This book is a critical discussion of Adam Smith's moral philosophy set out in The Theory of Moral Sentiments: critical in the sense of combining exposition with a critical evaluation of Smith's views and arguments. While falling short of the eminence of The Wealth of Nations in the history of economic theory, the Moral Sentiments is a worthy contribution to ethical theory, especially for its concept of the impartial spectator, interpreted here as a theory of conscience built up from moral judgements made by the spectator exercising sympathy and imagination. The book also has an historical interest, showing Smith's thought in the context of British moral philosophy of the 18th century. Scottish thinkers formed a notable section of that important segment of the history of philosophy. Beginning with criticism of Hobbes, they developed a distinctive line of theory (mostly empiricist), the chief figures being Francis Hutcheson, David Hume, Adam Smith, and Thomas Reid. Smith's theory may reasonably be judged the most stimulating and the most persuasive. Smith's thought on ethics developed as he grew older, and there is a substantial difference between the early editions of his book and the 6th edition, published a few months before his death. This study makes a special point of keeping an eye on this difference, thus bringing out the progression of Smith's thought.
Explanation of moral judgement in terms of the feelings of spectators is found in Hutcheson and Hume as well as in Adam Smith. Smith's theory marks an advance on the other two.

A System of Social Science
Andrew Stewart Skinner

The second edition of this guide to Adam Smith's system of thought has been fully updated to reflect recent developments in Smith scholarship and the author's experience of teaching Smith to a student audience. The material from the first edition has been extensively rewritten, and four new chapters have been added, covering Smith's essays on the exercise of human understanding, and his relationship to Francis Hutcheson, David Hume, and Sir James Steuart. The book places Smith's system of social, and moral, science firmly within the context of contemporary British and Continental intellectual history, dealing in particular detail with the founders of the Scottish Enlightenment and with the French Physiocrats. The essays explore Smith's own reception among his peers and successors. The chapters in this volume have been developed from a lecture course on ‘The Age and Ideas of Adam Smith’, taught to senior undergraduate and graduate students in political economy.

Adam Smith’s Liberal Sentimentalism
Michael L. Frazer

This chapter elucidates the main ways in which Adam Smith’s sentimentalist theory of justice departs from Hume’s. It begins with an objection to grounding political commitments in sympathetic sentiments voiced in the twentieth century by Hannah Arendt and John Rawls. Both Arendt and Rawls are concerned that, if our politics is inspired by a sense of sympathetic union with our fellow human beings, we will overlook the all-important distinctions among individuals necessary for an adequate conception of justice. The remainder of the chapter argues that, even if Hume’s sentimentalist theory of justice is liable to this criticism, Smith’s
alternative theory is not. Smith’s is a distinctively liberal, rights-based conception of justice grounded in an understanding of sympathy and the moral sentiments which fully appreciates the distinctions among individuals in a way that Hume’s public-interest-based theory fails to do.

Introduction
Andrew Stewart Skinner

in A System of Social Science: Papers Relating to Adam Smith

Following the publication of The Theory of Moral Sentiments, it appears that Adam Smith gave greater emphasis to jurisprudence and economics at the expense of the ethical material. While the lectures on theology have not been discovered as yet, it is at least possible that Smith's position would have shown agreement with that of Isaac Newton. Smith made use of a number of Newtonian analogies whose implications are not inconsistent with the view of God as the Divine Architect or Great Superintendent of the Universe. He made wide use of mechanistic (and other) analogies, seeing in the universe a ‘great machine’ wherein we may observe ‘means adjusted with the nicest artifice to the ends which they are intended to produce’. The remaining parts of Smith's lectures — ethics, jurisprudence, and economics — were seen by him as the parts, separate but interconnected, of an even wider system of social science, a point that emerges clearly from the advertisement to the sixth edition of The Theory of Moral Sentiments, published in the year of Smith's death.

Sentiment and Sociability
John Mullan

With the rise of the novel in the mid-18th century came the rise of sentimentalism. While the fondness for sentiment embarrassed later literary critics, it originally legitimised a morally suspect phenomenon: the novel. This book describes that legitimisation, yet it looks beyond the narrowly literary to the lives and expressed philosophies of some of the major writers of the age, showing the language of feeling to be a resource of philosophers like David Hume and Adam Smith, as much as novelists like Samuel Richardson and Laurence Sterne.
Adam Smith's contribution to the field of political economy was designed to explain the working of a set of institutional arrangements that he regarded as the last of four stages of economic development, and to elucidate the ‘laws of motion’ that governed its operations. The laws of motion, once stated, were designed to show that the control of resources could be left to the market and to explain the source of their increase. This perspective led directly to the demand that the state ought not to interfere with the economy. The same sentiments appear in the Wealth of Nations, albeit expressed with even greater force. According to Lord Robbins, Smith bequeathed to his successors in the Classical School an opposition to conscious paternalism, a belief that ‘central authority was incompetent to decide on a proper distribution of resources’. This chapter also considers Smith's views on economic liberalism, constraints on the functions of the state, the organization of educational provision, justice, public works and public services, and policy reform.

This advance is shown especially in Smith's fastening upon the impartiality of the judging spectator. The notion of the impartial spectator is developed in Smith's attention to judgements about one's own action, so that it becomes an explanation of conscience.
Although Adam Smith's model, in its post-physiocratic form, has several distinct elements, the feature on which he continued to place most emphasis was the division of labour, which is implied in the existence of distinct sectors or types of productive activity. However, Smith also emphasized the fact that there was specialization by types of employment, and even within each employment. He pointed out that the division of labour (by process) helped to explain the relatively high labour productivity in modern times. As regards the rate of exchange, Smith isolated two relevant factors: the usefulness of the good to be acquired, and the ‘cost’ incurred in creating the commodity to be given up. The first of the relevant relationships is obviously that existing between ‘usefulness’ and value. It will be apparent from the previous argument that Smith regarded rent, wages, and profit as the types of return payable to the three ‘great constituent orders’ of society and as the price paid for the use of the factors of production.

The early reception of Hume’s theory of justice
James A. Harris

This chapter describes the earliest responses to Hume’s account of justice, and gives particular attention to the responses of Henry Home (Lord Kames), Adam Smith, and Thomas Reid. Their obvious differences notwithstanding, these three philosophers share the belief that something important is missing from Hume’s account: the fact that we ordinarily take the demands of justice to be strict and unconditional. The chapter describes the different ways in which Kames, Smith, and Reid seek to capture this aspect of the obligations of justice. While none of them makes appeal to principles of religion in the course of the argument against Hume, the influence of Joseph Butler can be discerned in each of their critiques. This gives reason to doubt that Francis Hutcheson is ‘the father of the Scottish Enlightenment’, or that at this time Scottish philosophy can be clearly differentiated and distinguished from English. It also calls into question whether Smith as a moral philosopher has more in common with Hume than with any other philosopher of the period.
Government Regulation and Corporate Governance
Roy C. Smith and Ingo Walter

in Governing the Modern Corporation: Capital Markets, Corporate Control, and Economic Performance

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The US regulatory framework has evolved since the 1930s, aiming to protect investors from abuse and exploitation. However, this regulation could only restrict specific, identified transactions and practices. If not so restricted, a business practice was considered permissible. Every few years, a dynamic market environment will tend to produce new practices and transactions, and in time the regulatory machinery catches up and declares some of them impermissible. When a major episode of misconduct occurs, the regulatory machine accelerates and catches up quickly. When this happens, sudden and sometimes retroactive changes in the “ground rules” are declared that inevitably catch a number of practitioners off guard.

Moral Philosophy and Civil Society: Ethics and Self-Love
Andrew Stewart Skinner

in A System of Social Science: Papers Relating to Adam Smith

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There is a certain elegance and ingenuity about the argument of The Theory of Moral Sentiments which is nowhere more obvious than in the way in which Adam Smith made allowances for certain features of the three main types of theory that he reviewed — that is, those that emphasized prudence, benevolence, and propriety. The same features are evident in the way in which he developed concepts, often found in Francis Hutcheson and David Hume, when addressing himself to the question concerning the manner in which moral judgements are formed. This chapter examines Smith's views on virtue, self-love, esteem, honour, approbation, reason, constraint, and sentiment.
Supply and Demand?
John Hicks

in A Market Theory of Money

The theories about price-formation in competitive markets, that were available to economists at the time when Keynes was writing, had been the work of the so-called ‘neo-classics’ between 1870 and 1900. All accepted the distinction, that had come down from Adam Smith, between market value and ‘natural’ or normal value, natural value depending on cost of production, market value on supply and demand. Market value would ‘tend’ towards natural value by adjustment of supply. It was accordingly held, for nearly a century after Smith, that natural values were the only values that required attention. The whole of Ricardo's system, to take the most important example, runs in terms of natural values. The chief thing which happened at the ‘marginal revolution’ of Jevons and his contemporaries was a shift of attention to market values. They were determined, it was accepted, by supply and demand. This chapter addresses the question of just how market worked.

Sympathy and Deception
John A. Hall

in The Importance of Being Civil: The Struggle for Political Decency

This chapter examines the nature of capitalism by recalling in the simplest terms the sophisticated sociology of Adam Smith, so often ignored and so very far removed from contemporary economic theory. There are two essential presuppositions to Smith's basic model of commercial society. The first is that economic success results from the way in which the division of labor enhances productivity. The second is that human beings have a natural disposition to “truck, barter and exchange,” and this must be let loose before the division of labor can bring its benefits to mankind as a whole. Based on these two principles, Smith constructs his argument. Smith was one of the earliest theorists of comparative advantage, that is, of the theory that all nations can enter a positive sum game by specializing in those products or industries in which they are specially gifted.
The concept of practical reason is central to contemporary thought on ethics and the philosophy of law — acting well means acting for good reasons. Explaining this requires several stages. How do reasons relate to actions at all, as incentives and in explanations? What are values, how do they relate to human nature, and how do they enter practical reasoning? How do the concepts of ‘right and wrong’ fit in, and in what way do they involve questions of mutual trust among human beings? How does our moral freedom — our freedom to form our own moral commitments — relate to our responsibilities to each other? How is this final question transposed into law and legal commitments? This book explores these questions, vital to understanding the nature of law and morality. It presents an account of practical reason. It also offers a reinterpretation of Kant's views on moral autonomy and Adam Smith's on self-command, marrying Smith's ‘moral sentiments’ to Kant's ‘categorical imperative’.

One of the first major problems that Adam Smith addressed in the Rhetoric was that of language. Smith believes that the parts of speech should be studied in an analytical manner, and that the development of the means of communication reveals important features of human nature, most notably with regard to the role of analogy, the capacity for classification, abstraction, and reflection. Smith's interest in language effectively illustrates his own preoccupation with grammar. Having disposed of the issues of language and style, Smith then proceeded to consider the forms of discourse that were employed in the communication of ideas through the medium of the spoken or written word. In Smith's view, all examples of the written word could be reduced to four broad types: the poetical, the historical, the didactic, and the oratorical. Smith also claimed that existing ‘systems’ of rhetoric showed a preoccupation with figures of speech.
Early Writings: Science and the Role of the Imagination
Andrew Stewart Skinner

in A System of Social Science: Papers Relating to Adam Smith
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The Lectures on Rhetoric clearly illustrate Smith's interest in the principles of human nature and the emphasis that he placed upon the faculties of reason and imagination, together with man's propensity to discover patterns of causality or to classify phenomena. While these faculties and propensities are illustrated by reference to a wide range of literary works, they are further illustrated by writings of a more philosophical or scientific kind. It is probable that Smith's essay on the 'External Senses' dates from the early 1750s, and it is known that at least part of his study of the 'Imitative Arts' was read to a society in Glasgow. However, Smith had a very wide knowledge of scientific literature. He also drew attention to the importance of the 'subjective side of science', both in emphasizing the role of the imagination when reviewing the basic principles of human nature and in illustrating the working of these principles by reference to the history of astronomy.

Historical Theory
Andrew Stewart Skinner

in A System of Social Science: Papers Relating to Adam Smith
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Adam Smith's interest in social history found a number of precedents and parallels on the Continent. It is interesting to note that, as Quaestor for the University Library, Smith made purchases including the works of Giannonne, Daniel, and Brosse, and that he owned copies of works by Fénelon, Fontenelle, Rollin, Raynal, Mably, Duclos, and Chastellux, to name a few. Such writers are associated with something of a revolution in historical writing. Smith's own work on the history of civil society is particularly noteworthy, and is among the first subjects that he appears to have addressed. Even if we exclude the Edinburgh Lectures, it is now well known, from the account supplied by John Millar, that the third part of Smith's lecture course delivered from the Moral Philosophy chair had been concerned with 'that branch of morality which relates to justice'. Smith managed to isolate four distinct modes of subsistence to which
there corresponded four types of social structure: the stages of hunting, pasturage, farming, and commerce.

The Development of a System: Adam Smith and the Physiocrats

Andrew Stewart Skinner

in A System of Social Science: Papers Relating to Adam Smith

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Adam Smith's early writings on economics (apart from two short fragments on the division of labour) are contained in the two sets of lecture notes currently available to us and in the document first discovered by W. R. Scott and described by him as an ‘Early Draft’ of the Wealth of Nations. The account that Smith provides in the second set of lecture notes is concerned with an economic system featuring the activities of agriculture, manufacture, and commerce where these activities are characterized by a division of labour, with the patterns of exchange facilitated by the use of money. There are three main features of the central analysis: the treatment of the division of labour, the analysis of price and allocation, and the exposure of the mercantile fallacy. This chapter also discusses Smith's account of the physiocratic system, which consists of proprietors, cultivators, manufacturers, and merchants. It also considers Smith's application of the basic principles of the system to a relatively neglected area of physiocracy — international trade.

Marketplace of the Gods

Larry Witham

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Two centuries after Adam Smith began modern economics, the “economics of religion” is applying his insights to religion. This book is an overview of this approach to social science and religious history. By using economics models, a wide variety of puzzles in religion are being solved in new ways. This is also a story of the thinkers and events that gave rise to the economic approach to religion in recent decades. Based on a few simple economic principles, this approach uses sociology, psychology, history, and theology to present a picture of human beings as “rational”
actors who are judging costs and benefits in life. Every life faces limits, so human experience is a series of trade-offs, balancing resources to make choices for the best possible outcomes. This model for human behavior begins with individuals and then builds to groups and the larger marketplace, which can be described as a “religious economy” with the features of supply and demand, variety, competition, and innovation. To explain these principles, the book chapters unfold according to these levels: individuals, households, groups, movements, and finally the religious economies of nations and history. In the process, the book is both a primer on economic theory and a general introduction to religion. Other topics include religion and risk, the causes of secularization, and religion’s role in economic development. Throughout, the book uses colorful and interesting case studies and puts the development of ideas in the settings of the individuals who use them.