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Positive Endogenous Ethics: Smith's Unique Contribution to Moral Analysis

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Abstract

There are two elements which make Smith's ethics unique as well as more universal in nature. The first is that it is a positive theory of ethics in the sense that it is not about what is intrinsically good or just as it is about the way in which people form their opinion about it. The second is that it is embedded in social context in the sense that what lies behind the way in which people form their moral opinion is socially dependent as well as related to the way in which people behave. From an exegetic point of view, this also helps in explaining the dissonance that may exist between Smith's own views about morals and what he observes as the contemporary prevailing view. Applying this to his economic analysis will yield surprising conclusions which may explain why the Wealth of Nations cannot be seen as a moral advocacy of natural liberty.

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1. Introduction

Ethics, of course, is quintessentially *normative.* It is, after all, about that which constitutes the good, or the just. These concepts may be the result of belief, reason or observations about what people consider them to be, but in the end, that which is deemed to be good or just, is always universal and invariant in time and space.[1] This approach makes ethics not only normative but also *exogenous.* What I mean by this is that those invariant ideas of what is good or just serve as an external yardstick against which one can evaluate or judge whatever there is, wherever it is, and whenever. While this may appear obvious for anyone steeped in the history of ethics, it is somewhat perplexing if one thinks more carefully about it and in a broader social context. Any ethical principle

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[1] While it may be obvious for theories based on beliefs and reason to aspire universality, it is also true to those based on observations. For instance, Aristotle derives the notion of virtue—the good in his analysis—from what he observes about people, namely, moderation. However, he does not make this moderation relative and that which reflects moderation is believed to be universal and invariant. Equally, Hutcheson's (2002) moral sense—a more emotive source of ethics—also leads to a universal ethics that is based on benevolence. Even in the more recent language-based approach of Hare (1952), which appeared to be emotive, there lies a universal imperative element. See, for instance, Hancock 1963.

that does not become, or is not derived from, a social norm is, to a great extent, at most, uninteresting. Social norms, on the other hand, are very much dependent on social circumstances. Unlike the world of nature where the atoms are not sensitive to that which explains, or evaluates, their behaviour, the social world is always reflexive. This means, among other things, that one would expect a greater interaction between what one may call social circumstances and ethics. But in spite of this, social reality, with all its changes, is still measured against invariant notions of good and just, and does not seem to be either influenced by, or have any influence on, the way in which these concepts are formed or what they mean.

In this article I argue that Smith's ethics offered us a theory of ethics with a very clear interaction between circumstances and the contents of morality. Indeed, he offered a theory which is both positive and endogenous. While such a conception of ethics should have been seen as more naturally entwined with the breakthrough of the Enlightenment, this is not really what happened in either ethics or in the scholarship surrounding Smith's own works. I will begin by exploring a bit further the notion of positive and endogenous ethics and how it may relate to the way we understand Smith. I shall then examine Smith's general methodology from which I will derive a connecting thread that unites the various aspects of his social theory and in this way, makes them all dependent on each other. I will then explore specifically how human character and social circumstances interact to yield a theory of ethics where the values of the good are neither universal nor invariant. This, in turn, can explain how morality can be corrupted—beyond the deception by nature—and how the way in which some tend to understand Smith's moral evaluation of the economic system could be seriously flawed. This should have also made Smith relevant for today's debates about the relationships between ethics and economics.

2. On Positive and Endogenous Ethics

Over the centuries we have had numerous different theories about the elusive universals and invariant concepts which supposedly comprise the normative and exogenous approach to ethics. This, perhaps, may be a clue as to why this may be a futile pursuit. It is, of course, true that there have also been numerous different theories about the physical world, the laws of which are far more likely to be considered as universal and invariable,[2] but there is a difference between groping towards an empirical truth within a logically stable environment and searching for an invariant social norm given that society is constantly changing and may also be affected by that which is conceived to be good or just. In other words, in the physical world we have means other than belief by which to seek a truth value regarding the physical world, but the value of truth plays no role in a normative theory unless we ask the question of whether people have indeed adopted that which one believes is universally good or just. Thus, when we have competing claims about that which constitutes the universal and invariant notion of the good or the just, we only make claims about that which ought to constitute these values but there seems to be no mechanism, other than personal preferences and be-

[2] Ignoring here the relativity that is introduced via quantum physics and focusing on what may be true of earth.

liefs, to allow for a meaningful process of selection. Without such a process, ethics is guaranteed not to have any meaningful universal or invariant value.

One must admit, however, that there is a certain parody in this search for universal and invariant ideas when we know from the start that they will never be universally or invariantly shared. How can one possibly be serious about the universality of one's notion of justice when one is fully aware that there are many who would not accept it? What is a meaning of an "ought" statement that is not universally shared even if the one who proposes it would like it to be universally true? For a statement like "A ought to do (or not do) X to B" to be universal and invariant, it is not enough that someone thinks that it should be universally applied. It will only be universal if all those who could be in the position of A or B would accept the logic behind it in the sense that they too would think that they ought to do so.[3] But given the multitude of approaches, this statement will always only be accepted by some people. Others may altogether deny its logical validity. For instance, a statement like "human life is sacred" ("A ought never to take B's life") may have different meanings if it stems from a humanist position or a religious one. The humanist may argue this to be the case, for instance, in a somewhat Rawlsian manner, because no individual, behind a veil of ignorance, would ever wish to allow his or her life to be jeopardised regardless of circumstances. But for a religious person, the reason why one ought not to take anyone else's life is because God decreed as much (when this is indeed the case). This means that unlike the humanist for whom human life would be the most cherished ethical value, for the religious person there could be circumstances where this may not hold when the question of whether serving or offending the deity may justify the violation of life's sanctity. In the humanist case it would be human life which is the universal and invariant value; and in the religious perspective it would be the deity which is the universal and invariant value, not human life. However, despite the universal significance of human life for the humanist, given that 77.1 % of humans believe in God,[4] the sanctity of human life as a universal and invariant value cannot be upheld.

Equally, in spite of the dominant liberal desire for the value of freedom to be universal and invariant, and its unparalleled public exposure, people remain divided on whether freedom or equality matter more.[5] Around 57 % believe that freedom matters more than equality and 43 % believe the opposite. Would one not expect a convergence into a more or less clear value system in a world that is so connected as the current one is? Clearly, freedom as a morally universal and invariant good is not universally shared nor is equality as a morally universal good (or justice) universally shared.

3 Namely, that given their set of initial values or preferences, this statement can logically be derived from it.

4 World Values Survey (WVS) 2017–2022 all countries excluding "don't know" and "not available" (Haerpfer *et al*. 2022) 65.7 % think that God is important (calculated on a scale from not important (1) to very important (10), *i. e.*, those who answered between 6–10). In the developed world the number of believers is 60.8 % (44.3 % important) which means that even economically advances societies still do not have a common base from which to derive principles which would be sufficiently universal and invariant.

5 Clearly, I am not referring here to equality before the law, which is part and parcel of classical liberalism, but rather to the question of equality of outcome (of material wellbeing). Evidently, such equality also means violation of individual freedom. The following data is derived from the WVS 2017–2022 (Haerpfer *et al.* 2022).

Even if we wish to include both concepts into one framework, clearly there will be a difference in their ranking in the system according to what individuals consider as more important. These diverging opinions demonstrate that such values are by no stretch of imagination invariant.

The alternative to this *exogenous normative* approach would be to turn ethics into a *positive and endogenous* theory. Namely, a theory that is more engaged with how values emerge spontaneously and how they interact with the objects of their assessment. It is a *positive* theory because it would be describing the "is" side of how the actual "ought" is being formed and thus, somewhat circumventing Hume's famous and very misleading edict.[6] And it is *endogenous* because it allows social circumstances to influence not only the way in which values—social norms—emerge but also the contents of those values. Inevitably, this will make ethics *relative* in time and space.[7] In turn, this will allow to better understand the persistence of social structures and the interactions between social developments and the conceptualisation of that which is good or just. It may even help to understand why beliefs can become the origin of a society's conception of what they believe to be universal and invariant moral values.

This is particularly relevant since the Enlightenment. One of the main concerns for many social scientists since then has been focused on finding a natural order; how can individualistic behaviour, on the one hand, lead to a compatible social outcome where everyone's reasoned expectations from society are fulfilled, on the other. Given the reflexive nature of the atoms of society, an order cannot only be defined in terms of its ability to fulfil reasoned expectations of individuals. If individuals are social beings, they will have a moral opinion about the way in which such expectations have been fulfilled. Elsewhere I called this the question of diachronic order.[8] Namely, a system can be considered an order only when the way in which the order is achieved is consistent with what people consider to be morally acceptable.

Perhaps the most obvious expression of the need for ethics to become endogenous is Mandeville's ([1714] 1988) paradox according to which private vice produces public good. This is logically only possible if ethics is exogenous. In an endogenous approach, if the public values material wellbeing, then the behaviour that is necessary to produce it cannot be considered a vice. Alternatively, if the behaviour necessary for the production of material wellbeing is a vice, so must be, by necessity, material wellbeing. Many scholars would like to think that Smith has resolved Mandeville's

6 Hume's claim is that one must be careful not to derive an "ought" statement from an "is" statement. It is discussed in Hume ([1747]1969), book III, part I, section 1.

7 To some extent, the seeds of such an approach already exist in ethics. For instance, in Plato, the distinction between substance and appearance opens the gate to a distinction between those aspects of ethics which are universal and invariant (the substance) and appearances which could well be quite variable and dependent on circumstances. Plato was clearly not interested in appearances but one could say that the relationship between substance and appearances could form the positive aspect of ethics. Equally, in Aristotle, the fact that moderation (lying in mean) is the foundation of virtue and is derived from observation provides a possibility for a distinction between the universality of the principle of moderation and its different manifestations in different social circumstances. While it is, of course, true that neither Plato nor Aristotle were in pursuit of anything that is not universal and invariant in time and space, there was clearly an opportunity there to develop a more positive approach.

8 Witztum 2019.

paradox by deeming the behaviour that is necessary for material plenty to be self-interest rather than selfishness and that self-interested behaviour —the presumed vice behind the system—is actually morally acceptable (in the form of prudence). Thus, the problem seemed to have been resolved without any attempts at changing the universal, invariant and exogenous nature of ethics. But this cannot explain the numerous occasions in which Smith, the observer, is critical of both the value of material well-being and the nature of behaviour that would lead to its multiplication.[9]

In my view, one of the reasons that we find Smith's text both rich and, sometimes, confusing is that Smith was, perhaps, the first social theorist who offered a method of analysis which combines both evolutionary empiricism with deductive reasoning which led, among other things, to that which I call a positive endogenous theory of morals. This means that on the one hand, Smith did not shy away from the idea of universal premises upon which we can construct a theory. The most obvious candidates, though only apparent, are the principles of sympathy in the *Theory of Moral Sentiments* (TMS) and that of the tendency to barter and exchange in the *Wealth of Nations* (WN). Both books follow Smith's own rhetorical conceptions where he employs what he calls the Newtonian method.[10] On the other hand, while the principles are clearly universal, their content is not. For instance, our ability to sympathise—or feel as others would, had we been in their place—depends, to a great extent, on the context. Sentiments and experiences need to be familiar to the observer for him, or her, to be able to exercise sympathy. As Smith himself admits, with growing distance, our ability to sympathise diminishes.[11] But this distance does not have to be physical. It could easily be cultural or other social differences. The question that arises is what happens to individuals who naturally seek sympathy with others when the distance between them increases? But it is not only the distance which matters. It is also the character of the observer. As Smith clearly suggests, the character of the observer always interferes in the process of sympathy and inevitably affects the degree to which a person may feel sympathy with another.[12] Therefore, one's moral judgement becomes relative rather than absolute. This holds even before we start discussing both the deception by nature and the potential of conflating sympathy with utility (in the sense of the aesthetic of a system). As for the individual's tendency to barter and exchange, this too depends on the state of development of society. The origin of the tendency to barter and exchange

9 See, for instance, Viner 1927, Evensky 1987, Fleischacker 1999, Force 2003, Griswold 1999, and Young 1986 to name a few.

10 A scientific discourse, according to Smith, will most probably be of the "rhetorical" kind. This can either be Aristotelian or Newtonian. The latter suggests that at the beginning of the discourse, one sets the unifying principle of the entire inquiry (LRBL ii.121). See also a discussion of this in Witztum 1998. All of this means that the two theories have a single unifying underlying principle each.

11 See the whole of TMS VI.ii.1 and in particular how Smith describes the way nature recommends a person to one's care in a descending order from himself, to his family and then others (TMS VI.ii.1.1–4). Smith says then: "[People] soon cease to be of importance to one another; and, in a few generations, not only lose all care about one another, but all remembrance of their common origin" (TMS VI.ii.1.13).

12 TMS I.i.4.7.

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is, of course, the desire to be socially approved.[13] This, more than anything else, is bound to be dependent on the state of social development. Consequently, Smith offers a theory of ethics that can explain not only what the right sentiment should have been, *given the social circumstances*, but also how such sentiments can be corrupted to a degree that one attributes moral goodness to something s/he would not have done in different circumstances. The implications of this for the moral evaluation of the economic system of natural liberty (the one which is explored in the WN) are breathtaking.

3. The Methodology of Positive Endogenous Ethics

For Smith, moral philosophy was not much different from natural philosophy (what we would nowadays call natural sciences). "Philosophy," he claims in his *Essays on Philosophical Subjects* (EPS), "is the science of connecting principles of nature. […] [B]y representing the invisible chains which bind together all disjointed objects, [it] endeavour[s] to introduce order in this chaos […]" (EPS II.12). The important element hidden in this claim—about the connecting principles of nature—is the underlying belief in the unity of explanation. Such unity is important to establish the endogeneity of ethics as if that which governs our behaviour (and thus, social reality) and that which governs our moral opinions were connected, ethics and social reality become intertwined.

We can find evidence of Smith's commitment to the unity of explanation both in his direct discussions of methodology (in the unpublished accounts of the history of science) as well as in his method of exposition, or rhetoric. As far as the latter is concerned, we can see how in his published works (TMS and WN), he adopts that which he considered to be the more scientific form of exposition, *i. e.*, the Newtonian method. According to this method "we lay down one or a very few principles by which we explain the several rules or phenomena, connecting one with the other in a natural order" (LRBL ii.121). So, principles connect phenomena and philosophy, as we quoted above, connects those principles into one natural order. In the case of TMS the principle is sympathy or the tendency to feel as others would, had one been in their place, that serves as the unifying principle from which he derives an explanation of social and moral phenomena (or, his theory of social and moral behaviour and relationships). The principle behind WN is that of the tendency to truck, barter and exchange that lies behind the idea of the division of labour. But the unity of Smith's analysis is quick to emerge when we discover that there is something that connects these two principles. It seems that according to Smith, the tendency to truck, barter and exchange is also a derivative of sympathy. Namely, that which drives our social and moral system is actually the same thing that drives our economic interactions. Subsequently, our eco-

[13] "Though it is in order to supply the necessities and conveniences of the body, that the advantage of external fortune [material wealth] are originally recommended to us, yet we cannot live long in the world without perceiving that the respect of our equals, our credit and rank in the society we live in, depend very much upon the degree in which we possess […] those advantages. The desire of becoming the proper objects of *this* respect, of deserving and obtaining *this* credit and rank among our equals, is, perhaps, the strongest of all our desires […]"(TMS VI.i.3, italics added).

nomic interactions must bear some relations to the way in which we form moral opinion and to the nature of social relationships and thus, morality.

The direct evidence for unity in Smith's methodology can be derived from his historical account of various sciences. There are three illustrations of philosophical enquiries; a first in the "History of Astronomy" (EPS-HA), a second in the "History of Ancient Physics" (EPS-HAP), and a third in the "History of the Ancient Logics and Metaphysics" (EPS-HALM). In each one of them the first part is devoted to general remarks representing Smith's own views about the task of scientific inquiry. He then examines how it is reflected in the history of science. But it is in HA where Smith gives the more general introduction to the phenomenon of scientific inquiry as well as to the fundamentals of a scientific theory.

The motivation which Smith gives to the emergence of philosophical inquiry is the trinity of admiration, wonder and surprise (EPS-HA III.1). Wonder and surprise, of course, are quite perplexing for our imagination and leave us "bewildered" and "embarrassed." We thus seek a way to lead our mind back to an equilibrium where it is no longer perplexed or surprised. For this we would need a scientific theory that will have the following characteristics:

(a) It must have a principle which will *unify* all those apparently irregular phenomena.

(b) It must be a *simple system* that would put our *mind at ease.*

(c) It must be based on *familiar qualities.*[14]

It is evident that the first principle that emphasises the unity is really a necessary condition for the second one: a simple system that puts our mind at ease. But neither unity nor simplicity (and ease of mind) can be achieved without the most fundamental requirement that the theory will be based on familiar qualities identified in the complex multitudes of the subject of our investigation. While these general rules have been formulated in HA, the other two histories are necessary for a better understanding of the notion of familiar qualities. The search for familiar qualities in Astronomy, was, in Smith's view, a negligible part of "methodising the Heavens" as he believed that there were only few objects involved. Consequently, finding the familiar qualities was not a great challenge. But it becomes very complicated when one turns to "methodising the Earth" where, according to Smith, the number of objects and their complexity exceeds significantly those which are in the Heavens (EPS-HAP 1).

As both TMS and WN are an attempt at *methodising the earth*, the answer to the question of what is meant by familiar qualities will be found in HAP and HALM rather than in HA. Indeed, Smith gives an intriguing account of this question which I would like to quote at some length:

> In every body, therefore, whether simple or mixed, there were evidently two principles, whose combination constituted the whole nature of a particular body. The first was the Stuff, or subject matter, out of which it was made; the second was the Species, the Specific Essence, the Essential, or, as the schoolmen have called it, the substantial form of the Body. […] In every case therefore, Species or Universals, and not individual, are the object of Philosophy.

[14] These characteristics are put forward in EPS-HA I and II.

> […] As it was the business of Physics, or Natural Philosophy, to determine wherein consisted the Nature and Essence of every particular Species of things, in order to connect together all the different events that occur in the material world; so there were two other sciences, which, though they had originally arisen out of that system of Natural philosophy I have just been describing, were, however, apprehended to go before it, in the order in which knowledge of Nature ought to be communicated. The first of these, Metaphysics, considered the general nature of Universals […]. The second of these, Logics, was built upon this doctrine of Metaphysics […] (EPS-HALM 1).

The main addition here to what we know from HA is that in a complex world, to generate familiar qualities we need to distinguish—in a somewhat empiricist take on Plato—between what is common to all objects and what is particular. Metaphysics, for Smith, or the Theory of Universals, is a theory, the domain of which is not the matter itself but its *classification.* This does not mean that Smith was not an empiricist, as the universals here are not based on some a-priori notion. They are the result of observation. Indeed, even Hume asserts that: "I must distinguish in the imagination betwixt the principles which are permanent, irresistible, and universal; […]. And the principles that are changeable, weak and irregular" ([1740] 1969, 274).

From Smith's perspective, therefore, a scientific investigation of everything, and in particular, earthly matters, is conducted at two different levels. One is the level of the subject matter—the level of the nature of things—where the rules might be changing in time and space. The other is the level of the Universals, that familiar quality that is common to all the subject matter that is under investigation. In Smith's moral analysis the level of the subject matter is the level of the observed behaviour and opinions of human beings. Namely, it is people's actual moral opinion that, as we shall see further below, is based on their actual disposition to "sympathise." The Universal, however, the familiar quality that is common to all mankind in different degrees, is the disposition upon which sympathy is built: "How selfish soever man may be supposed, there are evidently some principles in his nature, which *interest him in the fortune of others*, and render their happiness necessary to him, though he derives nothing from it, except the *pleasure of seeing it*" (TMS I.i.1.1, italics added). Namely, everyone has an *interest in the others* and derives pleasure from harmony of sentiments—the universal—but how this interest translates into sympathy depends on one's character and circumstances. These may affect how much effort one is willing to put into trying to see the other from a true position of an "impartial spectator."[15] It may also explain why some may find forms of pleasures from harmony—like utility[16]—like like other than those derived from the harmony of sentiments.

The investigation of the universals' permanent rules constitutes what Smith called Metaphysics, or "nature of sentiments." In his account of Smith's life and writings (ALW), D. Stewart, who was helped by one of Smith's students, J. Millar, describes the convention of moral philosophy at that time: "The science of Ethics has been divided by modern writers into two parts; the one comprehending the theory of Morals, and the other its practical doctrines" (Stewart, in EPS-ALW II.1). The most explicit

[15] One's own interests always intrude and make it difficult to see things as an impartial spectator would (see, for instance, TMS I.i.4.5 – 7).

[16] I am referring here to Smith's notion of utility which has been explored elsewhere (Witztum and Young 2013), and to which we will come back further below.

expression of this in Smith is the distinction he draws between the interests of nature (of things) that may influence the practice of morality (through things like *the deception by nature*) and the nature of sentiments (Nature),[17] the universals. He writes: "man is by Nature directed to correct, in some measure, the distribution of things which [nature] herself would otherwise have made [….]. The industrious knave cultivates the soil; the indolent good man leaves it uncultivated. Who ought to reap the harvest? Who starves and who lives in plenty? The natural course of things decides in favour of the knave; the natural sentiments of mankind in favour of the man of virtue" (TMS III.5.9). Thus, it seems as if the distinction between theory and practice falls very well under the one just made; that is, the part of the moral system which is theory is the one that is at the level of "universals," the level of permanents,[18] while practice falls under the category of the changeable relations, the rules of matter.

Using this distinction, we can now delve deeper into Smith's conceptual set-up and organise it accordingly. First of all, we find in Smith's theory a universal—common to all people—in the form of an *interest in others* and the pleasure of harmony. This universal which is in the form of a capacity has an immediate corollary in the form of another universal expressed as a motive: to be socially approved.[19] Now, these universals generate two related principles. The first is the principle of "sympathy," which is the tendency individuals have—through the eyes of an impartial spectator—to put themselves in the place of another and *find harmony of sentiments*, *i. e.* the origin of their moral (and, thus, social) approval. The second is the propensity "to truck, barter and exchange," which itself is the result of the wish to acquire social approbation through a sense of agreement—harmony of sentiments or opinions—which also lies at the heart of sympathy. "We cannot imagine," writes Smith about the division of labour, "[for it] to be an effect of human prudence" (LJ(B), 218). Nor is it, according to Smith, because of the differences in people's abilities: "This disposition to barter," he claims, "is by no means founded upon different genius and talents" (LJ(B), 220). Instead, "[t]he real foundation of it is that principle to persuade" (LJ(B), 221). From an early age, Smith tells us, humans have always felt a need to persuade and make other people think or feel like them, or with them. In other words, it is, again, a search for harmony of sentiments.

17 Some believe that nature, in Smith, is a reference to God (see Waterman 2002 and Kennedy 2011 on Smith's theology). But even if this is so, God here represents that which is derived from the universal.

18 I will show later that even the universal in Smith is not permanent and invariant, as the judgement of the impartial spectator depends on the circumstances of society.

19 "[W]hat are the advantages which we propose by that great purpose of human life which we call bettering our condition? To be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation, are all the advantages which we can propose to derive from it" (TMS I.iii.2.1).

4. Relativity of Ethics I: The Influence of Human Character

4.1 Sympathy and Human Character

The interest which we have in the others as expressed through sentiments, in Smith's analysis, is the tendency to identify with the sentiments of the other. "That we often derive sorrow from the sorrow of others, is a matter of fact too obvious to require any instances to prove it" (TMS I.i.1.1). But "[a]s we have no immediate experience of what other men feel" (TMS I.i.1.2), we do so by an imaginary change of places with the person we observe. We consider ourselves in his position and we try to experience through our own senses what he might be feeling. We find harmony, which is pleasing, if our sentiments coincide, and dissonance, if they do not (TMS I.i.2.1). As sympathy works both ways, it means that when we experience sorrow or joy, the knowledge that others may share those feelings with us ameliorates the pains of sorrow and enhances the pleasure of joy.

It is this mutual fellow-feeling that we all have a natural tendency to feel which is the origin of both our moral judgement and socialisation. We always want to behave in a way that will be morally approved by others,[20] and we find what this means by observing them. In other words, we seek to behave in a way that will make other people sympathise (and feel a harmony of sentiments) with us, and we will try not to do things that will create dissonance in our observers. Equally, we approve of others according to those things which invoke our sympathy and disapprove of those which do not. We would adopt as norms behaviours which *habitually* generate sympathy and avoid those which *habitually* do not.

However, the effects of harmony (or dissonance) that are felt by the person who observes depend, to a great extent, on that person's own natural constitution. "That imaginary change of situation […] is but momentary. The thought of their [the observers'] own safety […] continually intrudes itself upon them" (TMS I.i.4.7). That is to say that a person's experience of the imaginary process is entirely dependent on *his own* character and disposition. In particular, it depends on his disposition towards (or interest in) the fortunes of the other. Hence, whether or not the harmony—in the sense of coincidence—we discover with the sentiments of another is agreeable to us depends on the nature of these sentiments as well as on our own disposition towards the fact that the other is experiencing them. For instance, whether or not we feel harmonious with the other's sorrow or joy depends on the existence, or absence, of envy. "If there is any envy in the case […,] our propensity to sympathise with sorrow must be very strong, and our inclination to sympathise with joy very weak" (TMS I.iii.1.4).

So, how does it all affect the final moral judgement? We must begin by a slight decomposition of sympathy. Sympathy means, first of all, to feel as others had we been in their place. Thus, if we observe a person experiencing a certain sentiment, the first element in the process of sympathy is whether we would have felt the same had we been in place of the subject of approbation. This stage seems independent of the nature of the sentiment in question. Namely, we simply ask whether the sentiments that were invoked in the observed person (say, by an action of a third party) are such that we

[20] TMS III.2.1, TMS III.2.6, and many other occasions.

would have felt the same had we been subjected to the same action. If the answer is yes, we experience what I call, technical harmony. If the answer is no, we experience technical dissonance.

However, the reason why I said that even technical harmony only seems to be independent of one's character and disposition is that I have not yet included the story of the impartial spectator. Smith claims that the process of sympathy is entirely based not only on whether we feel directly that we would have felt the same as the subject of approbation, but also on whether we have used *reason* to ask ourselves whether anyone in this position would have felt the same.[21] The reason I called it technical harmony is because it is supposed to be independent of the character of the observer. But to achieve this, the observer must have sufficient interest to rise above his own sentiments and to engage in the analytical exercise that is the impartial spectator.

Thus, the relativity of the process—and hence, moral judgement—depends here on both the tendency of the individual to rise above his own actual interest in the other as well as on whether an impartial spectator would approve of the sentiment. The latter depends on whether the impartial spectator would have approved of the action that led to the sentiments in the subject of approbation. This, in turn, depends on whether the choice of the action—by the third party—was reasonable.[22] But this, however, depends on social circumstances and may change in time and place. As the sentiments felt by the person who had been acted upon must be familiar to the observer, it means that some feelings may not be so. For instance, Smith gives an example that in a world where private property only began, the sentiments felt by someone who was robbed is unlikely to be familiar and would therefore not be approved by an impartial spectator. This means that even the universal does not lead to an invariant morality.[23]

The second element is the nature of the sentiment in question. If in the subject of approbation, the feelings that were invoked were pleasant, they will invoke a pleasure of harmony within us if we experience technical harmony. If the feelings are unpleasant, the fact that we would have felt the same (technical harmony) would invoke an equal unpleasantness in us. Thus, though in both cases we felt technical harmony, only in the former case will we morally approve of the sentiments felt by the person who had been acted upon. However, as we said, whether or not technical harmony of something that is pleasant to the observed person will invoke a pleasant feeling in us depends on our disposition in the sense of the nature of interest we have in the other.

I discussed the case of envy, but I can generalise this a bit further. In Smith's discussion of the human character, he distinguishes between own-regarding and other-regarding faculties. Leaving aside the question of consistent human character, we note

21 What I mean by reason is that the answer to the question of whether one feels as the subject of approbation is based on whether an impartial spectator would feel the same. This point is made particularly clear in the analysis of merit or demerit in TMS II.i.

22 The idea of the "impartial spectator" seems to resemble the Kantian notion of the "Universal test" (see Kant [1785] 1964, 88). Kant also explicitly uses an idea of the "impartial spectator" in his Reflection on Anthropology. There, however, he describes the "impartial spectator" as the observer who views things from the point of view of society without giving any account of *how* this spectator formulates society's point of view.

23 LJ(A), 33.

that in the other-regarding dimension he identifies three general categories.[24] We may either wish to benefit the others (benevolence), harm them (malevolence), or intend nothing specific to them (self-interest).[25] It is very likely that the way the observer views the sentiments felt by the subject of approbation will be a function of his, or her, disposition towards the other. In more direct reference to what is in the text, a benevolent person is unlikely to feel envious. Other types may well feel envy. Moreover, a benevolent person is more likely to engage in trying to establish the position of an impartial spectator, while persons who, for instance, may be self-interested in the sense that they have a very limited interest in others beyond wishing their approval may find exploring the position of the impartial spectator too arduous. As I will show soon, such people may not judge by sympathy at all, and yet they are part of Smith's theory of how ethics is practised. Clearly, Smith the observer would not approve of such deviation and believes that only good conscience would keep us from deviating. But as I will show in the next section, there are stronger forces at play. Society may deviate from what conscience dictates for a long time.

Altogether then, the following picture emerges regarding moral judgement that is based on sympathy and is subject to forces that make it relative:

		Effects of the Other's Experience as Perceived from the Point of View of the Observer	
Result of the Imaginary Change of Places		Pleasant (Subjective)	Unpleasant (Subjective)
	Technical Harmony (Impartial Spectator)	Moral Approbation (Harmony)	Moral Disapproval (Dissonance)
	Technical Dissonance (Impartial Spectator)	Moral Disapproval (Dissonance)	Moral Approbation (Harmony)

Figure 1: Character, Sympathy, and Moral Judgement.

If we feel that we would have felt the same as the subject of approbation had we been impartial spectators, we will experience technical harmony. In such a case, there are two possibilities. Either the sentiments with which we feel technical harmony are pleasant to us; or they are not. This will determine whether we morally approve of the subject of approbation. However, given what I said about the interference of one's own character, whether that which the subject of approbation experiences is pleasant to us or not is *subjective.* Therefore, whether one approves of the subject of approbation depends on whether the majority of people in society are benevolent or not (*i. e.*, envious). It is a similar story when there is technical dissonance. The im-

[24] TMS VI.ii.

[25] See a discussion in Witztum 1998.

portant conclusion from all of this is that even though Smith constructs something which may appear to be universal and invariant (*i. e.*, the interest people have in the other—their sociality—and the employment of sympathy as a mechanism by which moral opinions are being formed), the practice of it suggests that very different judgements may appear in reality regarding that which is good or just. Hence, while the mechanism may appear universal and invariant, moral values themselves do not possess these properties.

4.2 Human Character and the Origins of Moral Judgement

But things get even more relative when we realise that not even the mechanism of forming moral opinions is universal and invariant even though the interest in others and the pleasure of harmony remain the universal and invariant foundation of moral and social approbation. There can be little doubt that sympathy is an expression of our interest in the fortunes of others. Because we care about them, we endeavour to share their experience by trying to feel as they would, had we been in their place. Nevertheless, in spite of the fact that there might be a genuine interest in sympathy, there always seems to be some benefit to the observer. "[W]hatever may be the cause of sympathy, […] nothing pleases us more than to observe in other men a fellow-feeling with all the emotions of our own breast" (TMS I.i.2.1). This could lead to a possible interpretation according to which it is *our* expected pleasure from the harmony of sentiments that dominates all other possible causes for our practice of the imaginary change of places.

The reason why this could matter is associated with the received view about the resolution of *Das Adam Smith Problem* to which I alluded before. People could be self-interested, and perhaps even selfish as Mandeville would have it,[26] and yet, employ sympathy as a means for moral evaluation and socialisation that will inevitably temper their selfishness (and lead to prudence). However, Smith clearly rejects this possibility. He does so because he also believes that the actual process of sympathy—the effort involved in putting oneself in the position of another—is a not a trivial, or costless, exercise. One needs to "exert" oneself considerably to understand the circumstances of the other, and to do it only for the pleasure of harmony is, in Smith's view, highly unlikely. Consequently, he rejects the view that sympathy can be driven by self-interest (TMS I.i.2.1). In so doing, Smith opens the possibility that not all types of character would end up employing the same method of moral evaluation—even though it is logically evident, to him, that this is how anyone who has any interest in the other should operate.[27]

[26] Here is how Smith describes the character used by Mandeville: "Dr Mandeville considers whatever is done from a sense of propriety, from a regard to what is commendable and praiseworthy, as being done from a love of praise and commendation, or, as he calls it, from vanity. Man, he observes, is naturally much more interested in his own happiness than in that of others, and it is impossible that, in his heart, he can ever really prefer their prosperity to his own. Whenever he appears to do so, we may be assured that he imposes upon us, and that he is then acting from the same selfish motives as at all other times. Among his other selfish passions, vanity is one of the strongest, and he is always easily flattered and greatly delighted with the applauses of those about him" (TMS VII.ii.4.6).

[27] Recall that the opening statement of the TMS that presents sympathy begins with the words "How selfish soever a man may be supposed".

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Moreover, he does acknowledge that sometimes people tend to *confuse* aesthetics, or the beauty of a well-contrived mechanism, with morality, as both of them are associated with notions of harmony. They could become so impressed by the beauty of, say, a system that they believe that it must also be morally good (TMS IV.1.11). He calls this, as mentioned earlier, utility. There is even direct evidence to suggest that sympathy and utility may be substitutes that depend on a person's character. Smith makes this point clear with reference to the origin of authority: "Men in general follow these principles [sympathy and utility] according to their natural disposition. In a man of bold, daring, and bustling turn the principle of utility is predominant, and a peaceable, easy turn of mind usually is pleased with a tame submission to superiority" (LJ(B), 15).[28]

Given that utility is an effortless—merely impressionable—method of forming a moral opinion it is not inconceivable that people with low interest in the others will tend to form their moral opinion by utility. Hence, sympathy cannot be the interest in others itself, as it is merely an expression of a certain form that this fundamental (universal) takes in each individual. Therefore, though Smith does not accept the confusion of the pleasure one derives from *harmony of sentiments* with the *interest in the other* in the case of sympathy, he does allow it in the case of utility. We are sometimes eager to promote the happiness of our fellow creatures (genuine interest in the others) from a view to perfect and improve a beautiful and orderly system (aesthetic based pleasure of harmony) rather than from care to what has befallen them.

To summarise: both interest in the fortunes of others and the pleasure of harmony may be present in sympathy as well as in utility. At the same time, Smith finds it difficult to believe that the pleasure of harmony can override the interest in others in the case of sympathy but finds it possible in the case of utility. Consequently, self-interested people—those with low interest in the other—are more likely to be dominated by the sense of utility rather than by sympathy when they come to form moral opinions.[29] The little bit of interest in the other which exists in them is the one which is associated with their own rank and reputation (social approbation). Hence, if we are to consider the two sentiments underlying both sympathy and utility—interest in the others and pleasure of harmony—it is more likely that such people (self-interested ones) will be driven more by the pleasures of harmony than by the interest in the fortunes of others. As the pleasure of harmony cannot substitute the interest in others, according to Smith, in the case of sympathy, but it can, in the case of utility, it is unlikely that a person with little interest in the others—except in terms of their own social approbation—will employ sympathy. To wit, if one is only interested in the pleasures of harmony, why should one exert one's self to an imaginary change of places when one can simply derive it from utility?

The implications of all this for the ethical dimension of Smith's works are considerable. It means, first of all, that there are, in practice, competing methods of moral

[28] Submission to authority is explained by sympathy: The principle of authority "arises from our sympathy with our superiours […]: we admire their happy situation, enter into it with pleasure, and endeavour to promote it" (LJ(B), 13).

[29] Which will inevitably affect their process of socialisation that, in turn, will influence the type of behaviour that becomes dominant in society.

evaluation: sympathy and utility. There can be no doubt that Smith considered propriety (coincidence of sentiments)—and not pleasure as such—as the key notion of moral approbation.[30] However, it is still through the sense of pleasure that we derive from harmony of sentiments, that we approve of things. It is therefore difficult to see how the pleasure we get from a well-contrived machine, or system, can really be distinguished from the pleasure we get from the *harmony* of sentiments. Indeed, Smith's entire part IV of TMS is devoted to "the Effect of Utility Upon the Sentiment of Approbation" (TMS IV).

This means that Smith explicitly considered the possibility that individuals might confuse the sense of pleasure they get from the beauty of the system with the one they would have got from experiencing harmony of sentiments. But not only that, he tells us that "so far as the sentiment of approbation arises from the perception of this beauty of utility, it has no reference of any kind to the sentiments of others" (TMS IV.2.12). Which seems to suggest that only when one has little interest in the fortunes of the others, or when social circumstances are such that the social distance among members of society has become too large, will one use utility as a criterion for approbation. While this fits the self-interested character, the increase in social distance may increase the role of utility even among those who have a greater interest in the other beyond their own reputations. Recall that Smith explicitly discusses the decline in the ability to employ sympathy when social distance increases. It simply stems from the inability to feel as others would when the experiences of others are increasingly unfamiliar.

Figure 2 summarises Smith's complex conception of human character and the means by which they are likely to morally judge. The heavy diagonal from top left to bottom right is the consistent character line.[31] It depicts, in a continuous manner, the relationship between own-regarding and other-regarding behaviour which would constitute—according to Smith as well as reason—consistent combinations. We now add a new vertical axis on the right which measures the origins of one's moral evaluation. This varies from "utility," which means that a person only judges by the beauty of the system, to "sympathy" where an individual judges only through a complete and impartial imaginary change of places. The red line from bottom left to top right represents the relationship according to which the greater the interest a person would have in others, the more likely they are to judge according to sympathy.

The areas K and T in the above diagram depict the consistency conditions between interest in others, intensity of care for oneself, and the method one is likely to use to form moral opinions. T suggests a high intensity of care for oneself which must correspond to low interest in others and, therefore, a corrupt sense of morality based on utility, or the beauty of the system. Area K suggests an interest in the other and a meth-

30 But it is not only that Smith finds the judgement that is based on sympathy as different from the one that is based on utility. He also argues that one of them – sympathy – is more legitimate than the other. He insists that "it seems impossible that the approbation of virtue should be a sentiment of the same kind with that by which we approve of a convenient and well contrived building" (TMS IV.2.4). Yet he admits, as we have shown before, that on many occasions people do tend to confuse the two.

31 See a discussion in Witztum 1997.

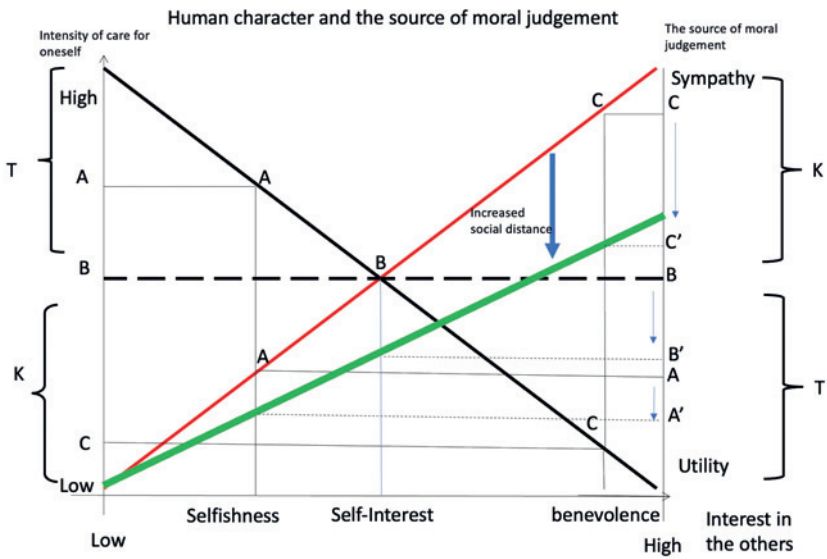

Figure 2: Human character and the source of moral judgement

od of moral evaluation which is consistent with human's natural uncorrupted tendencies. Smith was clearly of the view that most people tended to behave like the self-interested person, and they are more likely to employ the corrupt method of approbation. Consequently, the beauty of natural liberty—explored in WN—as a natural order that produces a coordinated outcome could lead such individuals to morally approve of the system even though many of them will fail to achieve the social approbation they seek as income distribution, and hence consumption, will be unequal. The heavy green line depicts the influence which growing social distance will have on the tendency to employ sympathy by each type of character. Clearly, as others become less familiar more types of characters will move towards the corrupt sense of morality and could approve of a well-contrived system of natural liberty even though no impartial spectator would have gone along with this.

5. Relative Ethics II: The Effects of Circumstances and the Moral Fate of the WN

So far, I have emphasised how the differences in human character may produce different moral judgements, both because of the influence that different manifestations of the interest in others will have on the way in which they employ sympathy and because human character may distract them from sympathy towards utility altogether. But I have also pointed to the possibility that changes in social circumstances may lead to most individuals finding it difficult to practice sympathy because of increased so-

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cial distance between members of society. As a result, both the deception by nature[32] and the rise in the use of utility as a means to formulate moral judgement will lead to a widely spread *false idea* for which the WN is instrumental: that a world of natural liberty that seeks material wellbeing is a morally good world. This, for two main reasons, is evidently a corrupt sense of morality: first, it is based on utility rather than sympathy, and second, no honest impartial spectator would have approved of the behavioural imperatives derived from these two methods.

In this respect, Smith did not really resolve Mandeville's dilemma. Instead, he suggested that through corruption of morality, the dilemma may appear to have been resolved. So, how did we get to this state of affairs? From an early age, Smith tells us, humans have always felt a need to persuade and make other people think or feel as they do. One of the means at their disposal to achieve such harmony was the *endowments of presents.*[33] Hence, a hunter may give as a gift some of the things he acquired above that which he needs to survive. Naturally, those things which he is likely to acquire in abundance, above what is needed for survival, are bound to be those in which he is relatively good in acquiring.

If one finds it easy to forge an arrow from wood, one can easily make plenty of them and bestow some as presents on others. In return, and for exactly the same reason, this person would receive as presents those things which others have acquired above their need for subsistence. There are two *unintended* results from this process. First, people will realise that by exchanging their surpluses they can actually acquire a great deal more of their needs than if they tried to acquire them directly from nature.[34] Second, they will realise that the process of *exchange* is a mechanism through which one reaches agreement, or harmony of sentiments—and social approbation—with people with whom one may not have any close relationship.

Consequently, people will increase the level of specialisation so that they can use a greater surplus to acquire all their life's necessities (and perhaps even more) through exchange. However, the more specialised one gets—the deeper the division of labour is—the more dependent one becomes on an increasing number of people *who may not be in their natural social circle.* In other words, they become dependent on others with whom their *social distance* is considerably greater.[35] However, had this been the place where the story ends, the departure of the practice of ethics (utility) from its theory (sympathy) could have been only temporary. For any given level of subsistence, there will be a stable number of individuals required to provide all with their subsistence if everyone fully specialised. Over time, though, it is likely that new social bonds will be

32 The one that leads people to conflate wealth with moral goodness. I shall say more about it further below.

33 LJ 493–4.

34 "By this disposition to barter and exchange the surplus of one's labour for that of other people, […] he will live better than before and will have no occasion to provide for himself, as the surplus of his own labour does it more effectually" (LJ(B), 220).

35 Smith is quite clear that exchange of gifts—or the specialisation, which is motivated by the desire to persuade—would not be sufficient to supply us even with our needs (let alone, wants). "In civilised society," he writes, man "stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons" (WN I.ii.2).

formed that will lead to a new familiarity with all members of society that could, in turn, make the return to sympathy more likely.

So, the question is whether there is a reason to believe that the process of deepening the division of labour will go beyond the attempts at acquiring only all of life's necessities (subsistence). Put differently, could individuals begin to demand more goods than they need for their subsistence (*i. e.*, wants)? If so, why? And what would be its implications for the question of social distance and the method of moral and social approbation?

To answer this question, we have to return to the deception by nature to which we alluded before. Recall that we noted Smith's distinction between the nature of things, and the nature of humanity (nature). In a very Darwinian manner, Smith claims that the objective of the physical world is the multiplication of the species.[36] For this purpose, individuals should be directed (*instinctively*) towards such behaviours that would lead to increase in their numbers. As producing more life's necessities (material wellbeing) is necessary for an increase in people's numbers, the actions that would promote it should be instinctively recommended to us. Hence, argues Smith, the *nature of things* planted in humans the false notion that associates wealth with a pleasure of harmony (in its utility sense) and, thus, moral goodness.

The dilemma between succumbing to nature's urges or following the nature of humanity is presented explicitly. "We desire both to be respectable and to be respected," writes Smith; "[t]o deserve, to acquire, and to enjoy the respect and admiration of mankind, are the great object of ambition and emulation [*i. e.*, bettering our conditions]. Two different roads are presented to us, equally leading to the attainment of this so much desired object; the one, by the study of wisdom and the practice of virtue; the other, by the acquisition of wealth and greatness. Two different characters are presented to our emulation; the one, of proud ambition and ostentatious avidity; the other, of humble modesty and equitable justice" (TMS I.iii.3.2).

Why, one wonders, are there two so different roads leading to the attainment of rank and reputation instead of one? If we seek approval and sympathy (which should be the same thing) we must act in a manner that will make other people sympathise with us. One would have thought that this suggests that the practice of personal virtue, modesty and justice (*i. e.*, good morals) is the only way to gain social approval. However, although Smith clearly thought that approval through sympathy should have been the only way to gain respect and reputation, he concedes that this is not always the case. The reason for it is the peculiar role of material wellbeing:

> Though it is in order to supply the necessities and conveniences of the body, that the advantages of external fortune are originally recommended to us, yet we cannot live long in the world without perceiving that the respect of our equals, our credit and rank in the society we live in, depend very much upon the degree in which we possess […] those advantages. The desire of becoming the proper objects of *this* respect, of deserving and obtaining *this*

[36] "In every part of the universe we observe means adjusted with the nicest artifice to the ends which they are intended to produce; and in the mechanism of a plant, or animal body, admire how every thing is contrived for advancing the two great purposes of nature, the support of the individual, and the propagation of the species" (TMS II.ii.3. 5).

> credit and rank among our equals, is, perhaps, the strongest of all our desires […] (TMS VI.i.3, italics added).

It is here that the deception by nature takes command even though Smith, the observer, argues that wealth is at the "highest degree contemptible and trifling" (TMS IV.1.9). It is, indeed, an expression of the pleasure of harmony which is derived from utility:

> We rarely view [wealth, writes Smith,] in this abstract and philosophical light. We naturally confound it in our imagination with the order, the regular and harmonious movement of the system, the machine or oeconomy by means of which it is produced. The pleasures of wealth and greatness, when considered in this complex view, strike the imagination as something grand and beautiful and noble, of which the attainment is well worth all the toil and anxiety which we are so apt to bestow upon it. And it is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind" (TMS IV.1.9 – 10, italics added).

Thus, the desire for wealth becomes a means for acquiring social approbation, which means that the behaviour that achieves it is considered good character and that wealth itself represents something which is morally good. Smith the observer, through the application of the notion of an impartial spectator, is convinced that the actions leading towards the acquisition of wealth should not be crowned as morally good. Moreover, he also feels, as an impartial observer, that wealth is, as we said before, contemplatable and trifle. But he concedes that this is not how the public sees it, and this is where the deception by nature reaches its peak. People do not believe wealth to be trifle or contemptible because it seems that its pursuit is rewarded—and reward always goes to good things. "Magnanimity, generosity, and justice," writes Smith, "command so high a degree of admiration, that we desire to see them crowned with wealth, and power, and honours of every kind" (TMS III.5.9). But, argues Smith, wealth and power are nature's rewards to different sorts of human qualities altogether. Wealth and power, according to him, are "the natural consequences of prudence, industry, and application; qualities with which [magnanimity and generosity] are not inseparably connected" (*ibid.*). Which means that not only can we use wealth to acquire social approbation, but also, such an approbation will bestow on us the highest of moral values.

There are two related implications to this. First, the fact that possession of material wellbeing becomes the means by which one acquires social approbation suggests a commercialisation of human relationships. Namely, it is no longer the exchange of a good through which one may acquire approbation but rather the mere possession of it. By amassing wealth—regardless of the methods—the public will believe that I have been rewarded for good deeds and will morally approve of me. Second, it means that the demand for the production of goods will increase dramatically and will go well beyond that which constitutes the fulfilment of *needs.* We are now entirely in the realm of *wants.* However, this also means a further deepening (as well as spending more time) of the division of labour to fulfil this increase in demand. In turn, this will lead to further dependency on an ever-increasing circle of people among whom social distance will rise exponentially. As a result, the tendency to use utility will increase, too, and thus, the sense in which this system of unending pursuit of wealth is being perceived as a morally good system will be strengthened. But if people followed their

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original interest in others and their pleasure of genuine harmony of sentiments through the judgement of an impartial spectator, they would know that this is a corrupt morality.

6. Conclusion

The novelty of Smith's approach to ethics is that he does not concern himself with the question of what the universal and invariant notions of the good or the just are. Instead, he is interested in the universals that determine how people form their opinion and how circumstances may influence the way in which these universals materialise or appear. In this way, his theory becomes positive, endogenous, and, thus, relative. Another way of saying this is that in Smith, morality is not about virtue but rather about propriety. In this sense, he offers a moral theory which is predominantly focused on the relationship between individuals rather than on the piety, or virtue, of oneself. While it may be self-evident that morality is about human relationships, there is a fundamental difference between approaches where human relationships are the derivative of that which makes one virtuous, and an approach, like Smith's, where that which is good, or just, is derived from the relationships themselves. The former approach can easily be conceived as universal and invariant, but the latter, almost by definition, is predicated on the nature of social interactions and therefore dependent on how they evolve.

The beauty of Smith's approach can be seen when we look at writers like Polanyi ([1944] 2002) who suggests that capitalism has led to the disassociation of society from the economy and to the transformation of common social ties based on reciprocity into ties that are based on hardnosed competition. Polanyi's approach is almost conspiratorial in describing how exogenous technological developments have led to social transformation. But as I have tried to demonstrate, Smith has long before suggested a very similar narrative—except that in his case, it is an endogenous one and a result of the corruption of morality. In the end, no system can be sustained for too long if it violates prevailing morality. Polanyi seems to suggest that the public are victims. This notion is very difficult to accept given the long history of the transformation. In Smith, on the other hand, they are the perpetrators which can explain the sustainability of such a system. The search for a better society that would follow is not the one that is based on a preconceived idea of what is good or just, but rather by creating the conditions that will entice people to re-discover the origins of their moral opinions.

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