

Chapter 2

Adam Smith. New Intuitions For A New Age

2.1 Introduction

Adam Smith's writings spanned a wide range of topics from the evolution of ideas in physics, *The History of Astronomy*, causes and effects of effective communication, *Rhetoric and Belle Lettres*, virtue and morality, *Theory of Moral Philosophy*, and, of course, economics, *Wealth of Nations*. Although Smith never used the word intuition, the concept of intuition is included in all four of the above, and is one of the things which connects his two major works, *Theory of Moral Philosophy* (TMP), and *Wealth of Nations* (WN). Some researchers consider the emphasis on virtue and morality in TMP inconsistent with the focus on private markets in WN. This inconsistency has been called the "Adam Smith problem." I do not see any "Adam Smith problem." What I do see is a coherent theme of how the human mind affects the evolution of ideas in science, interpersonal communication and relations, and the economy. I also see a person whose own intuitions became intuitions of the (modern) age he came to represent, replacing some of the intuitions of the mercantilist age.

Today, some economists attempting to expand the scope of economics take some of their cues from Smith. In *The Moral Dimension*, Amatai Etzioni presents a "deontological multiple utility" model of socio-economics (Etzioni, 1988), and states, "...the deontological multiple-utility model ...is closer to the other Adam Smith, the author of *The Theory of Moral Sentiments*, not to replace the first (sic) Adam Smith, the author of the *Wealth of Nations*, but to add the concept of morality to that of the pleasure utility, and the concept of community to that of competition" (ibid., p. 22). Deirdre McCloskey in her book, *The Vices of Economists - The Virtues of the Bourgeoisie*, states that "integrating prudence with the virtues spoken about in his *Theory of Moral Sentiments*, can save economics from being both soulless -- the economics of only prudence -- and politicized sentimentality -- economics absent prudence" (McCloskey, 1996, p. 128-29). In this chapter I first discuss Smith's replacing the intuitions of the mercantilist age with new ones consistent with the modern age, as well as his relationship with Francis Hutcheson. This is followed by his use of the concept intuition in his various writings and why I do not find an "Adam Smith problem."

2.2 New Intuitions

According to Max Lerner, Smith was in a good position to replace intuitions of a declining age with those of an advancing age for both personal and historical reasons. The personal reason was that Smith "was all antennae,

reaching out for and absorbing everything within reach" (Smith, 1937, p. vi). He had "a mind that was a powerful analytic machine...and a powerful synthetic machine" (ibid, p. vi). He had "subtle insights" and was a "gentle sage" (ibid, 1937, p. vi). Edmund Burke called him a "man of uncommon observation" (Rae, 1965, p.146). It is said that he was "habitually inattentive...to what was passing around him" (Stewart, 1966, p.37), while at the same very aware and insightful of what was going on around him. The economist and contemporary of Smith, Dugald Stewart, remarked that "...he possessed a power, not perhaps uncommon among absent men, of recollecting, in consequence of subsequent efforts of reflection, many occurrences which, at the time when they happened, did not seem to have sensibly attracted his notice" (ibid., p.77). Historically, Smith "stood with these gifts at the dawn of a new science" and a new age, at the end of the feudal age in Europe. And what he wrote became "the expression of forces which were working, at the very time he wrote it, to fashion that strange and terrible new species-homo oeconomicus, or the economic man of the modern world" (Smith, 1937, p. v).

Would it be too much to state that the *Wealth of Nations* is Smith's intuition on the modern world? In the *Wealth of Nations* Smith ridiculed a core intuition of mercantilism - that wealth consists of money (gold and silver). He says, "to attempt to increase the wealth of any country, either by introducing or by detaining in it an unnecessary quantity of gold and silver, is as absurd as it would be to attempt to increase the good cheer of private families, by obliging them to keep an unnecessary number of kitchen utensils" (ibid, p. 408). Or, in another place Smith states, "the division of labour is the great cause of the increase of public opulence, which is always proportional to the industry of the people, and not to the quantity of gold and silver as is foolishly imagined" (ibid, p. xxx). The 'common sense' notion during the mercantilist era that wealth consists of gold and silver, similar to all pieces of common sense, seems intuitively obvious to even the casual observer and makes it difficult to think in any other way about the subject. Smith expresses this in saying, "I thought it necessary, though at the hazard of being tedious, to examine at full length this popular notion that wealth consists in money, or in gold and silver. Money in common language, as I have already observed, frequently signifies wealth; and this ambiguity of expression has rendered this possible notion so familiar to us, that even they, who are convinced of its absurdity, are very apt to forget their own principles, and in the course of their reasonings to take it for granted as a certain and undeniable truth" (ibid, p. 418).

Smith replaced this core intuition of mercantilism with what would become a new intuition about free trade and wealth. "We trust with perfect security that the freedom of trade, without any attention of government, will always supply us with the wine which we have occasion for; and we may trust

with equal security that it will always supply us with all the gold and silver which we can afford to purchase or to employ, either in circulating our commodities, or in other uses" (ibid, 404). He also expressed intuitions about the economic and social effects of self-interest within the "natural order": the "invisible hand" of the market. One of Smith's famous statements about the invisible hand is: "He generally, indeed neither intends to promote the public interest, nor knows how much he is promoting it...he intends only his own security...he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention" (ibid, 423). Some have suggested that, more than an intuition, this is "a cardinal principal of the faith of the age," an argument "to fight the ecclesiastical institutions and the political obscurantism of their day" (ibid, p. ix).

Smith says that "It is unnecessary to give an example" of how machinery supports labor (ibid, 9), presumably because it is intuitive. Rules of conduct also contain an intuitive element. Smith says, "In every age and country of the world men must have attended to the characters, and designs, and actions of one another, and many reputable rules and maxims for the conduct of human life, must have been laid down and approved of by common consent...The beauty of a systematical arrangement of different observations connected by a few common principles, was first seen...towards a system of natural philosophy. Something of the same kind was afterwards attempted in morals. The science which pretends to investigate and explain those connecting principles, is what is properly called moral philosophy" (ibid, p. 724). In other words, the rules of conduct evolve over time through observations of what behaviors are proper or improper. Over time, the rules of conduct appear to be simply intuitively obvious.

Another example is the division of labor which is "not originally the effect of any human wisdom," but due to "a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another" (ibid, p. 13). Such broad all inclusive statements about human nature are intuitions, and in the context of Smith's writings are part of his vision of a world of private initiative free of government regulation and ecclesiastical authority. Smith often uses the word "natural" to suggest that a relationship between economic variables is intuitively obvious. For example, high wages are a "natural symptom" of rising levels of aggregate wealth (ibid, p. 73). Read this last sentence as, 'of course, it is intuitive that as wealth increases, wages increase.' It is natural – intuitive – that the demand for labor increases as aggregate wealth increases (ibid, p. 69). A second example is that the "natural price" is the price towards which prices "are continually gravitating" (ibid, p. 58). Therefore, it is intuitive that prices gravitate towards the natural prices. Third, "Every species of animals naturally multiplies in proportion to the means of their

subsistence” (ibid, p. 79). It seems, therefore, that it is intuitive to Smith that birth rates are proportional to income levels. This is no longer intuitive, in fact, the opposite is intuitive. A final example is, “The great phenomena of nature...are objects which, as they necessarily excite the wonder, so they naturally call forth the curiosity, of mankind to enquire into their causes” (ibid, p. 723). This is a particularly interesting quote because the topic of wonder, curiosity, and the advancement of science was central to some of Smith’s earliest writings, a fact to which we shall return. He also uses the word “evidently” in a way which, evidently, denotes intuitive. For example, “Labour, therefore, it appears evidently, is the only universal, as well as the only accurate measure of value...” (ibid, p. 36).

Smith not only personally replaced intuitions of the mercantilist era with what became intuitions of the ‘modern’ era, he also discussed the replacement of the intuitions of the Cartesian system with the intuitions of Sir Issac Newton. In one of Smith’s early writings, “The History of Astronomy,” Smith compares these two systems and states, “The Cartesian system, which had prevailed so generally before it, had accustomed mankind to conceive motion as never beginning” (Smith, 1980, p. 104). The Cartesian system “accustomed mankind,” or in other words it was intuitively obvious. Mankind, however, replaced the Cartesian system with that of Newton. Speaking of Newton Smith says, “His system, however, now prevails over all opposition, and has advanced to the acquisition of the most universal empire that was ever established in philosophy. ...And even we, while we have been endeavouring to represent all philosophical systems as mere inventions of the imagination, to connect together the otherwise disjointed and discordant phaenomena of nature, have insensibly been drawn in, to make use of language expressing the connection principles of this one, as if they were the real chains which Nature makes use of bind together her several operations. Can we wonder then, that it should have gained the general and complete approbation of mankind, and that it should now be considered, not as an attempt to connect in the imagination the phaenomena of the Heavens, but as the greatest discovery that ever was made by man, the discovery of an immense chain of the most important and sublime truths, all closely connected together, by one capital fact, of the reality of which we have daily experience” (ibid, pp. 104-105). Newton’s system is now considered “an immense chain of the most important and sublime truths” - under certain, but not all conditions.

2.3 Francis Hutcheson

Several of the economists discussed in this book were influenced by non-economists. Mill was influenced by Jeremy Bentham, Marshall was influenced by the philosopher Henry Mansel, J. M. Keynes by the philosopher G.E. Moore, Knight by philosopher/psychologist William James, and Simon

by Business Professor Chester Barnard. Smith was influenced by the moral philosopher Francis Hutcheson, but then again, Smith was a moral philosopher as well. Francis Hutcheson (1694-1746), Adam Smith's teacher at Glasgow, was one of the leaders of the Scottish Enlightenment, and a proponent of the idea of a moral sense, an idea which is central to Smith's moral philosophy and his economics. Hutcheson authored, among other things, *An Inquiry into the Original of our Ideas of Beauty and Virtue* (1727), and *A System of Moral Philosophy* (1755). According to Hutcheson the moral sense -- an "internal sense," the "passive side of the mind," a "natural power of perception, or determination of the mind to receive necessarily certain ideas, from the presence of objects" (Scott, 1966, p. 187) -- recognizes moral goodness in ourselves and others, thereby allowing us to make moral judgments. This moral sense has been implanted in all persons, regardless of age or education, and is our "Superior Sense" (ibid, p. 190). In addition, the moral sense "leaps," it is 'immediate,' independent of Will, and independent of any other knowledge of the objects of perception. It should also be intuitively obvious to the casual observer that the internal senses function intuitively. In contrast with our (internal) senses, reason "plods" (Kivy, p. 36).

William Scott, in his book *Francis Hutcheson* (Scott, 1966), refers to Hutcheson as an intuitionist, due to the fact that he "never tires of entreating or even commanding his reader to consult 'his heart' and observe what happens 'in his breast'" (ibid, p. 271). Hutcheson's moral philosophy includes, as did Smith's, the ideas of an impartial spectator, sympathy, and self-interest. Sympathy allows us to "apprehend the state of others, our hearts naturally have a fellow-feeling with them" (Hutcheson, 1968p. 19). Some passions and actions create in ourselves a "warm feeling of approbation, a sense of their excellence, and in consequence of it, great good-will and zeal for their happiness" (Hutcheson, 1968p. 24). On the other hand, there are other passions and actions which create a sense of remorse and dislike for others. Hutcheson, like so many of that time, had 'Newton envy': "This universal Benevolence toward all Men, we may compare it that Principle of Gravitation..." (Myers, 1983, p. 69).

Despite the concepts used by Smith which are similar to those used by Hutcheson -- impartial spectator, and sympathy -- Smith was not in my opinion an intuitionist. In fact, I cannot find that he ever used the word intuition. He believed in what we would call intuition, and he realized its power to produce mutually beneficial interactions. At the same time it does not seem that he ever used the word intuition. During Smith's day many rejected intuition as the product of superstition and being anti-rational. Smith, however, did not reject intuition, he simply called it by other names.

For Hutcheson, the moral sense is neither motivated by self-interest, nor a product of reasoning. The moral sense comes from the soul, as does reason.

However, “’tis pretty plain that reason is only a subservient power to our ultimate determinations either of perception or will” (Hutcheson, 1968p. 58). Understanding *and reason* (reflecting, comparing, judging, etc.) helps us judge about the means to achieve some end. But, reasoning cannot help with “ultimate ends” (ibid, p.38). At the same time, the ordinary work in the world requires self-interest, leading Hutcheson to say that “Self-love is really as necessary to the Good of the Whole, as Benevolence” (Myers, p. 69). The moral sense is an aspect of the sense of beauty. The sense of beauty yields “pleasures of the imagination,” through our “spectator” (Hutcheson, 1968, p. 18) because of a sense of harmony or regularity. According to Hutcheson, the sense of beauty yields utility which is immediate and without “previous consideration” (Kivy, p. 29). In addition to the moral sense and sense of beauty, we also possess a “Public Sense” and a “Sense of Honor.” Our Public Sense allows us to be happy for others’ happiness, and “uneasy” at their misery. Through our Sense of Honor we feel happy when others acknowledge the good we have performed (ibid, p. 32). In Smith’s view, Hutcheson did not place enough emphasis on self-interest.

2.3.1 Hutcheson’s Economics

Hutcheson, similar to Smith interpreted our (presumed) moral faculty as being a tool for an invisible hand. Hutcheson says that “we are under natural bonds of beneficence and humanity toward all...” (Hutcheson, 1968p. 281). And, similar to Smith, the invisible hand works in our interest when we, paradoxically, act towards the interests of others. “...’tis obvious that we cannot expect the friendly aids of our fellows, without, on our part, we be ready to good offices, and refrain all the selfish passions which may arise upon any interfering interests so that they shall not be injurious to others” (ibid, p. 290). Our moral sense perceives benevolence (good actions) in others and feels pleasure, and love for those persons even though we expect nothing from them. One thing which is pleasing to us is regularity; regularity assumes design, and hence has its source in benevolence. Hutcheson’s moral sense thus has a teleological element.

In his *System of Moral Philosophy*, Hutcheson favored liberty and explained how we benefit economically from “the friendly aids of our fellows” (Scott p. 235). “’Tis plain, that a man in absolute solitude, though he were of mature strength, and fully instructed in all parts of life, could scarcely procure to himself the bare necessities of life ... much less could he procure any grateful conveniences” (ibid, pp. 235-36). If that seems to be extolling the virtues of the division of labor, the next passage makes it very clear. “Nay ‘tis well known that the produce of the labours of any given number, twenty for instance, in providing the necessaries or conveniences of life, shall be much

greater by assigning to one a certain sort of work of one kind, in which he will soon acquire skill and dexterity..." (ibid, p.236).

Hutcheson, inspired by the writings of Cicero, coined the phrase, "the greatest happiness of the greatest number." When Bentham learned of the greatest happiness principle it "caused him the sensations of Archimedes" (ibid, p. 273). Archimedes (c. 287-212 B.C.) was attempting to determine the volume of an object based on how much water it displaced. While bathing he suddenly realized the solution to the problem. As excited as he was, he jumped out of the pool proceeding to walk home, naked, shouting eureka, eureka. Since that time the term eureka has been associated with a sudden intuition. Hutcheson also borrows Cicero's use of the concept of intuition – man's internal senses and unreflective mental processes (ibid, pp. 271-2). According to Hutcheson, we are moved towards two things: our own maximum happiness, and the maximum happiness for all persons. And, it is by reason and reflection that we can see that God intended for each of us to pursue both the maximum general universal happiness, and our own so long as it is consistent with the general universal happiness. How do we pursue these? By following the guidance of our moral sense.

Hutcheson's statements in *System of Moral Philosophy* (SMP) on value in use and exchange also predates Smith's own account. In general, the order of the economic topics in Hutcheson's *SMP* are similar to that in Smith's *Wealth of Nations* (WN). In the list which follows the first of two citations on any topic is the location in Hutcheson's *SMP*, while the second is for Smith *WN*. The eleven topics are, the division of labor (Bk 2, ch 4; Bk 1, chs 1-2), value (Bk 2, ch 12; Bk 1, ch 4), use & exchange value (Bk 2, ch 12; Bk 1, ch 4), money as medium of exchange (Bk 2, ch 12; Bk 1, chs 4-5), money as standard of value (Bk 2, ch 12; Bk 1, chs 4-5), prices (Bk 2, ch 12; Bk 1, ch 7), wages (Bk 2, ch 12; Bk 1, ch 8), rate of interest (Bk 2, ch 13; Bk 1, chs 9-10), rent (Bk 2, ch 13; Bk 1, ch 11), trade (Bk 3, ch 9; Bk 4), taxation (Bk 3, ch 9; Bk 5). On the other hand, Hutcheson was a supporter of the system Smith criticized – mercantilism.

2.4 Smith's Early Career. The Mind, Interpersonal Communication and Brain Hemispheres

Essays on Philosophical Subjects (Wightman and Bryce, 1980) is a collection of largely ignored essays by Adam Smith. One of the essays is particularly relevant for the study of intuition, "The History of Astronomy," (HA). In HA Smith says that, "It is evident that the mind takes pleasure in observing the resemblances that are discoverable betwixt different objects. It is by means of such observations that it endeavors to arrange and methodise all its ideas, and to reduce them into proper classes and assortments" (Smith, 1980, p. 38). In other words, it is intuitive (evident) that the mind likes to

observe patterns or associations among things. And, the more knowledge we have of a subject the more distinctions or patterns we can imagine among objects. Patterns are experienced when, for example, one object always follows another, or when two objects are similar to each other but different from a third. When a pattern has been established it is expected to continue; when the first object, X, appears then the second object, Y, is anticipated.

The imagination moves from one object in the chain to the other(s). For the imagination, "There is no break, no stop, no gap, no interval. The ideas excited by so coherent a chain of things seem, as it were, to float through the mind of their own accord, without obliging it to exert itself, or to make any effort in order to pass from one of them to another" (ibid., 41). A pattern experienced over time becomes a "habit of the imagination...The ideas excited by so coherent a chain of things seem, as it were, to float through the mind of their own accord, without obliging it to exert itself, or to make any effort in order to pass from one of them to another" (ibid., p. 41). We will see this theme of ideas floating through the air in Marshall's analysis of external economies.

Patterns experienced again and again become intuitions. Smith says that what seems confusing to a novice is anything but confusion for an expert ("artizan"). The expert 'goes with the flow' of their imagination and effortlessly sees the inner workings of things. Asked about the inner workings, "even the ignorant become so familiar with them, as not to think that their effects require any explication" (ibid, p. 44). However, when something cannot be classified or placed in a known pattern, the "spirits" (ibid., p. 39, fn.) within us move and the mind hesitates, feels surprise, and then wonder. The mind then seeks something to "fill up the gap, which, like a bridge, may so far at least unite those seemingly distant objects, as to render the passage of the thought betwixt them smooth, and natural, and easy" (ibid., p. 42). What is wonder? Wonder is our response to "extraordinary and uncommon objects, at all the rarer phaenomena of nature... and at everything, in short, with which we have before been either little or not at all acquainted" (ibid., 33). In a sense, wonder is caused by the intuitively obvious not occurring. In turn, wonder motivates new theories. Ultimately, what eventually becomes intuitively obvious begins as wonder. According to Smith the search for "common sense" brings advancements in science, and utility or the avoidance of pain. In other words, the mind prefers understanding to confusion, patterns to chaos; the mind prefers the intuitively obvious (derived from logic). Smith says that Individuals are thus not utility maximizers as much as they are "scientists in a very general sense" (Earl, 1983, p. 119).

Another of Smith's early writings is *Rhetoric and Belle Lettres*. His interest in rhetoric and belle lettres - literature - stemmed from his interest in the power of the mind and the force which words have on the mind, and on

the effect which the power of the mind can have on social harmony. According to Smith, language has more force and beauty if it conveys to the recipient the author's state of mind or "quality of spirit" (Smith, 1983, p. 18), feelings, passions, intentions, and sentiments. When this occurs, language contains propriety, and the recipient can "enter into all the concerns of others as if they were directly involved (ibid, p. 95). Thus, the author and the recipient are more apt to understand each other's state of mind. It was hoped that this, in turn, would increase the likelihood of social harmony. Currently we also think about this phenomena in terms of issues surrounding commitments, reputation, and signaling (Frank, 1988).

Smith was himself described as having the capacity of "imaginative transposition" - the ability to "see the motives and the surroundings of another person as they appear to that other person himself" (Myers, 1983, p.121). This phenomenon have been well researched by psychologists and known as "empathic accuracy," also referred to as "spontaneous communication," and "knowledge-by-acquaintance" (Ickles, 1997). In addition, they are believed to be related with both intuition and altruism, and to be biological in nature. Buck and Ginsburg describe it in these terms: "We know directly certain inner meanings in others - certain motivational-emotional states - because others are constructed to express directly such states and we are constructed so that when we attend, we 'pick up' that expression and know its meaning directly...Therefore, the individuals involved in spontaneous communication literally constitute a biological unit...One's knowledge of the motivational-emotional states of others via spontaneous communication is as direct and biologically based as one's knowledge of the feel of one's shoe on one's foot" (Buck, and Ginsburg, 1997, p. 28).

If the author's spirit is not conveyed then a "chasm or gap" in communication creates uncertainty and causes a loss of meaning for the recipient. Smith says, "We should never leave any chasm or Gap in the thread of the narration. The very notion of a gap makes us uneasy for what should have happened in that time" (Smith, 1980, p. 100). What gives us pleasure is a "sequence of relations leading to illumination" (ibid., p.13). What causes a chasm or gap for the recipient? One cause is reading a literal translation of a text written in another language. Another cause is being caught in "a dungeon of metaphorical obscurity" consisting of either allegories or metaphors (ibid, p. 8). A metaphor will add to force if and only if it creates sympathy between two (or more) persons; otherwise it adds ambiguity and confusion. An absence of ambiguity is required for force or sympathy. Especially since the 1960s, cognitive scientists have investigated some of the same issues which concerned Smith, and have concluded that it is the right - intuitive - hemisphere which specializes in non-literal translations, and sympathy generating metaphors. They have also concluded that it is the right hemisphere which allows us to "enter" into another's state of mind and

feeling. This phenomena has been called "social intelligence" and "mind reading" (Ornstein, p.122), "personal intelligence" (Gardner,1982), "emotional intelligence" (Goleman, 1995), and "empathic accuracy" (Ickles, 1997).

By placing things in context and providing the big picture, the right hemisphere gives us the ability to summarize the essence of written material, and make good inductions. The right hemisphere links together the large strokes of life, sees how they fit together, sees the "higher organization" (Ornstein, p.162, Norretranders, 1998). It also allows us to "complete the gaps" in language and thus good predictions about the words we expect to see. (There's a good chance that you did not notice that the word "make" was left out of the previous sentence.) We know now, 200 years after Smith wrote, that the ability to communicate with propriety and create sympathy with another is the province of the right hemisphere.

2.5 Smith's Middle Career. Moral Sentiments

John Maurice Clark gave this advise for studying the history of economic thought: "To understand any forceful writer and to make the necessary allowances, find out what it was against which he was reacting" (Clark, 1966, p. 57). Smith was one among a group of writers who were reacting against the rapidly changing, confusing and potentially corrupting nature of the growing commercial "society of strangers." Smith wanted to understand how social bonds are created and maintained, and how one can live a virtuous life under those circumstances. He saw a solution in an individual suppressing the ego and entering into the feelings of another. In Smith's Scotland, effective communication and social bonding were believed to rest on three things: (1) simple human feelings during face-to-face interactions in small groups, (2) a Stoic detachment from the things of the world, and (3) reason. The term "reason" meant a "warm feeling" guiding one to virtuous behavior. It was believed that the private sector, especially with a close circle of friends, was where a warm feeling, sentiment and a "harmony of minds" (Dwyer, 1987, p.100) could most likely exist. The public sphere was a place of egotism, and religious dogma.

Religious dogma was anathema to Smith, and he reacted against the practice of causistry and the use of revelation for settling disputes. My intuition is that is a reason why Smith avoided the term intuition. In contrast to the grammatical oriented causists' approach to morality, Smith was part of a movement to discover a simple and clear guide to questions of morality and judgment; They found it in an individual's own instantaneous and pre-reasoned, intuitive-like feelings. Smith did not believe that precise rules are possible for matters of human emotions, feelings and sentiments. Therefore, thought Smith, trying to provide a complete system of morals, books of

casuistry created "frivolous accuracy" and, therefore, are "as useless as they are commonly tiresome," replete "in abtuse and metaphysical distinctions" (Smith, 1969, p. 534). They are useless because they attempt "to direct, by precise rules, what it belongs to feeling and sentiment only to judge of" (ibid., p.533). As opposed to the contrivances and deliberations of the casuists, immediate feelings require neither a working knowledge of Latin nor membership in the clergy. His vision put him squarely in contrast with, and helped to totally undermine casuistry (Jonsen and Toulmin, 1988; Cameron, 1982; Kivy, 1976; Rae, 1965).

The word which Smith used for erecting a harmony of minds and social bonds was sympathy. In *The Heart of Altruism*, Kristin Monroe (Monroe, 1996), states that, "Early discussions of what contemporary scholars refer to as empathy and altruism utilize the term sympathy, Adam Smith being but one notable example" (Monroe, p. 243, fn. 47). Furthermore, she reports that the word empathy comes from the German *Einfühlung*, meaning "the process of *intuiting* one's way into an object or event to see it from the inside" (ibid., p. 243, fn. 47). Collard (1978), and Ickes (1997) have also discussed altruism, and its relationship with empathy, sympathy, and intuition. Smith would have heard about sympathy during his visits to France. French culture at the time elevated the heart over the head, and spontaneity over calculation. The key word used was *sensibilité*, meaning "the *intuitive* capacity for intense feeling" (Schama, p.149). In *The Moral Sense*, James Q. Wilson states that he is continuing the work of several 18th century writers (including Adam Smith) when he writes about the source and importance of a moral sense. Wilson uses the word sympathy as a synonym for moral sense, defining the latter as an "*intuitive* or directly felt belief about how one ought to act when one is free to act voluntarily (that is, not under duress)" (Wilson, 1993, p. xii). Research on the "inter- subjective meaning context" confirms Smith's belief that friends are more likely to be able to experience a harmony of minds than are strangers (Colvin, Vogt, and Ickes, 1997).

Smith begins *TMS* with this statement: "How selfish soever a 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" (Smith, 1969, p. 1). What principles are responsible for this? In *TMS* Smith speaks of two central principles: sympathy and the impartial spectator. Sympathy for Smith played the same role in human society and moral affairs as gravity played in the physical universe - it held things together. Smith wanted to provide a comprehensive view of the moral universe, much like the much-admired Newton did for the physical universe. Sympathy is what he believed could keep people in their own "orbit" and in harmony with others (Campbell, 1975, pp.69-70). What clear communication could advance from the "outside," sympathy could advance from the "inside."

According to Jacob Viner, sympathy consists of "subrational feelings," almost instinctive to humans and central in human psychology and choice. These subrational feelings begin where "animal instincts shared by man end, and where human reason begins" (Viner, 1972, p.79). These subrational feelings allow us to interpret others' behavior by imagining what we would feel in their situation if we were they. Smith says that when we put ourselves in their situation we are "lodging, if I may be allowed to say, our living souls in their inanimated bodies..." (Macfie, 1967, p.50). In modern parlance, sympathy is approximately equal to empathy or "empathic accuracy" (Ickles, 1997) - identifying with the feelings of another through the functioning of the brains' right hemispheres. Sympathy is different from analytical thinking because sympathy is experienced "instantaneously and antecedent to any previous knowledge" (Macfie, p. 50). These first impressions are immediate feelings and not the result of conscious reasoning. Smith says that, "it is altogether absurd and unintelligible to suppose that the first perceptions of right and wrong can be derived from reason..." (Smith, 1969, p.506). For the same reason sympathy cannot be said to be deduced from self-love or self-interest. Smith disagrees with those who "are fond of deducing all our sentiments from certain refinements of self-love..." (ibid., p.54). Pleasure, he says, comes from sympathy, from a correspondence of our sentiments with those of another. Likewise, pain comes when there is not such a correspondence. In other words, sympathy is an intuitive experience; sympathy is experienced intuitively.

Smith says that we approve of others' behavior because we are in sympathy with another. For example, we admire the wealthy because we sympathize with them, not because we expect any private benefit -- utility -- from their good will. The utility of it "is plainly an afterthought" (ibid., p. 65). Believing the wealthy to be happy is a self deception which may motivate us to work hard. Sympathy occurs through an objective part of us that Smith calls the impartial spectator (IS). Smith called the IS our conscience, the inhabitant in the breast, the man within, the great judge and arbiter of our conduct, the "eye of the third person," a certain modification of reason, a moral sense, an instrument of God, and "he who...calls to us, with a voice..." immediately (ibid., p.235). The IS is an intuitive-like voice. For Smith, it is most likely the voice of God (Campbell, 1975, p. 81). Through the IS we thus learn proper behavior -- how to avoid criticism and gain the approval of others. The IS thus represents an autonomous moral authority or conscience within each person (Campbell, 1975, p. 74).

When you use the IS to examine your own or others' actions, you "divide yourself" into two persons, the examiner and the examined, the judge, and the one being judged. Through the IS we can gain needed insight and clarity because, left to the devices of "the selfish and original passions of human nature" (Smith, 1969, p.233), we will always over exaggerate our pain and

rejoice excessively about our joy. Doing so is the "fatal weakness of mankind, is the source of half the disorders of human life" (ibid., p. 263). The IS, our intuitive voice, expresses a modified or clarified self-interest deemed so important by Smith. To this we shall return shortly. The IS is thus said to admire those with "acute and delicate discernment," those with the ability to distinguish "minute, and scarce perceptible differences," those with "comprehensive accuracy" (Smith, 1969, p. 64). And, it is these qualities of discernment and comprehensive accuracy -- current synonyms for intuition -- which largely account for the "intellectual virtues" (ibid., p. 65). However, the IS is more than a source of the intellectual virtues. The "perfection of human nature" rests upon using the intuitive-like IS in social interactions. Smith says, "that to feel much for others, and little for ourselves, that to restrain our selfish, and to indulge our benevolent affections, constitutes the perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety" (ibid, 1969, p. 72). How does Smith know that the IS exists? Because it is "sufficiently evident of itself" (ibid., p.48), that is, it is intuitively obvious to the casual observer.

For Smith, sympathy and the impartial spectator were two parts of one phenomenon. In *TMS* Smith refers to these two facets as the "...sympathetic feelings of the impartial and well informed spectator" (ibid., p.466). The sympathetic feelings are both immediate and subjective, and hence not the product of reason. The impartial and well-informed spectator is, on the contrary, founded on experience, and may thus be said to be the product of reason. Therefore, the "...sympathetic feelings of the impartial and well informed spectator" consists of immediate feelings founded on (social) experience. A.L. Macfie, in *The Individual in Society. Papers on Adam Smith* calls this "practical judgments based on experience" (Macfie, 1967, p. 68).

2.6 Smith's Later Career. The Economic's of Morality

Even if it is clear that the pre-*WN* Smith spoke about something resembling intuition, the question still arises as to whether economists should care about this. Economists might care more if intuition could be shown relevant to his economic treatise, *WN*. Some argue that intuition is not relevant. The argument is that the emphasis of ethics, and all the talk about God in *TMS* was replaced by *WN* -- a treatise on the economic consequences of self-interest and property rights. The seeming inconsistencies between the two books have led to the "Adam Smith problem." It is my contention, a contention shared by others (V. Brown, 1994; Macfie, 1967; Young, 1997; Fitzgibbons, 1995; Winch, 1978) that there is not an "Adam Smith problem." It follows, therefore, that intuition may be relevant to *WN* and hence to economists.

2.6.1 The “Adam Smith Problem”

There are five reasons for the debunking the “Adam Smith problem.” The first reason for not believing in the “Adam Smith problem” is that Smith himself seems to say so. On the last page of *TMS*, Smith, speaking about rules of morality and laws (or justice, one of the three cardinal virtues in *TMS*), says, “I shall, in another discourse, endeavor to give an account of the general principles of law and government,...police, revenue, and arms, and whatever else is the object of law” (Smith, 1969, p. 537). In an advertisement for the sixth edition of *TMS*, Smith states that *WN* is the partial fulfillment of the promise made on the last page of *TMS* (Brown, 1994, p. 24, fn. 4). A second reason is that Smith was lecturing and writing about topics in the early 1750’s, before the publication of *TMS*, which would become the basis for *WN*. The course in Moral Philosophy which Smith taught at the University of Glasgow in the 1750s had three parts. First, natural theology, or man’s ability to discover the truths of God and theology through “the light of nature” and the power of the human mind, without revelation. Second, ethics -- what became the *TMS* -- and, third, justice. His lectures on justice focused on expediency, or how to increase the wealth and power of the nation. These lectures became the basis for the *WN*.

A third reason is that *TMS* and *WN* are written from two different, but complementary points of view. *TMS* is about the psychological aspects of human life which support liberty. It is written so that the inner world and the voice, thoughts, feelings, and, if you will, intuitions of the moral agent are known. And, *TMS* emphasizes the higher virtue of benevolence. On the other hand, *WN* is about the economic aspects of human life consistent with liberty. As such it is about the moral agent’s (outer) rule-bound world of commerce, and the lower order virtues of prudence and justice. In *WN* the voice of the moral agent is absent, as is his or her thoughts, feelings, and, of course, her intuitions. Vivienne Brown, in *Adam Smith’s Discourse. Canonicity, Commerce and Conscience* states that “the economic analysis of the system of natural liberty in *WN* is an *amoral* discourse” (Brown, 1994, p. 26). A fourth reason is that Smith’s use of his famous “invisible hand” metaphor appears in both *TMS* and *WN*. The invisible hand metaphor stems from the 18th. century belief that the universe, and society is akin to a machine, with the parts creating a well function system. In *TMS* it is God who controls our passions and moral judgments so that we are led as if by an invisible hand which holds society together. In one of his statements about an invisible hand Smith says, “... by acting according to the dictates of our moral faculties, we necessarily pursue the most effectual means for promoting the happiness of mankind, and...cooperate with the Deity...” (Smith, 1969, p. 275). In *WN*, self-interest and economic incentives replace our passions and moral judgments, and God,

and the invisible hand becomes the impersonal market which allows individual freedom to simultaneously serve society.

A fifth reason given in this paper for not believing in the "Adam Smith problem" is that in Smith's view, making judgments through the "sympathetic feelings of the impartial spectator" is in our self-interest. In *TMS* Smith says that by our nature we wish to receive the sympathy of others - to be considered worthy of praise or honor. By our very nature our desire for sympathy is a stronger motivation of human action than is accumulating wealth. The chief value of wealth, he says, is that it makes us the object of attention and others' sympathy. And, in striving for sympathy we create enough wealth to feed even the poor. Receiving sympathy -- being praiseworthy -- stems from others believing you, and hence from you being persuasive. Smith says that people love to be believed, and hence they love to be persuasive. In *TMS* Smith says that "The desire of being believed, the desire of persuading,... seems to be one of the strongest of all our natural desires. It is perhaps the instinct upon which is founded the faculty of speech, the characteristic faculty of human nature" (ibid, pp.529-30). Why do individuals trade instead of taking things by force? For Smith the desire to be considered worthy of admiration and approval -- sympathy -- makes force unacceptable; sympathy requires mutually beneficial (exchange) trade. And trade, as *WN* makes clear, is enhanced through the division of labor. It thus seems that both trade (via the division of labor) and sympathy stems from the faculty of speech. *Therefore, sympathy (ethics) and trade (economics) have a common foundation -- speech.*

In *WN*, Smith argues that property rights and competition in private markets for both food and labor would create more wealth for the poor than would a food guarantee during harsh times. But two of the main linkages between the rights of private property and feeding the poor are (1) our propensity to truck, barter, and exchange, and; (2) the division of labor. Smith begins the *WN* extolling the virtues of human interactions through (simple) labor and the organization of work. For a person who placed so much emphasis on social bonds, beginning a treatise on economics in this fashion is not altogether surprising. And it also serves to indicate that Smith's interest in social bonding carried over to the *WN*. What Smith says about labor and the organization of work is that, "The greatest improvement in the productive powers of labour...seem to have been the effects of the division of labour" (Smith, 1937, p. 3). Understood properly, Smith is saying that the desire for sympathy (and hence to persuade) leads to the division of labor and trade. This increases our productivity while making us more dependent upon numerous others for our standard of living. The division of labor is thus a good instrument for the simultaneous creation of social bonding (human interaction) and wealth (enhanced productivity).

Smith attributed the origin of the division of labor to a propensity in human nature to "truck, barter, and exchange one thing for another" (ibid., p. 13). Jacob Viner calls this propensity a "subrational" propensity (Viner, 1972, ch.2). Again, if the desire to persuade is basic to our nature, then so is the desire to truck, barter and exchange; the inferior alternative is the desire to "attack, stomp, and steal." Smith says that, "But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from his benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them... 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 to their advantages" (Smith, 1937, p. 14).

Benevolence alone is not sufficient; sympathy alone is not sufficient; the impartial spectator alone is not sufficient. But the sympathetic feelings of the impartial spectator are important in persuasion, and also for establishing a mutual respect for another's private property and self-interest. In the process of respecting others' property and interests we "humble the arrogance of self love, and bring it down to something which other men can go along with" (Smith, 1969, p.162). The result is the invisible hand, in this case not God, but the impersonal market. The sympathetic feelings of the impartial and well-informed spectator -- intuition -- and self-interest can be complementary, and it is my judgment that this is what Smith believed.

2.6.2 Markets are for Efficiency and Friendship.

Market exchange is more than pure self-interest, it's also about friendship and social bonds. In *WN* Smith speaks of "Commerce, which ought naturally to be, among nations as among individuals, a bond of union and friendship..." (Smith, 1937, p. 460). Smith says that when interactions are directed by the intuitive-like IS, gratitude and friendship become the basis of transactions and "society flourishes and is happy" (ibid., p.166). When interactions are determined by utility, transactions become the result of "mercenary exchange" and society subsists, but will not flourish. And, where people are always ready to hurt and injure each other, society reflect malevolence and can not subsist. Therefore, economic society -- the society driven only by selfishness and utility -- produces the minimum conditions for the existence of society. Society, therefore, utilizes the desire for the sympathetic feelings of the impartial and well informed spectator, and the love of persuasion in generating the creation of wealth and a "happy commerce" between people (Smith, 1969, p.95).

In *The Moral Sense*, James Q. Wilson (Wilson, 1993) states that sympathy is an intuitive experience, and that sympathy is what makes the pursuit of self-interest “calm rather than unruly” (Wilson, p. 14). However, he says, this is one of Smith’s teachings which “many of his followers seem to have forgotten” (Wilson, p. 14). David Collard, in his book, *Altruism and Economics*, states that sympathy is “necessary to move society out of the Hobbesian jungle into an institutional framework for exchange...” (Colander, 1978, p. 64). In other words, sympathy massages self-interest so that it produces the invisible hand rather than chaos. Thus does A.L. Macfie state that “The *Wealth of Nations* is simply a special case -- the economic case -- of the philosophy implicit in the *Moral Sentiments*” (Macfie, 1967, p. 75). The *Wealth of Nations* is thus in part the economic intuitions implicit in Smith’s intuitions about moral philosophy.

Two Minds

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