



Adam Smith's View of Man^a

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[LINK TO ABSTRACT](#)

Adam Smith was a great economist, perhaps the greatest that there has ever been. Today I am going to discuss his views on the nature of man. My reason for doing this is not because I think that Smith possessed an understanding of man's nature superior to that of his contemporaries. I would judge that his attitudes were quite widely shared in the eighteenth century, at any rate, in Scotland, but no doubt elsewhere in eighteenth century Europe. Smith was not the father of psychology. But I believe his views on human nature are important to us because to know them is to deepen our understanding of his economics. It is sometimes said that Smith assumes that human beings are motivated solely by self-interest. Self-interest is certainly, in Smith's view, a powerful motive in human behaviour, but it is by no means the only motive. I think it is important to recognise this since the inclusion of other motives in his analysis does not weaken but rather strengthens Smith's argument for the use of the market and the limitation of government action in economic affairs.

Smith does not set down in one place his views on the nature of man. They have to be inferred from remarks in *The Theory of Moral Sentiments* and the *Wealth of Nations*. Smith deals more extensively with human psychology in *The Theory of*

a. We reprint this essay with the permission of Ning Wang, representing the Coase copyright on the article. It appeared originally in the *Journal of Law and Economics* 19(3): 529–546 (1976). Coase here focuses on *The Theory of Moral Sentiments*, while Coase's "The Wealth of Nations" (*Economic Inquiry*, 1977) focused on Adam Smith's other great work. Both essays, along with others drawing on Smith, are in Coase's *Essays on Economics and Economists* (University of Chicago Press, 1994). In our judgment, Coase was by far Chicago's best and most illuminating Smithian. This reproduction worked directly from the text of the *JLE* article. We make the following sets of changes, all of which are minor: (1) We checked the Smith quotations and made them conformant to the now-standard Glasgow editions of Smith's works and in footnotes added citation information {in braces} and added (as endnotes) the citations for three quotations. (2) Coase wrote out the full name "Adam Smith" throughout the essay (though not always). We changed "Adam Smith" to simply "Smith" in all but two instances. (3) We corrected a very small number of insignificant errors or typos.

Moral Sentiments, the ostensible purpose of which was to uncover the bases for what may be termed our feelings and acts of benevolence. “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. . . . The greatest ruffian, the most hardened violator of the laws of society, is not altogether without it.”¹

Smith makes sympathy the basis for our concern for others. We form our idea of how others feel by considering how we would feel in like circumstances. The realisation that something makes our fellows miserable makes us miserable, and when something makes them happy, we are happy. This comes about because, by an act of imagination we put ourselves in their place, and, in effect, in our own minds become those other persons. Our feelings may not have the same intensity as theirs, but they are of the same kind.

The propensity to sympathise is strengthened because mutual sympathy is itself a pleasure: “nothing pleases us more than to observe in other men a fellow-feeling with all the emotions of our own breast.”² Because mutual sympathy is itself pleasurable, it “enlivens joy and alleviates grief. It enlivens joy by presenting another source of satisfaction; and it alleviates grief by insinuating into the heart almost the only agreeable sensation which it is at that time capable of receiving.”³ One consequence is noted by Smith: “Love is an agreeable; resentment, a disagreeable passion; and accordingly we are not half so anxious that our friends should adopt our friendships, as that they should enter into our resentments. . . . The agreeable passions of love and joy can satisfy and support the heart without any auxiliary pleasure. The bitter and painful emotions of grief and resentment more strongly require the healing consolation of sympathy.”⁴

If the existence of sympathy makes us care about others, the practice of putting ourselves in the place of others, of imagining how they feel, also has as a consequence that we imagine how they feel about us. This includes not only those directly affected by our actions, but those third parties who observe how we behave towards others. By this means we are led to see ourselves as others see us. This reinforces our tendency, when deciding on a course of action, to take into account the effects it will have on others.

The way in which Smith develops this argument affords a very good example of his general approach. He says: “the loss or gain of a very small interest of our own, appears to be of vastly more importance, excites a much more passionate

1. Adam Smith, *The Theory of Moral Sentiments* 3 (E. G. West ed. 1969) [hereinafter cited as *Theory*] {Smith 1976/1790, I.i.1.1}.

2. *Theory* 10 {I.i.2.1}.

3. *Theory* 11 {I.i.2.2}.

4. *Theory* 12–13 {I.i.2.5}.

joy or sorrow, a much more ardent desire or aversion, than the greatest concern of another with whom we have no particular connexion.”⁵ He then considers a hypothetical example:

Let us suppose that the great empire of China, with all its myriads of inhabitants, was suddenly swallowed up by an earthquake, and let us consider how a man of humanity in Europe, who had no sort of connexion with that part of the world, would be affected upon receiving intelligence of this dreadful calamity. He would, I imagine, first of all, express very strongly his sorrow for the misfortune of that unhappy people, he would make many melancholy reflections upon the precariousness of human life, and the vanity of all the labours of man, which could thus be annihilated in a moment. He would, too, perhaps, if he was a man of speculation, enter into many reasonings concerning the effects which this disaster might produce upon the commerce of Europe, and the trade and business of the world in general. And when all this fine philosophy was over, when all these humane sentiments had been once fairly expressed, he would pursue his business or his pleasure, take his repose or his diversion, with the same ease and tranquillity, as if no such accident had happened. The most frivolous disaster which could befall himself would occasion a more real disturbance. If he was to lose his little finger to-morrow, he would not sleep to-night; but, provided he never saw them, he will snore with the most profound security over the ruin of a hundred millions of his brethren, and the destruction of that immense multitude seems plainly an object less interesting to him, than this paltry misfortune of his own.⁶

Note that Smith is maintaining that people do behave in the way so vividly described in the example—and if we recall how few of us lost our appetites on hearing of the tremendous loss of life in recent years in Bangladesh or Chad or Guatemala, and in other places, we need not doubt the accuracy of Smith’s account. The quotation clearly can be used, rightly in my view, as an illustration of the strength of self-interest in determining human behaviour. What does at first sight appear strange is that this quotation is to be found in a chapter entitled, “Of the Influence and Authority of Conscience,” since Smith’s description of the response of a man of humanity to this appalling disaster in China seems designed to demonstrate the absence of conscience.

But this is to ignore the subtlety of Smith’s mind. Given that people would respond to this disaster in the way he describes, he now asks the question: suppose that it were possible to prevent the loss of those hundred million lives by sacrificing his little finger, would a man of humanity be unwilling to make the sacrifice? Smith

5. *Theory* 192 {III.3.3}.

6. *Theory* 192–93 {III.3.4}.

gives this answer:

Human nature startles with horror at the thought, and the world, in its greatest depravity and corruption, never produced such a villain as could be capable of entertaining it. But what makes this difference? When our passive feelings are almost always so sordid and so selfish, how comes it that our active principles should often be so generous and so noble? When we are always so much more deeply affected by whatever concerns ourselves, than by whatever concerns other men; what is it which prompts the generous, upon all occasions, and the mean upon many, to sacrifice their own interests to the greater interests of others? It is not the soft power of humanity, it is not that feeble spark of benevolence which Nature has lighted up in the human heart, that is thus capable of counteracting the strongest impulses of self-love. . . . It is a stronger love, a more powerful affection, which generally takes place upon such occasions; the love of what is honourable and noble, of the grandeur, and dignity, and superiority of our own characters.⁷

Professor Macfie thinks that the ending of this eloquent passage strikes a false note.⁸ But I do not think so. It is the last sentence which states (no doubt a little too ornately for our modern taste) the essence of Smith's position. It is not the love of mankind which makes the "man of humanity" willing to make this sacrifice, but because he sees himself through the eyes of an impartial spectator. As we would say today, if he were to act differently, had chosen to retain his little finger by letting a hundred million die, he would not have been able to live with himself. We have to appear worthy in our own eyes. It is not love for the Chinese (for whom he might have no feeling at all), but love for the dignity and superiority of his own character which, if he had to face such a choice, would lead the man of humanity to sacrifice his little finger.

Of course, Smith presents us with an extreme case. But it enables him to make his point in a setting which brooks no objection. It is easy to see that if the man of humanity had been faced with the loss, not of his little finger, but of his arms and legs, and had the number of Chinese who would have been saved by his sacrifice been one hundred rather than one hundred million, he might, indeed probably would, decide differently. But this does not affect Smith's point. He knew, of course, that the extent to which we follow any course of action depends on its cost. The demand for food, clothing, and shelter similarly depends on their price, but no one doubts their importance when we are discussing the working of the economic system.

7. *Theory* 193–94 {III.3.4}.

8. A. L. Macfie, *The Individual in Society: Papers on Adam Smith* 96 (1967).

The force of conscience in influencing our actions is, of course, weakened by the fact, which Smith notes, that while some men are generous, others are mean and less responsive to the promptings of the impartial spectator. But more important in reducing the influence of the impartial spectator is a factor which Smith discusses at length. We tend, because it is agreeable, to think more highly of ourselves than is really warranted. Says Smith: “we are all naturally disposed to over-rate the excellencies of our own characters.”⁹ Of our tendency to indulge in self-deceit, he says:

The opinion which we entertain of our own character depends entirely on our judgments concerning our past conduct. It is so disagreeable to think ill of ourselves, that we often purposely turn away our view from those circumstances which might render that judgment unfavourable. He is a bold surgeon, they say, whose hand does not tremble when he performs an operation upon his own person; and he is often equally bold who does not hesitate to pull off the mysterious veil of self-delusion, which covers from his view the deformities of his own conduct. . . .

This self-deceit, this fatal weakness of mankind, is the source of half the disorders of human life. If we saw ourselves in the light in which others see us, or in which they would see us if they knew all, a reformation would generally be unavoidable. We could not otherwise endure the sight.¹⁰

However, says Smith, “Nature...has not...abandoned us entirely to the delusions of self-love. Our continual observations upon the conduct of others, insensibly lead us to form to ourselves certain general rules concerning what is fit and proper either to be done or to be avoided.” These general rules of conduct are of great importance. They represent the only principle “by which the bulk of mankind are capable of directing their actions.”¹¹

The picture which emerges from Smith’s discussion in the *Theory of Moral Sentiments* is of man suffused with self-love. “We are not ready,” says Smith, “to suspect any person of being defective in selfishness.”¹² Nonetheless man does have regard for the effect of his actions on others. This concern for others comes about because of the existence of sympathetic responses, strengthened because mutual sympathy is pleasurable and reinforced by a complex, although very important, influence, which Smith terms the impartial spectator or conscience, which leads us to act in a way an outside observer would approve of. The behaviour induced by such factors are embodied in codes of conduct and these, because conformity

9. *Theory* 189 {III.2.34}.

10. *Theory* 222–23 {III.4.4, 6}.

11. *Theory* 223–24, 229 {III.4.7, III.5.1}.

12. *Theory* 446 {VII.ii.3.16}.

with them brings approval and admiration, affect the behaviour of the “coarse clay of...the bulk of mankind.”^[1] Presumably Smith would argue that everyone is affected by all these factors, although to different degrees.

It will be observed that Smith’s account of the development of our moral sentiments is essentially self-centered. We care for others because, by a sympathetic response, we feel as they feel, because we enjoy the sharing of sympathy, because we wish to appear admirable in our own eyes, and we conform to the rules of conduct accepted in society largely because we wish to be admired by others. The impact of these factors is weakened by the fact that the forces generating feelings of benevolence have to overcome those arising from self-interest, more narrowly conceived, with our perception of the outcomes distorted by self-deceit.

Smith makes no effort to estimate the relative importance of the various factors leading to benevolent actions but he does indicate the circumstances in which, considered as a whole, they are likely to exert their greatest influence. This subject Smith discusses in a chapter entitled, “Of the Order in which Individuals are recommended by Nature to our care and attention.” He says:

Every man...is first and principally recommended to his own care; and every man is certainly, in every respect, fitter and abler to take care of himself than of any other person. Every man feels his own pleasures and his own pains more sensibly than those of other people. ...

After himself, the members of his own family, those who usually live in the same house with him, his parents, his children, his brothers and sisters, are naturally the objects of his warmest affections. They are naturally and usually the persons upon whose happiness or misery his conduct must have the greatest influence. He is more habituated to sympathize with them. He knows better how every thing is likely to affect them, and his sympathy with them is more precise and determinate, than it can be with the greater part of other people. It approaches nearer, in short, to what he feels for himself.¹³

Smith goes on to consider the sympathy which exists between more remote relations within the same family:

The children of brothers and sisters are naturally connected by the friendship which, after separating into different families, continues to take place between their parents. Their good agreement improves the enjoyment of that friendship; their discord would disturb it. As they seldom live in the same family, however, though of more importance to one another, than to the greater part of other people, they are of much less than brothers and sisters. As their mutual sympathy is less necessary, so it is less habitual, and therefore

13. *Theory* 321 {VI.ii.1.1–2}.

proportionably weaker.

The children of cousins, being still less connected, are of still less importance to one another; and the affection gradually diminishes as the relation grows more and more remote.¹⁴

Our feelings of natural affection, however, go beyond the family, beyond even the extended family. “Among well-disposed people, the necessity or convenience of mutual accommodation, very frequently produces a friendship not unlike that which takes place among those who are born to live in the same family. Colleagues in office, partners in trade, call one another brothers; and frequently feel towards one another as if they really were so. ... Even the trifling circumstance of living in the same neighbourhood, has some effect of the same kind.”¹⁵ Then there are the inhabitants of our own country and the members of the particular groups within a country to which we belong. “Every individual is naturally more attached to his own particular order or society, than to any other. His own interest, his own vanity, the interest and vanity of many of his friends and companions, are commonly a good deal connected with it. He is ambitious to extend its privileges and immunities. He is zealous to defend them against the encroachments of every other order or society.”¹⁶

Smith's view of benevolence seems to be that it is strongest within the family and that as we go beyond the family, to friends, neighbours and colleagues, and then to others who are none of these, the force of benevolence becomes weaker the more remote and the more casual the connection. And when we come to foreigners or members of other sects or groups with interests which are thought to be opposed to ours, we find not simply the absence of benevolence but malevolence.

When two nations are at variance, the citizen of each pays little regard to the sentiments which foreign nations may entertain concerning his conduct. His whole ambition is to obtain the approbation of his own fellow-citizens; and as they are all animated by the same hostile passions which animate himself, he can never please them so much as by enraging and offending their enemies. The partial spectator is at hand: the impartial one at a great distance. In war and negotiation, therefore, the laws of justice are very seldom observed. Truth and fair dealing are almost totally disregarded. ...

The animosity of hostile factions, whether civil or ecclesiastical, is often still more furious than that of hostile nations, and their conduct towards one another is often still more atrocious.¹⁷

14. *Theory* 322–23 {VI.ii.1.5–6}.

15. *Theory* 328–29 {VI.ii.1.15–16}.

16. *Theory* 338 {VI.ii.2.7}.

17. *Theory* 217–19 {III.3.42–43}. Jacob Viner, who adopts a similar view, points out that Adam Smith's

The picture which Smith paints of human behaviour is not edifying. Man is not without finer feelings; he is indulgent to children, tolerant of parents, kind to friends. But once this is said, it is also true that he is dominated by self-love, lives in a world of self-delusion, is conceited, envious, malicious, quarrelsome, and resentful. Smith's view is in fact a description of man much as we know him to be. This is not the aspect of the *Theory of Moral Sentiments* to which commentators normally draw our attention. The book is usually thought of as presenting, and here I quote Jacob Viner, "an unqualified doctrine of a harmonious order of nature, under divine guidance, which promotes the welfare of man through the operation of his individual propensities."¹⁸ How this bland interpretation came to be made of what is a very unflattering account of human nature is something to which I now turn.

Smith did not address himself directly to the question of whether there was a natural harmony in man's propensities. However, it can be inferred from various statements he made that Viner's generalisation is not far from the truth. Take as an example what he says about the fact that we judge people by what they do rather than by what they intend to do, although it would seem more reasonable if, in our assessment of their characters, it was the other way around.

Nature... when she implanted the seeds of this irregularity in the human breast, seems, as upon all other occasions, to have intended the happiness and perfection of the species. If the hurtfulness of the design, if the malevolence of the affection, were alone the causes which excited our resentment, we should feel all the furies of that passion against any person in whose breast we suspected or believed such designs or affections were harboured, though they had never broken out into any action. Sentiments, thoughts, intentions, would become the objects of punishment; and if the indignation of mankind run as high against them as against actions; if the baseness of the thought which had given birth to no action, seemed in the eyes of the world as much to call aloud for vengeance as the baseness of the action, every court of judicature would become a real inquisition. There would be no safety for the most innocent and circumspect conduct. ... Actions, therefore, which either produce actual evil, or attempt to produce it, and thereby put us in the immediate fear of it, are by the Author of nature rendered the only proper and approved objects of human punishment and resentment. Sentiments, designs, affections, though it is from these that according to cool reason human actions derive their whole merit or demerit, are placed by the great Judge of hearts beyond the limits of every

sentiments grow weaker with "social distance." See Jacob Viner, *The Role of Providence in the Social Order* 80–81 (1972).

18. See Jacob Viner, Adam Smith and Laissez Faire, in *Adam Smith 1776–1926: Lectures to Commemorate the Sesquicentennial of the Publication of "The Wealth of Nations"* 116–55 (1928).

human jurisdiction, and are reserved for the cognizance of his own unerring tribunal. That necessary rule of justice, therefore, that men in this life are liable to punishment for their actions only, not for their designs and intentions, is founded upon this salutary and useful irregularity in human sentiments concerning merit or demerit, which at first sight appears so absurd and unaccountable. But every part of nature, when attentively surveyed, equally demonstrates the providential care of its Author, and we may admire the wisdom and goodness of God even in the weakness and folly of man.¹⁹

Smith also explains that this “irregularity of sentiments” is not without its positive utility:

Man was made for action, and to promote by the exertion of his faculties such changes in the external circumstances both of himself and others, as may seem most favourable to the happiness of all. He must not be satisfied with indolent benevolence, nor fancy himself the friend of mankind, because in his heart he wishes well to the prosperity of the world. That he may call forth the whole vigour of his soul, and strain every nerve, in order to produce those ends which it is the purpose of his being to advance, Nature has taught him, that neither himself nor mankind can be fully satisfied with his conduct, nor bestow upon it the full measure of applause, unless he has actually produced them. He is made to know, that the praise of good intentions, without the merit of good offices, will be but of little avail to excite either the loudest acclamations of the world, or even the highest degree of self-applause.²⁰

Smith on many occasions observes that aspects of human nature which seem reprehensible to us, in fact, serve a useful social purpose. “Nature...even in the present depraved state of mankind, does not seem to have dealt so unkindly with us, as to have endowed us with any principle which is wholly and in every respect evil, or which, in no degree and in no direction, can be the proper object of praise and approbation.”²¹ Consider his discussion of pride and vanity:

Our dislike to pride and vanity generally disposes us to rank the persons whom we accuse of those vices rather below than above the common level. In this judgment, however, I think, we are most frequently in the wrong, and that both the proud and the vain man are often (perhaps for the most part) a good deal above it; though not near so much as either the one really thinks himself, or as the other wishes you to think him. If we compare them with their own pretensions, they may appear the just objects of contempt. But when we

19. *Theory* 152–53 {II.iii.3.2}.

20. *Theory* 153–54 {II.iii.3.3}.

21. *Theory* 109 {II.i.5.8}.

compare them with what the greater part of their rivals and competitors really are, they may appear quite otherwise, and very much above the common level. Where there is this real superiority, pride is frequently attended with many respectable virtues; with truth, with integrity, with a high sense of honour, with cordial and steady friendship, with the most inflexible firmness and resolution. Vanity, with many amiable ones; with humanity, with politeness, with a desire to oblige in all little matters, and sometimes with a real generosity in great ones; a generosity, however, which it often wishes to display in the most splendid colours that it can.²²

Of more interest to those of us concerned with the working of the economic system is Smith's discussion of the view, to which his teacher Dr. Hutcheson subscribed, that virtue consists wholly of benevolence or love and that any admixture of a selfish motive detracts from that virtue. Hutcheson, according to Smith, argued that if

an action, supposed to proceed from gratitude, should be discovered to have arisen from an expectation of some new favour, or if what was apprehended to proceed from public spirit, should be found out to have taken its origin from the hope of a pecuniary reward, such a discovery would entirely destroy all notion of merit or praise-worthiness in either of these actions. . . .

The most virtuous of all affections...was that which embraced as its object the happiness of all intelligent beings. The least virtuous...was that which aimed no further than at the happiness of an individual, such as a son, a brother, a friend.²³

Smith, as we have seen, did not deny the existence of benevolence nor that it contributed to human welfare. But he regarded this doctrine of Hutcheson's as being too extreme: "Regard to our own private happiness and interest...appear upon many occasions very laudable principles of action. The habits of oeconomy, industry, discretion, attention, and application of thought, are generally supposed to be cultivated from self-interested motives, and at the same time are apprehended to be very praise-worthy qualities, which deserve the esteem and approbation of every body."²⁴ Smith adds: "Benevolence may, perhaps, be the sole principle of action in the Deity, and there are several, not improbable, arguments which tend to persuade us that it is so. . . . But whatever may be the case with the Deity, so imperfect a creature as man, the support of whose existence requires so many things external to him, must often act from many other motives. The condition of

22. *Theory* 378 {VI.iii.42}.

23. *Theory* 442–44 {VII.ii.3.6, 10}.

24. *Theory* 445 {VII.ii.3.16}.

human nature were peculiarly hard, if those affections, which, by the very nature of our being, ought frequently to influence our conduct, could upon no occasion appear virtuous, or deserve esteem and commendation from any body.”²⁵ Furthermore, Smith points out, the notion of benevolence as encompassing “the general happiness of mankind” would require man to do something of which God is no doubt capable but that is beyond the powers of man: “The administration of the great system of the universe [and] the care of the universal happiness of all rational and sensible beings, is the business of God and not of man. To man is allotted a much humbler department, but one much more suitable to the weakness of his powers, and to the narrowness of his comprehension; the care of his own happiness, of that of his family, his friends, his country.”²⁶

It was not Smith's usual practice to proclaim that there was a natural harmony in man's psychological propensities. What he normally did was to point out that particular characteristics of human beings which were in various ways disagreeable were accompanied by offsetting social benefits. Man's nature may seem unpleasant to our fastidious taste but man appears to be as well adapted to the conditions in which he has to subsist as the tapeworm to his. The implication of the various remarks of Smith would appear to be that any change in man's nature would tend to make things worse. But Smith avoids stating this general conclusion. It is not difficult to see why he showed this caution. If he had asserted that there was such a natural harmony, how did it come about that this was so? Smith tended to think, as I suppose was usual at that time, of the universe as a machine. He speaks of “the various appearances which the great machine of the universe is perpetually exhibiting, with the secret wheels and springs which produce them.”^[ii] If there was such a natural harmony in human nature, how did it happen that human beings were designed in the way they were? According to Viner, Smith thought that this was due to divine guidance, that man exhibited these harmonious characteristics because he had been created by God. It is difficult for us to enter the mind of someone living two hundred years ago, but it seems to me that Viner very much exaggerates the extent to which Smith was committed to a belief in a personal God. As Viner himself notes, in those parts of the discussion where we would expect the word “God” to be used, it is rarely found and the word “Nature” is substituted or some such expression as the “all-wise Architect and Conductor” of the universe or “the great Director of nature” or even, on occasion, the “invisible hand.”²⁷ It seems to me that one can gauge the degree of Smith's belief from the remark he makes in the *Wealth of Nations* when he notes that the curiosity of mankind

25. *Theory* 446–47 {VII.ii.3.18}.

26. *Theory* 348 {VI.ii.3.6}.

27. *Theory* 110 {II.i.5.10}, 264 {IV.1.10}, 422 {VII.ii.1.37}. See Jacob Viner, *supra* note 18, at 121.

about the “great phenomena of nature” such as “the generation, the life, growth, and dissolution of plants and animals” has led men to “enquire into their causes.” Smith observes: “Superstition first attempted to satisfy this curiosity by referring all those wonderful appearances to the immediate agency of the gods. Philosophy afterwards endeavoured to account for them, from more familiar causes, or from such as mankind were better acquainted with, than the agency of the gods.”²⁸ This is hardly a remark which would have been made by a strong, or even a mild, Deist.

The fact of the matter is that, in 1759, there was no way of explaining how such a natural harmony came about unless one believed in a personal God who created it all. Before Darwin, Mendel and perhaps also Crick and Watson, if one observed, as Smith thought he often did, a kind of harmony existing in human nature, no explanation could be given if one were unwilling to accept God the creator. My own feeling is that Smith was reluctant to adopt this particular explanation. His use of the term “Nature” and other circumlocutions was rather a means of evading giving an answer to the question than the statement of one. Since Smith could only sense that there was some alternative explanation, the right response was suspended belief, and his position seems to have come close to this. Today we would explain such a harmony in human nature as a result of natural selection, the particular combination of psychological characteristics being that likely to lead to survival. In fact, Smith saw very clearly in certain areas the relation between those characteristics which nature seems to have chosen and those which increase the likelihood of survival.

Consider the following passage from *The Theory of Moral Sentiments*:

With regard to all those ends which, upon account of their peculiar importance, may be regarded...as the favourite ends of nature, she has constantly...not only endowed mankind with an appetite for the end which she proposes, but likewise with an appetite for the means by which alone this end can be brought about, for their own sakes, and independent of their tendency to produce it. Thus self-preservation, and the propagation of the species, are the great ends which Nature seems to have proposed in the formation of all animals. Mankind are endowed with a desire of those ends, and an aversion to the contrary.... But though we are...endowed with a very strong desire of those ends, it has not been intrusted to the slow and uncertain determinations of our reason, to find out the proper means of bringing them about. Nature has directed us to the greater part of these by original and immediate instincts. Hunger, thirst, the passion which unites the two sexes, the love of pleasure, and the dread of pain, prompt us to apply those means for their own sakes, and without any consideration of their tendency to those

28. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* 723 (Modern Library edition, Edwin Cannan ed. 1937) [hereinafter cited as *Wealth*] {Smith 1976/1776, V.i.f.24}.

beneficent ends which the great Director of nature intended to produce by them.²⁹

This comes very close to a modern attitude. The “passion by which Nature unites the two sexes”³⁰ or love, was considered by Smith, a life-long bachelor, as “always, in some measure, ridiculous”:³¹ “The passion appears to every body, but the man who feels it, entirely disproportioned to the value of the object.”³² But, of course, the passion which unites the sexes serves to secure the propagation of the species and if rationality impedes this, we can count on the great Director of nature to make sure that in this area man is not rational. Similarly, we care much more for the young than the old. “Nature, for the wisest purposes, has rendered, in most men, perhaps in all men, parental tenderness a much stronger affection than filial piety. The continuance and propagation of the species depend altogether upon the former, and not upon the latter.”³³ “In the eye of nature, it would seem, a child is a more important object than an old man; and excites a much more lively, as well as a much more universal sympathy. It ought to do so. . . . In ordinary cases, an old man dies without being much regretted by any body. Scarce a child can die without rending asunder the heart of somebody.”³⁴

In all these cases nature, as Smith would say, or natural selection, as we would say, has made sure that man possesses those propensities which would secure the propagation of the species.³⁵ But even if Smith had been aware of the principle of natural selection, of itself this could not have given him an explanation of why there was a natural harmony in man’s psychological propensities. That the instincts which regulate sexual activity and the care of the young were the result of natural selection poses no problem. These are, after all, instincts which man shares with all other mammals, and natural selection has had a very long period to bring about this result. The social arrangements of the tiger, the wolf or even the chimpanzee are, however, very different from those of human beings and unless there has been a long period during which natural selection could operate to shape human nature, we can have no confidence that man’s psychological propensities are appropriately adjusted to the conditions of human society. It was David Hume’s view, and presumably also Smith’s, that human nature is revealed as being much the same in

29. *Theory* 110 {II.i.5.10}.

30. *Theory* 33 {I.ii.1.2}.

31. *Theory* 39 {I.ii.2.1}.

32. *Theory id* {I.ii.2.1}.

33. *Theory* 199 {III.3.13}.

34. *Theory* 322 {VI.ii.1.3}.

35. Michael T. Ghiselin, a biologist, has noted that Adam Smith “clearly grasped” that “our moral sentiments have an adaptive significance.” See Michael T. Ghiselin, *The Economy of Nature and the Evolution of Sex*, 257 (1974).

all recorded history:

... Ambition, avarice, self-love, vanity, friendship, generosity, public spirit; these passions, mixed in various degrees, and distributed through society, have been from the beginning of the world and still are the source of all the actions and enterprises which have ever been observed among mankind. Would you know the sentiments, inclinations, and course of life of the Greeks and Romans? Study well the temper and actions of the French and English. Mankind are so much the same in all times and places that history informs us of nothing new or strange in this particular.³⁶

Without being tied down to Bishop Usher's chronology, it would still have been difficult for Smith to use natural selection as an explanation of what he thought he observed, that is, a harmony in human nature, unless recorded history was but a small part of human history. There had to be an earlier period in which human nature was not the same as it is now.

Fortunately we have learnt a great deal about the antiquity of man in recent years. We now know, what Smith could not, that modern man (*homo sapiens*) has existed for perhaps 500,000 years, that *homo erectus* came into existence about one and a half million years ago, while creatures which may or may not be classified as men, but from which man almost certainly evolved, were in existence several million years ago.³⁷ We are thus able to fill in the gaps in Smith's position. We have the principle of natural selection, a mechanism of inheritance and an extremely long period during which natural selection could play its part. Smith's view of a harmony in man's nature no longer requires us to postulate a divine creator and Smith's use of the word Nature is singularly appropriate. The harmony in human psychological propensities should, however, be regarded as the existence of that combination of traits which makes for survival rather than as leading to the "perfection and happiness" of mankind.^[iii] Such a position, which assigns a genetic basis for human psychology, is one for which there is, today, some support.³⁸

I can find no essential difference between the views on human nature in *The Theory of Moral Sentiments* and those expressed in the *Wealth of Nations*. Of course,

36. David Hume, Human Uniformity and Predictability, in *The Scottish Moralists on Human Nature and Society* 44 (Louis Schneider ed. 1967).

37. See Philip V. Tobias, Implications of the New Age Estimates of the Early South African Hominids, 246 *Nature* 79–83 (1973); and Charles E. Oxnard, *Uniqueness and Diversity in Human Evolution: Morphometric Studies of Australopithecines* (1975).

38. For a general survey of the problem, see Edward O. Wilson, *Sociobiology: The New Synthesis* 547–5 75 (1975). See also Robert L. Trivers, The Evolution of Reciprocal Altruism, 46 *Q. Rev. Biology* 35–57 (1971); and Robert L. Trivers, Parental Investment and Sexual Selection, in *Sexual Selection and the Descent of Man* 136 (Bernard Campbell ed. 1972).

the subject is not treated systematically in the *Wealth of Nations* and Smith's views have to be inferred from incidental remarks. But self-love is everywhere evident. We are more familiar with the effect of self-love on the actions of merchants and manufacturers, but in fact all men, whatever their occupations, are much the same. When speaking of teachers, he says: "In every profession, the exertion of the greater part of those who exercise it, is always in proportion to the necessity they are under of making that exertion."³⁹ Of those engaged in the "administration of government," he says that they are "generally disposed to reward both themselves and their immediate dependents rather more than enough."⁴⁰

Self-love also shows itself in the "over-weening conceit which the greater part of men have of their own abilities" and their "absurd presumption in their own good fortune,"⁴¹ which is used by Smith to explain why, among other things, people buy lottery tickets, invest in gold mines, become lawyers, engage in smuggling, join the army or go to sea. It may seem strange that self-love sometimes results in self-harm but the reason is that self-love leads to self-deceit and self-deceit colours our perception of the outcomes of alternative courses of action. This is all of a piece with Smith's view that man overestimates the difference between one permanent situation and another. "Avarice over-rates the difference between poverty and riches: ambition, that between a private and public station: vain-glory, that between obscurity and extensive reputation."⁴² This theme is illustrated by the discussion of ambition and in particular the case of the poor man's son "whom heaven in its anger has visited with ambition."

He studies to distinguish himself in some laborious profession. With the most unrelenting industry he labours night and day to acquire talents superior to all his competitors. He endeavours next to bring those talents into public view, and with equal assiduity solicits every opportunity of employment. For this purpose he makes his court to all mankind; he serves those whom he hates, and is obsequious to those whom he despises. Through the whole of his life he pursues the idea of a certain artificial and elegant repose which he may never arrive at, for which he sacrifices a real tranquillity that is at all times in his power, and which, if in the extremity of old age he should at last attain to it, he will find to be in no respect preferable to that humble security and contentment which he had abandoned for it.⁴³

However, if the ambitious man is not made happy by the inner forces which drive

39. *Wealth* 717 {V.i.f.4}.

40. *Wealth* 818 {V.ii.i.7}.

41. *Wealth* 107 {I.x.b.26}.

42. *Theory* 210 {III.3.31}.

43. *Theory* 259–60 {IV.1.8}.

him, the rest of us gain. Says Smith: "...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. It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life."⁴⁴

Benevolence is not absent from the *Wealth of Nations* but, as in *The Theory of Moral Sentiments*, it is put in its place. Consider Smith's view that slavery could "afford the expence of slave-cultivation" in the production of sugar and tobacco, but that this was not true for corn. He supports this conclusion by observing that the "late resolution of the Quakers in Pennsylvania to set at liberty all their negro slaves, may satisfy us that their number cannot be very great. Had they made any considerable part of their property, such a resolution could never have been agreed to."⁴⁵ This quotation reveals the weight which Smith assigns to benevolence. Freeing the slaves was certainly a benevolent action but hardly one likely to be undertaken if the price was personal ruin.

Dr. Arthur H. Cole, after referring to passages such as these, concludes that Smith had a "pretty low opinion of mankind in general." This he finds difficult to reconcile with the picture drawn by Smith's biographers of a man who was "friendly and generous."⁴⁶ I do not regard this as a problem. Smith saw the less agreeable qualities of human beings as being productive of good. Self-interest promotes industry; resentment discourages aggressive actions by others; vanity leads to acts of kindness; and so on. Furthermore, one can hardly be upset by people's actions, even if in some respects disagreeable, if one believes that they are incapable of acting otherwise. Anyone who knows anything about cats will not spend much time deploring their unkindness to mice.

Many economists have thought that there is an inconsistency between Smith's argument in *The Theory of Moral Sentiments* and in the *Wealth of Nations*.⁴⁷ Jacob Viner refers to this question in the following terms: "The Germans, who, it seems, in their methodical manner commonly read both the *Theory of Moral Sentiments* and the *Wealth of Nations*, have coined a pretty term, *Das Adam Smith Problem*, to denote the failure to understand either which results from the attempt to use the one in the interpretation of the other."⁴⁸ The inconsistency which Viner himself finds is that in *The Theory of Moral Sentiments*, Smith assumes that there exists a natural harmony while in the *Wealth of Nations*, Smith seems to have abandoned

44. *Theory* 263–64 {IV.1.10}.

45. *Wealth* 366 {III.ii.10}.

46. Arthur H. Cole, "Puzzles of the 'Wealth of Nations'", 24 *Can. J. Econ. & Pol. Sci.* 1, 5 (1958).

47. See August Oncken, "The Consistency of Adam Smith", 7 *Econ. J.* 443–50 (1897).

48. Jacob Viner, *supra* note 18, at 120.

this belief, as is shown by the references to desirable government actions. Viner's view involves, I think, a misunderstanding of these two books. *The Theory of Moral Sentiments* is a study of human psychology. The *Wealth of Nations* is a study of the organisation of economic life. A harmony in human nature does not imply that no government action is required to achieve the appropriate institutional structure for economic activity.

Most economists, however, who have thought that there was an inconsistency between Smith's position in these two books have come to this conclusion for another reason. In *The Theory of Moral Sentiments*, man's actions are influenced by benevolence. In the *Wealth of Nations*, this motive is apparently absent. This view is supported by a much-quoted passage: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages."⁴⁹ What is not quoted is something which Smith says earlier in the same paragraph: "In civilized society [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."⁵⁰ This puts a completely different complexion on the matter. For that extensive division of labour required to maintain a civilized standard of living, we need to have the co-operation of great multitudes, scattered all over the world. There is no way in which this co-operation could be secured through the exercise of benevolence. Benevolence, or love, may be the dominant or, at any rate, an important factor within the family or in our relations with colleagues or friends, but as Smith indicates, it operates weakly or not at all when we deal with strangers. Benevolence is highly personal and most of those who benefit from the economic activities in which we engage are unknown to us. Even if they were, they would not necessarily in our eyes be lovable. For strangers to have to rely on our benevolence for what they received from us would mean, in most cases, that they would not be supplied: "...man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only."⁵¹

Looked at in this way, Smith's argument for the use of the market for the organisation of economic activity is much stronger than it is usually thought to be. The market is not simply an ingenious mechanism, fueled by self-interest, for securing the co-operation of individuals in the production of goods and services. In most circumstances it is the only way in which this could be done. Nor does government regulation or operation represent a satisfactory way out. A politician,

49. *Wealth* 14 {I.ii.2}.

50. *Wealth* 14 {I.ii.2}.

51. *Wealth* 14 {I.ii.2}.

when motivated by benevolence, will tend to favour his family, his friends, members of his party, inhabitants of his region or country (and this whether or not he is democratically elected). Such benevolence will not necessarily redound to the general good. And when politicians are motivated by self-interest unalloyed by benevolence, it is easy to see that the results may be even less satisfactory.

The great advantage of the market is that it is able to use the strength of self-interest to offset the weakness and partiality of benevolence, so that those who are unknown, unattractive, or unimportant, will have their wants served. But this should not lead us to ignore the part which benevolence and moral sentiments do play in making possible a market system. Consider, for example, the care and training of the young, largely carried out within the family and sustained by parental devotion. If love were absent and the task of training the young was therefore placed on other institutions, run presumably by people following their own self-interest, it seems likely that this task, on which the successful working of human societies depends, would be worse performed. At least, that was Smith's opinion: "Domestic education is the institution of nature; public education, the contrivance of man. It is surely unnecessary to say, which is likely to be the wisest."⁵² Again, the observance of moral codes must very greatly reduce the costs of doing business with others and must therefore facilitate market transactions. As Smith observes, "Society... cannot subsist among those who are at all times ready to hurt and injure one another."⁵³

Smith allows for a good deal of folly in human behaviour. But this does not lead him to advocate an extensive role for government. Politicians and government officials are also men. Private individuals are constrained in their folly because they personally suffer its consequences: "Bankruptcy is perhaps the greatest and most humiliating calamity which can befall an innocent man. The greater part of men, therefore, are sufficiently careful to avoid it."⁵⁴ But, of course, men who bankrupt a city or a nation are not necessarily themselves made bankrupt. Smith, therefore, continues: "Great nations are never impoverished by private, though they sometimes are by public prodigality and misconduct."⁵⁵ As he later observes: "[Kings and ministers] are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expence, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will."⁵⁶

52. *Theory* 326 {VI.ii.1.10}.

53. *Theory* 124–25 {II.ii.3.3}.

54. *Wealth* 325 {II.iii.29}.

55. *Wealth* 325 {II.iii.30}.

56. *Wealth* 329 {II.iii.36}. The reasons why Adam Smith advocated limited government cannot be summarised in a single paragraph. Professor J. Ralph Lindgren has argued persuasively that it was Adam

In the regulation of behaviour, Smith put little confidence in human reason. When discussing self-preservation and the propagation of the species, Smith said, in a passage to which I have already referred, that the securing of these ends is so important that “it has not been intrusted to the slow and uncertain determinations of our reason” but to “original and immediate instincts.” Jacob Viner makes a similar point: “The important thing for the interpreter of Smith is to note how low down reason enters into the picture as a factor influencing social behaviour. The sentiments [that is, the instincts] are innate in man. . . . Under normal circumstances, the sentiments make no mistake. It is reason which is fallible.”⁵⁷

It is wrong to believe, as is commonly done, that Adam Smith had as his view of man an abstraction, an “economic man,” rationally pursuing his self-interest in a single-minded way. Smith would not have thought it sensible to treat man as a rational utility-maximiser. He thinks of man as he actually is—dominated, it is true, by self-love but not without some concern for others, able to reason but not necessarily in such a way as to reach the right conclusion, seeing the outcomes of his actions but through a veil of self-delusion. No doubt modern psychologists have added a great deal, some of it correct, to this eighteenth-century view of human nature. But if one is willing to accept Smith’s view of man as containing, if not the whole truth, at least a large part of it, realisation that his thought has a much broader foundation than is commonly assumed makes his argument for economic freedom more powerful and his conclusions more persuasive.

Endnotes

[i]. {Smith 1976/1790, III.5.1}.

[ii]. {Smith 1976/1790, I.i.4.2}.

[iii]. {Smith 1976/1790, III.5.9}.

Smith’s view that the institutional role of men in government will inevitably lead them to adopt attitudes dominated by a “love of system.” See J. Ralph Lindgren, *The Social Philosophy of Adam Smith*, 60–83 (1973).
57. See Jacob Viner, *supra* note 17, at 78.

About the Author



Ronald Coase (1910–2013) was a British economist who became Clifton R. Musser Professor of Economics at the University of Chicago Law School. He received the Nobel Memorial Prize in Economic Sciences in 1991. He beseeched us to take responsibility for the total effect of our action, which, if spelling the governmentalization of social affairs, meant facing up to the downsides of governmentalization.

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