

Chapter 5

The marketplace of morality

As we saw in Chapter 1, Adam Smith was first and foremost a moral philosopher. In his *Theory of Moral Sentiments*, he wanted to understand how human beings come to have the moral sentiments they do, and how they form the moral judgments they do. We saw in the previous three chapters that Smith described a process by which individuals develop moral sentiments over time, through interaction with others, and based on the experiences they have watching others judge and perceiving being judged themselves. In the Introduction, I raised the historical and scholarly issue known as the “Adam Smith Problem,” which alleges a rift between the account of morality Smith gives in TMS, on the one hand, and the seemingly different account of political economy Smith gives in his *Wealth of Nations*, on the other. Can the two accounts be reconciled? I argued in Chapter 1 that both accounts could be reconciled by a proper understanding of Smith’s “political economy” project. In this chapter, let me lay out how the projects of Smith’s two books go together.



The explanation Smith offers for the development of moral standards holds the process to create what we today might call “spontaneous order.” A spontaneous order is a system that arises, as Smith’s contemporary Adam Ferguson put it, as “the result of human action, but not the execution of any human design” (Ferguson, 1996 [1767]: 119). As this theory was developed by twentieth-century thinkers like Michael Polanyi and Friedrich Hayek, it referred to the development of an orderly system that arose from the decentralized actions of individuals but without their intending to design any overall system. Language is a good example. The English language is a relatively orderly system: it contains rules of grammar, definitions of words, and accepted or

acceptable pronunciations, but there was no single person or group of persons who invented or designed it. It lives and changes according to the purposes and desires of the users of the language, and its rules are generated and enforced by the users themselves. In order for English to serve its purpose of allowing its users to communicate their thoughts, its rules must be commonly accepted; yet because its users' purposes and experiences change over time, the language itself will also change, at least at the margins, over time. At any given moment, most of the language's elements are fixed and admit of little or no variation. Yet there is always room for linguistic entrepreneurs to try out new usages. If other users find that the new usages serve their purposes as well, the new usages might catch on and eventually become part of the generally accepted body of the language. Some new usages will arise but fail to achieve common use, and will then fade. All of this proceeds without any overall architect or designer of the language.

Another prime example of spontaneous order is ecosystems. If one looks around the world, one might observe that the various elements of the ecosystems seem to fit together well: plants and animals seem well adapted to succeed in their particular environments, and the various parts seem to work together to produce a kind of harmonious whole. Many have concluded from observations like these that the world must therefore have had some intelligent designer, or perhaps Intelligent Designer, who created the whole from scratch and integrated all its elements into a rational unity. Yet one of the things Charles Darwin (1809–1882) noticed is that this seeming harmony is the product, in fact, of a turbulent and contested struggle for survival, with many individual animals and plants not surviving. Thus there is a competition for survival, in which some of the individuals that are better adapted survive where others do not. This competition gives rise over time to the existence of relatively better adapted organisms and species whose fitness can appear to have been antecedently, and rationally, designed but that is in fact merely the result of countless localized contests for scarce resources and reproduction. Even extremely complex organisms, like human beings, and organs, like the human eye, can arise over time from this multiply iterated struggle for survival across thousands and thousands of generations.

One more example of spontaneous order: an economic market. As Smith would go on to describe in his *Wealth of Nations*, the individual actors in economic markets certainly have intentions—they all want, in his words,

to “better their own condition” (WN: 345)—but they nevertheless typically do not have any larger intentions in mind regarding an overall system of market order. They just want to achieve their localized purposes in cooperation with other willing individuals. Yet individuals’ decentralized attempts to achieve their purposes lead to the development of patterns and even principles of behavior that can look as if some wise person designed it all.

Let us now relate this discussion of spontaneous order to Smith’s account of human morality. Smith’s argument is that human morality is a social system that arises—like languages, like ecosystems, and like markets—on the basis of countless individual decisions, actions, and interactions but without any overall plan and with no overall designer. Each of us begins life with no moral sentiments whatsoever, but with an instinctive desire for mutual sympathy of sentiments. Interactions with others—and, in particular, experiences in which others judge us—trigger our desire for mutual sympathy of sentiments and begin the lifelong process of finding ways to behave that stand a chance of achieving this sympathy, which Smith believes is, along with the desire to procreate, among the strongest social desires humans have. This trial-and-error process, which we conduct with others who similarly wish to achieve mutual sympathy, leads us to develop habits of behavior that reflect successful attempts. These habits eventually become, through suitable refinement, principles of behavior, and then come to inform our conscience. Because we develop these principles with others in our community, they can become a shared system of moral judgment—one that no one of us planned but to which we all contribute, that we recognize and respect (even in the breach), and that is enforced mainly by the members of the community itself.

At any given moment, a community’s shared moral sentiments may seem as though they are self-evident, bestowed by a wise (even divine) law-giver, or deducible from pure reason or natural law. Smith’s argument is not that God does not exist or could not have intended for us to develop some specific set of moral sentiments. Indeed, Smith was apparently a Christian and hence seemed to believe both that God created us and that He intends for us to be happy.³ Smith’s argument is rather that God created us with the

3 Modern scholars differ over the extent to which Smith’s many references to God, to the Author of Nature, and so on are indicative of his actual religious beliefs. For discussion, see Ross (2010) and, for a variety of perspectives, Oslington (2011).

necessary psychological tools—in particular, the desire for mutual sympathy of sentiments—as well as with the necessary circumstances—in particular, scarcity of resources, which requires cooperation to survive and flourish—that would, or at least could, lead us to develop mutually beneficial communities of virtue and prosperity. All of this would proceed cooperatively and jointly, but without requiring divine interposition. But Smith also believed that empirical observation suggests that human beings are imperfect and often make mistakes. Their free will enables them to make choices—some of which will turn out to benefit themselves and others, but others of which will turn out to harm themselves or others. The process he envisions, then, is similar to what Darwin would articulate in the succeeding century as that giving rise to species and ecosystems in the natural order.⁴ There is a great deal of turbulence and variation at the micro-level, but the decentralized actions and interactions of individuals give rise to a relatively orderly system at the macro-level. This macro-level order is relatively stable, recognizable, and scientifically describable, though it is still subject to change over time, at least at the margins, as a result of individuals' changing circumstances, purposes, and experiences.

Smith's groundbreaking account of human morality, then, holds it to be an evolutionary account. We are not given moral sentiments; we do not deduce them or apprehend them once and for all. Instead, we develop moral sentiments over time. At the individual level, we train our judgment and our sentiments as a result of the interactions we have with others and the feedback we get from others' positive and negative judgments. This feedback has purchase on us because of the pleasure we receive from achieving mutual sympathy of sentiments and the displeasure we receive from experiencing an antipathy of sentiments. We are hence encouraged to discover and follow rules of behavior that we come to see as "moral" because of our needs and desires, both of which can be satisfied only in cooperative relations with others (who can, if they like, choose not to associate with us—thus creating scarcity and competition). And our decentralized striving to discover, and follow, these rules gives rise—unintentionally, without any of us planning it—to a shared system of morality.

4 For a recent discussion of the link between Smith and Darwin, see Ridley (2015), especially Chapter 2.

Some of the rules of this discovered and developed morality are so central to the existence of our community, which is itself necessary for our individual survival, that they get multiply reinforced and deeply fixed in our consciences. They can come to seem almost, or even actually, “sacred,” as Smith describes his rules of “justice.” Others are less central to our survival, and so admit of more variation—like the rules about proper attire, joke-telling, manners, and so on. Still others are of great importance to our ability to achieve happiness but are highly dependent on localized circumstances and purposes, and so do not admit of universalizing. The rules of “beneficence” fall into this category: we all wish for others to act with beneficence toward us, and we approve of appropriate beneficence in others as well as in ourselves, so we have clear duties of beneficence. Nevertheless, what counts as proper beneficence in any particular case is so dependent on the details of particular circumstances that our system of morality endorses beneficence only in general and in the abstract—we should be generous, charitable, helpful, friendly, loyal, and so on—while leaving the particular instantiations of these virtues in actual people’s lives to the relevant individuals and localized communities themselves. Smith writes: “The rules of justice may be compared to the rules of grammar; the rules of the other virtues, to the rules which critics lay down for the attainment of what is sublime and elegant in composition. The one, are precise, accurate, and indispensable. The other, are loose, vague, and indeterminate, and present us rather with a general idea of the perfection we ought to aim at, than afford us any certain and infallible directions for acquiring it” (TMS: 175–6).

We can now specify the particular elements of Smith’s model for understanding the human social institution of morality according to what I call Smith’s “marketplace of morality.” It has six elements: motivating desire, market, competition, rules developed, resulting “spontaneous order,” and objectivity. Here is how I believe Smith deploys and understands these six elements.

- 1 **Motivating desire:** The “desire for mutual sympathy of sentiments,” which Smith believes all human beings have by nature.
- 2 **Market:** What gets exchanged is our personal sentiments and moral judgments.

- 3 **Competition:** Because we all want mutual sympathy of sentiments but we cannot all sympathize with everyone's sentiments, mutual sympathy becomes a sought-after scarce resource.
- 4 **Rules developed:** standards of moral judgment and rules determining what Smith calls "propriety" and "merit"—or what we might call virtue and vice, good behavior and bad behavior, and so on. Some of these rules are relatively fixed, like the rules of justice, whereas others, like beneficence, are more variable.
- 5 **Resulting "spontaneous" order:** commonly shared standards of morality, moral judgment, manners, and etiquette.
- 6 **Objectivity:** the judgment of the impartial spectator, which is constructed inductively on the basis of people's lived experience with others.

One final consideration. The reader may have remarked at my use of the term "marketplace" in describing Smith's model as "marketplace of morality." I use the term deliberately because the features of Smith's model approximate a market order that is more familiar in other parts of human social life, like economic markets. The system of human morality Smith is trying to explain and account for involves elements of exchange, competition, and cooperation in a context of decentralized striving for scarce resources that indeed resembles economic markets. If it turns out that similar elements can be found in Smith's *Wealth of Nations*, then that would mean that the model Smith develops in *The Theory of Moral Sentiments* applies to WN as well. Thus, far from being inconsistent, the two books would be united on a deep level. Is that same model in fact present in WN? We turn to that in the next chapter.