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Ethics and Economics: Bridging Adam Smith's *Theory of Moral Sentiments* and *Wealth of Nations*

John Dwyer

This article explores the connections and tensions between community and capitalism in Adam Smith's writings in order to situate this influential theorist in a more appropriate context than classical economics. It challenges the misleading interpretation of Smith as the champion of a purely economic, market-driven, individualistic, and egoistic society. Furthermore, it suggests that Smith became progressively disillusioned with capitalism as the commercial "marketplace of desires" usurped the virtues of prudence.¹

Smith's economics was subservient to his ethics.² His ethical theory was founded upon and saturated by a sociability that could never be reduced to self-interest. While Smith was obviously concerned to contribute to the Enlightenment project of economic progress, and the spread and specialization of knowledge, humanity, tolerance, and mental cultivation, he was more insistent than any other writer of his time that economic and ethical progress needed to be grounded on the mechanics of sociability. Smith's elaboration of those mechanics illuminated the critical

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¹ The phrase "marketplace of desires" was used to describe Smith's economics by Michael Ignatieff. See his "Smith, Rousseau and the Republic of Needs," in *Scotland and Europe, 1200–1850*, ed. T. C. Smout (Edinburgh, 1986), 187–207. In my estimation, both Ignatieff and Smout are too dismissive of Smith's ethical concerns and too eager to caricature *Wealth of Nations* as the ideological blueprint for a market theodicy.

² Unless otherwise noted, all of the Smith citations in this essay are taken from *The Glasgow Edition of the Works and Correspondence of Adam Smith*, 6 vols. (Oxford, 1976–87). Hereafter, *An Inquiry into the Nature and Causes of the Wealth of Nations* is abbreviated as *Wealth of Nations* (citations to this work use uppercase roman numerals to indicate volumes, lowercase roman numerals for sections, and arabic numerals for paragraphs; letters, when used, indicate parts within sections) and *The Theory of Moral Sentiments* as *Theory of Moral Sentiments* (citations to this work use uppercase roman numerals to indicate books, lowercase roman numerals for sections, and arabic numerals for chapters and paragraphs).

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role of average or impartial spectators in the life of the moral community within which economic activities were imbedded. His spectatorial approach to moral formation supported his version of political economy by illuminating the role of prudential self-interest.

Smith's model of capitalist production privileged a specific set of social relations. He was an apologist for the British gentry, whose prudential self-interest he considered consistent not only with the public interest but also with ethics. Smith was neither the apostle of infant industrialism nor the theologian of business enterprise.³ He was a critic, and certainly not the champion, of the commercial or proto-industrial bourgeoisie. His model of the moral economy attempted to naturalize a historically situated combination of socioeconomic relations. It was predicated on the slow and certain economic progress that our contemporary economists of marketplace desire dismiss or pass over as primitive accumulation. Smith consistently warned his readers in *Wealth of Nations* (1776) and the final edition of *Theory of Moral Sentiments* (1790) that the harmonious functioning of the moral economy could be undermined by market expansion, economic egoism, and social mobility. Far from divorcing the ethics of sociability from the metaphysics of the market, Smith was acutely and painfully aware of the underlying tension between capitalism and community.

SMITH'S ETHICAL THEORY

Smith's early writings on logic, language, and philosophical enquiry evidence a unified intellectual program.⁴ That essential unity was grounded in an understanding of human beings as symbolic communicators whose reality is intersubjective.⁵ For Smith, we are fundamentally social beings who use the symbols provided by language not only to communicate internal feelings and thoughts but also to filter and organize external experience. As language moves from simple to more complex structures, human communities are able to develop "complex systems of signification" that simultaneously connect and abstract that experience.⁶

Smith's approach to moral philosophy, within which Scottish thinkers invariably subsumed economic issues, was commonsensical and sociable. Self-interest might modify but could never overturn the innate sociability from which ethical norms derived. Whether explicitly or implicitly, Smith grounded all of his intellectual arguments in a symbolically constructed intersubjective universe, even those legal, political, and economic matters that might have been more straightforwardly interpreted in terms of utility.⁷ The latter he found misleading and even dangerous

³ Harold Laski is one of the legion that makes this claim. See his *The Rise of European Liberalism* (London, 1936), 118.

⁴ *The Early Writings of Adam Smith*, ed. J. Ralph Lindgren (New York, 1967).

⁵ J. Ralph Lindgren, *The Social Philosophy of Adam Smith* (The Hague, 1973).

⁶ See *The Early Writings of Adam Smith*, esp. "The Principles Which Lead and Direct Philosophical Enquiries: Illustrated by the History of Astronomy," and "Language."

⁷ Smith's investigation into the social nature of human understanding and communication was arguably more original and decisive than his economic investigations. Smith's social theory anticipates, for example, the contemporary social construction of reality discussion that had to await our own century. See Peter Berger and Thomas Luckmann, *The Social Construction of Reality: A Treatise in the Sociology of Knowledge* (New York, 1967), esp. 26–34, where Berger and Luckmann focus on social exchange. Smith's analysis of intersubjectivity permeates all of his writings.

in its excessive abstraction and potential negation of empirically discovered social sentiments. Abstraction might have been a natural communicative process, but it needed to reflect the typical symbolic interactions of everyday life.

Classical economics privileges a definition of human beings as isolated utility maximizers, rationally entering into economic transactions in order to maximize self-interest. Smith was no classical economist, therefore, for his understanding of human nature was richer and subtler. He believed that the “disposition to truck, barter and exchange”⁸ had much broader and explicitly social origins in the communicative process, namely, the desire to persuade. While economists generally reduce Smith’s theory to free market competition, his economic theory is better understood as a discourse on connection and cooperation than as an imperative to collision.⁹ Smith’s constantly cited and exaggerated concept of a “hidden hand” more typically reinforced sociality than justified a self-regulating economy.¹⁰ Even Smith’s most obviously economic concepts, such as the labor theory of value, had a distinctly social character. The “natural price” of labor in a progressive economy depended as much upon “custom” and “convention” as upon market forces. Subsistence was not “determined for the most part by demand and supply” but by the established rules of “decency” or “tastes, expectations, and moral standards which prevail in society.”¹¹

Smith’s most sustained account of human sociability is *Theory of Moral Sentiments* (1759). This work was widely read and highly influential, not only in Great Britain but also on the continent.¹² A second edition was published in 1761 containing the *Dissertation on the Origin of Languages*, thereby inviting readers to relate Smith’s ethics to his theory of language and communication.¹³ A final edition, published in 1790, constituted a major revision to Smith’s theory of sociality that will be dealt with more fully later on in this article. There, I will argue that these changes illuminate Smith’s increasing concern about the destructive characteristics of commercial capitalism.

The original and most influential editions of *Theory of Moral Sentiments* provide an empirically based theory of the social passions leading to communal sympathy.

⁸ Smith, *Wealth of Nations*, I.ii.1.

⁹ The social theorist Émile Durkheim, for example, was able to develop Smith’s discussion of the division of labor into a theory of modern social organisms characterized by cooperation.

¹⁰ Smith, *Wealth of Nations*, IV.ii.9. It may be useful to note that Smith used this metaphor only twice in all of *Wealth of Nations* (1,080 pages) and that the concept was much more central to his ethical theory. Recent interpretations of Smith present a very different picture of the “hidden hand” from classical economics. Vivienne Brown rightly points out that Smith’s use of the “hidden hand” is analytically limited; it is not substantially an argument for market competition but rather an argument for a better flow of capital between different economic sectors. See her comments in *Adam Smith’s Discourse: Canonicity, Commerce and Conscience* (London, 1994), 182. Charles Griswold suggests that the hidden hand is an imaginative leap that resolves the paradoxes of everyday life and supports normative values. In this sense, the hidden hand resembles a *deus ex machina* that resolved tensions in the social drama. See his *Adam Smith and the Virtues of Enlightenment* (Cambridge, 1999), 67n, 95, and 303–4.

¹¹ This point is made forcibly by David McNally in *Political Economy and the Rise of Capitalism: A Reinterpretation* (Berkeley, 1988), 217. For the appropriate passage, see Smith, *Wealth of Nations*, I.viii and V.ii.k.3.

¹² On Smith’s reputation in France, see Harvey Chisick, “The Representation of Adam Smith and David Hume in the *Année Littéraire* and the *Journal Encyclopédique*,” in *Scotland and France in the Enlightenment*, ed. Deidre Dawson and Pierre Morère (Lewisburg, PA, 2004), 240–63.

¹³ John Rae, *Life of Adam Smith* (1895; repr., New York, 1965), 148–49.

Smith used the plural “sentiments” deliberately, because he wanted to distance himself from the moral sense theory developed by Hutcheson. Smith approved of his teacher’s emphasis on natural human sociability and appeal to the “virtuous, industrious and enlightened gentry” to demonstrate moral leadership.¹⁴ However, his more empirical and descriptive approach to social interaction prevented him from endorsing any theory that reified morality as an innate sense or that depended on so faint and unpredictable a virtue as benevolence. Smith believed sociability was innate and not some moral sense. All human beings had a propensity toward sympathy. Sympathetic harmonization could only be described empirically; it could never be reduced to universal principles or mental operations. Rather, sympathy was the end point of an intricate symbolic exchange between emotionally engaged agents and more detached social spectators.

That symbolic exchange would have been inconceivable without language and another intrinsically irreducible human attribute that made sociability and symbolic exchange possible—imagination.¹⁵ Unlike animals, humans had the ability to imaginatively reconstruct the feelings of one another in an intersubjective symbolic universe. These imaginative sympathetic exchanges teased up consensual norms in the community. Morals, or higher order norms, were determined by the particulars of social interaction and the precise point of propriety (emotional agreement) between agents and spectators. Ethics, in other words, could never be captured within universal standards, codes, or categorical imperatives but, rather, represented the social averaging confirmed by an “impartial spectator.”¹⁶

Smith’s account of ethical formation, like Rousseau’s, crystallized on painful emotions: “The spectator must, first of all, endeavour, as much as he can, to put himself in the situation of the other, and to bring home to himself every little circumstance of distress which can possibly occur to the *sufferer*. He must adopt the whole case of his companion, with all its minutest incidents; and strive to render as perfectly as possible that *imaginary* change of situations upon which his sympathy is founded.”¹⁷ Smith’s analysis of sympathy, however, was not confined to ethical formation; it treated of the capacity to sympathize with pleasure as well as pain. While the “impulse” to identify with pain was “livelier,” Smith believed that it was “easier” for the spectator to imaginatively embrace the pleasures of

¹⁴ McNally, *Political Economy and the Rise of Capitalism*, 166. On Hutcheson’s neo-Harringtonian agenda, see also Thomas Horne, “Moral and Economic Improvement: Francis Hutcheson on Property,” *History of Political Thought* 7 (1986): 115–30. The Harringtonian model, however, obscures some important distinctions between English and Scottish civic humanism. The former privileged constitutional arrangements to check corruption, while the latter focused on sociocultural factors. The different approach, of course, reflects the political dependence (some would say impotence) of eighteenth-century Scotland on England.

¹⁵ Here we see a sharp difference between Rousseau and Smith. Rousseau was suspicious of language that went beyond the natural signs of the passions, and his approach leaned toward empathy. For Smith, compassion or sympathy needed to be mediated by language and was, therefore, much more detached and controlled.

¹⁶ The emphasis is mine. The exceptions, of course, were the rules of justice, which Smith apparently thought were capable of being codified. That does not mean that the ultimate criterion of justice was not sociability, however, as Smith’s discussion of proprietorship and propriety in his *Lectures on Jurisprudence* (I.36–38) demonstrates.

¹⁷ Smith, *Theory of Moral Sentiments*, I.i.4–6. The emphasis is mine.

others.¹⁸ This disposition to identify more completely with pleasure was critical to social stratification and stability, but it did not lead to normative formation and often “corrupted” the moral sentiments.¹⁹ The propensity to sympathize with, and perhaps even emulate, the rich and powerful could be intensified by too rapid an infusion or redistribution of national wealth. The irregular and potentially contradictory tendencies of sympathy provide an important clue to the development of Smith’s ethics and his increasing pessimism about capitalist progress.

Given the spectatorial tendency to resist a full and complete identification with pain, moral development depended overwhelmingly upon the capacity of emotionally involved agents to exercise self-control. Only by controlling emotions and behavior could agents achieve sympathetic harmony with social spectators. Although the ethically charged sympathetic process involved considerable effort on the agent’s part, and a less intense effort on the part of the spectator, the payoff for both parties was the pleasure achieved in sympathy itself. The resulting pleasure was fundamentally emotional and the point of propriety perfectly distinct, but this agreeable feeling was enhanced and ethical norms were reinforced by the aesthetic appreciation of harmonious communal relations.²⁰

Morality, therefore, had a connection to aesthetics; but aesthetics could never be ethically foundational. Although Smith likened sympathetic relations to a social symphony, he was concerned to make aesthetic considerations emotionally derivative, morally synthetic, and ethically reinforcing. In particular, Smith wanted to distance his analysis of sympathy from that of his friend David Hume. Hume’s key intellectual breakthrough was linking morality to sympathy, but his emphasis on sympathy’s aesthetic quality led him to reduce spectatorial sympathy to utility. Considerations of utility, Smith claimed, were “principle sources of beauty” and central to aesthetics, but they generated serious ethical problems when applied to social relations. If men of “system” tried to force human nature into the Procrustean bed of utility, the results would be disastrous. “From a certain spirit of system, however, from a certain love of art and contrivance, we sometimes seem to value the means more than the end, and to be eager to promote the happiness of our fellow-creatures, rather from a view to perfect and improve a certain beautiful and orderly system, than from any immediate sense or feeling of what they either suffer or enjoy. There have been men of the greatest public spirit, who have shown themselves in other respects not very sensible to the feelings of humanity.”²¹ Precisely because utility was not sufficiently grounded in sociability, its ethical significance was secondary. Smith’s moral psychology left little room for consid-

¹⁸ Ibid., I.iii.2.

¹⁹ Ibid., I.iii.3.

²⁰ Human aesthetics posed an interesting problem for Smith. On the one hand, he recognized that concepts like the invisible hand and the sympathetic symphony appealed to the impartial spectator’s desire for wholeness and harmony. On the other hand, an overtly aesthetic focus could all too easily obscure the more substantial operations of “mutual responsiveness and responsibility.” Charles Griswold has an interesting discussion of Smith’s aesthetics, although he tends to exaggerate the synthetic role that beauty plays in ethical formation for Smith. See *Adam Smith and the Virtues of Enlightenment*, 332–35.

²¹ Smith, *Theory of Moral Sentiments*, IV.i.11.

erations of utility, even in the “contemplative” sense that Smith’s recent biographer suggests.²²

One possible way of categorizing the emotions constitutive of morality might be to subsume them within a more general benevolence or the “feelings of humanity” that Smith referred to in the passage cited above. Smith’s occasional references to “benevolence” or “humanity” reflected his rhetorical debt to Hutcheson.²³ But Smith systematically dismantled his “much beloved” Hutcheson on the grounds that, in attempting to conclusively demonstrate the ethical priority of sociability, he conveniently ignored the nagging persistence of self-interest. Smith focused on self-command rather than humanity or benevolence (which Smith described as the “virtue of a woman”) because he allowed a genuine insight in the “licentious system” or social psychology of Bernard Mandeville.²⁴ While Smith had no time for his sophomoric reduction of human behavior to “vanity,”²⁵ he zeroed in on Mandeville’s dramatic and spectatorial description. Mandeville illuminated a fundamental trait of human nature. People are actors in a social drama; they tend to play roles that attract the applause (i.e., sympathy) of spectators.²⁶

Human beings were never entirely selfish, as Mandeville supposed, but their instinctive sociability or propensity to sympathize was tempered by self-love. Smith’s concept of self-love was not synonymous with egoistic liberalism; it certainly did not transform people into “mere monads in a society of strangers.”²⁷ This human trait was entirely consistent with, and in fact permeated, the process of sympathetic exchange in everyday life. Indeed, Smith went so far as to suggest that self-love “may frequently be a virtuous motive of action” when it encouraged people to render themselves the “proper objects of esteem and approbation.”²⁸ Not only was achieving and maintaining one’s reputation an active encouragement to virtue, but also controlled self-interest was an essential ingredient in the sympathetic chemistry. Since the spectator was more interested in himself than the other, he or she could never experience exactly the same emotions as the agent. In the typical emotional exchanges that give rise to stable moral communities, the feelings of the spectator invariably fall far short of the person “principally concerned.”²⁹

A degree of self-love was not merely allowable but absolutely crucial to the sympathetic process. Without self-love (i.e., complete empathy), there would be no requirement of self-command and, to Smith’s way of thinking, no virtue. The

²² Ian Simpson Ross, *The Life of Adam Smith* (Oxford, 1995), xii. In this otherwise admirable work, Ross suggests that utility comes into Smith’s theory when he contemplates social phenomena through the lens of the “hidden hand.” In order to make his argument compelling, Ross would need to (1) demonstrate that the “hidden hand” plays more than an incidental role in Smith’s ethics, (2) tease out the distinctly ethical features of that concept, and (3) discount any nonutilitarian features of the “hidden hand,” that is, as a mechanism for addressing the problem of injustice.

²³ See Francis Hutcheson, *An Inquiry Concerning Beauty, Order, Harmony, Design*, ed. Peter Kivy (The Hague, 1973).

²⁴ Smith, *Theory of Moral Sentiments*, VII.ii.4.1.

²⁵ Ibid., VII.ii.4.7.

²⁶ Ibid., VII.ii.4.12–14.

²⁷ Griswold, *Adam Smith and the Virtues of Enlightenment*, 206.

²⁸ Smith, *Theory of Moral Sentiments*, VII.ii.4.8.

²⁹ Ibid., I.i.4.6.

essential elements of a virtuous character were socially constructed when the agent “lowered his passion to that pitch, in which the spectators are capable of going along with him. He must flatten . . . the sharpness of its natural tone, in order to reduce it to harmony and concord with the emotions of those who are about him.”³⁰

What Smith meant by terms like spectators or the impartial spectator is crystal clear, at least in the early editions of *Theory of Moral Sentiments*. They are flesh and blood members of the community with whom one does not usually have an intimate relationship. Smith’s ethical theory simultaneously reinforced and revolutionized the classical distinction between friends and strangers; his ethical community was grounded in the latter rather than the former. Smith’s comments on friendship and the family have misled at least one scholar into arguing that “love,” or at least “strong affections,” is central to his discourse.³¹ Even redefined as “reflective love,” however, the connection between spectatorship and empathy breaks down. Smith’s discourse was rarely intimate, and his most characteristic illustrations of spectatorial sympathy involved adopting the posture of “tranquility” or “self-command” required for participation in “an assembly of strangers.”³² Intensely private, partial, and protective relationships could even constitute obstacles to moral development. A “very young child has no self-command,” argued Smith, until he or she was “old enough to go to school, or to mix with equals,” where the child found “no such indulgent partiality.”³³

Smith’s moral universe or “great school of self-command” may seem cold when compared to Hutcheson’s “amiable system which has a peculiar tendency to nourish and support in the human heart the noblest and most agreeable of all affections, and . . . to check the injustice of self love.”³⁴ But his dramatic appeal to “cool and impartial spectators” had several distinct advantages over more humanitarian and empathetic approaches.³⁵ First, Smith’s ethical theory was grounded in a kind of everyday life, it did not make extreme demands on human emotional equipment, and it encouraged individuals to seek out social approval without guilt. Second, Smith’s experientially based approach confirmed the self-understanding of individuals with respect to social realities. Finally, Smith’s social construction of mo-

³⁰ Ibid., I.i.4.7.

³¹ Griswold, *Adam Smith and the Virtues of Enlightenment*, 149.

³² Smith, *Theory of Moral Sentiments*, I.i.4.10. It should be underlined, however, that Smith’s “society of strangers” signified a genuine moral community and not a contract between egoistic actors, which would render moral cultivation inconceivable. Its ideal type was the new Glasgow and Edinburgh clubs (like Smith’s Oyster Club), where gentleman farmers, academics, and other professionals met to converse politely and refine any rough edges. The lack of a feminine presence or principle in this society is striking for an enlightened eighteenth-century philosophe, especially one who charmed the ladies in the French salon, but it is perfectly consistent with Smith’s commitment to the supposedly masculine quality of self-command. For a contemporary French and feminine critique of Smith’s masculine approach, see Deidre Dawson’s article on Sophie de Grouchy in Dawson and Pierre Morère, *Scotland and France in the Enlightenment*.

³³ Smith, *Theory of Moral Sentiments*, III.3.22.

³⁴ Ibid., VII.ii.3.14.

³⁵ Smith’s approach clearly departed from the mainstream of the Enlightenment, especially those writers who belonged to the “party of humanity” (Peter Gay, *The Enlightenment: A Comprehensive Anthology* [New York, 1973], 681–83). For some examples of the latter, see Gay, *The Enlightenment*, sec. 7.

rality isolated and illuminated the fundamental characteristic of all ethical behavior—self-control.

BRIDGING THEORY OF MORAL SENTIMENTS AND WEALTH OF NATIONS

An ethical discourse that privileges the social practice of everyday life necessarily implies the concept of community. Smith's moral community was no intellectual abstraction but, rather, an agrarian capitalist economy. The Scottish literati generally, and Smith in particular, viewed the gentry as the progressive engine of that economy. In terms of the national community, the literati regarded these progressive purveyors of improvement as the agrarian class that "could provide the required political counter balance to the growing economic weight of merchants and manufacturers."³⁶ In other words, the gentry provided a structural alternative to bourgeois capitalism and, by implication, classical and market economics.

Smith's eighteenth-century terminology has led to considerable confusion about his constituency. Smith and his contemporaries did not distinguish between the gentry and the "middling" classes. Scottish Enlightenment authors seldom used the term "gentry"; they preferred the term "middling ranks," which they used interchangeably with "country gentlemen," "small proprietors," and, less commonly, the "yeomanry." Smith's ideal type of country gentleman was the owner of a compact and enclosed farm who practiced progressive agriculture or improvement. He also referred to them as "small proprietors," not because their estates were small necessarily, but to distinguish them from larger landed magnates whose massive estates encouraged conspicuous consumption rather than prudent investment and who often were absentee landlords. He used the term "yeomanry" to denote the tenant farmers who had revolutionized English agriculture a century earlier and who became the gentry.

The absolute minimum cost of entry into this gentrified class was one thousand pounds, a significant sum in eighteenth-century terms. Smith suggested a "capital of two or three thousand pounds in the purchase of a small piece of land" as sufficient to gain the independence and happiness connected to property.³⁷ But to have real status or influence in Smith's moral community required a greater capital investment. These more substantial economic improvers were Smith's ideal economic and ethical types. Not only did they provide more "solid" and "durable" wealth than merchants and manufacturers, but their "prudent," "sober," and "public spirited" behavior made them the moral backbone of the national community. "Dispersed in different parts of the country," they were the least subject to the "wretched spirit of monopoly."³⁸ These private people of means alone had the independence necessary for spectatorial detachment.

Smith's socioeconomic identification with the gentry has been obscured by his tendency to lump this middling rank with those of "inferior station." Despite its apparent lesser signification, the term "inferior ranks" was a positive designation in the writings of the Scottish literati, referring to the professional classes, that is, lawyers, ministers, and university professors, who identified with the landed classes

³⁶ McNally, *Political Economy and the Rise of Capitalism*, 263.

³⁷ Smith, *Wealth of Nations*, III.iv.20.

³⁸ *Ibid.*, IV.ii.21.

and mingled with the gentry in Glasgow's and Edinburgh's male clubs. This group of professionals should not be confused with merchants and manufacturers, who clearly constituted a significant economic order but whose sociopolitical classification was problematic. Nor should they be confused with the working class that Smith alternately referred to as the "vulgar" or "laborers" depending on whether he was addressing their status or function.

The Scottish gentry, "country gentlemen" as they were called, were closely related by birth or marriage to professionals like Smith.³⁹ Relations between the gentry and the professional classes in Scotland remained extremely tight and cozy throughout the eighteenth century. The more substantial gentry began spending their winters in Edinburgh during the second half of the eighteenth century, where they rubbed elbows with lawyers, divines, and university professors in self- and social improvement societies, such as Smith's Oyster Club. In a relatively backward economy bereft of English opportunities, younger sons of the Scottish gentry became ministers in the Church of Scotland, where, as members of the Moderate Party, they supported landowners' rights to appoint ministers to benefices in their communities. Other victims of primogeniture pursued careers in Edinburgh's prestigious legal community, where they affirmed their gentry allegiance by fighting to get rid of the feudal entails that prevented farmers from increasing their holding and practicing more rational, capitalistic farming.

Given these close connections, it is hardly surprising that the Scottish Enlightenment had such a distinctly landed character and constituency. Most Scottish university professors, including Smith, began, or interrupted, their careers as tutors to the scions of larger landed families and, when they secured professorial status, routinely took in the sons of the gentry as student boarders. Scottish clerics and professors, whose stipends were minimal, joined bored lawyers in seizing what was perhaps the single most remarkable opportunity heretofore provided by the economic union with Britain. They formed a remarkably successful publishing machine—the literati—that composed sermons, histories, polite periodicals, and a modernizing philosophy that echoed the values of the progressive and increasingly polite British gentry. Hugh Blair's sermons, Henry Mackenzie's novels, and James Fordyce's advice to youth were explicitly and effectively marketed to the British gentry.⁴⁰ Influential eighteenth-century Edinburgh journals like the *Mirror* and the *Lounger* not only created ideal gentry types (i.e., John Homespun) but even provided prescriptive models of family life that the insecure British bourgeoisie may have emulated but certainly did not commission.

Smith's criticisms of aristocratic values should not obscure his overwhelming identification with Scottish landed proprietors. Smith's agenda in *Wealth of Nations* only makes complete sense as a defense of agrarian capitalism and a society presided over by the gentry. *Wealth of Nations* was much more than an apology for gentry capitalism; it provided an ingenious solution to the classical tension between wealth and virtue by simultaneously making the investments of the landed gentry the economic engine of society and reinforcing their ethical status as the independent

³⁹ Ross, *The Life of Adam Smith*, 11.

⁴⁰ On the significance of the gentry for the enlightened Scottish literati, see John Dwyer, *Virtuous Discourse: Sensibility and Community in Late Eighteenth Century Scotland* (Edinburgh, 1987), especially the discussion of John Homespun and his family (110).

moral guardian of society. The ethical function of the agrarian middle class is both implicit and explicit in Smith's account of the moral community in *Theory of Moral Sentiments*. Smith went to great pains to distinguish this honest, industrious, and prudential middling class from the vain (aristocrats), the greedy (merchants and industrialists), and the vulgar (working class).

While Smith sympathized with the plight of increasingly specialized laborers, he considered working people alternately traditional, fanatical, superstitious, and certainly incapable of spectatorial judgment.⁴¹ The "rich and powerful" may appear to come off rather badly in *Wealth of Nations* as self-absorbed potentates with minds turned to "ornament," eyes "larger than the belly," and behavior characterized by "luxury and caprice,"⁴² but they benefited comparatively from their association with land and could be ethically and economically redeemed as agrarian experimenters and patrons of improvement.⁴³ The real villains of *Wealth of Nations* are not difficult to discover. Smith's condemnation of merchants and nascent industrialists was as sustained as it was scathing. It is impossible to read Smith's magnum opus as a balanced scientific analysis when its author continually resorts to cheap labeling techniques. He repeatedly damns merchants and manufacturers as a mean-minded, rapacious, and relentlessly cunning "faction" that utilizes the "sneaking arts of underling tradesmen" to pit their "little interest of one little order of men" against the "interest of all other orders."⁴⁴ This was more than just rhetoric; Smith clearly believed that nonagrarian capitalists were an ethical and economic problem. Smith's model of a progressive economy and a harmonious community was thoroughly dominated by substantial country gentlemen and those smaller proprietors who hoped eventually to join their ranks.

Smith made it very clear that the gentry were the benign capitalist citizens in his vision of political economy. Unlike merchants and manufacturers, their capitalist activities contributed to real national improvement. Their industrious, prudential, and respectable behavior also conformed to Smith's ideal impartial spectators: "A small proprietor, who knows every part of his little territory, who views it with all the affection which property, especially small property, naturally inspires, and who upon that account takes pleasure not only in cultivating, but in adorning it, is generally of all improvers the most industrious, the most intelligent, and the most successful."⁴⁵ It goes without saying that Smith's technical account of capitalism differed from that of the Physiocrats by defending commerce and industry as productive economic "sectors." But creating a space for commerce does not make Smith a bourgeois ideologist. The characteristic behavior of commercial and industrial capitalists was entirely inconsistent with propriety and impartiality. Unchecked, their selfish natures inevitably diverted the "natural" flow of capital from agriculture and would eventually terminate economic and civilized progress, as

⁴¹ For an analysis of Smith's negative attitudes toward these classes, see John Dwyer, *The Age of the Passions: An Interpretation of Adam Smith and Scottish Enlightenment Culture* (Edinburgh, 1998), 40–45.

⁴² Smith, *Wealth of Nations*, III.ii.7, and *Theory of Moral Sentiments*, IV.i.10.

⁴³ Smith, *Wealth of Nations*, IV.ii.c.15.

⁴⁴ Ibid., IV.i.10, IV.ii.21, IV.iii.c.8–10, IV.iii.c.26–33, IV.vii.c.103, V.i.d., IV.vii.c.60. These are just a few examples of Smith's attack on the groups that we usually identify with capitalist progress but whose motivation Smith derided.

⁴⁵ Ibid., III.iv.19.

the history of commercial empires demonstrated. "Agriculture," Smith maintained, "is almost every-where capable of absorbing a much greater capital than has ever yet been employed."⁴⁶ Smith's goal was nothing less than the perpetual hegemony of agricultural capitalists.

The bogeymen of all enlightened writers were factions. Smith referred to the nascent bourgeoisie as a "faction" because they were aggressively deflecting scarce capital into wasteful mercantile trade or speculative profit taking. Their corporate and monopolizing spirit, combined with their calculating self-interest, gave merchants a strategic advantage over agricultural proprietors in commercial matters. Smith deplored the increasing political influence of merchants and manufacturers whose commercial ambitions destabilized the ethical and economic community. Merchants (and to a lesser degree manufacturers) had "inverted the ethical order by elevating speculation over prudence, spending over saving, and luxury over comfort and competency."⁴⁷

In 1759, when the main obstacle to social progress in Scotland appeared to be religious fanaticism rather than rapaciousness, Smith could assume that the moral community was solvent because its ethical backbone—the gentry—exhibited precisely the kind of prudential and controlled behavior that met with the approval of the impartial spectator. The prudence and controlled sociability of the gentry stabilized the Scottish moral community: "In the middling and inferior stations of life, the road to virtue and that to fortune, to such fortune, at least, as men in such stations can reasonably expect to acquire, are, happily in most cases, very nearly the same. . . . The success of such people, too, almost always depends upon the favour and good opinion of their neighbours and equals."⁴⁸ This praise for the "middling and inferior stations" should not be construed as validating *homo economicus*. Smith was signifying the broader range of prudential behavior and spectatorial detachment—the independence, work ethic, delayed gratification, honesty, neighborliness, and public spirit that he associated with the gentry.

SMITH'S MORAL ECONOMY

The capitalism that Smith validated was a fortuitous historical accident established when English feudal barons traded in their swords to become Mandeville's conspicuous consumers.⁴⁹ The resulting symbiosis of town and countryside, for Smith, was simultaneously a "revolution of the greatest importance" and "contrary to

⁴⁶ Ibid., II.v.37.

⁴⁷ Dwyer, *The Age of the Passions*, 69. The concept of competency is a much better term for capturing the kind of economic behavior that Smith approved of. See Daniel Vickers, "Competency and Competition: Economic Culture in Early America," *William and Mary Quarterly* 47 (1990): 1, for a useful definition of the concept. Griswold, in *Adam Smith and the Virtues of Enlightenment*, 218, usefully focuses on the psychological character of contentment that is achieved through "reflective integration over time." Because Smith was opposed to excess of any kind, he cannot sensibly be described as constructing a capitalist commonwealth that was a "marketplace of desires" although this claim is made by Michael Ignatieff.

⁴⁸ Smith, *Theory of Moral Sentiments*, I.iii.3.5. Although this passage comes from the final 1790 edition, it is an elaboration and clarification of Smith's treatment of propriety in the early sections of earlier editions.

⁴⁹ Smith, *Wealth of Nations*, III.iii. Smith uses the hidden hand analogy to describe how the self-interest of these feudal magnates translated into social benefit, but the entire thrust of his argument is that modern agrarian capitalism was an unforeseen event.

the natural order of things.”⁵⁰ It deflected investment that rightly should have gone into agriculture into the less productive trade in luxury goods. However, the “expensive vanity” of the lords institutionalized the practice of tenancy characterized by “long leases,” eventually leading to the rise of the gentry.⁵¹ The resulting “commercial society” differentiated an economy attuned to trade rather than subsistence agriculture, but it certainly did not imply the dominance of land by trade. Smith was very explicit in equating commercial society with agrarian capitalism. Wealth that “depends very much on their commerce and manufacturers,” Smith argued, was “necessarily both slow and uncertain.” In contrast, where “wealth is founded” primarily (i.e., England) or “altogether in agriculture” (i.e., North America), progress was well grounded and substantial.⁵²

Smith deplored the feudal laws and mercantile machinations that prevented the multiplication of estates and forced “young men” to “apply to trade or to some profession” (like university professors). He was particularly concerned that land was becoming “a most unprofitable employment of a small capital.” He was quite explicit that his economic system was designed to “favor agriculture,” not by well-intended legislation but by “natural liberty,” where “the yeomanry of England are rendered as secure, as independent, and as respectable as law can make them.”⁵³ These were the independent property owners who dominated Smith’s moral economy. They were clearly capitalists, but not all forms of capitalist property equated with ethical citizenship. The “capital” that was acquired by “commerce and manufactures” was “very precarious and uncertain.” A merchant was “not necessarily the citizen of any particular country.” He was “indifferent” to the “place” where he conducted his trade and only too willing to “remove his capital, and together with it all the industry which it supports, from one country to another.” This perceptive and timely condemnation of global capitalism underscores Smith’s commitment to the more “durable” and “solid improvements of agriculture.”⁵⁴

Smith’s economic theory was designed to reinforce his commitment to agricultural capitalism and to a particular social structure. As both the political scientist David McNally and the economist Vivienne Brown have noted, Smith’s emphasis on natural liberty was a sectoral analysis advocating a significant flow of capital away from commerce and manufacturing and into agriculture. Brown goes so far as to suggest that Smith was not concerned with competitive markets, competitive prices, or anything like Pareto optimality, “features of *Wealth of Nations* which have been thought to be central to the core analysis of the system of natural liberty.”⁵⁵ Instead, Smith simply wanted to redress what he viewed as a sectoral imbalance in the circular flow of capital. As an exercise in economic reconstruction, Brown’s treatment of *Wealth of Nations* is most insightful. Unfortunately, Brown’s analysis of the discursive difference between *Theory of Moral Sentiments* and *Wealth of Nations* is less convincing and really just echoes a hoary belief that Smith’s writings lacked unity. “Economic agents occupy a shadowy, twilight space in the moral universe, somewhat outside the site of moral discourse proper where the

⁵⁰ Ibid., III.iv.19.

⁵¹ Ibid., III.iv.13.

⁵² Ibid., III.iv.19.

⁵³ Ibid., III.iv.20.

⁵⁴ Ibid., III.iv.24.

⁵⁵ Brown, *Adam Smith’s Discourse*, 160.

resplendent moral virtues shine in the approving light of the impartial spectator's eye."⁵⁶ However much an economic theory might mask itself as scientific or monologic discourse, capital is an intensely socially and culturally situated site.⁵⁷ But scholars do not need to impute or imply meaning into *Wealth of Nations* to appreciate that Smith viewed his vision of political economy as something more than a system of economic flows and balances. The ownership of land provided individuals with the necessary detachment to integrate themselves in the spectatorial process. While commercial life might bind "people together in a nexus of reciprocal need," only the ownership of land could give rise to the "superior prudence" that unified the moral community.⁵⁸

Smith's unified program comes into sharper focus if one pays attention to the considerable use that he made of civic humanist vocabulary. Smith not only "hurled abuse" at merchants and manufacturers throughout *Wealth of Nations*, but he also did it in a recognizably civic language that affirmed the ethical quality of landed property and critiqued the potentially "corrupting" influence of commerce.⁵⁹ Smith made considerable use of civic humanist terminology in his discussion of joint stock companies, banking, and, especially—that key concern in neo-Harringtonian analysis—the proliferation of paper currency.⁶⁰ In the third edition of *Wealth of Nations* (1784), Smith singled out an instrument of commercial capitalism for particularly scathing treatment—the joint stock company. Smith suggested that these companies were enemies of the public because they constituted antisocial factions. Moreover, they undermined social stability by encouraging negligence and profusion. The South Sea Company and the East India Company exhibited the following characteristics: "malversion," "plunder," "knavery," "extravagance," "injustice," and "indifference" to anything but their own corporate interest.⁶¹ The language should be sufficiently indicative of Smith's biases, but lest anyone still think he was simply constructing an economic science of sectoral development, Smith suggested that the indifference was not a structural weakness but an evil that stemmed from "irresistible moral causes."⁶²

Smith's supreme target in *Wealth of Nations* was the East India Company, whose monopolistic activities he condemned as economically and ethically disastrous for Great Britain. His criticism was broader and subtler than was necessary for any defense of free markets. He described the East India Company as a national

⁵⁶ Ibid., 52.

⁵⁷ See, e.g., *Cultural Economy: Cultural Analysis and Commercial Life*, ed. Paul Du Gay and Michael Pryke (London, 2002).

⁵⁸ McNally, *Political Economy and the Rise of Capitalism*, 187.

⁵⁹ Civic humanism was a powerful discursive mode in eighteenth-century Scotland and was illuminated in the writings of Smith's friend and colleague, Adam Ferguson. On the importance of civic humanism, especially in its neo-Harringtonian form, see J. G. A. Pocock, *The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition* (Princeton, NJ, 1975). See also David Kettler, "History and Theory in Ferguson's *Essay on the History of Civil Society*: A Reconsideration," *Political Theory* 5 (1977): 437–60.

⁶⁰ McNally, *Political Economy and the Rise of Capitalism*, chap. 4, provides a useful summary of Smith's use of civic humanist language. However, McNally goes too far in arguing that Smith adopted the political agenda of the neo-Harringtonians. Vivienne Brown is right in suggesting that Smith was looking for less, rather than more, government intervention.

⁶¹ Smith, *Wealth of Nations*, IV.i.e.15–26.

⁶² Ibid., V.i.e.26.

cancer.⁶³ He claimed that the company's dealings were characterized by fraud and deceit. Moreover, the company made its administrative appointments through bribery and nepotism. According to Smith, the company was so despicable that it subjected employees—formerly “men of character”—to systematic moral corruption. In order to be fully appreciated, Smith's anger, disgust, and concern has to be understood in its Scottish context. Professional opportunities for Scotsmen were few and far between in the British Empire prior to the conquest and administration of India. Appointments to the East India Company were overseen by Henry Dundas, the political manager and patron of Scotland for the government in London.⁶⁴ The company's administration was flooded by Scotsmen in search of their fortune, including many of the unemployed younger sons of gentry families, whom Smith referred to as “men of character.” When these returned to their native country with sizable fortunes and a perceived taste for Asiatic luxuries, they were universally condemned by the Scottish literati as setting a “contagious example,” not only in landed society but also in the national community.

Smith was not against the facilitating mechanisms of capitalism per se, as can be seen in his approval of two kinds of joint-stock companies that were useful and capable of strict supervision—banking and insurance. The purpose of banking, Smith suggested, was to aid the circulation of capital and to allow investors to weather the delay between investment and return. What is most revealing in Smith's endorsement of banking is its symbolization in terms of specifically agrarian forms of capitalism: “The judicious operations of banking by providing, if I may be allowed so violent a metaphor, a sort of wagon-way through the air; enable the country to convert, as it were, a great part of its highways into good pasture and cornfields and thereby to increase very considerably the annual produce of its land and labour.”⁶⁵ The availability of credit, overwhelmingly in the form of circulating capital, was indispensable to the kind of agricultural improvement that Smith endorsed. Whenever banking went beyond its proper boundaries, however, by providing easy credit to those characterized by the “spirit of projection” rather than prudence, such institutional practices “endangered the security of the entire society.”⁶⁶ Smith believed that banking in Great Britain had taken a dangerous turn in the form of the proliferation of paper currency across a broad spectrum of population. In a distinctively neo-Harringtonian trope, he described modern “commerce and industry” as being “suspended upon the Daedalian wings of paper money.”⁶⁷

Smith's advice to government on banking uncovers his sectoral agenda. He commented approvingly on the traditional practices of Scottish country bankers who dealt only with persons of character that they knew face to face. He noted favorably that Scottish bankers traditionally required frequent and routine repayments on all cash accounts, thereby avoiding issuing more paper currency than

⁶³ Ibid., IV.vii.c.103–8.

⁶⁴ On Henry Dundas and his relationship with the landowning classes of Scotland, see John Dwyer and Alexander Murdoch, “Paradigms and Politics: Manners, Morals and the Rise of Henry Dundas, 1770–1784,” in *New Perspectives on the Politics and Culture of Early Modern Scotland*, ed. John Dwyer, Roger A. Mason, and Alexander Murdoch (Edinburgh, 1983), 210–48.

⁶⁵ Smith, *Wealth of Nations*, II.ii.86.

⁶⁶ Ibid., II.ii.94.

⁶⁷ Ibid., II.ii.86.

“what the circulation of the country could easily absorb and employ.”⁶⁸ While Smith fully recognized that a commercial society could not go backward in terms of its capital requirements, he recommended two regulatory controls. First, consistent with his commitment to “natural liberty,” the “prince” should allow the proliferation of banks. More banks might appear alarming at first, but their multiplication involved a healthy “rivalship of so many competitors” that effectively restrained “circulation” and “reduced their circulating notes to a smaller number.”⁶⁹ Second, completely contradictory to natural liberty, Smith argued that it was right and proper for the state to prevent the proliferation of paper money by limiting the use of small bills and promissory notes. “No doubt,” Smith said, “to restrain private people” was in “some respect a violation of natural liberty,” but such regulation was necessary to protect the “security of the whole society.” The explicit intention of this clear violation of natural liberty was to restrict the use of paper money in the form of bank notes to “people of undoubted credit.”⁷⁰

The restriction of credit, therefore, was part of Smith’s scheme to prevent capital flow to the “projectors” and “speculators” and “beggarly bankers” in the commercial and manufacturing sectors. Such illiberal restrictions conceivably might limit the growth of the nonagrarian sectors, but they would not threaten the capitalization of the established merchants, whose access to wealth depended entirely upon the expectation of profit. Smith’s analysis of profit should give pause to anyone who considers him to be the theologian of business enterprise. Smith had very little time for the projects and projections of “a nation of shopkeepers.”⁷¹ In their “meanness” and “rapacity,” merchants and manufacturers exhibited a corporate factionalism that did not conform to “the general interest of society” or “the interest of the public.”⁷² While most of Smith’s wrath was directed as merchants, he also condemned “large manufactories” as ruining the morals of their workmen.⁷³ The profits of both sectors, compared to the return on land, had become excessive. What is more, unlike the “proprietors of land,” whose interest was “inseparably connected with the general interest of society,” the profits of the other two sectors did not necessarily rise with overall “prosperity” but even tended to be “high in poor countries” and “highest in the countries which are going fastest to ruin.”⁷⁴ The capital that was acquired by “commerce and manufactures” was “all a very precarious and uncertain possession till some part of it has been secured and realized in the cultivation and improvement of its lands.”⁷⁵

Smith’s economic theory was designed to consolidate the hegemony of prudent proprietors of land. This strategy can be seen most clearly in Smith’s doctrine of agricultural rent. Smith did not merely argue that an increase in rent was synonymous with the natural progress of society, but also that agricultural real estate provided added value above any mere market commodity. In commerce and manufacturing, Smith argued, prices were determined by the cost of labor and the

⁶⁸ Ibid., II.ii.94.

⁶⁹ Ibid., II.ii.106.

⁷⁰ Ibid., II.ii.94.

⁷¹ Ibid., IV.vii.c.63.

⁷² Ibid., I.xi.p.9–10.

⁷³ Ibid., I.viii.48.

⁷⁴ Ibid., I.xi.p.10.

⁷⁵ Ibid., II.i.28 and III.iv.24.

need to make a sufficient profit for reinvestment. Under his system of natural liberty, pricing would be competitive and profits would approach zero. Capitalist agriculture was a paradigmatically distinct sector whose price and return on investment could never be reduced to a commodity theory of value. First, agriculture was a more “permanent and stable” source of revenue than commerce and manufacturing and so would always attract greater investment in the free market.⁷⁶ Second, the value of land was higher than any other productive sector because it included rent, which accounts for “more than a third part of the whole produce.”⁷⁷ Third, agriculture was the only sector that was naturally productive. “Land,” Smith maintained, “in almost any situation provides a greater quantity of food than what is sufficient to maintain all the labour necessary for bringing it to market, in the most liberal way in which that labour is ever maintained.”⁷⁸ Fourth, rent on land was cocooned to a much greater extent than commerce and manufacturing from the rigors of competition. While it “varies with its fertility” and proximity to urban markets, rent entered “into the composition of the price of [all other] commodities in a different way from wages and profits.”⁷⁹ In Smith’s economic model, “the complete improvement and cultivation of the country be, as it most certainly is, the greatest of all public advantages.”⁸⁰ The concomitant rise in the price of agricultural produce translated automatically into higher rents and reinforced the hegemony of agricultural proprietors.

Against the representatives of the mercantile and manufacturing sector, who were eager to obtain relief from the higher wage costs associated with agricultural protection, Smith argued that “instead of being considered a public calamity,” the “rise in the price of all those different sorts of rude produce” was “the greatest of all public advantages.”⁸¹ Smith was certainly no fan of Corn Laws, which prevented the free exportation and importation of wheat. He regarded protection not only as contrary to the “ordinary laws of justice” but also as contrary to the improvement of agriculture.⁸² But the entire thrust of his advocacy of natural liberty was to consolidate and reinforce the power of agrarian capitalists by providing cheap capital for investment. Smith concluded his chapter on rent by pointing out that while the nation’s GNP divides itself into rent, wages, and profits that constituted revenues to “three different orders of people; to those who live by rent, to those who live by wages, and to those who live by profit,” only the “interest of the first of those three great orders” was “strictly and inseparably connected with the general interest of the society.”⁸³ Whatever served the interest of those who lived on rent therefore automatically promoted the interest of the entire society; conversely, whatever negated the interest of landed society automatically blocked social progress.

Smith’s analysis of rent is unintelligible within a classical economic paradigm that treats land like any other commodity. Smith’s version of political economy

⁷⁶ Ibid., V.ii.a.13.

⁷⁷ Ibid., V.ii.a.17.

⁷⁸ Ibid., I.xi.b.8.

⁷⁹ Ibid., I.xi.a.4.

⁸⁰ Ibid., I.x.i.13.

⁸¹ Ibid., I.xi.l.12.

⁸² Ibid., IV.v.b.39.

⁸³ Ibid., I.xi.p.7–8.

decidedly privileged landowners over all other forms of capitalists. Market specialization tended “directly to reduce the real price of manufactures.” While competition kept the profits of manufacturers low, the “real rent” or effective purchasing power of agricultural proprietors increased: “The landlord exchanges that part of his rude produce, which is over and above his own consumption, or what comes to the same thing, the price of that part of it, for manufactured produce. Whatever reduces the real price of the latter, raises that of the former. . . . Every increase in the real wealth of the society, every increase in the quantity of useful labour employed within it, tends indirectly to raise the real rent of the land.”⁸⁴ In the conclusion to his long chapter “Of the Rent of Land” (155 much ignored pages), Smith points to the sociocultural benefits of landed hegemony. Since the first of “the three great orders” has the same interest as the well-being of the entire society, they were the only group that would never intentionally deceive the public. Because they were the only economic sector “whose revenue costs them neither labour nor care,” they were the only class who could be “independent.”⁸⁵ In summary, therefore, the *Wealth of Nations* should be read as a strategy for constructing a moral as well as a market society. Smith sought to increase the economic power of the gentry at the expense of a class “who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.”

Smith was not a totally naive apologist for landed society. Although *Wealth of Nations* was a program for reinforcing the ethical and economic hegemony of progressive landowners, Smith could be critical of their personal habits and understanding of sociopolitical issues. Country gentlemen might have vested interests in common with the public, but they lacked the “acuteness of understanding” of merchants and manufacturers. The “proprietors of land” could never willingly mislead the public, but they were perfectly capable of being misled. Their “indolence”—“the natural effect of the ease and security of their situation”—rendered them “not only ignorant, but incapable of application of mind.”⁸⁶ Their “temper and disposition” was “timid” and far less “spirited” than the “operations of merchants.”⁸⁷ To Smith’s frustration, the “country gentlemen” tended to be altogether too passive and impressionable. This temperament seduced them into substituting the imaginary dreams and desires generated by the commercial marketplace for their own and the national interest.

Smith’s moral economy was balanced precariously on the prudential habits and social responsibility of the British gentry. As the civic humanist in Smith recognized, there was a potential for the corruption of virtuous habits in a commercial society, and this proclivity was compounded by the expansion of a mercantile empire and the unprecedented desires it unleashed. In the conclusion to *Wealth of Nations*, Smith already was suggesting that the productive capital—the “frugality and industry of private people”—was being drained in a mad dash to “waste and extravagance.”⁸⁸ He lamented that scarce resources were being squandered in a

⁸⁴ Ibid., I.xi.p.4–8.

⁸⁵ Ibid., I.xi.p.8–10.

⁸⁶ Ibid., I.xi.p.8–10.

⁸⁷ Ibid., III.iv.3.

⁸⁸ Ibid., V.iii.49–53.

“debilitated and languishing” British Empire that mirrored Rome in its decline. The respectable citizens of Great Britain were losing themselves in a “golden dream.”⁸⁹ Smith’s pessimism about the evolution of capitalism only intensified in the intervening period between the completion of *Wealth of Nations* and the final edition of *Theory of Moral Sentiments* in 1790.

FROM IMPARTIAL SPECTATORS TO THE SPECTATORIAL SELF

No attempt to situate Smith’s writings in their sociocultural context would be compelling without an examination of the concept of impartial spectatorship that glues his ethical theory together. The concept of the impartial spectator was a metaphor for moral judgment in *Theory of Moral Sentiments* and, as I have argued, entirely consistent with the combined economic and ethical role that Smith attributed to the gentry in *Wealth of Nations*. However, in the final edition of *Theory of Moral Sentiments*, the concept of the impartial spectator has increasingly less to do with the propriety of landed proprietors and relates primarily to the “virtuous few” who can rise above a morally bankrupt society.

The impartial spectator of the 1790 edition is no longer a reflection, not even as the internalization, of communal norms. In Smith’s complex, tortuous, and occasionally convoluted revision, it becomes a theory of conscience that is abstracted and idealized to a quite extraordinary degree. The impartial spectator now has an “exquisite and divine beauty” that entirely separates it from social opinion.⁹⁰ It is utterly transformed into “the abstract and ideal spectator of our sentiments and conduct” by which we imperfect beings should measure our “conduct and conversation.”⁹¹ The authority of this “great demigod within the breast” completely transcends and usurps the social environment. Only the man who acts in accordance with the authority of this internal spectator is “the real man of virtue, the only real and proper object of love, respect, and admiration.”⁹² In support of this divination of conscience, Smith also amended his concepts of propriety and prudence. He replaced the concept of propriety in common life with the ideal of “exact propriety and perfection” as the “first standard” to which the “wise and virtuous man directs his principal intention.”⁹³ He distinguished “inferior” from “superior prudence” and equated the latter with “the habit or disposition of acting with the most perfect propriety in every possible circumstance and situation.”⁹⁴

It is worth unpacking the evolution of this concept of the “impartial spectator” to further underline Smith’s paradigmatic shift. In the first edition of *Theory of Moral Sentiments*, Smith referred to “cool and impartial spectators” as the proper judges of propriety and impropriety of sentiment and action. Smith’s early versions privileged the standpoint of real, not ideal, social spectators in the human drama.⁹⁵ There is absolutely no textual evidence to suggest that Smith was working toward a theory of conscience, much less assuming its corollary, a distinct concept of the

⁸⁹ Ibid., V.iii.76 and 92.

⁹⁰ Smith, *Theory of Moral Sentiments*, VI.iii.25.

⁹¹ Ibid., III.3.38.

⁹² Ibid., VI.iii.18.

⁹³ Ibid., VI.iii.25.

⁹⁴ Ibid., VI.i.15.

⁹⁵ Ibid., I.ii.38 and I.iii.2.5.

self. Smith's analysis was sociological, his descriptions entirely dramatic, and his account of spectatorial reflection ill-suited to introspection. Smith's representative figures were not isolated selves but actors in a communal drama. Even the propensity to self-love did not separate social actors "fundamentally" from one another; quite the contrary, "self-love" was a critical contributing factor to sociality and the formation of a moral community.⁹⁶

The earliest version of the impartial spectator corresponded to informed public opinion or a social averaging. Of course, it was a particular kind of public opinion that Smith's ethical theory invoked. The context most meaningful for interpreting Smith's moral agenda is not one that abstracts "individual selves" in "ordinary life," but the stratified yet improving society in which Smith lived and wrote.⁹⁷ In 1759, Smith had confidence in the moral mechanism of public opinion and no great need for a theory of conscience informed by an explicitly Stoic self-command. The social world was the "mirror" in which one saw excessive self-love as ugly to others and made the necessary adjustments. In second edition of 1761, however, Smith first introduced the concept of an internal spectator as a metaphor for conscience. Smith briefly referred to "the tribunal within the breast," "the abstract man," and the "representative of mankind" that acted as the "supreme judge" of the propriety of moral sentiments. This idealized person within the breast was "like the demigods of the poets, though partly of immortal, yet partly too of mortal extraction."⁹⁸ Smith's model clearly now was informed by an understanding of the internalization of group norms.

What is most fascinating about these relatively minor additions is Smith's reluctance to embrace a substantially revised conception of impartial spectatorship. Smith clearly was not comfortable with any degree of separation between an abstract conscience and a flesh and blood moral community. He went so far as to suggest, "its jurisdiction is in great measure derived from the authority of that very tribunal [i.e. public opinion], whose decisions it so often and so justly reverses."⁹⁹ Such convolutions of language suggest that Smith did not fully embrace the concept of the impartial spectator at this time. Quite the reverse; he ended the newly added section, not with a Kantian endorsement of ethical independence, but with a touching depiction of the painfulness of moral isolation. All his literary allusions were to tragic drama rather than to the subjective self.

It was not by choice that Smith generated this early genetic version of conscience. In a sense, he was only coerced into doing so because of the nagging criticism received from a fellow literati and gentry farmer—Gilbert Elliot of Minto.¹⁰⁰ The second edition shift from the spectator without to the spectator within was a very

⁹⁶ Here, I fundamentally disagree with Charles Griswold, who believes that Smith has constructed an elaborate scheme to escape the "circle of selfishness." I think this is a modern obsession rather than one that Smith would have recognized. See *Adam Smith and the Virtues of Enlightenment*, 86, 102.

⁹⁷ I also would take issue with Charles Griswold, who views Smith's defense of "ordinary life" as relegating the historical context to a "background picture." Griswold's inattention to context leads him into interpreting *Theory of Moral Sentiments* alternately as a treatise on love, a manual for moral cultivation, and an argument for participatory democracy, and the "greatest working man's tract ever written." See *Adam Smith and the Virtues of Enlightenment*, 33, 80, 149, 196, 210, 261, and 307.

⁹⁸ Smith, *Theory of Moral Sentiments*, III.2.31–33.

⁹⁹ *Ibid.*, III.2.32.

¹⁰⁰ Smith, Letter no. 40, "To Gilbert Elliot, 10 Oct. 1759," in *The Correspondence of Adam Smith*, vol. 6 of *The Glasgow Edition of the Works and Correspondence of Adam Smith*.

“uneasy” one to say the least.¹⁰¹ By the time Smith wrote the sixth and final edition in 1790, however, he had completely severed the man within from the man without and embraced an entirely new definition of conscience as the only internal “voice” that “will never deceive us.”¹⁰² He even replaced the tentative 1761 statement on the relationship between external opinion and internal conscience with the statement that “The jurisdiction of these two tribunals are founded upon principles which, though in some respects resembling and akin, are however, in reality different and distinct.”¹⁰³ Smith had completely shifted gears. The operations of internal and external spectators have now become two “different and distinct” principles, with only the internal spectator having ethical validity. If we take this shift seriously without assuming some unified authorial intention, Smith in 1790 was very uncharacteristically privileging the rare propensity to ethical wisdom over the propriety of everyday life. Spectatorial sympathy truly had become self-centered in the sense that the self was communicating with itself. It is worth asking the Bakhtinian question: are we even reading the same text when we compare the passages that Smith added to the 1790 edition? There are good reasons to suggest that we are not. *The Theory of Moral Sentiments* of 1759 and 1761 was characterized by dialogic discourse, as Brown notes—the “interplay of voices”; the 1790 additions are “didactic,” “univocal,” and “canonic,” as though Smith wanted to place his new definition of virtue beyond discussion.¹⁰⁴ What Smith’s authoritative tone cannot obscure, however, is the fact that the transformed spectator mechanism makes his ethical theory very messy. Morals cannot simultaneously be internal and communal productions.¹⁰⁵ As Kant recognized, the independent self that judges can be judged only by other independent selves. The relationship between self and community has been inverted.

Smith conceivably might have rescued his ethical theory from the charge of inconsistency by elaborating on virtue as the internalization of group norms. By 1790, however, Smith was so determined to distance the impartial spectator from communal values that this option was no longer available to him. Smith completely redefined human morality and the possibility of happiness in terms of detachment and indifference toward a social world bereft of moral sympathy. He transferred his allegiance from a moral community presided over by the gentry and their representatives to the “virtuous few” because he realized that his version of the social relations of capitalist production was being undermined. As the socioethical controls on commerce were dismantled, Smith believed that a fantasy world of desires was being unleashed.¹⁰⁶

¹⁰¹ V. Hope, “Smith’s Demigod,” in *Philosophers of the Scottish Enlightenment*, ed. V. Hope (Edinburgh, 1984), 161.

¹⁰² Smith, *Theory of Moral Sentiments*, VI.ii.I.21.

¹⁰³ Ibid., III.2.32. See also III.1.6, III.1.5, III.2.26, VII.iv.24.

¹⁰⁴ The terminology is taken from Brown, *Adam Smith’s Discourse*, 21. Although Vivienne Brown applies Mikhail Bakhtin’s theory to Smith, surprisingly, she does not see its relevance to the 1790 edition.

¹⁰⁵ McNally, *Political Economy and the Rise of Capitalism*, 183.

¹⁰⁶ A number of scholars have noticed Smith’s increasing pessimism in the closing decades of his life and have generally attributed this to the psychological impact of the French Revolution. But I argue that the shift in Smith’s attitude has different and more interesting origins. For a different opinion, see Hiroshi Mizuta, “Moral Philosophy and Civil Society,” in *Essays on Adam Smith*, ed. Andrew Skinner and Thomas Wilson (Oxford, 1975), 128–29.

Smith's concern about the evolution of capitalism had been growing for some time. He articulated it quite dramatically in his conclusion to *Wealth of Nations* (1776), when he warned British statesmen about the corruption of virtuous capitalism by commercial "pollution" and called upon the British government to awake from its dream of a commercial empire and to "endeavour to awaken the people." In a commercial society, the political representatives of the landowning class are dangerously inclined to overrate the contribution of commercial capitalism to the wealth of the nation. Merchants and manufacturers had lured even the "best English writers upon commerce" into confounding money with wealth and real with exchange value.¹⁰⁷ They generally began correctly by "observing that the wealth of a country consists, not in its gold and silver only, but in its lands, houses, and consumable goods of all different kinds. In the course of their reasonings, however, the lands, houses and consumable goods seem to slip out of their memory, and the strain of their argument frequently supposes that all wealth consists in gold and silver, and that to multiply those metals is the great object of national industry and commerce."¹⁰⁸ Smith's discussion of money and banking in *Wealth of Nations* cannot be appreciated in all its richness without recognizing his anxiety that land would become another market commodity. His analysis of the Ayr Bank failure in 1772 highlighted what could happen when even public-spirited agricultural improvers went beyond the bounds of propriety.¹⁰⁹ The Ayr Bank (Douglas, Heron, and Company) was so liberal in granting accounts, discounting bills, and issuing "great quantities of bank notes" that its failure resulted in disaster for many smaller proprietors who had jumped on the bandwagon of economic improvement. The spread of paper currency in Scotland during the 1760s perpetuated a vicious spiral of ever-increased borrowing to pay off debts that Smith thought should never have been incurred in the first place.¹¹⁰

Instead of being prudent and frugal, and thereby contributing to slow and steady economic growth, therefore, Smith felt that country gentlemen were increasingly involved in "injurious and unsuccessful project[s] in agriculture."¹¹¹ The problem, as Smith identified it, was not so much an economic as an ethical one: "The same commercial state of society which, *by the operation of moral causes*, brings government in this manner into the necessity of borrowing; produces in the subjects both an ability and an inclination to lend. If it commonly brings along with it the necessity of borrowing, it likewise brings along with it the facility of doing so."¹¹² Smith, of course, was discussing the public debt, but his ethical point was that the modern contrivance of a "sinking fund" institutionalized an economic structure that siphoned wealth out of land and placed it into the hands of those who circulated more liquid forms of capital. Thus "old capital" (i.e., agricultural) was being destroyed while "unproductive labour" (i.e., commerce and manufac-

¹⁰⁷ Smith, *Wealth of Nations*, V.iii.92.

¹⁰⁸ Ibid., IV.i.34.

¹⁰⁹ Ibid., II.ii.73–78.

¹¹⁰ For the economic background to the Ayr bank collapse, in which many of Smith's friends and patrons were implicated, see H. Hamilton, "The Failure of the Ayr Bank, 1772," *Economic History Review*, 2nd ser., 8 (1956): 405–17.

¹¹¹ Smith, *Wealth of Nations*, I.iii.26.

¹¹² Ibid., V.iii.5. The emphasis is mine.

turing) was on the rise. The hard-earned frugality and prudence of “private people” was being undermined.

Smith clearly was concerned that commercial society was close to developing past the point where private people could restore the natural economic and moral order. His assessment of government spending is informative. As a result of capitalization, Great Britain “now seemed to support with ease, a burden which, half a century ago, nobody believed her capable of supporting.” This rate of progress, however, could not be sustained. Smith wrote: “Let us not, however, upon this account rashly conclude that she is capable of supporting any burden; nor even be too confident that she could support, without great distress, a burden a little greater than what has already been laid upon her.”¹¹³ Economic and moral decline were already setting in a “debilitated and languishing” British Empire.¹¹⁴ The civic humanist cycle from vigor to decay was patently evident in the “great scramble of faction and ambition” characterizing political life in the imperial capital. In a telling inversion of metropolis and province, Smith noted that the “spirit of party” was not as present in Scotland as in England because the former was physically and psychologically “distant” from the commercial center. He suggested that a union with Ireland could conceivably delay and hopefully halt the tide of corruption because the citizens of that country were even “more indifferent and *impartial spectators* of the conduct of all.”¹¹⁵

If Smith was anything but sanguine about the prospects, nothing in the intervening period between *Wealth of Nations* and the final edition of *Theory of Moral Sentiments* could have restored his optimism. Great Britain was becoming the very “nation of shopkeepers” and its citizens the “people of customers” that Smith derided.¹¹⁶ The commercial spirit was triumphing. Even in his native Scotland, the agents of moral corrosion were the primary recipients of the benefits of empire. Smith’s young protégés in Edinburgh’s prestigious Mirror Club were convinced that the returning “nabobs” of the East India Company were among the signs that if Scotland “had not already reached this point of degeneracy, she seems, at least, as far as a spectator of her manner can judge, to be too fast approaching it.”¹¹⁷ How it must have dismayed Smith that the very same employees of a monopolistic company that he described as so irredeemably corrupt now had such considerable economic and social power and were aping the airs rather than playing the role of “country gentlemen.”¹¹⁸

In 1789, when he was working on the final edition of *Theory of Moral Sentiments*,

¹¹³ Ibid., V.iii.58.

¹¹⁴ Ibid., V.iii.77.

¹¹⁵ Ibid., V.iii.90. The emphasis is mine.

¹¹⁶ Ibid., IV.vii.c.63.

¹¹⁷ Henry Mackenzie, a close friend of Adam Smith, was the leader of the Mirror Club and of the Edinburgh literati when Smith composed the final version of *Theory of Moral Sentiments*. The essays on Scottish nabobs can be found in the *Mirror* (Edinburgh, 1779/80), no. 53, and *Loungers* (Edinburgh, 1785/7), nos. 17, 36, 44, 56, and 62. The relative dates and numbers reflect the increasing concern of Scottish observers about the transformations taking place in Scottish society. The same concerns were reflected in the sermons of Smith’s friends and allies in the Moderate Clergy of the Church of Scotland (i.e., John Drysdale and Hugh Blair). See Dwyer, *Virtuous Discourse*, 39–46.

¹¹⁸ Smith’s economic and ethical condemnation of the East India Company can be found in *Wealth of Nations*, IV.vii.c.103–8.

Smith was, in contemporary terms, an old man contemplating his death.¹¹⁹ But that did not prevent him from tackling perceived commercial corruption head on. He added a completely new account of the corruption of moral sentiments to part I that underlines his paradigmatic shift. In the first edition of 1759, Smith believed that the only serious threat to the smooth functioning of the moral sentiments was religious fanaticism.¹²⁰ The entirely new cancer in the moral community of the sixth edition was “the disposition to admire the rich and great.” This disposition, duly noted in connection with social stratification in earlier editions, was now identified quite differently as “the great and most universal cause of the corruption of our moral sentiments.”¹²¹

This “disposition” was not a moral problem in 1759, when it was shaped by and reinforced the social structure and norms of an agrarian capitalist society. It became a problem for Smith only when his favored middling class of small proprietors became increasingly subsumed within a “fantasy” market of unlimited desires. At this time, Smith began to have serious doubts about his formerly favored “candidates in fortune” in landed society who “too frequently abandon the paths of virtue.”¹²² Smith’s additions no longer reflects a dialogic or conversational approach; his voice is that of a classic moralist:

It is not ease or pleasure, but always honour, of one kind or another, though frequently an honour very ill understood, that the ambitious man really pursues. But the honour of his exalted station appears, both in his own eyes and in those of other people, polluted and defiled by the baseness of the means through which he rose to it. Though by the profusion of every liberal expense; though by excessive indulgence in every profligate pleasure, the wretched, but usual resource of ruined characters; though by the hurry of public business, or by the prouder and more dazzling tumult of war, he may endeavour to efface, both from his own memory, and from that of other people, the remembrance of what he has done; that remembrance never fails to pursue him. He invokes in vain the dark and dismal powers of forgetfulness and oblivion.

In the newly added part 6, “Of the Character of Virtue,” Smith loosened up on the rhetoric long enough to give us a glimpse into a more sober assessment of the problem. Whereas formerly ambition was the preserve of the elite, the development of commercial society meant that greed had distorted the values and invaded “the humble projects of private life.” The easy credit that Smith warned against in *Wealth of Nations* now enticed the middling ranks of society “to undertakings which necessarily led to bankruptcy and ruin in the end.”¹²³

The commercial society, whose effects Smith deplored, was historically situated. Its marketplace of desires was neither the economic liberalism of the nineteenth century, much less our contemporary deification of the market. Many of its symbols still remained aristocratic and elitist, as one gathers from Smith’s discussion of honor, pride, and vanity, and his use of terms like “extravagance,” “equipage,”

¹¹⁹ Ross, *The Life of Adam Smith*, 401–6.

¹²⁰ Smith, *Theory of Moral Sentiments*, III.6.13.

¹²¹ Ibid., I.iii.3.1.

¹²² Ibid., I.iii.3.7–8.

¹²³ Ibid., VI.iii.29.

and “coxcomb.” Smith was no fan of traditional feudal society, but he understood that it at least had some potential to nurture virtue. Pride encouraged the traditional aristocracy to maintain personal dignity and to preserve independence. The society that he condemned was one where commercial values were appropriating and prostituting feudal ones, confusing honor with flattery and substituting the vanity of the coxcomb for aristocratic pride. As long as Smith’s gentry or favored middling ranks preserved their prudential habits, the moral community remained intact. Once these citizens strayed from the virtuous path, once men of “excessive self-estimation” usurped the position of “the man of correct and modest virtue,” it was no longer possible for Smith to situate ethics in a social context.¹²⁴

By 1789, Smith was increasingly preoccupied with the spread of vanity and ambition in private life. Increasingly skeptical of the ability of the “middling and inferior classes” to lead lives of tolerable decency, this philosopher of everyday life was trapped in a discourse of his own creation. Unlike many other eighteenth-century moralists, his analysis of sensibility did not allow a retreat into some innate moral or common sense. Unlike many of his Scottish contemporaries, his emphasis on spectatorial detachment and self-control effectively ruled out any cultivation of the moral sentiment in the direction of sentimentality.¹²⁵ Both his economic and his sociocultural model deprived Smith of a political (i.e., constitutional) solution to the problem of moral corruption.¹²⁶ His only option was to place even greater stress upon self-command and self-composure of the impartial spectator, to the extent of separating the moral self from its social roots.

Smith’s theory of conscience is only salvageable by metamorphosing him into a philosopher of the self. Such a reconstruction might have a certain appeal for those who want to view human beings as isolated individuals in the moral and the economic sphere. The problem is that such “autonomous and shadowy agents” do not inhabit the early versions of *Theory of Moral Sentiments* and Smith’s ethical world was defined by sociality. His moral agents were simultaneously actors and spectators in the human drama. Smith was all about “we” rather than “I,” which is what renders his final version of the impartial spectator an intellectual retreat rather than a philosophical breakthrough.

CONCLUSION

This article has argued that Smith’s ethics was sociocultural in so far as it defined an intersubjective world mediated by conversation. It suggests that this conversation, while it contained elements that might loosely be described as universal, was socially and culturally situated. Smith’s symbolic universe was peopled with and dominated by a particular class of agrarian capitalists that we can usefully label the gentry, just as long as we understand that there was some room for mobility in eighteenth-century Britain and that the connections between the gentry and

¹²⁴ Ibid., VI.iii.31.

¹²⁵ On the Scottish discourse on sensibility, see Dwyer, *Virtuous Discourse*, chap. 4.

¹²⁶ David McNally argues otherwise, suggesting that Smith’s economic agenda implied a political agenda that balanced “Court Whig with Country principles” (*Political Economy and the Rise of Capitalism*, 201). I really do not see how this argument is consistent with Smith’s emphasis on natural liberty, and it flat out contradicts Smith’s comments on liberty in France (an absolute monarchy) and America (a colony).

elite professions were somewhat fluid. Smith's moral community was anything but an abstract group of impartial spectators. Its reference point was the respectable country gentlemen that in Smith's Scotland were not only improving small proprietors but also the male members of the Edinburgh, Glasgow, and Aberdeen clubs.

Wealth of Nations may have been a more monologic text than *Theory of Moral Sentiments*, but its purpose was related—to reinforce the economic and ethical role of the middling ranks. In other words, *Wealth of Nations* was a tightly constructed strategy affirming the hegemony of a particular sector—agriculture. *Wealth of Nations* defended the rents of the agricultural sector as a whole, but the group whose activities his writings endorsed were not the traditional, and perhaps absentee, aristocracy, but the more prudent country gentlemen practicing slow and steady capitalist improvement. The primary thrust of *Wealth of Nations* was to ensure that this group was consolidated as the economic cornerstone of the economy. While some have viewed Smith's economic theory as a neutral and scientific examination of the circular flow of capital in a progressive economy, the author of this article cites Smith's doctrine of rents and his attempted marginalization of merchants and manufacturers as evidence of an intention to make the gentry hegemonic in perpetuity.

Of course, such an interpretation makes Smith a more traditional writer and less obviously relevant to an analysis of contemporary capitalism. But that is an assessment that has been percolating on a number of academic fronts whatever the differences between theoretical approaches. The tendency to view *Wealth of Nations* as a distinctly economic discourse is particularly tenacious, however, so it was necessary to highlight the significant ways that Smith conjoins economic and moral causation in that famous text. Ironically, Smith's treatment of moral corruption in a commercial society turns out to be more extensive and explicit in *Wealth of Nations* than in *Theory of Moral Sentiments*, where it really only surfaces in the final edition. Smith's treatment of agriculture in book 1, chapter 11, and his analysis of the public debt in book 5, chapter 11, contain a rich vein of traditional ethical analysis. Smith did not simply abuse merchants and manufacturers; he articulated a vision of the moral community that controlled and channeled the selfishness of these ethically inferior sectors.

This article argues that the bridge between *Theory of Moral Sentiments* and *Wealth of Nations* is complex but relatively straightforward if one views Smith as an advocate for a historically transitional form of agrarian capitalism. Smith's analysis was ideological, not only to the extent that it amplified and endorsed the sociocultural values of the gentry, but also because it justified capitalism on ethical grounds at a time when market values were still being treated with suspicion. Smith's writings allowed the civic-minded members of landed society to embrace the market model of natural liberty by reassuring them that landed property would continue to perform its ethical function. While Smith singled out small proprietors for praise, and could occasionally engage in harsh criticism of landed magnates, his doctrine of rent within a free market affirmed the power of landowners and relegated the mercantile and manufacturing sectors to a subordinate position. Smith's doctrine of rent may have had some theoretical holes, but land in fact did continue to be the best investment in Great Britain right up until the First World War, allowing for a smooth and gradual transition to a more mature capitalism.

among the upper classes.¹²⁷ The impact of this transition on working people, of course, was something else again.

As early as 1776, Smith was already beginning to have reservations about the development of capitalist society. While his writings may have been ideological, they were not hypocritical. Smith was first and foremost a moralist; he was entirely serious about ethics, which he defined in terms of propriety and prudence. He was also a realist who recognized that moral communities needed to be economically grounded. Despite the continuing power of the agrarian class, the commercial society that unfolded after 1760 did not correspond to the frugal capitalist behavior that Smith endorsed. The new world of capital was fueled by credit rather than savings, stimulated by a degree of industrial growth that Smith could never have imagined, despite his appreciation for the division of labor. This was a socioeconomic arena that Smith did not understand and certainly did not admire. The moralist in him recoiled and retreated into the arms of a stern and disapproving spectator whose wholly internalized being mirrored the Stoic sage.

Smith's new elect were a "wise and virtuous few" doomed to be forever in conflict with the emerging "marketplace of desires." Its solitary reliance on an internal conscience was neither the logical unfolding of Smith's ethical theory nor a satisfactory solution to the problem of ethics in a capitalist society. When he consecrated the "demigod inside the breast," Smith effectively dismantled any possibility of a unified program or conceptual bridge between *Theory of Moral Sentiments* and *Wealth of Nations*. By implication, he told us what we all now know, that any connection between capitalist morals and markets is tenuous at best.

¹²⁷ See F. M. L. Thompson, *English Landed Society in the Nineteenth Century* (London, 1963).