of the prudent man, we feel, with peculiar complacency, the security which he must enjoy while he walks under the safeguard of that sedate and deliberate virtue" (*ibid.*, p. 264). Prudence may even stimulate more than approval; it may excite admiration. In the "practice of frugality, industry, and application though directed to no other purpose than the acquisition of fortune," Smith holds, "we not only approve, therefore, but in some measure admire his conduct, and think it worthy of a considerable degree of applause" (*ibid.*, p. 190).

Smith holds to a hierarchy of virtues. While beneficence is "the supreme virtue," mere prudence also is a virtue. Prudence "when directed merely to the care of the health, of the fortune, and of the rank and reputation of the individual, though it is regarded as a most respectable and even, in some degree, as an amiable and agreeable quality, yet it never is considered as one, either of the most endearing, or of the most ennobling of the virtues. It commands a certain cold esteem" (*ibid.*, p. 216). Nonetheless, prudence is a virtue. Its vice counterpart, imprudence, when combined with other vices, makes a person hateful, contemptible and vile (*ibid.*, p. 217). Prudence itself, when combined with other virtues is called superior prudence: "Wise and judicious conduct, when directed to great and nobler purposes than the care of the health,

9. See Griswold 1991, 1996 for excellent discussions of Smith's scepticism. Griswold claims that "in theorizing about ethics Smith *enacts* Scepticism. He may therefore be interpreted as following out Hume's Sceptical program to its limit, and perhaps as doing so more consistently than Hume did" (Griswold 1991, p. 228).

the fortune, the rank and reputation of the individual, is frequently and very properly called prudence. We talk of the prudence of the great general, of the great statesman, of the great legislator.... It 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 Academic or Peripatetic sage" (ibid., p. 216).

Smith's insistence on prudence being a virtue sanctifies self-interest with the appellation of virtuousness. Smith presents a worldly philosophy which okays, approves, encourages, legitimizes a certain degree of self-interest. His sanctification of self-interest and self-love is compatible with commercial society. For Smith, in commercial society everyone is to some degree a merchant: making deals, bargaining, trucking, persuading, pursuing their self-interests and attempting to take care of their worldly material needs. Smith's understanding of prudence as a virtue provides a virtuous underpinning to the logic of acquisitive, self-interested commercial society.

IV. AVARICE, AMBITION, AND COMMERCIAL SOCIETY

This virtuous underpinning is strengthened by Smith's relative inattention to a problem which concerned Aristotle: the ability of money making to become an end in itself. Let us now consider the passions of avarice and ambition. Smith defines ambition as follows: "Those great objects of self-interest, of which the loss or acquisition quite changes the rank of the person, are the objects of the passion properly called ambition; a passion, which when it keeps within the bounds of prudence and justice is always admired in the world" (ibid., p. 173). Reasonable ambition is admirable. For Smith, the passion avarice is simply petty ambition: "objects of avarice and ambition differ only in their greatness. A miser is as furious about a halfpenny, as a man of ambition about the conquest of a kingdom" (ibid., p. 174). According to Smith, ambition tends to over-rate the difference between a private and a public station in life. Avarice tends to over-rate the difference between poverty and riches. Both are or can become "extravagant passions." Both are a great source of "the misery and disorders of human life" (ibid., p. 149). Nonetheless, Smith nowhere dwells upon the problems caused by these passions.

This lack of concern is particularly noteworthy with regard to avarice. Aristotle (who was a major influence on Smith's ideas about the virtues) was concerned that in a commercialized, monetarized society the pursuit of money would tend to become an all-consuming passion. The use of money to make money, the fact that people could make a profit from the buying and selling of commodities, would become a goal and end in itself.

For Aristotle, the use of money to make more money knows no limit; this mode of acquisition tends to become an all-consuming passion (Pack 1985).¹⁰

Aristotle's fear that commercial society would unleash the passions of avarice and greed is nowhere addressed by Smith. At one point Smith does say about the miser (versus the person of exact economy and assiduity), "The one is anxious about small matters for their own sake; the other attends to them only in consequence of the scheme of life which he has laid down for himself" (1976a, p. 173). The fear that commercial society may induce this miserliness, the spectre of Dickens' Scrooge who becomes concerned only with his own greed (1991) is a nonissue for Smith.¹¹ His silence is significant.

V. VIRTUES AND THE ADAM SMITH PROBLEM

Smith's handling of the virtues justice and prudence, and his relative neglect of avarice and of the Aristotelean argument that the use of money to make money unduly encourages the passion of avarice, gives moral support and justification to acquisitive commercial society. It gives space for flexible, market or negotiated prices outside of his narrow conception of justice based upon proper resentment; it encourages and legitimates the pursuit of self-interest in society through virtuous prudence; and it ignores possible moral problems due to avarice encouraged by commercial society. In these senses, not only is there no "radical inconsistency between *TMS* and *WN*" (Raphael and Macfie 1976, pp. 24-5), the doctrines put forth in *TMS* provide an ethical defense for the commercial society discussed in *WN*.

Nonetheless, in some fundamental ways, this is only a partial resolution of "the Adam Smith problem." The editors of the Glasgow edition of *TMS* are not quite correct when they say that the Adam Smith problem is a "pseudo-problem based on ignorance and misunderstanding" (*ibid.*, p. 20). There do seem to be real differences in the feel and texture of these two works. These differences include but are not limited to differ-

10. See also Lowry 1987, chapter VIII and Lewis 1978.

11. As it is with Smith's great friend David Hume. For Hume, avarice does not seem to be much of a societal problem, does not seem to be related to commercial society in any particular way, and should probably be treated more with humor than with gravity. See his essay "Of Avarice" (Hume 1987).

ences in writing style (Kleer 1993; Brown 1994)¹² and differences in references to a Divine Being (Viner 1928; Minowitz 1993).

One critical source of these differences is the subject matter of the two books. For the most part, *TMS* is ahistorical: it deals with moral sentiments which arise out of the general nature of humans. Moreover, for the most part, society is not split into social classes over issues concerning our moral sentiments. On the other hand, for the most part, *WN* is historically specific. As is clear from Smith's *Lectures on Jurisprudence*, Smith was keenly aware that commercial society grew up at a certain point in time. Moreover, society is split up into social classes with diverse, often opposing interests. Two results follow from this.

For the most part, in dealing with aspects of humans which are ahistorical, which do not change with history, Smith will talk about "the great Director of Nature," "the final cause," "the Author of Nature," "the divine Being," etc. These are basically synonyms used by Smith to denote the origins of human "hardware," or structures of the human being which are historically invariant (Smith wrote before the ages of computers or French structuralism). This is why readers will find these terms in *TMS*, with the significant exception of Part V, "Of the Influence of Custom and Fashion Upon the Sentiments of Moral Approbation and Disapprobation." It is also why these terms are largely absent in *WN*. These terms generally do not appear in areas of Smith's texts dealing with historically specific human attributes.

Regarding writing style, Smith held that if confronting a friendly audience, one should use what he called an Aristotelian style. Begin with a proposition and set it out roundly before the audience. Affirm the things you are to prove boldly at the beginning since the audience is already inclined to agree with your conclusions (Smith 1983, Lecture 24). This seems to be the writing style of *TMS*. Smith anticipated no large, organized, class-based or otherwise opposition to his theory of moral sentiments. Hence, he seems to have used this kind of harsh, unmannerly, direct approach.

The writing style of *WN* generally seems quite different. Smith held that if confronting an unfavorable audience, one should use what he called a Socratic style. Do not shock the audience by rudely affirming what they

12. Brown argues that *TMS* is a dialogical text whereas *WN* is monologic due to the differences in the subject matter: *TMS* being a moral text, whereas *WN* is an amoral text. See Kleer's (1993) cogent critique of Brown's position, and his emphasis that the difference in writing styles between the two texts seems to have more to do with problems of persuasion.

will find disagreeable. No, conceal your design, begin at a distance, bring them slowly to the main point. This way your audience will gradually agree to your various positions and gently, eventually arrive at your ultimate conclusion (ibid.). Smith felt he was making a "very violent attack...upon the whole commercial system of Great Britain" (Smith 1977, Letter 208, p. 251). He knew he had a potentially large unfavourable audience. He expected his book to be controversial. For these reasons, he seems to have used what he called the Socratic style. The style of *WN* is generally smooth and flowing; it reads quite differently from *TMS*.

With the publication of the student lecture notes on Smith's jurisprudence class, it is now easy to see that *TMS* and *WN* were parts of one big system. The *TMS* ends with the promise to continue Smith's discourse onto justice and jurisprudence. The latter part of the *Lectures on Jurisprudence* deals with the police, or economic policy of commercial societies; i.e., it deals with the subject matter of *WN*. It is often regretted that Smith was not able to, or did not have the time to complete his theoretical system, linking up *TMS* and *WN*.¹³

I think the hypothesis needs to be entertained that a part of Smith perhaps did not want the two books tightly linked up. Certainly, if that was a driving concern of Smith, then he would not have spent the last years of his life working in the government's tax department.¹⁴ He warned against "the man of system" (1976a, pp. 233-4).¹⁵ Yet, what was Smith himself, but a man of two systems? There was the system of "natural liberty" and economics proposed in *WN*, and the system of moral sentiments based on sympathy in *TMS*. Smith could have linked them up, no doubt through working out of the concept of resentment, and the development of the family, private property and the state through the course of human history. But for what end? A system too tightly linked up, too bound together becomes unstable, fragile. Take out, discredit, destroy one piece and it may all fall apart.

Perhaps a part of Smith felt it would be better to leave his two systems apart. Let each stand alone; let neither support each other in one magnificent grand system, nor come to rely upon each other for their own internal validity. If this is the case, then the Adam Smith problem will always

13. See for example Ross 1995, p. 414.

14. Smith received his Commissionership of Customs and Commissionership of Salt Duties January, 1778 (the appointment was probably made November 1777 (Rae 1965, p. 321)). The last board meeting Smith attended was April 9, 1790 (Ross 1995, p. 403); he died July 17, 1790.

15. Smith apparently criticized Boswell for "acting upon system." See Viner 1965, pp. 32-3.

remain, or rather it can be only partially resolved. Moreover, it was a problem which Smith himself to a certain extent decided to create. The subject matter of the two books was quite different. The anticipated audience reaction to the two books was quite different. One tight system can become unstable and too easily overthrown; why bind them together into a magnificent synthesis? Why have too much scholarly ambition? "Examine the records of history, recollect what has happened within the circle of your own experience, consider with attention what has been the conduct of almost all the greatly unfortunate, either in private or public life, whom you may have either read of, or heard of, or remember; and you will find that the misfortunes of by far the greater part of them have arisen from their not knowing when they were well, when it was proper for them to sit still and to be contented" (*ibid.*, p. 150). It may be that Smith himself knew when to stop.

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