

Adam Smith: 18th Century Sentimentalist or 20th Century Rationalist?

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A COMMENTARY ON David Bevan and Patricia Werhane (2015), “The Inexorable Sociality of Commerce: The Individual and Others in Adam Smith,” *J Bus Ethics* 127(2): 327–335, <http://doi.org/10.1007/s10551-013-2042-2>

ABSTRACT

David Bevan and Patricia Werhane try to enlist Adam Smith’s support in countering the neoclassical narrative in business ethics and CSR. While I applaud their goal and also completely agree with their argument that Smith has been radically misinterpreted by the economics mainstream, I am not completely in agreement with how they argue. In short, I believe they also have uprooted Adam Smith and transformed him in parts into a 20th century philosopher. The 18th century Adam Smith would be a much more powerful advocate for ethics in business if he were accepted as the very eclectic 18th century philosopher that he was.

DAVID BEVAN AND Patricia Werhane (2015) present a revisionist version of Adam Smith. The paper opens by clarifying that the infamous invisible hand is not an important part of Adam Smith’s theory but, on the contrary, a “misreading . . . in mainstream management” (Bevan and Werhane 2015: 327). They then explain how

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neoclassical economists falsely argue that Smith's individual was a radical egoist whose self-interest-driven actions created wealth for all. There is much to agree with in the paper, however I believe that they extrapolate Smith's ideas a little bit too freely into the 20th century and, as a consequence, weaken their argument. They mix moral philosophy with sociology, while Smith himself saw the 'science of man' to be informed by only moral philosophy.

Bevan and Werhane focus on Smith's model of the conscience, the impartial spectator. And rightly so: Raphael (2007) believes that Smith is the foremost philosopher of the workings of the conscience, and some argue that Smith's social philosophy and economic theory have the sympathy manoeuvre at the centre (Hühn 2015). But Bevan and Werhane interpret the impartial spectator from a 20th century viewpoint and thereby miss important aspects of it. Over the six editions of *The Theory of Moral Sentiments* (hereinafter *TMS*), Smith changed the character of the "demi-god within the breast" from being a pure manifestation of the morality of society within every individual, to also containing absolute values:

In part III [of the 6th edition] Smith adds the more provocative thesis that the general rules of morality are commands and laws of God, who will reward obedience and punish breach of these laws. Smith says that this belief 'is first impressed by nature, and afterwards confirmed by reasoning and philosophy' (Raphael 2007: 56, citation omitted).

As Smith grew older he became more concerned about the potentially negative influence of society on the internal decision-making processes of the individual, and the subsequent accelerated lowering of societal morality. This is evidenced by Smith adding a whole new chapter (VI) on virtue ethics in his last revision of the *TMS*. He also dedicates a whole sub-chapter to arguing against the "licentious system of Dr. Mandeville" (*TMS* VII.ii.4.6), and almost seems to foresee that he would later be declared the author of that very same Mandevillean logic that is behind the invisible hand, and preemptively argues against it. Bevan and Werhane agree, but fail to acknowledge Smith's strong commitment to scholastic virtue ethics. Concretely, they argue (2015: 328, citations omitted):

Despite Smith's careful exclusion of any explicit reference, for some, it remains by inference alone the invisible hand of a Christian God [...]. Such

theistic interpretations sideline Smith's Enlightenment rationalism, or even his secular sense of irony [...].

Smith's religious convictions are a thorny subject, but Bevan and Werhane's categorical dismissal of theistic or Christian elements in Smith's ethics is difficult to support. Indeed, the vast majority of Smith scholars agree that the two major influences on Smith were stoicism and scholastic virtue ethics, which he tried to combine in such a way so as to provide a counter-philosophy to the Rousseauist cultural pessimism. Through denying the strong Thomistic influence, Bevan and Werhane, aim to turn Smith into a pure Enlightenment Rationalist, which he clearly was not. Smith is often labelled a Scottish Enlightenment philosopher but that description is too one-sided and leads to a serious misreading of the "great eclectic" (Viner 1927). Smith can be seen as a supporter of the Enlightenment, but he is also distinctly anti-Enlightenment, as Griswold (1999: 9) points out. Smith was a Sentimentalist, not a radically secular Rationalist, and indeed his major point of disagreement with his friend and Enlightenment scholar David Hume was how one should view the sentiment selfishness and the role of utility. Smith refused to reduce the sentiments to one (radical selfishness)—that is the very argument Bevan and Werhane put forward in their section on self-interest. But Smith was not swept away by the rationalist wave of Enlightenment: he stayed committed to his classically inspired philosophy of the middle.

I think Bevan and Werhane (2015: 331, citation omitted) take Smith out of his 18th century context when they connect the impartial spectator to Rawls:

Smith's primary focus is on how the spectator, a logical construction, not a real person, but an extension of each self, "must, first of all, endeavor, as much as he can, to put himself in the situation of the other..." (*TMS* I.i. 4.6). In this way, as a spectator, one can feel and understand the situation and emotions of another. Secondly, the impartial spectator should be able to stand back from a situation and observe from a disinterested or dispassionate point of view in order to make a less partial moral judgment. Without recourse to [Rawls's] veils of ignorance [...], in a socially constructed world one can never completely disengage from the context and social relationships in which one is embedded.

First, Smith never describes the impartial spectator as "an extension of the self," and I believe the authors are trying to build a bridge between

the individual and society that is wholly premised on 20th century philosophy. Smith (*TMS* III 3.2) characterises the spectator as “this inmate of the breast, this abstract man, the representative of mankind, and substitute of the Deity,” stressing the dual character (society’s relative values, God’s values) and hinting at the complex interaction between both the changing and unchanging values that the spectator holds. Bevan and Werhane (2015: 331) then describe the impartial spectator as “disinterested or dispassionate” thereby distancing the 18th century Sentimentalist further from the 20th century Rationalist Smith they create. Spectatorship is based on the sympathy mechanism: the individual imagines himself in the shoes of the other, he feels (*pathos*) with/like (*sum*) the other. As the authors so concisely describe earlier, sympathy is something that the individual *wants* to feel; it is not a burden. Smith did not define sympathy as an expression of utilitarian rationality or idealist/Kantian attitudes. Smith points out that whenever we discover alike sentiments, it gives us the highest pleasure of all: tranquility of mind (*TMS* III.2.3, III.3.30, 33). Spectatorship is therefore not disinterested or dispassionate, indeed it is based on a permanent active interest in the sentiments or, as Raphael (2007: 34) puts it, the “spectator is ‘indifferent’ in the sense of not being an interested party, and he expresses a universal point of view in being representative of any observer with normal human feelings.” Thus, Smith’s understanding of interest is very different from the one the authors suggest. Smith is not a reductionist 20th century philosopher; to him we are constantly interested in the behaviour of others as this makes us socially connected individuals:

We begin, upon this account, to examine our own passions and conduct, and to consider how these must appear to them. . . . We suppose ourselves the spectators of our own behaviour, and endeavour to imagine what effect it would, in this light, produce upon us. This is the only looking-glass by which we can, in some measure, with the eyes of other people, scrutinize the propriety of our own conduct (*TMS* III. 1. 5).

Without the constant interest and the passing of judgment, individuals would lack self-awareness, and would be asocial and essentially inhumane.

Connecting Smith with any part of Rawls’s theory, for instance the veil of ignorance or the original position, seems to aim at bringing Smith closer to the philosophical ideas of the 20th century and there-

fore making him easier to understand to a modern rationalist audience. That is a mistake, I think. It is a mistake that Rawls (1999: 23–24) himself made when he described Smithian spectatorship: “Endowed with ideal powers of sympathy is the perfectly rational individual who identifies with and experiences the desires of others as if these desires were his own.” As Raphael (2007: 46) points out, Rawls admitted to him that he had mixed Smith and Hume exactly where Smith disagreed completely with Hume: on the character and role of utility and sympathy. Bevan and Werhane essentially do the same thing that they themselves criticise in the neoclassicists: they have turned 18th century Kirkcaldy Smith into 20th century Harvard Smith in order to have him on their side. Rawls’s individual is completely decontextualised, knows no virtues, and does not compare herself to others, while Smith’s individual is part of society because society’s norms are part of him.

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Smith connected the individual and society in a completely unique way: through sympathetic imagination, action flows smoothly from the individual to the societal level. Smith’s description of the relationship between individual and society avoided the two post-Enlightenment fallacies: reifying organisations or reducing the individual to an average. Smith never gave organisations a (moral) personality. Yet, that is what Bevan and Werhane (2015: 330, emphasis mine) seem to imply:

According to Smith, interest is used in at two different senses. Firstly, as the subject of my feelings, sentiments, motivations, and judgments I am self-interested in the sense that I am, by definition, the subject of my own interests. *Similarly an organization is the subject of its interests, and as the locus of its interests it is again, by definition, self-interested.* There is, however, another meaning for self-interest when I, or an organization, is the sole object of my or its interests.

Smith did differentiate between these two forms of self-interest: the stoic self-care and Mandevillean radical egoistic selfishness. But Smith’s starting point was always the individual—his moral and social philosophy was psychological (Raphael 2007: 48) and descriptive. While we have become used to *reifying* organisations (*Adidas runs SAP, Apple invented the iPad, etc.*), Smith would disagree strongly on epistemic grounds: he was a moral philosopher,

not a modern sociologist. From a moral philosophical point of view, Milton Friedman's argument that managers handle other people's money and therefore have responsibility to those whose money it is, cannot be countered by giving the company a personality that has a conscience. None of the three major approaches to ethics allow for that. Incidentally, Werhane herself criticised the reification of markets, and even admitted (2004: 138) that she had uprooted Smith: "I strongly suspect my reading of the invisible hand is a twentieth and not an eighteenth-century interpretation."

Yet, I believe it is possible and potentially very fruitful to enrol Smith in the debate against the powerful neoclassical mainstream because his individual is complex and socially embedded, and therefore the opposite of Friedman's one-dimensional, soulless agent. Like Bevan and Werhane, I believe that Smith is radically misinterpreted by the economics and management mainstream. However, we should accept his non-ideological attitude and not try to mold him into a 20th century format.

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