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Abstract

This paper investigates Adam Smith's intricate vision of human motivation and seeks to expose the fallacy of the "Adam Smith Problem". Through an expansive study of the famed economist's two most prominent works, *An Inquiry into the Nature and Causes of the Wealth of Nations* (WN) and *The Theory of Moral Sentiments* (TMS), I will show that the two are perfect complements of one other and that Adam Smith did not set down in one place his views on the nature of man. Adam Smith saw man for what he truly is, dominated by selfinterest but not without concern for others, able to reason but not necessarily able to reach the best or right conclusion while all the time seeing one's own actions through a veil of self-delusion. WN and TMS are equally important books, and in order to understand the economics and philosophy of Adam Smith, both must be read and studied.

Keywords

Adam Smith, human motivation

READING ADAM SMITH: UNDERSTANDING THE MISINTERPRETATIONS & THE FALLACY OF THE “ADAM SMITH PROBLEM”

Ross Witte

ABSTRACT

This paper investigates Adam Smith’s intricate vision of human motivation and seeks to expose the fallacy of the “Adam Smith Problem”. Through an expansive study of the famed economist’s two most prominent works, *An Inquiry into the Nature and Causes of the Wealth of Nations* (*WN*) and *The Theory of Moral Sentiments* (*TMS*), I will show that the two are perfect complements of one other and that Adam Smith did not set down in one place his views on the nature of man (Coase, 1). Adam Smith saw man for what he truly is, dominated by self-interest but not without concern for others, able to reason but not necessarily able to reach the best or right conclusion while all the time seeing one’s own actions through a veil of self-delusion. *WN* and *TMS* are equally important books, and in order to understand the economics and philosophy of Adam Smith, both must be read and studied.

INTRODUCTION

Adam Smith’s two most prominent works, *An Inquiry into the Nature and Causes of the Wealth of Nations* (*WN*) and *The Theory of Moral Sentiments* (*TMS*), are to many economists and philosophers, very different, and even contradictory in the way each defines and advances the concept of human motivation. This notion of contradiction has led to the creation of what is referred to as the “Adam Smith Problem.” Many economists and philosophers alike have used these so-called contradictions and inconsistencies to attack the authorial integrity of Adam Smith’s work, their main argument being that *WN* is built on self-interest and *TMS* is built on altruism and sympathy. This argument presumes a single motivation, one of either self-interest or altruism. This idea that human behavior rests upon a single motivating factor, regardless of which you believe, seems incredibly simplistic and naïve. This paper will explain Smith’s intricate vision of human motivation through an expansive study of his two most prominent works. It will argue that *WN* and *TMS* are perfect complements of one another and that Adam Smith did not set down in one place his views on the nature of man (Coase, 1).

Section one of this paper will be a detailed discussion of why it is difficult to know exactly what Smith meant in his writings, particularly in today’s modern context, and why the concept of the “Adam Smith Problem” ever came to be. Section two will briefly discuss the book, *Adam’s Fallacy: a Guide to Economic Theology*, and will develop the book as a reference point for the later sections when discussing the frequent misinterpretations and misrepresentations of Adam Smith’s writing. Section three will begin to unravel the complex relationship

between altruism, or benevolence, and self-interest. Section four will investigate Adam Smith's view of man. Section five will specifically scrutinize the concept of the "impartial spectator." Section six will discuss the importance of both benevolence and self-interest in the capitalist economic system, and the final section, section seven, will be the conclusion and summation of the findings.

READING ADAM SMITH

The meaning of a word lies in its use (Tribe, 617). Words, more than anything else, tell us a person's opinions, feelings, and intentions. However, when it comes to understanding the writings of a person who is deceased, and who has left little behind besides their works to let us know who they were, there lies an inherent risk of interpreting the person's writings incorrectly. Without the person being there to explain his/her meaning, misinterpretation is bound to happen on a variety of scales. This problem is compounded if you are trying to understand and interpret the writings of someone who died over 200 years ago. Without the right historical context, it is extremely hard to understand the writer's motivations and the circumstances that shape his/her opinion.

Adam Smith is one of the greatest victims of this misinterpretation and misrepresentation. Smith's reputation as the father of modern economics will most likely endure the test of time, and that is a title with which many would agree. The problem is not the title however, but the concepts that are associated with the name Adam Smith.

The canonical status of *WN* has survived successive revisions, with associated adjustments in emphasis and interpretation to what the name "Smith" stands for along the way (Tribe, 609). Economic and historical journals continue to publish articles dealing with particular aspects of Smith's contributions, with Smith's concepts broached by the understanding of Smith as an "economic liberal." Famed economist George Stigler once noted that *WN* is a "stupendous palace erected upon the granite of self-interest" (Tribe, 622). This common understanding of Smith offers vindication of his arguments for natural liberty, self-interest, and laissez-faire. However, this understanding of Smith is incorrect due to how the term "self-interest" was used by Smith in his time versus how the term is understood today.

Adam Smith understood self-interest as the awareness and care of one's own well-being. Today's understanding of the term "self-interest" implies an inherent selfishness that goes beyond one's care for their personal well-being and enters the realm of greed. Therefore, the perception of Smith, which is largely based on the misinterpretation on what Smith meant by self-interest, set forth by economists such as Stigler, is extremely simplistic and naïve, something that has been recognized by economists, historians, philosophers, and psychologists over the past fifty or so years.

The understanding of *WN* has been expanded, and a more sophisticated image has emerged. Four broad trends can be distinguished in recent studies.

First, there is the conventional appraisal of Smithian analysis by historians of economics. The second tendency is for historians to locate Smith's writing in a wider cultural and political context. The third trend reconstructs the eighteenth-century Smith as a critic of twentieth-century economies. And lastly, the fourth trend emphasizes a "cultural-historical" Smith, which makes him more accessible to analysis to those whose domain of work has recently shifted away from "literature" towards a general study of textual politics (Tribe, 610).

Recent interpretations of Smith have drawn upon some of his other writings besides *WN* and *TMS*. Until recently, the world's understanding of Smith's contributions had been shaped by two centuries of commentary, based almost exclusively on *WN* and *TMS*, where the textual foundation for this commentary had been altered through misinterpretation. To appreciate how recent interpretation differs from older understanding, one needs to know something of the biography of Smith's work (Tribe, 610).

In 1752, Smith was appointed Chief of Moral Philosophy in Glasgow. His Glasgow lectures were the origins of both *WN* and *TMS*. As stated earlier, however, Smith's reputation is primarily based on *WN* - a reputation that links him directly to classical economics. In accordance, the book was read as a series of propositions about employment, the benefits of freedom of commerce, the nature of capital accumulation, and a rebuttal of Physiocratic and Mercantilist systems of economic thought (Tribe, 613).

German scholars sought to broaden their understanding of Smith by comparing the psychological assumptions of *WN* and *TMS*. These scholars found the assumptions of the two works contradictory, and thus the "Adam Smith Problem" was born. Smith's moral philosophy and economics were labeled incompatible by these German scholars, bringing into question whether Smith had held a unifying vision of civil society. Whether or not this argument ever had merit will be discussed in depth later, but for now it is irrelevant. What is relevant here is that there was a renewed interest in Smith's work. There was a broadening of understanding of Smith as an author and this led to the rediscovery of *WN* as a "history and a criticism of all European civilization" (Morrow, 157).

As stated earlier, recent works have used other writings by Smith to help understand the concepts of *WN* and *TMS*. These lectures, notes, and correspondence however, have revealed little on his private thoughts and beliefs. As a consequence, his published works remain the only chief resource to understanding his motives and intentions. Nevertheless, the limited correspondence, lectures, and essays that have been discovered have been able to provide a new context for the rereading of *WN* (Tribe, 615). The question is, how should one go about rereading Smith? This will be discussed in the following sections.

A common argument used by economists when it comes to reading Adam Smith is that Smith's relevance to us is a function of the degree to which his arguments retain their validity, propositions advanced by Smith being directly applicable to, and testable against, modern issues (Friedman, 7-8). This is a very

ahistorical approach. It should be noted however, that when most economists decide to write on a given subject, histories of economics are generally written by economists for other economists (Tribe, 615). Here, economists use language and other familiar economic tools, which then leads to groups of writings that are all addressing the same issue and reviewing the same information. The approach of the historian, as mentioned earlier, is a new way to look at economics, because the historians' reconstruction of past events and arguments presumes that their significance and meaning is not immediately accessible to us, therefore eliminating an easy, generic answer. This allows people to learn to think about Adam Smith as something other than a proto-neoclassical economist, and allows us to discover new and more meaningful ways of making use of our knowledge of markets, politics, and wealth (Tribe, 616).

The problem with this historical approach is that it is limited in its ability to understand Smith. This approach attempts to establish a connection between modern economics and past writings, which creates problems because what Adam Smith was writing about in the eighteenth century has a completely different context if it is applied to today's economy. We learn more from Smith by not converting him into a twentieth-century critic, but by understanding him rather as an eighteenth-century moralist (Tribe, 629). In addition, not all of his writings are given equal status, as mentioned earlier (*WN* being the dominant work studied and quoted). His lectures and correspondence are widely ignored, and only those sections of *TMS* that can be directly brought into relation with the economic themes of *WN* tend to be mentioned (Tribe, 616). If we are to understand what Smith is saying properly, then one cannot impose upon his works our modern understanding of economics, language, and politics. This historical approach to writing intellectual history however, does allow for a more in depth study of economic and political language during Smith's time.

Another important development in the focus on language in economics is associated with the "linguistic turn" in humanities. This method subjects economic arguments to analysis with instruments that are usually found in the hands of literary theorists, instruments such as style, metaphor, and narrative (Tribe, 618). The purpose is to emphasize that all discourse deploys strategies of persuasion. Smith treated the domain of rhetoric as equivalent to human communication, and therefore a pathway to an understanding of human motivation (Tribe, 618). This focus directs our attention to the manner in which use of language uses "facts" as devices to make an argument legitimate.

New historical and linguistic avenues have opened the possibility of the reconstruction of the world's understanding of Adam Smith. These are derived from the study of modern political theory, which concluded that Smith was not just an economist, but a theorist of civilization and human conduct. Smith is an analyst of commercial society, ethics, and social progress, something that conventional histories of economics has neglected (Tribe, 619).

A NON-CAPITALIST MISINTERPRETATION OF SMITH

There are many misinterpretations of Adam Smith and his overwhelming contributions to the study of economics and philosophy. Much of this paper will criticize the misinterpretations of capitalist/free market economists; however, these economists are not the only ones doing the misinterpreting. In this section, I examine a recent misrepresentation. The work in question is titled *Adam's Fallacy: a Guide to Economic Theology* and it is written by institutionalist economist Duncan K. Foley.

According to the author, Adam's fallacy "lies in the idea that it is possible to separate an economic sphere of life, in which the pursuit of self-interest is guided by objective laws to a socially beneficent outcome, from the rest of social life, in which the pursuit of self-interest is morally problematic and has to be weighed against other ends" (Foley, xiii). The author notes that Smith is alleged to have argued that the consistent pursuit of self-interest would lead to beneficial social outcomes, and Foley suggests that this perspective has become the dominating principle of modern economics, which sees Smith as its founder (Foley, xiii).

There are many fundamental problems with the author's claim and the only fallacy here is Foley's. First, at no point does Adam Smith ever suggest that there are two separate spheres of life, one being economic and one being social. Although the concept of self-interested behavior equaling increased social wealth and well-being is all too commonly associated with Smith, it was not Smith who created this idea. Adam Smith at no point states that the pursuit of self-interest will always lead to the betterment of society. This was first argued by Bernard Mandeville in his work *Fable of the Bees*, which was strongly criticized by Smith. Mandeville believed benevolence did absolutely no social good. In response, Smith's opening sentence for *TMS* was this:

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. (Smith, 1790; par.1, pt.1, sec.1, ch.1)

As we can see from the opening passage of *TMS*, Smith was certainly not a believer in the strict and narrow concept that only self-interest served in generating social wealth, but that he believed benevolence played a vital role in human motivation.

In addition, Foley makes the following claim that what made Smith's book unique was its ability to "put forward a clear vision of how capitalist society might develop" and to address:

more directly than anyone else the central anxiety that besets capitalism - the question of how to be a good person and live a good and moral life within the antagonistic, impersonal, and self-regarding social relations that capitalism imposes...By

being selfish within the rules of capitalist property relations, Smith promises, we are actually being good to our fellow human beings. (Foley, 2)

This is the crux of Adam's fallacy and "neither Smith nor any of his successors has been able to demonstrate rigorously and robustly how private selfishness turns into public altruism" (Foley, 3). This again is a severe misinterpretation that is solely based on the common misconceptions of *WN*, and holds no reference to *TMS*, which, makes this claim uninformed and more importantly irresponsible.

The third problem with Foley's argument is that he insists that Smith is to blame for the savagery and competitiveness of today's capitalistic economies. Whether or not one believes in capitalism as the best economic model is another debate in and of itself and is not an important question for this paper. What is important to think about is whether it is correct to blame someone for the misinterpretations of their work or does the blame lie on the shoulders of those scholars who are doing the misinterpreting. What we are seeing here is the classic mistake of reading Smith as if he were a modern day economist. Due to this critical mistake, Foley, an institutionalist, arrives at many of the same erroneous conclusions free market capitalists have traditionally arrived at when reading Smith.

Foley's *Adam's Fallacy: a Guide to Economic Theology* is an important example because it demonstrates the depth of the misinterpretation of Adam Smith. The majority of this paper is dedicated to criticizing the misinterpretations of free market capitalists, who in all respects view Smith as the godfather of economics. Foley is an institutionalist, who is very critical of Smith and his assumed role in the current state of capitalism. However, as I have noted here, Foley trips over the same misinterpretations that the capitalists do, demonstrating just how critical it is to address this issue of the "Adam Smith Problem."

THE COMPLEX RELATIONSHIP BETWEEN ALTRUISM & SELF-INTEREST

The first step in dissecting Smith's complex relationship between altruism and self-interest is to understand his system of natural liberty. Smith's system of natural liberty is built on two key assumptions - one at the individual level and one at the social level. At the individual level, Smith said that society is composed of individuals who are all similar and are guided by an innate human propensity to trade and pursue self-interest. On the social level, Smith said that this system, to the extent that it accommodates human nature and to the extent that it establishes social harmony through economic growth, is an ideal social order:

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both

his industry and capital into competition with those of any other man, or order of men. (Smith, 1776: 51)

These two assumptions are the pillars that hold together Smith's beliefs and theories, and are particularly important in understanding how *WN* was written.

WN was written as an analysis of the social phenomena he saw during the Industrial Revolution that arose due to self-interest. At no point in *WN*, however, does Smith suggest that self-interest is the single motivating factor of all human beings. *WN* was an attempt to find a basis on which people could live together when the Church no longer provided an unquestioned set of answers to inquiries about how society should be organized (Backhouse, 132). In addition, Smith was exploring how commercial society could prosper as a whole, even when men were pursuing their own self-interest (Backhouse, 123). By doing this, Smith could suspend morality when answering economic questions and create a model where economic growth was possible.

Some economists, including Jacob Viner, believe that the most important inconsistency between *TMS* and *WN* is that in *TMS*, Smith assumes that there exists a natural harmony, and in *WN*, Smith abandons this belief. I believe this is due to a gross misunderstanding of the two works. First, it should be noted that *TMS* is not an abstract treatise upon virtuous conduct, but a study of human psychology. It was written to show how self-interest, mitigated by sympathy and self-command, can result in prudent and sometimes beneficent actions (Tribe, 622). In comparison, *WN*'s purpose was to explain how commercial societies originate and create wealth. Put simply, *WN* is a study of the organization of economic life. It should be understood however, that Smith does not analyze how they are governed (Tribe, 623). As we can now see, *TMS* and *WN* are composed according to two very distinct forms of rhetorical strategy and the claim of inconsistency between the two books in regards to natural harmony is a weak claim at best.

Of course, there are other so-called inconsistencies other economists have pointed to over the years. One important claim is that in *TMS*, human action is influenced by benevolence and in *WN* this is absent. As mentioned before, this is the most common reason given for the creation of the "Adam Smith Problem." Economists who believe this claim commonly cite the following passage: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our own 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" (Smith, 1776: 14). What these economists forget is what Smith says earlier in the same paragraph, that in a civilized society, man needs cooperation and assistance of great multitudes, because in his whole life he is going to only find a few friends (Smith, 1776: 14). Here, the intertwined nature of altruism and self-interest can be seen, and in order to understand it, Smith's view of man needs to be understood.

SMITH'S VIEW OF MAN

Adam Smith's view of man and human nature are important in helping us to understand his economics. For better or for worse, Smith is most famous for his development of the case for laissez-faire, the concept that government should not control economic activity. According to Smith, an economic system is governed by natural laws and is driven by prudence and the pursuit of self-interest. As stated earlier however, Smith never says self-interest is the sole motivating factor behind human behavior. This points out the main flaw in the creation of the Adam Smith Problem, because this problem presumes a single motivation, one of self-interest or altruism, a concept that relies on two extremes and does not give room for multiple motivations.

Smith's writings actually point out that there are multiple motivating factors in human behavior. Smith asserts that people do not only rely on the benevolence of others and that it is quite possible to be self-interested and have other concerns as well. Self-interest and benevolence have a multifaceted and complementary relationship with one another, something of which Smith is well aware and fully expects the reader to understand.

According to the writings of Adam Smith, sympathy is the basis for people's concerns for others. We form our idea of how others feel by considering how we would feel in like circumstances (Coase, 2). This concept refers back to the earlier section of the paper which discusses the vast differences between the writings of Bernard Mandeville and Adam Smith and how Smith believed that both self-interest and benevolence play a vital role in human motivation. Put simply, if one realizes that something is making another person unhappy, that realization makes oneself unhappy and vice versa. These feelings of sympathy are strengthened by the fact the mutual sympathy is in itself a pleasure. "Nothing pleases us more than to observe in other men a fellow-feeling with all the emotions of our own breast" (Smith, 1790; par. 1, pt. 1, sec. 1, ch. 2). Because of this, humans are led to see ourselves as others see us.

Next, Smith investigates human nature when it comes to one's own well-being, whether it be financially or dealing with one's health, when compared to that of a complete stranger. Smith states that the loss or gain of a small interest of one's own appears vastly more important than the greatest concerns of a complete stranger. Smith provides a great hypothetical example of this conundrum in *TMS*, where he points out that if a man from Europe were to hear of a great disaster in China, where a hundred million people lost their lives, he would feel an initial sorrow for the people and might stay in a melancholy state for a time, but would sooner than later go back to his normal business:

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. (Smith, 1790; par.4, pt.3, ch.3)

Smith goes on to say that if that same person were to know that he would lose his little finger the following day, the man would not be able to sleep all night. As stated earlier, the man knowing of the tremendous loss in China would snore throughout the night, and in all likelihood would not give the disaster a second thought.

Smith suggests two reasons for this. The first is one of self-interest, which is discussed within the context of the story. The second reason is that every individual is naturally more attached to his own society than to any other. Smith's argument here is that benevolence is strongest within the family, and as one moves further and further down the line, away from family and friends, we do not only see an absence of benevolence but the presence of malevolence. Smith believes benevolence operates weakly when dealing with strangers and I am strongly inclined to believe him.

Nevertheless, many economists would view Smith's example as a clear indicator that self-interest is the sole motivator in human decision making. This statement however, completely ignores the subtlety of Adam Smith's mind. Smith follows up on his explanation of his previous example by asking the following 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 (Coase, 5)? Smith answers this question by stating that while our passive feelings are almost always so selfish, our active principles often are generous. He believes that it is not the soft power of humanity or a spark of benevolence in the heart that counteracts the strongest impulses of self-love, but it is a stronger, more powerful love of what is honorable and noble and the feeling

of superiority of our own characters (Smith, 1790; par.4, pt.3, ch.3). Therefore, it is not the love of mankind that makes one willing to sacrifice, but it is because he/she sees himself/herself through the eyes of an impartial spectator.

THE “IMPARTIAL SPECTATOR” & BOURGEOIS VIRTUE

The concept of the “impartial spectator” is rooted in the writings of esteemed philosopher and political economist Bernard Mandeville. According to Mandeville, an individual must take account of the desires of others in seeking to attain his or her own ends because these desires represent potential obstacles to the attainment of satisfaction (Tribe, 621). Smith took this concept from Mandeville and expanded and modified it into his own idea of the “impartial spectator.” Smith’s model illustrated a system of social reciprocity, where each person judges others as a spectator. According to Smith, society acts like a mirror where all actions are rehearsed and conduct is governed by an internalized construct, the impartial spectator. Therefore with this understanding of Smith’s impartial spectator, we can deduce that the Smithian conception of self-interest is not an injunction to act without moral scruple. Instead, it is embedded within the framework of social reciprocity, which allows for the formation of moral judgment (Tribe, 621).

Smith, however, was not oblivious to the fact that some individuals would be less responsive to the promptings of the impartial spectator. Smith argued that individuals tend to think more highly of themselves than what is really warranted. “We are all naturally disposed to overrate the excellencies of our own character” (Smith, 1790; par.34, pt.3, ch.2). Nevertheless, as discussed earlier, Smith did not believe that these introverted feelings left people unable to act sensibly or morally, and this desire to act morally is reflected in the codes of conduct seen throughout society. The “impartial spectator” is then embodied in the codes of conduct that individuals and societies create. We conform to the codes of conduct because we wish to be admired by others. According to Smith, we not only have a desire to be approved of, we also wish to be what is approved of in others (Smith, 1790; par.7, pt.3, ch.2). The liberty on which commercial society is based implies a moral order that links the individual to sociability.

The notion of the “impartial spectator” is seen in both *WN* and *TMS*. The problem, however, is that this concept is seen by many as the foundation of *TMS* but not *WN*. The reason for this problem lies with their misinterpretation of the “impartial spectator” as an all-knowing guide instead of seeing it as an evaluation tool for judgment. Put simply, the concept of the “impartial spectator” is not an effective way to analyze economic decision-making by itself. This is not to say that morality does not play a role in economic deliberation, but there are many other factors, such as the effect it has on your family, the repercussions it will have on the local, state, or global market, and how it will affect your relationships, that go into making a sound and beneficial economic decision. *TMS* argues in favor of this as well, arguing that the greatest cause of corruption of moral sentiments

is admiration for the rich. The concept of “impartial spectator” by its very nature counters the economic desires of people.

There is a link, however, between the “impartial spectator” and economics. It is a link between culture and economy; this is known as a “bourgeois virtue.” What is meant by bourgeois virtue is not an apology for every mistake; Smith was opposed to the reduction of ethics to greedy interest. Adam Smith’s intention was to create an ethical system for the bourgeoisie (McCloskey, 301). Smith, of course, did not approve of all the activities of the bourgeoisie, and he noted that the interests of the bourgeoisie are “always in some respects different from, and even opposite to, that of the public” (Smith, 1776: 267). Therefore, prudence and solidarity are needed for a commercial society to work. It should be easy to see how prudence depends on solidarity, but it should also be noted that solidarity depends just as much on prudence. Who we are depends on what we do and our ethics depend on our business (McCloskey, 310). What this means is that commerce is capable of teaching ethics. Most economists would disagree with this statement, believing that the ethics of the bourgeoisie erode virtue.

I believe Adam Smith would disagree with these economists, because overall the virtues of the bourgeois are the virtues that are necessary for commerce and government. The uncertainty and skepticism of trade is common in the market. Therefore, the “dogma of doubt” is an important bourgeois virtue and an attitude that is perfectly suited for the vagaries of the marketplace (McCloskey, 311). Charity is another bourgeois virtue and is founded in the bourgeois norm of reciprocity. Bourgeois virtue is capable of keeping bourgeois vice in check. This process is what creates transactions between people. Nowadays, in rich countries, about a quarter of national income is earned from merely bourgeois and feminine persuasion (McCloskey, 312). In addition, division of labor is the consequence of propensity and it is the necessary consequence of reason of speech (Smith, 1776: 25). Smith also referred to speech as the characteristic faculty of human nature (Smith, 1790; par.25, pt.7, sec.4). The bourgeoisie work with their mouths and are proof of the importance of communication. Therefore, according to Smith, there are many characteristics of the bourgeoisie that are, in fact, good.

BENEVOLENCE, SELF-INTEREST & THEIR ROLE IN CAPITALISM

Adam Smith was not a strict advocate of laissez faire as so many believe him to be. Smith saw that self-interest and competition were sometimes treacherous to the public interest they were supposed to serve, and he was prepared to have government exercise some measure of control over them where the need could be shown and the competence of government for the task demonstrated (Viner, 231-232). He knew that laissez-faire could be both good and bad.

It is in my opinion that capitalism is the hope of the poor of the world; therefore capitalism cannot be unethical or bad in nature. Capitalism needs to take the bourgeois virtues seriously and nurture society. The world market is run by the bourgeoisie; therefore bourgeois virtue cannot be ignored. This is the Adam

Smith that emerges when careful attention is paid to his readings. Commonly believed metaphors, such as the treatment of the “invisible hand” as a metaphor for the price mechanism, need to be seen in a new light. The invisible hand should now also be viewed as an allusion to the manner in which self-interest and sociability combine to render commercial society virtuous and prosperous (Tribe, 627). The connection between commerce and liberty can be seen in the interaction of free individuals in the pursuit of their own interests and how that brings an increase in the wealth of all.

Seen in this light, Smith’s argument for the use of the market for the organization of economic activity is very strong. The greatest advantage of the market is that it is able to use the strength of self-interest to offset the weakness and partiality of benevolence (Coase, 28). One should not forget however, the role that benevolence and moral sentiments play in making the market system possible. As Smith notes, society cannot exist among those who are ready to hurt and injure one another at all times (Smith, 1776: 325).

CONCLUSION

More so than anything else, after reading this paper one should see that the relationship between benevolence and self-interest is a complex one. Section one of this paper explained the reasons behind the misrepresentations of Smith and why the concept of the “Adam Smith Problem” was ever conceived. We saw that the canonical status of *WN* has distorted the world’s perception of Smith and his ideas on human motivation and that in order to read Smith correctly, one must take into account all of his writings. Section two used Duncan K. Foley’s book *Adam’s Fallacy: a Guide to Economic Theology* to point out the depth of the misinterpretations of Adam Smith’s work. We saw here that it is not only capitalists who have misread and misused Smith’s writings, but even economists who believe in other economic systems, like Foley, are fumbling over the same passages and making the same mistakes. In section three we delved deeper into the multifaceted relationship of benevolence and self-interest, pulling apart passages in both works in order to understand how the two books do not counter, but complement each other. Section four took a look at Adam Smith’s view of human nature and shows that there is a balance and connection between self-love and benevolence and that people are capable of a wide range of emotions depending upon how it affects them and the people they are close to. Section five put specific emphasis on Smith’s concept of the “impartial spectator” and how this model is used to understand human motivation and action better. Section six attempted to show how benevolence and self-interest work in capitalism and how the two affect the marketplace. Here, we saw that both benevolence and self-interest have dynamic roles in the creation and running of the marketplace.

There is nothing in Smith’s writings to suggest that the Adam Smith Problem is legitimate. I believe any person can see the fallacies of the Adam

Smith Problem if they read *WN* and *TMS* thoughtfully and carefully. Of course we all hold biases, but if we look only at the words of Adam Smith and fight the tendency to generalize him as a pure economic liberal who paved the way for laissez-faire economics and self-interest (in today's language), we can see Smith and the message of his writings in the right light.

Adam Smith saw man for what he truly is, dominated by self-interest but not without concern for others, able to reason but not necessarily able to reach the best or right conclusion while all the time seeing one's own actions through a veil of self-delusion. According to Smith, a person can have both self-interested and altruistic motivations for his/her actions. At no point does Smith suggest that there is a clear and single reason for mankind's motives, and the only reason the "Adam Smith Problem" was conceived is due to a class of radicals, many of whom wanted to explain social phenomena without reference to a deity, who separated *WN* from moral philosophy because it acquired a more scientific character (Backhouse, 132). *WN* and *TMS* are equally important books, and in order to understand the economics and philosophy of Adam Smith, both must be read and studied.

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