

NATIONAL REVIEW | NR PLUS | ADAM SMITH 300

# Adam Smith: Community Is Based in Beneficence and Justice



A piper plays the bagpipes during the unveiling ceremony for a statue of the Scottish economist Adam Smith in Edinburgh, Scotland in 2008. (David Moir/Reuters)

[Share](#) ➔[Comments](#) 💬[Listen to article](#) ▶

By **VERNON L. SMITH**

February 16, 2023 6:30 AM

Adam Smith's rich theory of community is still fresh 300 years after his birth.

**S**ELF-INTERESTED people can act in regard for the interests of others. To the modern mind this appears to be a self-contradictory statement because we do not distinguish the state of *being self-interested* from the concept of *action in a person's self-interest*. Adam Smith does, although you must infer it from his text because he nowhere explicitly calls our attention to this naturally important distinction.

Here is where and how Smith most plainly introduces his underlying distinction, in the *Theory of Moral Sentiments* (TMS):

Every man is, no doubt, by nature, first and principally recommended to his own care; and as he is fitter to take care of himself, than of any other person, it is fit and right that it should be so . . . Though it may be true, therefore, that every individual, in his own breast, naturally prefers himself to all mankind, yet he dares not look mankind in the face, and avow that he acts according to this principle . . . he must upon . . . all . . . occasions, humble the arrogance of his self-love, and bring it down to something which other men can go along with.

### **Learning What Others Must Feel**

Adam Smith observed that none of us can know what another feels except by entering into his or her situation using our imagination and remembering what we felt in similar circumstances. Our first judgments of others initiate our socialization, a process that doesn't end so long as we live in interaction with others. If my kitten scratches a friend's finger, it hurts, for I have been there and felt that. Or if my friend bumps her knee on the door jamb, I can almost feel it. We immediately "know" (subject to error) what must be in the mind and body of that other person. This human capacity for shared sentiment underlies the fellow-feeling that so powerfully, yet often unknowingly, fuels our learning, knowledge, and understanding in society and economy.

### **Realizing How Others Know Us**

Early in our social maturation, we realize that others are also judging us from our actions. Smith believed that this phase assumes significant new dimensions when we first have playmates, usually about the time we attend school (or preschool today). Our playmates are less indulgent of our selfishness than are our parents and family and, to please our playmates, we adjust our behavior. We thus learn the meaning of being social or being anti-social.

### **Modifying Our Own Action in the Light of How Others See Us**

Upon being able to infer how others view us, we apply that knowledge to modify our own actions. We start to see ourselves as others see us. The propriety of action is influenced by the approval of our peers and associates. The sense of propriety takes the form of abstract rules governing actions in context that meet with the approval not only of the person affected but third-party observers. Or as Smith puts it, the action incurs the approbation (or disapprobation) of others.

### **Origins and Consequences of Human Action**

Smith emphasized the distinction between the origins of human action and the consequences of human action. He believed that the responses to our own action are too instantaneous to be caused by their usefulness to ourselves.

Those who are fond of deducing all our sentiments from certain refinements of self-love . . . [are] at no loss to account . . . both for this pleasure and this pain. Man . . . conscious of his own weakness, and of the need . . . for the assistance of others, rejoices whenever . . . he is . . . assured of that assistance . . . grieves whenever he observes the contrary, because he is then assured of their opposition. But both the pleasure and the pain are always felt so instantaneously, and often upon such frivolous occasions, that it seems evident that neither of them can be derived from any such self-interested consideration.

Thus, in TMS, Smith hypothesizes that we tend to respond quickly and spontaneously to another's actions conveying good or bad consequences for us because of the social-psychological rules we learn to follow, while slow response actions are linked with considerations of utilitarian usefulness. This theory and its predictive explanatory content in TMS seems not to have been so identified in the contemporary psychology and economics of decision behavior. Thus, Daniel Kahneman has written with recognized insight on the empirical concept of two mental systems — fast and automatic vs. slow and deliberate — in his book, *Thinking, Fast and Slow*:

System 1 operates automatically and quickly, with little or no effort and no sense of voluntary control. System 2 allocates attention to the effortful mental activities that demand it, including complex computations. The operations of System 2 are often associated with the subjective experience of agency, choice, and concentration.

TMS elaborates a social-psychological theory of human sociality and community governed by an order of rule-following behavior, which we learn without conscious awareness, and follow automatically, exactly as described by Kahneman as “System 1.” TMS also identifies the class of slow action responses with self-interested actions, as in “System 2.”

Consequently, TMS offers a theory, summarized in predictive propositions and antecedent to the many modern empirical discoveries in behavioral psychology, associated with the two fast vs. slow systems.

## **The Goal Is Happiness All the Way Up**

“Happiness” is a commonly used word in TMS. Smith writes that our happiness depends on the happiness of others, and on God, who promotes our happiness and the happiness of the whole. It is poisoned by hatred and anger, Smith notes. He writes that happiness consists in being beloved and in the good harmony and commerce among us. And happiness is asymmetric: Little can be added to our happiness, but much can be taken away. Smith writes that the Author of Nature intends the happiness of humankind and all rational creatures.

## **Smith's Legacy in Freedom**

In TMS, the foundation of property is in the voluntary free association of people who create and are governed by rules that restrain our excesses, enabling us to “go along with” each other. Where this process fails, property,

freedom, and a stable society fail.

Adam Smith's work, and these principles, influenced the American constitution and American stalwarts such as Benjamin Franklin. Even more significant is that we were a nation of immigrants who peopled Smith's world and were fashioned by those fair-play rule-following principles.

We see this at the close of his second book, the *Wealth of Nations*, published in the year of our revolution:

The rulers of Great Britain have, for more than a century past, amused the people with the imagination that they possessed a great empire on the west side of the Atlantic. This empire, however, has hitherto existed in imagination only . . . not an empire, but the project of an empire . . . a project which has cost, which continues to cost, and which, if pursued in the same way as it has been hitherto, is likely to cost, immense expence, without being likely to bring any profit; for the effects of the monopoly of the colony trade, it has been shewn, are, to the great body of the people, mere loss instead of profit. It is surely now time that our rulers should either realize this golden dream, in which they have been indulging themselves, perhaps, as well as the people; or, that they should awake from it themselves, and endeavour to awaken the people. If the project cannot be completed, it ought to be given up. If any of the provinces of the British empire cannot be made to contribute towards the support of the whole empire, it is surely time that Great Britain should free herself from the expence of defending those provinces in time of war, and of supporting any part of their civil or military establishments in time of peace, and endeavour to accommodate her future views and designs to the real mediocrity of her circumstances.

## In Conclusion

Adam Smith brings to our contemporary intellectual and socio-economic world a rich theory of community and economy fresh and relevant 300 years after his birth. Community is founded in the rules we learn to follow among family, friends, and neighbors. Efficiency is an outcome of community, an unplanned consequence. The rules that arise in communities, summarized as propositions, fall into two categories: beneficence and justice.

Beneficence is about the good things we do for each other, things that underlie reciprocity in community, and ultimately, I believe, trade in economy. Justice is about bounding the harmful things we do to each other, so that we may achieve a stable state of security from injury. "Among equals each individual is naturally, and antecedent to the institution of civil government, regarded as having a right both to defend himself from injuries, and to exact a certain degree of punishment for those which have been done to him," Smith writes in TMS.

Linguists have discovered that the 18th-century English word “fair,” whose opposite is “foul,” had no translation into any other language. Today it has evolved “among equals,” into the concept of fair outcome.

Underlying how the West became rich is the diffusion of Smith’s classical liberal ideas, and the rule-governed people living with these ideas, to the U.S., Canada, Australia, New Zealand, Hong Kong, Taiwan, South Korea, and the world.

Share 

Comments 