

DAS ADAM SMITH PROBLEM
A Critical Realist Perspective¹

BY

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Abstract. The old *Das Adam Smith Problem* is no longer tenable. Few today believe that Smith postulates two contradictory principles of human action: one in the *Wealth of Nations* and another in the *Theory of Moral Sentiments*. Nevertheless, an Adam Smith problem of sorts endures: there is still no widely agreed version of what it is that links these two texts, aside from their common author; no widely agreed version of how, if at all, Smith's postulation of self-interest as the organising principle of economic activity fits in with his wider moral-ethical concerns.

We argue that the enduring Adam Smith problem may be solved by recourse to a realist perspective that recognises the different levels of social reality to which Smith refers in his discourse. Essential to Smith, we try to show, is the action-theoretic distinction between motive and capacity; between a typology of empirical human acts, on the one hand—self-love and benevolence in Smith's terminology—and the (non-empirical) condition of possibility of all human action—what Smith calls the sympathetic principle—on the other.

Key words: Smith, social, self, realism

1. *Introduction*

The old *Das Adam Smith Problem* is no longer tenable. Few today believe that Smith postulates two contradictory principles of human action: one in the *Wealth of Nations* and another in the *Theory of Moral Sentiments*. Nevertheless, an Adam Smith problem of sorts endures: there is still no widely agreed version of what it is that links these two texts, aside from their common author; no widely agreed version of how, if at all, Smith's postulation of self-interest as the organising principle of economic activity fits in with his wider moral-ethical concerns.

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Critical realism has been used on numerous occasions in order to throw new light on outstanding issues in the history of economic thought, though not to our knowledge on the Smith problem. For example, Fleetwood uses a critical realist perspective to explain the apparent shifts in Hayek’s position, from positivist to ‘hermeneutic foundationalist’ to ‘quasi-transcendental realist’.² Again using critical realist doctrine, Graca Moura argues that inconsistencies in Schumpeter’s thought should be understood in the context of a basic incompatibility between his realist (open and structured) ontology and his commitment to a closed-system epistemology.³ But critical realism may also be used to show constancy and consistency in a writer’s position. This, we believe, is indeed the case with Adam Smith.

2. *The Two Smiths*

Das Adam Smith Problem refers to the contention that there is a fundamental inconsistency across Smith’s two major texts, *The Theory of Moral Sentiments* and *An Inquiry into the Wealth of Nations* (henceforth *TMS* and *WN* respectively).⁴ More precisely, it is said that Smith’s work, taken as a whole, supposes human behaviour to be governed by two quite different (and contradictory) principles. As the language suggests, the origins of the *Problem* are to be found in the reception to Smith’s work in certain sections of the German-speaking world and, more generally, in a resistance there to what it takes to be the central tenets of British laissez-faire political economy.

² Steve Fleetwood, *Hayek’s Political Economy: The Socio-Economics of Order*, London: Routledge, 1995.

³ Mario da Graca Moura, ‘Metatheory as the key to understanding: Schumpeter after Shionoya’, *Cambridge Journal of Economics*, 26, pp. 805-21.

⁴ Adam Smith, *The Theory of Moral Sentiments*, eds D. D. Raphael and A. L. Macfie, Oxford: Oxford University Press, 1976/1759; Adam Smith, *The Wealth of Nations*, Harmondsworth: Penguin, 1986/1776.

As early as 1777, Georg Henrich Feder detects in *WN* a willingness 'to trust too much to *the harmony of individual interests* in producing *naturally* by their free action general good'.⁵ Reading between the lines, what Feder suspects is that Smith has lifted to the status of general economic-developmental principle results that may only hold within the special circumstances that define modernisation in Britain. But by the turn of the century what Feder was prepared to accept as the consequence of an innocent, if illegitimate, abstraction has become a matter of deliberate concealment on Smith's part. For Adam Heinrich Muller, for example, Smith is little more than a 'one-sided' apologist for Britain's political-economic interests.⁶ Following Fichte, Muller and his kind want to claim, contra Smith's 'abstract cosmopolitanism', that for the sake of national economic development (amongst other things) the state should actually prohibit foreign trade. For these writers the Smith problem is not quite how we understand it today; on the contrary 'the problem of the Adam Smith School is that it tries to monopolise manufacturing for England'.⁷

Hildebrand echoes German complaints against Smith that go back to the original publication of *WN* and to Feder's review. Like Feder, he thinks that Smith produces the illusion of a (universally valid) science of economy by 'deducing general axioms from the specific circumstances of single nations and stages of development'.⁸ But in Hildebrand's hands the Smith problem takes a decisive turn. He claims that it is not simply that Smith has stretched a principle beyond the bounds of its legitimate employment; nor is it that he (Hildebrand) is in addition suspicious (in any circumstances) of Smith's presumption of a natural harmony of self-interests (though he is that, too); rather, what he really objects to is the *Smithsche Schule's* apparent 'deification' of private interest. In a remarkable turn of phrase he claims that Smith and his disciples want to 'transform political economy into a mere natural history of egoism'.⁹ And for Hildebrand, clearly, people are just not like that.

But still, for Hildebrand to say that people are not actually ego-monsters does not make *Das Adam Smith Problem* as we know it. Rather, Smith has

⁵ Feder, cit. Leonidas Montes, 'Das Adam Smith Problem: its origins, the stages of the current debate, and one implication for our understanding of sympathy', *Journal of the History of Economic Thought*, vol. 25, no. 1, 2003, pp. 63-90, p. 68.

⁶ Muller, cit. Montes, *ibid.*, p. 67.

⁷ Hildebrand, cit. Montes, *ibid.*, p. 70.

⁸ *Ibid.*

⁹ *Ibid.*

to say it (and having already supposedly said in *WN* the opposite): he has to dig his own grave, in other words. Conveniently, he seems to do so, with a little help from his hagiographer, Thomas Buckle.

Karl Knies had noted in 1853, not long after Hildebrand's 1848 contribution, that actually Smith had not always taken the egoistic hard-line. Smith's 'materialism', as he calls it, seemed to have developed as a consequence of his time in France in the 1760s, and, therefore, sometime after the publication of *TMS* (in 1759). By the time of the publication of *WN* (in 1776) Brentano claims, 'he adopts completely the views of Helvetius concerning the nature of men and selfishness as the *only* motivating force in human action'.¹⁰ The implication is that, before his French sojourn, and in *TMS*, therefore, Smith had held a more complex view, presumably exploring (and finding) the possibility of other 'motivating forces'. This is, more or less, the substance of Skarzynski's 1878 reading of Smith. Drawing on Buckle's clumsy attempt, some seventeen years earlier, at unifying Smith's views in *TMS* and *WN*, according to which Smith in *WN* is supposed to have deliberately 'simplified the study of human nature, by curtailing it of all its sympathy'.¹¹ Skarzynski is able to claim that the two-motive account of human behaviour ('self-interest' and 'sympathy', with the latter predominant) in *TMS* turns into a one-motive account ('self-interest' alone) by the time of *WN*. Skarzynski is right: these two accounts are not complementary but just plain different. Whether or not these accounts may be reasonably ascribed to Smith, however, is a different matter.

Below, we look at three recent influential works that either implicitly or explicitly rejoin the *Adam Smith Problem* debate. All three add to our understanding of the relation between *TMS* and *WN*, and yet, in our view, manage to miss the point.

3. *Old Wine in New Bottles?*

What is our point? Our over-arching contention is that there is no discontinuity or rupture in the way that Smith theorises the principles of human behaviour because, as far as one can tell, for the Two Smiths (of *TMS* and *WN* respectively) there is but one principle that governs human behaviour—and that master-principle is sympathy. At a stretch, one may say that self-love and benevolence are 'principles' of behaviour, in the sense

¹⁰ Brentano, cit. Montes, *ibid.*, p. 71; emphasis added.

¹¹ Buckle, cit. Montes, *ibid.*, p. 73.

that they 'explain' (though, better, describe) the direction that our actions may take, but they do not *enable* our actions; at a fundamental level they do not govern anything at all. We are only able to act out of self-love or benevolence *because* we are sympathetic. According to our lights, then, the old *Adam Smith Problem* gets its *modus vivendi* from a category error—a point that each of our authors in his/her own way recognises.

Montes, on whose magisterial survey our potted history above draws heavily, rehearses many of the pro-Smithian arguments that followed in the wake of the cumulative German criticism, as well as adding accents of his own. Fundamentally, he recognises, the old *Smith Problem* rests on a misunderstanding. To put it crudely Smith does assume (indeed, he does say) in *WN* that people are (primarily) motivated by self-love. He also argues in *TMS* that we are essentially sympathetic creatures. Now, the *Problem*-theorists assume that by *sympathetic* Smith means that we are naturally disposed to act in the interests of others. They conclude, therefore, that he wants it both ways, and in so wanting it, digs his own intellectual grave. The old *Problem* dissolves, however, once it is admitted (and it must be) that Smithian sympathy is not benevolence. But still, a problem of sorts remains: what does Smith mean by sympathy, and does that meaning cohere with self-interest?

There are no easy answers on offer in Montes' piece, only suggestions as to the lines along which a fruitful debate might take place. He recalls approvingly Stephen's 1876 reading of Smithian sympathy as a '*regulative power*', and how this in turn echoes Lange's earlier 1865 contribution, a contribution that 'correctly' (in Montes' view) sees the 'sympathetic process [as] provid[ing] a corrective for *guiding* self-interested behavior'.¹² Montes (rightly in our view) emphasises the basic action-theoretical commitments of *TMS*. Smith is more concerned in *TMS* with how people can and do act than with the traditional moral philosophical question as to how they *should* behave. But, apropos his strident criticism of Raphael and Mcfie, he plainly thinks that Smithian sympathy cannot be *both* intrinsic to human action *and* concerned with approbation. It seems to us, contra Montes, that this is precisely Smith's point in *TMS*: that we are enabled, as *human* actors, by our sense of right.

Unable to see this, Montes has to turn full-circle and claim, like the original *Problem*-theorists, that Smithian sympathy is a kind of motive after all. He asks: 'If sympathy in [its] narrow sense (as compassion) is a motive

¹² *Ibid.*, p. 75; emphases added.

for action, why in its broader “circumstantial” or “situational” Smithian sense is it not?’ Or again: ‘If sympathy is a disposition and capacity inherent in human nature that requires an imaginative leap and leads society to form some general rules for behavior, why is it not a motive for action?’¹³ Montes’ questions seem to answer themselves, but not in the way that he thinks they do. From a semantic perspective, to be motivated (for a minded creature, at least) means having a reason to act; it refers to the subjective ‘why’ of the act, not to the objective ‘how’. But sympathy, as Montes himself acknowledges, is a ‘capacity inherent in human nature’, a capacity, presumably, that we draw on irrespective of motive: precisely, about the objective ‘how’ of human acting. This is why, for Smith at least, sympathy itself *cannot* be motivational: it is part of the enabling or (literally) *actualising* of our motivations. This is also why non-Smithian sympathy—‘sympathy in [its] narrow sense (as compassion)’—*is* motivational: for example, my compassion for you does indeed dispose me to act on your behalf. But then, in this case, it is sympathy ‘in [its] narrow sense’ actualising itself through sympathy in its Smithian sense. To treat *both* as motivational, as Montes wants to do, is to collapse the latter into the former in the manner of Skarzynski et al. Bizarrely, Montes concludes, to refuse this collapse is to ‘narrow’ Smith’s concept of sympathy.¹⁴

One recent writer who seems aware that Smith himself refuses this collapse is Witztum.¹⁵ He writes: ‘*Das Adam Smith Problem* arose when scholars found an inconsistency between the ethically conscious human being behind Smith’s *Theory of Moral Sentiments* [...] and the apparently selfish character behind the *Wealth of Nations*. For modern readers this is not a real problem. All human beings are naturally *motivated* to pursue their own affairs. This does not mean that they cannot be endowed with the *capacity* to feel for others’.¹⁶ To be sure, *WN* is primarily concerned with ‘mercenary exchange’—a transaction driven by personal interest, whereas ‘reciprocally afforded assistance’—an assistance motivated by a concern for the welfare of the other—figures much more prominently in *TMS*. Now *Das Adam Smith Problem* assumes that behind these two situations lie two mutually

¹³ *Ibid.*, p. 83.

¹⁴ *Ibid.*, p. 85.

¹⁵ See Amos Witztum, ‘A study into Smith’s conception of the human character: *Das Adam Smith Problem* revisited’, *History of Political Economy*, vol. 30, no. 3, 1998, pp. 489-513.

¹⁶ *Ibid.*, p. 489.

exclusive character dispositions, two competing depictions of human nature, an assumption that the human being is only capable of behaving in either one *or* other manner. The apparent incompatibility of the two texts dissolves, however, once it is admitted that Smith plainly does not see it this way: depending on situation, and *who* we are dealing with, we are perfectly capable of displaying *both* forms of behaviour. As Witztum puts it, 'the *TMS* is not about a single character. It is a book about how diverse tendencies and dispositions generate a system where ethical judgements and behavior interact'.¹⁷

Yet, in spite of himself, in spite of his making explicit the distinction between motive (self-interest) and capacity (sympathy), Witztum continues to regard 'self-interest' and 'sympathy' (both as ways of acting and judging) as of the same kind, albeit once removed: 'sympathy', he says, though not in itself benevolence, must in some way be 'based on a fundamental interest in the fortunes of others'.¹⁸ It follows then that we 'use' sympathy more in some situations than in others. Indeed, sometimes sympathy is not used at all: 'self-interest is a motive where one's feelings toward others *appear* [to Witztum] to be irrelevant'.¹⁹ As in Montes, for whom sympathy only 'regulates' or 'guides' a (presumably) always already actualised self-interested behavior, for Witztum also sympathy is only *contingently* related to human acting. Sympathy, though a 'capacity' rather than a 'motive' for Witztum, is nevertheless not essential to the human act as such.

We doubt that such a theory, in which the human capacity for fellow-feeling (i.e., Smithian sympathy) is supposed to figure largely in our 'other-regarding' activities, but little (if at all) in those that are 'own-regarding', amounts to a tenable action-theoretical position: in our view, fellow-feeling only 'appears' or *seems* to be 'irrelevant' for 'own-regarding' activities. But, in any case, such a theory is not Smith's. *Pace* Witztum, Smithian sympathy is not only at work in *some* areas of human conduct; nor (*pace* Montes) does it merely 'guide' or 'regulate'. For Smith, sympathy *constitutes* human behaviour, always and everywhere.

Finally we turn to Vivienne Brown's insightful re-evaluation of Smith's work.²⁰ Rather than supposing that *WN* and its 'self-interested' arguments

¹⁷ *Ibid.*, p. 490.

¹⁸ *Ibid.*, p. 494.

¹⁹ *Ibid.*, p. 495; emphasis added.

²⁰ Vivienne Brown, *Adam Smith's Discourse: Canonicity, Commerce and Conscience [Discourse]*, London: Routledge, 1994.

supersede the ‘moral-philosophical’ *TMS* (Smith as modern-economist-in-the-making), or instead imposing a putative coherence on his inquiries, and thence finding Smith wanting (*Das Adam Smith Problem*), she is inclined to let the texts, and particularly their respective styles, speak for themselves.

According to Brown, Smith employs different writing styles in *WN* and *TMS*—a ‘monologic’ style in *WN* and a ‘dialogic’ one in *TMS*—a stylistic variation that mirrors the import of what Smith is trying to say about the kind of behaviour studied in the two works. Brown makes the case that Smith’s use of the dialogic style in *TMS* reproduces what he thinks of the nature of moral judgement itself. For while it might seem as though morality could be inscribed in law, in fact no set of rules could adequately guide human conduct in the face of the subtle situational variations that arise in practice: an individual, on-the-spot, *judgement* is called for, with ‘inner voices’, including that of the impartial spectator, each putting the case for a possible response. As she points out, the notion of an inner dialogue as the basis of the moral decision is not new, but, *pace* the Stoic template, Smith substitutes imagination for reason.

In the subject-matter of *WN*, however, the dialogic process is supposed to be missing. Its ‘monologic’ style signifies the different moral status of the behavior under scrutiny. As Brown puts it, in *WN* the ‘moral dialogism [of *TMS*] is absent and individual freedom is unbounded by moral considerations although it is constrained by the positive laws of a country’.²¹ She continues:

the rules of the game are provided by the rules of justice relating to property and contract, and these rules are clearly laid out for each of the parties to the transaction. The agents are economic agents, not moral agents and economic agents are owners of property in the form of land, labour and capital. In the system of natural liberty in *WN*, economic agents as property owners may use their property as they wish in the sense that they are subject, not to moral imperatives, but to the laws relating to property and contract.²²

Brown seems to conceive of the essential difference between *WN* and *TMS* in terms not dissimilar to that effected by Witztum’s distinction between ‘mercenary exchange’ and ‘reciprocally afforded assistance’—though now transposed by Brown into the realm of deliberation. If we understand Brown aright, for Smith there is something about the relatively simplistic

²¹ *Ibid.*, p. 218.

²² *Ibid.*, p. 59.

and transparent character of the problems that arise from ‘mercenary exchange’ that admit rule-bound, ‘monologic’ solutions. Truly ‘moral’ deliberations, on the other hand, respond to problems that are by nature more complex, problems that require one to make much finer distinctions between different people and the merits of their respective cases.

There is something in what Brown has to say here. She is also right to point out (though not for the first time) that in Smith’s *TMS* moral deliberation is somehow depoliticised.²³ In making these arguments, however, she implies—as does Witztum with his talk of the ‘ethically *conscious* human being behind *TMS*’—that the sympathetic process applies *only* to the moral deliberator, *only* to human being in ‘ethically conscious’ mode. In fact, she is explicit on this point: according to Brown there is ‘no need for an imaginary change of place or for sympathy [in the world of *WN*], because everyone *knows* that the other is in the same position as themselves’.²⁴ How people are supposed to ‘know’ such things, without first *feeling* such things, Brown does not say. But, in any case, the idea here—that the sympathetic principle, defined by Smith as ‘fellow-feeling’, is somehow made redundant in circumstances of mercenary exchange—plays no part in Smith’s argument: Smith himself bases *everything* we do, ‘moral’ or otherwise, on sympathy (see §§4 and 5 below). Brown notes, in typical *Problem*-theory mode, that famously in *WN* we are supposed to ‘address’ ourselves to the ‘self-love’ rather than to the ‘humanity’ of others.²⁵ But she fails to note, again in typical *Problem*-theory mode, that Smith supposes our appeals to be made on the basis of our ‘expectations’, viz., on the basis of a pre-reflective anticipation of how the addressor’s ‘address’ will be read by the addressee. ‘It is in vain for him to *expect* [. . .] the help of his brethren [. . .] from their benevolence only’.²⁶ Or again: We *expect* our dinner [. . .] from their regard to their own interest’.²⁷ Contra Brown, Smith in *WN* does not suppose a ‘basically amoral discourse’, a world of ‘individual freedom [. . .] unbounded by moral considerations [. . .] constrained [only] by the positive laws of a country’.²⁸ Smith’s actors in *WN*, as elsewhere, are capacitated by a sense of right. Naturally, their expectations of one another are contextual: in this

²³ *Ibid.*, p. 210.

²⁴ *Ibid.*, p. 53; emphases added.

²⁵ Smith, *Wealth*, p. 119 (Note 4 above).

²⁶ *Ibid.*, p. 118; emphasis added.

²⁷ *Ibid.*, p. 119; emphasis added.

²⁸ Brown, *Discourse*, p. 219.

case constituted by the predominantly commercial character of their intercourse. But for all that they remain Smithian actors; and the key thing about Smithian actors is that, whatever their motivation, *they do expect*.

4. *Critical Realism*

The philosophy of science now known as *critical realism* emerged in the 1970s as a reaction to a reaction: as a reaction to the sociological, or conventionalist, view of scientific knowledge, which was itself a reaction to the observation-fetish that animated twentieth century positivism. Like all forms of methodology, positivism thinks that science, as a generic pursuit, may be defined a priori according to the set of rules and procedures adequate to its task. Peculiar to positivism, however, is the foundational role that observation is taken to play. On this view any kind of discourse may issue in knowledge-claims; but only in a (properly) scientific discourse, so the positivist insists, can the knowledge-claim be brought into unambiguous and decisive correspondence with the 'facts' (meaning: some suitably participant-neutral refinement of 'experience').

Naturally enough, positivism's own discourse was much taken with issues centred on (1) how hypotheses or theories should be formulated (choice and use of language) so as to facilitate such a correspondence with the 'facts', and (2) what refinement of 'experience' may be said to constitute a 'fact'. But, as the scare-quotes are meant to suggest, it was a somewhat uncritical view of 'facts' and 'experience', and of how these may *then* be somehow brought into correspondence with what we think—as though concept and intuition ordinarily occupy parallel universes—that really set alarm bells ringing. Critics such as Kuhn²⁹ insisted that we should let go of the idea of an 'immaculate perception'³⁰ that can somehow provide a foundation for our scientific knowledge, and instead admit with him that the facts of the matter are themselves determined by the conceptual or ideational 'grid' that we come to employ. Further, it turns out that the conceptual framework or 'paradigm' that grounds our empirical achievements, now unmasked as the origin of the experiential data that were previously supposed to keep our theories honest, has nothing to commend it other than the agreement

²⁹ See Thomas Kuhn, *The Structure of Scientific Revolutions*, Chicago: University of Chicago Press, 1962.

³⁰ See William Outhwaite, *New Philosophies of Social Science: Realism, Hermeneutics and Critical Theory*, London: Macmillan, 1987, p. 28.

of senior practitioners in the field—an agreement, Kuhn and his adherents would add, that can hardly be said to be disinterested. In any case, ‘in liberalising the connection between theories and experience, empiricism mutated into conventionalism and pragmatism [. . . and] the original scepticism about theory generated an equal scepticism about experiential data. The sceptical snake had swallowed its own tail: the bedrock had vaporised and it was “theory all the way down”’.³¹

Realism does not want to demur from the hard-won post-positivist point that there is no nature’s own way of describing reality, that descriptions can, and do, move around. They do want to contest, however, the anti-foundationalist view that the logic governing this movement is only, or even predominantly, sociological. First, consider the movement itself. Who can reasonably deny that over the long term *natural* scientific descriptions at least do not just get different, but actually get better? There is no doubt that modern (scientific) descriptions of nature enable a more technologically sophisticated ensemble of human operations than pre-modern ones. But then, second, how could this be the case, if, in general, accepted theory amounts to no more than that which is ‘preferred by competent members of a given scientific community at a particular time, given the way their discipline is constituted and (perhaps) some more general set of theoretical interests?’³² For the realist it really cannot be theory *all* the way down. On the realist view, a ‘better’ description must mean something other than the sociologically or culturally preferred element from an otherwise arbitrary space of descriptions (the conventionalist view), or one that conforms better to some observable event-regularity (positivism). From a realist perspective, then, the conventionalist critique of positivism, though not without its moments, is ultimately a failure, replacing as it does one form of ontological flatness with another: what for positivism was *all* a matter of fact has become for conventionalists *all* a matter of theory. Realists, above all else, want to insist that, *pace* both positivism and conventionalism, reality is a structured, differentiated space.

According to Bhaskar, whose self-styled ‘transcendental realism’ provided the template for subsequent developments within the contemporary realist project, reality consists of three levels: the empirical, the actual and the real.³³ The first domain consists in the positivist’s view of the world: a

³¹ *Ibid.*, pp. 23-4.

³² *Ibid.*, p. 25.

³³ See Roy Bhaskar, *A Realist Theory of Science* (2nd edition), Brighton: Harvester, 1978.

space of observed events or experiences. After all, realism does not want to deny that well-attested states of affairs are somehow not 'real'. On the other hand, because an event has yet to be experienced makes it no less actual. This consideration gives rise to Bhaskar's second category: that of the actual. The actual, then, consists of *all* events: not just those that have been or are being observed, but also those that *could be* observed but for some reason have so far slipped the empirical net. Thirdly, and for Bhaskar the *raison d'être* of scientific endeavour, there is the real. The real consists not of events but their causes: the generative mechanisms and structures, the potencies, so to say, of which events are but the effects. Bhaskar and his followers are rarely very clear on this point but it seems to follow from the logic of their position: the entities that inhabit the real are not *sometimes* unobservable, or *sometimes* difficult to observe, but rather are unobservable in principle. Rather like Kant's distinction between phenomena and noumena, the empirical and the actual are the forms of appearance of the real: they are the manifestation or actualisation of its potency. It is presumably at this point that realism goes 'critical'.

Unlike Kant's noumena, however, the potencies of realism are not unknowable. Furthermore, though not directly observable, the powers, capacities and mechanisms that constitute the domain of the real are objects of scientific, rather than philosophical, knowledge—a knowledge, therefore, that can never be anything other than corrigible. Furthermore, once the ontological doctrines of realism are properly understood, it becomes clear *how* they are supposed to be known: they are to be inferred, 'abducted', or 'retroduced' from the pattern of events that they produce—which is why, since such a pattern is itself the result of a corrigible empirical inquiry, the retroductions from that inquiry must themselves be corrigible. According to Lawson: 'if there is something fundamental to scientific explanation [. . .] it is the move from phenomena at one level to their underlying causal conditions'.³⁴ Science aims to 'increase our understanding [. . . of] underlying powers, mechanisms and/or tendencies, etc., responsible for the events we produce or otherwise observe'.³⁵ Or again: 'if anything is essential to the scientific process it is this movement from a surface phenomenon to its underlying cause'.³⁶ On this view, then, positivists, though right to insist that an adequate scientific procedure is about the empirical evidence, mis-

³⁴ Tony Lawson, *Reorienting Economics*, London: Routledge, 2003, p. 23.

³⁵ *Ibid.*, p. 24.

³⁶ *Ibid.*

understand its role. The positivist idea (presumably) is that the ‘empirical evidence’ be brought to bear on the issue as to whether an event that is said to have taken place really did or not—a process somewhat analogous to the re-running of history to check on the accuracy of someone’s description. Of course, quite often we do ask such questions of the evidence; but to suggest that this is the whole of scientific theorising or explanation, or even its overriding moment, is simply to debase those terms. A ‘matter of fact’ is not a successful theory: a matter of fact, even when attested to, just *is*; and, likewise, two matters of fact, conjoined or not, just *are*. The interesting question is *why* they are, and an answer to that question is not an event, conjectural or otherwise: indeed, ‘the primary concern is not with the production of an event regularity per se, but with the *empirical identification* of an underlying mechanism (co-responsible for any regularity so produced).’³⁷ Contra positivist doctrine, ‘empirical identification’ here does not mean an observation of something in the world that *corresponds* to an item in somebody’s description of the *actual*. Rather it means that the way the *empirical* is configured tends to suggest the existence of some definite power or capacity at work. The postulation of the existence (and exercise) of this (unobservable) capacity then (literally) makes sense of that which one does observe. This is retroduction. According to Hanson, retroduction is a cluster of conclusions (i.e., observed events, ‘facts of the matter’) in search of a premiss.³⁸

According to Lawson, the ontological commitments that characterise the critical realist’s understanding of natural science carry over a fortiori into an adequate grasp of what social science should entail. To be sure, human activity is characterised by choice; but still, the very concept of choice implies conditions of possibility and limits: how is choice made—what powers or mechanisms are at work in its exercise—and in the determination of its limits? For Lawson the exercise of choice points to deep (social) structures—rules, norms and the like that both enable and limit the intentions that are actualised, but at the same time are reproduced and/or transformed by those choices themselves. It is as if, for Lawson, the human being and her actions are *embedded* in the social structure—that structure both supporting but also constraining her individual behaviour. Now, while it is true that for Smith also the human actor is an irreducibly social

³⁷ *Ibid.*; emphasis added.

³⁸ See Norwood Hanson, ‘The logic of discovery’, *Journal of Philosophy*, vol. 55, no. 25, 1958, pp. 1073-89, p. 1086.

creature, his view as to how the individual-society relation is to be configured is somewhat different to Lawson's. As we will want to show, for Smith it is not that the individual is somehow embedded in society but rather that the social is embedded in the individual and her acts.

Inevitably, when somebody has something interesting to say, people want to know how they are able to say it. These days, people often ask: what is the methodology? (though, in our view, this hardly amounts to the same thing). Adam Smith certainly has some interesting things to say, so naturally it is asked: what is *his* methodology? Are his inferences essentially deductive, inductive, or a heuristic complex of the two basic types?³⁹

We are not convinced that what enables Smith as a social theorist is a methodology. Yet we do want to claim that key elements of his social theory are retroductive in character; and this is why critical realism—with its ideas of a structured reality and of theory as an attempt to reveal (though not make crudely visible) its deepest, generative level—may help to make sense of Smith and his '*problem*'.

5. *The Moral Sentiments Revisited*

It was the publication of *TMS*, not *WN*, that made Smith's name. It is easy to forget that fact today because the celebrity of the latter text, a seminal treatise in the rising science of political economy, soon relegated the former to the status of an afterword in the apparently obsolete discourse now known as British moralism. But, by the standards of both Smith's day and ours, *TMS* is in fact a very unusual work.

Although Kant himself was much taken with Smith's *TMS*, it is not moral philosophy à la Kant, not concerned with a priori principles which, when uncovered, we might give to ourselves as the basis for what ought to be done, irrespective of time and place. It is well known that for Smith, like Hume, moral judgment is situational—what we judge to be right is always context-sensitive. Unlike Hume, however, Smith insists that what we take to be right is not consequence-oriented: moral judgments for Smith have nothing at bottom to do with utility. Such a position of course makes no sense in either Kantian or Humean terms. But then Smith refuses what the traditional Kant-Hume juxtaposition takes for granted, viz., that the moral question is concerned with the extent to which an essentially pri-

³⁹ See, for example, Witztum, 'A study'.

vate faculty (i.e., reason) can impose itself on and express itself in the essentially public domain of action. For Kant and for Hume, to reason practically I need to put you in mind, as against having something else in mind. For Smith, however, I cannot help but have you in mind, for this 'I with you in mind' is the self, and it is this self that reasons.

Smith (unlike Mandeville and other authors of 'licentious systems') does not dispute the existence of virtuous conduct, nor our capacity to recognise it, and much of *TMS* is taken up with an investigation into what is, as well as what should be, considered right and wrong in regard to 'tenor of conduct'. In other words, Smith is much concerned with the question: 'wherein does virtue consist'? But at several crucial points in his discourse, Smith's inquiry takes an unmistakably transcendental turn: given that we *do* in fact judge in terms of right and wrong, how do we come to see things in that way? 'By what power or faculty of mind [. . .] is this character, *whatever it be* [. . .] recommended to us?' Or 'how and by what means does it come to pass, that the mind prefers one tenor of conduct to another?'⁴⁰ How, in other words, is moral judgement possible? What is its condition of possibility? Clearly, for Smith, that 'power or faculty of mind' is as much of this world as the behaviour that it enables. But it is neither an empirical generalisation of conduct of various types, nor a deduction from its essential idea. If it is to be known at all, and Smith plainly thinks that it can be, a different kind of inference is required.

Two further points are in order here. Firstly, in distinguishing between those forms of behaviour that are recognised as moral, on the one hand, and the faculties that are supposed to make this recognition possible, on the other, Smith claims to do no more than make a distinction which is immanent in moral discourse itself, and so one which is always and everywhere practically made. What Smith also wants to claim, however, is that 'moral-philosophical systems' do not always (or usually) recognise this natural difference, and that this is a major (perhaps the major) source of error. So, for example, benevolence (in the appropriate context) is often identified as both a form of moral conduct and the cause of moral conduct. Or, again, self-love (and again in the appropriate context) is viewed as both a form of moral conduct and its cause. One need hardly add that, ironically, Smith's project itself has subsequently been read in these conflated terms. Indeed, as we have remarked above, such a reading seems to be the source

⁴⁰ Smith, *Theory*, p. 265; emphasis added (Note 4 above).

of the *Das Adam Smith Problem*. For the moment, however, it suffices to add that it is all of a piece with his (explicit) recognition of the distinction between the ‘what’ and the ‘how’ of moral judgment and conduct that, whilst Smith recognises that we recognise (in the appropriate contexts) both benevolence and self-love as virtues, he should not say, and indeed does not say, that they make moral judgment (or conduct) possible. For Smith these are *forms* of human behaviour: they do not *enable* it; and, accordingly, for an explanation—as against a mere explication—of moral judgment, Smith must look elsewhere.

Smith’s palpable concern with moral judgment raises a second issue, however, for to judge is not the same thing as to feel. Presumably, to judge I need to do more (or possibly do other) than to feel: for to judge I need to reflect, to consider, to decide. And if feelings are involved, then to judge means to reflect on or to consider those feelings. Now if one assumes that the title of *TMS* is deliberately chosen, and that, consequently, for Smith feelings or ‘sentiments’ are somehow the key here, the implication is that our capacity for moral judgment rests on our capacity for moral feeling.

The logic of Smith’s position is just this: before I can judge, I must feel. My feeling or sentiment, however, is not of a deliberate kind, and only turns from moral disposition into judgment when my ongoing pre-reflective state is disturbed by a certain incongruity. In my normal pre-reflective mode, I ‘expect’, or I have ‘hopes’⁴¹ in regard to your conduct, and so long as these are confirmed, no moral judgment ensues. Indeed, it is only when I am ‘surprised’ by your behaviour, only when I am ‘astonished and confounded’,⁴² ‘enraged’, filled with ‘wonder and surprise’,⁴³ by your conduct, when I fail to ‘anticipate’ your response or reaction, that a moral judgment is formed. Thus it is only when your conduct appears to be out of context, so to say, that I am forced to consider what might be the appropriate context for that conduct, if any, or in what context such conduct would be appropriate. Normally I just feel, and to feel is not to consider, let alone to judge.

How then does the individual come by these moral sentiments that constitute her ongoing, pre-reflective state, and that, when disturbed, provoke a moral judgment? According to Smith, to have moral sentiment or feeling is to sympathise. Now, as he reminds us, today we are said to sympathise

⁴¹ *Ibid.*, p. 221.

⁴² *Ibid.*, p. 27.

⁴³ *Ibid.*, p. 31.

only when we feel ‘pity and compassion’, when we have ‘fellow-feeling with the sorrow of others’. Smith’s own usage, however, recalls the origins of the term sympathy in the Greek *sympatheia*, meaning sense of organic connection, and is thus taken to ‘denote our fellow-feeling with any passion whatever’.⁴⁴ We sympathise, according to Smith, when we ‘bring home’ to ourselves the case of another;⁴⁵ sympathy is the capacity for somehow ‘entering into’ another’s situation.⁴⁶ It is well known of course that Hume also makes what he chooses to call sympathy the basis of moral judgment, that ‘sympathy is the chief source of moral distinctions’.⁴⁷ But Hume’s ‘sympathy’ is quite different to Smith’s. For Hume I ‘sympathise’ by regarding the benefit (or otherwise), the ‘pain or pleasure’, the ‘prospect of [. . .] loss or advantage’ of another’s action.⁴⁸ It is in regard to this ensuing benefit, then, that I am able to pass moral judgment on the conduct of another.

Of course, I can *recognise* the benefit or utility given to another (though this does not mean that the recipient recognises these things), but it is not clear how I can *sympathise* with another’s benefit or utility, at least not in Smith’s sense of the term. For to sympathise in Smith’s sense I must have a ‘fellow-feeling’, literally, a feeling that is a fellow of your feeling. But I cannot have a fellow-feeling of your benefit, utility or advantage because these things are not feelings to begin with. In the sense then that the object of my Humean sympathy is not a feeling, this (Humean) sympathy cannot be a fellow-feeling, and thus it turns out that what Hume calls ‘sympathy’ is not sympathy (in Smith’s sense of organic connection) at all.

It is not then, according to Smith’s lights, that I do not sympathise with your benefit, but rather that I cannot sympathise with your benefit: I can recognise your benefit, but I cannot sympathise with it. For Smith, however, I can and do sympathise with your gratitude, with how you feel about the benefit. Otherwise expressed: for Smith there is an organic connection between myself and how you feel (about a certain form of conduct that affects you). But your feeling (or rather how I suppose that you feel) and myself can only be organically connected if your feeling is somehow inside of myself. And ‘your feeling, inside of myself’ constitutes what Smith calls

⁴⁴ *Ibid.*, p. 10.

⁴⁵ *Ibid.*, p. 11.

⁴⁶ *Ibid.*, p. 10.

⁴⁷ David Hume, *A Treatise of Human Nature* (ed. with an analytical index by L. A. Selby-Bigge), Oxford: Clarendon Press, 1973 [1739], p. 618.

⁴⁸ *Ibid.*, pp. 295-96.

the 'impartial spectator', the 'man within the breast'.⁴⁹ Now 'your feeling, inside of myself' is not the same as your feeling, which, as such, cannot be inside of myself. On the other hand, it is not a feeling that *I* have, which is always and everywhere partial. In the sense that this form of speculating generates a kind of feeling or sentiment which is neither of the 'I' nor of the 'you', but, more like, of the 'us', Smith's talk of an impartial spectator is exactly apposite.

Smith's impartial spectator is neither of the 'I' nor of the 'you'. It is however of the self since, as noted earlier, for Smith the self is the 'I with you in mind'. Smith's talk of an impartial spectator is his way of expressing the norms that we live by, and we come to live by these norms because, as he says, they are re-presented as the man within the breast. It is a moot point as to whether Smith thinks of these standards as absolute or relative. Either way, though, our point is that Smith does not think of these as external standards that we are forced to adhere to, nor as standards of the kind to which, upon reflection, we agree to conform. These are standards that are not external at all but, according to Smith's lights, inhere in me: they are my norms; norms that are somehow taken into myself. Better, this 'man within' is the 'me'.

For Smith, the 'man within' enables the moral judgement. More significant from an action-theoretic standpoint, however, is that the 'man within' enables the human act. According to Smith, and *pace* many of his interpreters down the years, sympathising is not something the human actor does with some of the people, some of the time. Nor is it confined to some special class of 'moral' behaviour. Rather sympathy for Smith is in the nature of the human act as such, the capacity that makes a specifically *human* form of acting possible. The 'passionate', partial side of being, and its 'impartial' counterpart, the man within the breast, together constitute the self. And it is this self that acts. One might say that the 'I' is the active principle here, somehow constrained by the normative 'me'. But this in a very crucial respect misses the logic of Smith's position, suggesting as it does the possibility of an active, 'impulsive' 'I' without its normative accompaniment. For Smith the man within the breast is always present, accompanying the 'I' everywhere. In that sense Smith's otherwise admirable terminology is misleading; for the 'man within the breast' is no man (but rather a constituent part of a man), no more than the man whose breast

⁴⁹ See, for example, Smith, *Theory*, pp. 129-32 (Note 4 above).

he inhabits would be a man without him. The human being can no more act according to the passions alone (egoistic theory) than according to the impartial spectator, or rather according to his representative, the 'man within' (traditional moral theory). Rather action emerges as a result of a pre-reflective interplay between the two. Smith puts it thus: the actor 'lower[s] his passion to that pitch, in which the spectators are capable of going along with him. He must flatten, if I may be allowed to say so, the sharpness of his natural tone, in order to reduce it to harmony and concord with the emotions of those who are about him [. . . and . . .] in order to produce this concord, as nature teaches the spectators to assume the circumstances of the person principally concerned, so she teaches this last in some measure to assume those of the spectators'.⁵⁰ Note well, however, that this is not a strategic 'lowering of tone'; I do not have an act in mind which I then modify, having first reflected on your initial response, though of course this can happen too. Rather I have already, via the 'man within', your anticipated response in mind, an anticipation that thus constitutes the act: my 'lowering of tone' comes 'naturally'. 'Nature teaches' me to act with your view of the act in mind, just as 'she teaches' you to have my circumstances in mind when you respond, and all of this is instinctive: 'we are *immediately put in mind* of the light in which he will view our situation, and we begin to view it ourselves in the same light; for *the effect of sympathy is instantaneous*'.⁵¹

6. *Re-thinking the Adam Smith Problem: What Does Smith Really Claim?*

Talk of a 'natural harmony' in human affairs, of a 'concord' produced by the now-celebrated 'invisible hand', runs like a *leitmotif* through Adam Smith's work. A key question in Smith-scholarship is then: how does Smith suppose this harmony to be constituted? According to the *Problem*-theorists, Smith claims in *WN* that individuals motivated by self-interest, *and in virtue of that motivation alone*, are able to co-ordinate their activities, whereas in *TMS* he claims that benevolence alone is supposed to do the job. Of course, if Smith had claimed these things, he would stand guilty (of inconsistency) as charged. But these assertions play no role in Smith's social theory; the *Problem*, for whatever reason(s), is a post-Smith fabrication.

⁵⁰ *Ibid.*, p. 22.

⁵¹ *Ibid.*, pp. 22-3; emphases added.

Smith did claim that self-interest is endemic to human behaviour. But *this* kind of self-interest—and this kind of interest pervades *TMS* just as much as *WN*—is more a matter of perspective than some crude (economic) impulse to self-gratification: of course, as human actor, I have to see the act as mine and so, in some sense, as in my interest, even when I act ‘benevolently’.

As for the other kind of self-interest, or ‘self-love’. Yes, this kind of act—behaviour *motivated* by self-interest—dominates the discourse of *WN*, but not because Smith (sometime between *TMS* and *WN*) has changed his opinion on how people are motivated. It is rather that *WN* (unlike *TMS*) is not concerned with situations in which a ‘benevolent’ disposition is to be expected: that is why benevolence is not much discussed. There is no inconsistency; to use Nieli’s nice phrase, it is all a matter of the ‘spheres of intimacy’.⁵²

But, in any case, Smith does not claim in *WN* (or in anywhere else for that matter) that people are *able* to co-ordinate their activities because they are motivated by self-interest; for Smith, motivation of any kind does not *enable* or capacitate anything at all. And Smith has not changed his opinion sometime between *TMS* and *WN* as to how people are *capacitated* to act, as to the competencies that they draw on, whatever the motivation. In *TMS* Smith offers ‘sympathy’ or ‘fellow-feeling’ as that core capacity or competence, and there is no reason in *WN* to suggest that he has changed his mind. Whether we act out of *concern* for self or for other, we are only *able* to act as we do because we are sympathisers.

Apropos *Das Adam Smith Problem*: For Smith to say that the human actor sympathises does not mean that the Smith of *TMS* postulates a naturally altruistic, rather than a naturally egoistic, actor—a view that he is then supposed to have reversed in the *Wealth of Nations*. Of course it is true (to paraphrase Smith himself) that we should not expect our dinner from the benevolence of the (commercially oriented) butcher and baker. On the other hand, it would be surprising (and worrying, for all sorts of reasons) if the dependent child did not expect his dinner from the benevolence of his kith and kin (who, for some people at least, are also commercial butchers and bakers). Smith recognises that, depending on circumstance, we are capable of both behavioural dispositions. But Smith also recognises that to

⁵² Russell Nieli, ‘Spheres of intimacy and the Adam Smith problem’, *Journal of the History of Ideas*, vol. 47, no. 4, 1986, pp. 611-24.

say that we *are* capable of acting and that this acting takes different forms—of course we are and of course it does—is not to say *how* we are capable.

Smith's position on these matters hardly came as a bolt from the blue. Rather it is all part of a wider current of eighteenth century thought that rejects the crude Hobbesian view of self-interested behaviour. Like others in the so-called British Moralists tradition Smith wants to re-think the question as to what a viable (and prosperous) social order presupposes. The spontaneous emergence of a (relatively) liberal political economy in Britain by the early eighteenth century had called into question many of the fundamental assumptions Hobbes makes in regard to human nature. In Hobbes, individual self-interest needs to be held in check by an all-seeing, all-powerful Sovereign. Evidently, though, in the light of events, self-interest needed to be re-thought as a constructive, rather than destructive, force.

The human being as sympathiser became a key element in that reconceptualisation. For Hume, for example, 'no quality of human nature is more remarkable, both in itself and its consequences, than that propensity we have to sympathize with others, and to receive by communication their inclinations and sentiments, however different from, or even contrary to our own'.⁵³ Hume here seems to come very close to anticipating Smithian sympathy. Ultimately, however, Hume cannot get there, because for Hume to hold to a Smithian view of sympathy would render what he has to say about other things incoherent.

The problem for Hume appears as his (empiricist) theory of the self. Famously Hume's self is 'nothing but a bundle or collection of different perceptions', and such a bundle of first-person perceptions cannot sympathise in the way that the Smithian actor can.⁵⁴ Smith's sympathiser needs to somehow 'enter into' the feelings of others—which, as noted earlier, is possible only on the basis of what Smith calls an 'organic connection' between us: your feelings inside of myself, and vice versa; a 'man within', so to say.

Ultimately, however, Hume's problem has its roots in his excessively methodological turn of mind. The subtitle of the *Treatise* is revealing, it 'being an attempt to introduce the experimental method of reasoning into moral subjects'. Evidently he thinks that the question of method can be resolved prior to the undertaking of any substantive inquiries. But in this case at least, Hume is gravely mistaken. On the one hand, he claims that

⁵³ Hume, *Treatise*, p. 316.

⁵⁴ *Ibid.*, p. 252.

indeed we *do* sympathise: it is empirical and actual; it is ‘conspicuous’, he says.⁵⁵ On the other hand, however, his ‘experimental method of reasoning’ has left him bereft of resources with which to explain this actuality. His bundle theory of the self—a theory that for methodological reasons will admit into the definition of selfhood only those features that are themselves ‘conspicuous’—must necessarily lack the third-person perspective on things that sympathising requires. Sympathising presupposes a third-person perspective, a ‘man within’ the self, as Smith puts it. But Hume’s ‘experimental method’ will not let him presuppose it, for, despite its obvious explanatory potential, the ‘man within’ is not ‘conspicuous’.

Fortunately Smith is not bound by Hume’s self-imposed methodological strictures: entities for Smith do not need to be conspicuous to be real. Smithian sympathy, presupposing a third-person perspective within the self, *cannot* be conspicuous because, by definition, it can only ever be the first person that is on view. But it can be retroductively inferred from that which is conspicuous: sympathy is real enough, according to Smith’s lights, or how else would any form of (harmonised) behaviour be possible? In the terminology of the critical realist, Smith’s talk of sympathy is not concerned with the *actual*, not concerned with our acts as such—whether self-interested or benevolent⁵⁶—nor with the significance that the moralist reads into those acts: a significance that is also *actual*. Rather his concern is with the *real*: the condition of possibility of our acting and, related to this, how we are able, *on reflection*, to pass ‘moral’ judgement on the actions of others. Again, we cannot *see* the third-person perspective, the sense of right, that we carry around inside ourselves and that enables those actualities, but we can *infer* the existence of this capacity from the otherwise inexplicable “concord” that it produces.⁵⁷ What we do in fact sense as right is context-sensitive. But the key to human action (and *a fortiori* human interaction) for Smith is that, always and everywhere, *we do expect*.

⁵⁵ Ibid.

⁵⁶ And it is indeed benevolence, not (Smithian) sympathy, that Hume has identified.

⁵⁷ See Smith, *Theory*, p. 22 (Note 4 above).