Classical Liberalism, Ethics, and Commerce in the Eighteenth Century

I. Setting the Stage: the Scientific Approach to Nature and Society

Interest in understanding the laws of nature led to the founding of scientific clubs and societies in the seventeenth century.[1] These were not exclusively academics or persons working in commercial laboratories, but simply men and women interest in natural questions. Experiments and meetings were often conducted in the homes of fellow natural philosophers. International societies were for the most part simply informal networks for sharing ideas and experimental results. Members in these philosophical societies shared an interest in understanding the world using a combination of observation, deduction, and experimentation. Their approach did not reject biblical and classical texts, although it greatly reduced their importance in efforts to understand the world. Every claim was open to debate and experimentation.

Many of the members adopted theological perspectives analogous to Aristotle's theory of the first mover or unmoved mover, he who can place things in motion without himself being in motion. God put the universe in motion and created the natural laws that determine the course of that motion, rather than actively managing it on a day to day basis. This perspective is often referred to as Deism, and was common among the intelligentsia of Europe and North America, although it was by no means the only theology held by members of scientific clubs. Nor was the Deistic perspective entirely new. For example, it had implicitly been used by Grotius when he argued that divine interventions provided natural laws, which should bind every person's behavior, and which could be understood without reference to religious texts.

The Deistic perspective provided a religious foundation for general laws in ethics, society, and nature and implied that their research efforts were a divine calling, an effort to understand God's will. Deists believed that God-given laws that were far from obvious, but could be discovered through observation, analysis, and experiment.[2] Newton's three laws of motion (1687) provided an early

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[1] For example, the Royal Society of London was founded in 1660 and attracted eminent philosophers and scientists from throughout the English speaking world, although initially members were for the mostly based in London. Both formal and informal scientific organizations held meetings and published small journals, which allowed new results and ideas to be examined critically. Those found to be useful or interesting would be widely disseminated by their members own research circles. John Locke and Isaac Newton were both members of the Royal Society in the late seventeenth century, and doubtless their membership in the Royal Society increased the impact of their theories. Benjamin Franklin's famous kite experiment was published by the Royal Society. Other local and national societies, such as the French Academy of Sciences, were founded at approximately the same period. Benjamin Franklin founded the American Philosophical Society in 1743.

[2] Such a perspective remained common for centuries. For example, Einstein, who is among the most famous of 20th century scientists, once wrote that "Quantum mechanics is certainly imposing. But an inner voice tells me that it is not yet the real thing. The theory says a lot, but does not really bring us any closer to the secret of the "old one." I, at any rate, am convinced that He does not throw dice" (Letter to Max Born 4 December 1926).

and powerful example of natural laws that could be discovered and how this could be done.[3]

The search for natural laws was not limited to astronomy and physics. It included efforts to discover the laws that explained human life, history, and relationships. Locke's discussion of the science of ethics is an instance of that approach. Several important developments in ethics, political theory, and economics were also consequences of such efforts during the 18th century. Many were arguably the first significant advances since Aristotle's time, as with Montesquieu's theory of law and politics, Smith's theory of markets, and Smith's, Bentham's, and Kant's contributions to ethics and morality.

Both formal and informal tolerance of dissent slowly increased during the period from 1500 to 1700, in part because the merits of rational analysis and dialog came to be more broadly accepted, in part because religious peace required toleration of religious disagreements, and in part because of shifts in political institutions and ideology. Nonetheless, some censorship remained, and penalties for criticizing the church and state were often severe. Formal punishments were also reinforced by informal ones.

Censorship was somewhat less intrusive in the areas focused on in this book, but it and laws against blasphemy and sedition clearly inhibited the development of ideas about the good life and the good society whenever they challenged traditional beliefs about religion and government. Many of the works discussed in the previous chapter were initially published anonymously, as with the writing of La Court and Locke, or at Dutch presses where there was less censorship. As tolerance increased, more critical analyses of religious and political issues were published in pamphlets and books, and less often anonymously or with "pen names."

This chapter focuses on widely read scholars of the 18th and early 19th century who wrote on both economic and ethical theories. Three are among those most remembered intellectuals from that century. Their ideas were one's that literate persons in that century and next would be familiar with, and take for granted. Two others are men who wrote for popular audiences, although they also led distinguished careers. One of these authors was used in Weber's analysis of the rise of capitalism as the man that epitomized the spirit of capitalism.

All the authors reviewed in this chapters were interested in the foundations of a good life and good society. Most would be regarded today as classical liberals because of their support for relatively open political and economic systems, although that term did not exist at that time. All provide significant moral support for the life styles and institutions that tend to support a commercial society, although that support was rarely the main motivation for their books, pamphlets, and articles. As in the previous chapter, there is evidence of shifts in emphasis and a trend toward somewhat broader and deeper support for commerce. Again, the main focus is on ideas that tended to provide additional ethical support for commerce.

II. Baron Charles Montesquieu (1689-1755): On Virtue, the State, and Industry

Montesquieu is best known for his 1748 magnus opus, *the Spirit of the Law*, which includes an analytical history of the emergence of law, a discussion of how climate and culture affect forms of government, and an analysis of divided authority. Montesquieu argues that variation in constitutional and civil laws reflect both causal and accidental factors, including climate, geography, culture, and history. The former implies that political institutions are susceptible to a scientific cause-and-effect based analysis. The latter implies that the

[3] It bears noting, for example, that Newton devoted considerable effort to theology as well as to physics and mathematics.

results cannot be as precise as those of astronomy or some parts of physics.[4] Accidents as well as causal forces matter.

Among political scientists he is most famous for his analysis of the merits of alternative divisions of authority. His ideal division of authority resembled that of England at the time. It included a bicameral parliament and a king. In one of the chambers of parliament, positions were determined by heredity or lifetime appointments, and in the other by popular votes. His support for constitutional monarchy and class-based parliaments was shared by most European liberals in the eighteenth and nineteenth centuries.[5]

Montesquieu, as true of most of our other authors, was relatively liberal by the standards of his time. This, in combination with the breadth and depth of his analysis of the laws governing human history, attracted the interest of future liberals, including the founding fathers of American constitutional governance. Montesquieu, rather than Locke, is the most mentioned scholar in the *Federalist Papers* (Lutz, 1984).

As part of that analysis, he examined the role of virtue in different forms of government. To do so, he adopted a distinction similar to Locke's distinction between civil and religion-based ethics. Because each type of government benefits from a particular subset of ethical dispositions, he argued that the appropriate form of civic education differs under alternative regimes (an idea that had also been discussed by Aristotle in the *Politics*).

Montesquieu's remarks on commerce and virtue for the most part take place in his analysis of ethical dispositions that support democracies. He argues that virtue is more important for democracies than for other kinds of governments.[6]

> There is no great share of probity necessary to support a monarchical or despotic government. The force of laws in one, and the prince's arm in the other, are sufficient to direct and maintain the whole. But **in a popular state**, **one spring more is necessary, namely, virtue**. *(The Spirit of Laws*, KL 496-498).

He notes that equality is the normal foundation for democracy, but argues that equality is less necessary for democracy in commercial

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[4] Montesquieu, as he is normally referred to, was not his family name, which was Secondat. He is known by the barony that he inherited from his uncle. That in combination with another barony inherited via his mother allowed him to withdraw from a legal practice and devote himself to managing his two baronial territories and to scholarship.

[5] Montesquieu's support for constitutional monarchy may have been reinforced by laws against sedition and treason. Open support for republican forms of government could still be punished by treason or sedition laws during this period. Thomas Paine's attack on monarchy, the *Rights of Man*, written several decades latter (1791) caused both him and his publisher to be tried and convicted of sedition in England. Nonetheless, at the time that Montesquieu wrote, constitutional monarchies were clearly among the best governments in Europe, so most supporters were doubtless sincere as well as prudent.

[6] Excerpts are from the 1752 Thomas Nugent translation of the first edition of the *Spirit of the Laws*. There is also a relatively new and very readable translation of the third edition (published in 1758 shortly after Montesquieu's death) by Cohler, Miller, and Stone (Cambridge, 1989). Besides being very readable, it includes some material left out of the Nugent translation including Montesquieu's analytical history of the emergence of the state and international relations. The Nugent version is being older has been more influential. It is also widely available on the Web and avoids copyright issues. The kindle locations refer to the eBooksLib.com version which is available from Amazon.

societies because commerce reinforces the virtuous dispositions required for democracy.[7]

> True is it that **when a democracy is founded on commerce, private people may acquire vast riches without a corruption of morals.** This is because the spirit of commerce is naturally attended with that of **frugality, economy, moderation, labor, prudence, tranquillity, order, and rule**. So long as this spirit subsists, the riches it produces have no bad effect.

However, it is necessary that the spirit of commerce be broadly shared.

> **The mischief is, when excessive wealth destroys the spirit of commerce**, then it is that the inconveniences of inequality begin to be felt.
>
> **In order to support this spirit, commerce should be carried on by the principal citizens; this should be their sole aim and study;** this the chief object of the laws ... (*The Spirit of Laws*, KL 891-897).

Montesquieu also suggests that a democracy based on commerce is more robust than one based on agriculture and equality, because inequality tends to emerge in the ordinary course of life.

The only republics of note in Montesquieu's time were relatively small countries: the Netherlands, Switzerland, and Venice. None of these had a king, but neither were they particularly democratic, except relative to the rest of the world. Other somewhat more democratic republics existed in ancient history, as in Athens and Sparta, which Montesquieu also refers to as republics.

Montesqueiu regards industry and frugality as the civic virtues most necessary to support democratic governance in the long run, because of the need to restrain public expenditures to levels that are compatible with the willingness of voters to pay taxes.

> In [Athens], endeavors were used to inspire them [the people] **with the love of industry and labor. Solon made idleness a crime**, and insisted that each citizen should give an account of his manner of getting a livelihood. And, indeed**, in a well-regulated democracy, where people's expenses should extend only to what is necessary**, every one ought to have it; for how should their wants be otherwise supplied? (*The Spirit of Laws*, KL 903-905).

As true of La Court, Montesquieu believed that laws can support or undermine virtues such as industry. An example is inheritance laws.

> It is an excellent law in a trading republic to make an equal division of the paternal estate among the children. The consequence of this is that how great soever a fortune the father has made, his children, being not so rich as he, are induced to **avoid luxury, and to work as he has done**. I speak here only of trading republics; as to those that have no commerce, the legislator must pursue quite different measures. (*The Spirit of Laws*, KL 898-901).

Although commerce supports the virtues necessary for democracy, other virtues he argues tend to be undermined.

> If **the spirit of commerce unites nations**, it **does not in the same manner unite individuals**. We see that in

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[7] Commerce was limited to cities and large towns at the time that Montesquieu wrote. In effect, commerce in free cities was a substitute for the economic equality required to support it in the country side.

> countries where the people move only by the spirit of commerce, **they make a traffic of all the humane, all the moral virtues; the most trifling things, those which humanity would demand, are there done, or there given, only for money.**
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> [Nonetheless] the **spirit of trade produces in the mind of a man a certain sense of exact justice**, opposite, on the one hand, to robbery, and on the other to those moral virtues which forbid our always **adhering rigidly to the rules of private interest, and suffer us to neglect this for the advantage of others**. (*The Spirit of Laws*, KL 5127-5132).

Although there is some tension between markets and some aspects of morality, Montesquieu believes that industry and wealth are blessings for all nations, and can be encouraged by appropriate laws and taxes.

> The **great state is blessed with industry, manufactures, and arts**, and establishes laws by which those several advantages are procured.
>
> The **effect of wealth in a country is to inspire every heart with ambition**: that of poverty is to give birth to despair. **The former is excited by labor**, the latter is soothed by indolence. (*The Spirit of Laws*, KL 3454-3459).

The latter is similar in spirit to La Court's remarks about the seventeenth century Netherlands, but here it is generalized and argued to be relevant for all nations, not simply for the Netherlands.[8]

Overall, Montesquieu's analysis of the political virtues required to support democracies is largely consistent with those of earlier writers with respect to private virtues insofar as private and political virtues overlap. Honesty, industry, and frugality are praiseworthy in private life and under pin the politics of republics. In non-democracies other virtues are relatively more important: politeness and deference in monarchies and moderation in aristocracies.

His reservations about the extent to which commerce provides support for private virtue provides a window into the beliefs of literate Frenchmen in the mid-eighteenth century. If reservations about the ultimate morality of commerce were more widespread in eighteenth-century France than in the Netherlands and England, then the main hypothesis of this book predicts that markets would be more developed in the Netherlands and England than in France at that time. According to Weir (1997) this was the case.[9]

III. Benjamin Franklin (1706-1790) and the Ethos of Capitalism

The English colonies of North America were also places where ethics and public policies tended to support of commerce during the eighteenth century. Indeed most of the colonies and the largest cities within the colonies had been founded by or as commercial enterprises

[8] Montesquieu's remarks on taxation also parallel and deepen those of La Court: "Of the Public Revenues. The public revenues are a portion that each subject gives of his property, in order to secure or enjoy the remainder. To fix these revenues in a proper manner, regard should be had both to the necessities of the state and to those of the subject. The real wants of the people ought never to give way to the imaginary wants of the state." [Montesquieu (2009-02-21). The Spirit of Laws (Kindle Locations 3442-3445).]

[9] Nonetheless, both the idea and the term Laissez Faire are of French origin. That term's first known appearance in print was in 1751, a few years after Montesquieu published the first edition of his *Spirit of the Laws.*

by private companies or proprietors. Support for the behavioral norms likely to support commerce is evident in many town charters and also among many of the most widely read authors in the colonies.

Benjamin Franklin was a "self made" man, who founded a successful newspaper in Philadelphia and published numerous widely read pamphlets and almanacs, often under a pseudonym or pen name of "Poor Richard." Poor Richard tends to praise hard work, frugality, honesty, and the accumulation of wealth.

Benjamin Franklin was the son of an emigrant to Boston. He attended school to the age of 10, learned the printing and newspaper trade from his bother, and taught himself to read, write, and argue well. Franklin read widely as a young man, including works by Aristotle, Plato, Locke, and Mandeville among many others. In his late teens, he moved from Boston to Philadelphia, another major city in the territory that became the United States.

In Philadelphia, Franklin became a successful printer and publisher, a civic leader and politician, an innovative scientist and inventor, and subsequently a national statesmen. Franklin wrote on a wide variety of topics over his lifetime including politics, science, and ethics. Much of it was aimed at the literature public as a means of earning a living, as with his newspapers and almanacs. Other writings were addressed to narrower scientific and philosophical societies.

His scientific contribution include demonstrating that lightening was electricity (rather than a a miracle), and charting and naming the Gulf Stream. He also served as ambassador to France, Governor of Pennsylvania, participated in the writing of the declaration of independence and in the writing of the constitution for the United States.

His writings were widely read in what became the United States and also in Europe. Most of his writing was aimed at the ordinary readers of newspapers and almanacs in the colonies, rather than academics in Europe or the United States. His analysis of virtue is less famous among contemporary intellectuals than among the people of his time.

Franklin's recommendations for day-to-day ethics provide an excellent window into colonial attitudes toward life and markets in the eighteenth century. As true of Baxter, he was a source of maxims for living that influenced many in his own time, and continued to do so well into the twentieth century and beyond.[10] However, his advice for the most part concerned life on earth. From his perspective, there was little that one could do to advance one's likelihood of salvation, but much that one could do to make life on earth more pleasant.

A. Franklin's Deism

At the age of 15, Franklin became a Diest in a form that included an extreme form of predestination. He concluded that good and evil were empty words, because all that occurred was set in motion by a benevolent God and so must be fundamentally good. In Franklin's mind at least, deism had essentially eliminated the possibility of religious foundations for rules of conduct.[11]

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[10] This is not to say his writing is entirely neglected. Franklin's autobiography is still read in high school and college English and history classes in the United States. Biographies of Franklin continue to be written. His autobiography has over a thousand Google citations. His persona, as in his day, remains better known outside academia, with many more "hits" on Google than on Google Scholar. His face is on the United State's hundred dollar bill.

[11] Excerpts are from Franklin's *Autobiography* (1793/2012), *The Way to Wealth* (1753/2012) and *Memoirs of Benjamin Franklin; Written by Himself,* (1839/2011) compendium of his letters and notes. KL again refers to Kindle locations.

Nonetheless, in his early twenties, he changed his mind about the practical value of personal ethics, and adopted some guidelines for his future behavior.[12]

> I grew convinced that **truth, sincerity and integrity in dealings between man and man were of the utmost importance to the felicity of life**; and I formed written resolutions, which still remain in my journal book, to practice them ever while I lived.
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> **Revelation had indeed no weight with me, as such;** but I entertained an opinion that, though certain actions might not be bad because they were forbidden by it, or good because it commanded them, **yet probably these actions might be forbidden because they were bad for us, or commanded because they were beneficial to us,** in their own natures, all the circumstances of things considered. (*Autobiography of Benjamin Franklin*, KL 829-833).

He suggest, as in Aristotle, that proper conduct is likely to be good for the person under takng it. With respect to personal happiness, he, like Aristotle suggests is ultimately based on "virtuous and self-approving conduct."

B. Franklin and the Virtues of Becoming Wealthy

Franklin's invented character "poor Richard" plays a role in his almanacs and maxims. This was probably not a form of anonymity to avoid censorship, which was relatively light in Pennsylvania, but a marketing device to increase his readership. Poor Richard supported a life of hard work and frugality.

> ADVICE TO A YOUNG WORKER **Remember that time is money.** He that can earn ten shillings a day by his labor, and **sits idle one half** of that day, though he spends but sixpence during his diversion ought not to reckon that the only expense; **he has really thrown away five shillings besides**...
>
> The **most trifling actions that affect a man's credit are to be regarded carefully**. **The sound of your hammer at five in the morning or nine at night, heard by a creditor**, makes him easy six months longer. But if he sees you at a billiard table or **hears your voice in a tavern** when you should be at work, he sends for his money the next day. **Creditors are a kind of people that have the sharpest eyes and ears, as well as the best memories of any in the world**...
>
> In short, **the way to wealth**, if you desire it, is as plain as the way to market. It **depends chiefly on two words: industry and frugality.** Waste neither time nor money, but make the best use of both. **He that gets all he can honestly, and saves all he can, will certainly become rich.** (*The Way to Wealth*, KL 184-200).

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[12] Franklin lists 13 virtues that he attempted to perfect during his youngest days: temperance, silence, order, resolution, frugality, industry, sincerity, justice, moderation, cleanliness, tranquility, chastity, humility. Each was given practical definition and he kept track on his success on each virtue in as notebook. He notes that he was not very good at humility, but that false humility seemed to work nearly as well. (Each of these virtues is given his own definition, which makes some of them a bit easier to follow than they might have been if they had been defined by others, as with chastity.)

> INDUSTRY. Friends, said [Poor Richard], **the taxes are indeed very heavy, and if those laid on by the government were the only ones we had to pay we might more easily discharge them**; but we have many others, and much more grievous to some of us. **We are taxed twice as much by our idleness, three times as much by our pride, and four times as much by our folly**; and from these taxes the commissioners cannot ease or deliver us by allowing an abatement.

Most of Franklin's writing argues that the accumulation of wealth is generally praiseworthy. On the other hand, he argues that one should not let one's commercial enterprises rule one's life. Business is important, but not the only matter of importance.

> Drive thy business, **let not that drive thee**; and Early to bed, and early to rise, makes a man healthy, wealthy, and wise, Poor Richard says. [*The Way to Wealth* (KL 54-58, 70-71).]

He also notes there is can be a tension between short term temptations to be dishonest and long run profits.

> There are a great **many retailers who falsely imagine that being historical (the modern phrase for lying)** is much for their advantage; and some of them have a saying, that it is a pity lying is a sin, it is so useful in trade;
>
> If they would examine into **the reason why a number of shopkeepers raise considerable estates**, while others who have set out with better fortunes have become bankrupts, **they would find that the former made up with truth, diligence, and probity**, what they were deficient of in stock; while the latter have been found guilty of imposing on such customers as they found had no skill in the quality of their goods. ("On Truth and Falsehood," *Memoirs of Benjamin Franklin*, Volume II, KL 704-709).

In these and other writings, Franklin articulates what Max Weber writing more than a century later would refer to as the spirit of capitalism: an emphasis on work, frugality, and the accumulation of wealth.

C. Franklin on the Confusion about Self Denial

Franklin insists that virtue is not about self denial, but rather about developing dispositions to behave in accordance with virtue. Once this is done, virtue does not involve sacrifice.

> **If to a certain man idle diversions have nothing in them that is tempting, and, therefore, he never relaxes his application to business for their sake, is he not an industrious man?** Or has he not the **virtue of industry**?
>
> I might in like manner instance in all the rest of the virtues; but, to make the thing short, as it is certain that **the more we strive against the temptation to any vice, and practice the contrary virtue, the weaker will that temptation be**, and the stronger will be that habit, till at length the temptation has no force or entirely vanishes**.**
>
> **Does it follow from thence that, in our endeavours to overcome vice, we grow continually less and less virtuous, till at length we have no virtue at all?** ("Self-Denial Is Not the Essence of Virtue," *Memoirs of Benjamin Franklin; Volume II*, KL 401-406).

This gradual elimination of temptations by developing virtuous habits, of course, parallels Aristotle's discussion of self mastery.

D. Franklin on Religion

With respect to religion, Franklin evidently remained an Diest, which was fairly common among intellectuals of his day, but he nonetheless believed that virtuous behavior of the sort that he recommends is likely to be rewarded by the deity, which he believed does exist, albeit in a somewhat inactive form and not necessarily as revealed in religious texts.

> This **my little book had for its motto** these lines from Addison's Cato: "Here will I hold. **If there's a power above us** (and that there is all nature cries aloud through all her works), **He must delight in virtue; and that which He delights in must be happy**." *(The Way to Wealth,* KL 262-264).

E. Franklin's World View

As with our other authors, Franklin is of interest partly for what he says and partly because his writing provides a window into his society at the time that he wrote. The maxims of Poor Richard all take wealth, reputation, and wisdom to be central aims of life, rather than salvation or virtue per se. There is very little in the way of references to biblical texts in his writings, although also very little criticism of the religious views of others. His focus is on life on earth, rather than an afterlife.

Within Franklin's circles and readership, religion had evidently become less central to life and less important for understanding day-to-day events on earth. Lightening was a natural event, not evidence of divine displeasure. Damage from lightening could be reduced with a lightening rod. There was an order to nature because of god's will, but the natural order was the product of natural law rather than day-to-day interventions.

Franklin's defense of virtue is oriented toward life on earth, with a central role reserved for values that tend to be rewarded by markets and relationships among people. His personal success and reflection provided him with direct evidence about how virtue could enhance one's prospects in life. These, together with his genius, allowed him to succeed in a very broad career, although not always on his first try.

Although the way to wealth plays an important role in Franklin's popular writings, it should also be noted that Franklin did not devote his entire life to accumulating wealth. After making his fortune in printing, he turned to public works, science, and politics for the last third of his life, where the same rules of conduct evidently also served him well.

IV. Adam Smith (1723-1790), the Moral Sentiments and the Wealth of Nations

We now turn to Adam Smith, who is the most influential of the early analysts of economic activity, and who also made significant contributions to psychology, philosophy, and ethics. His *Inquiry into the Nature and Causes of the Wealth of Nations* (1776) is arguably the most influential book written in economics, because of its clear characterizations of the returns to specialization, the invisible hand, and the price system. Many of his observations had been made before, but without a broad, clear, consistent narrative. It is, however, his book on *The Theory of Moral Sentiments* (1759) that is most relevant for this chapter, although the combination of the two books is more relevant still.

Smith's importance is partly that he stood at the end of the period termed the enlightenment and beginning of the period sometimes termed the modern period. His thinking on economics, ethics, and

public policy integrated and extended of many ideas "in the air" during the mid eighteenth century and his excellent expression of them attracted many readers. When people speak of "classical liberalism," it is often Smith's work that they have in mind.[13]

In the *Moral Sentiments*, Smith develops a psychological explanation for ethics and ethical theorizing. He argues that human ideas about virtue all originate from man's ability to feel the fortunes and misfortunes of others. Smith argues that people generally seek the approval or "approbration" of others, and this induces them to try to imagine whether their own behavior is likely to elicit approval or disapproval from others. Smith's approach provides both a new analytical devise for discovering ethical rules and a window into what many of his contemporaries would have regarded to be self evident truths about praiseworthy behavior.[14]

Ethical behavior is in one's self interest, but not because it improves one's character, but rather because people value the approval of their family, friends and strangers. His use of praise and intuitions about how it may be obtained also provide a useful window into the behavioral norms of Scotland and England during the late eighteenth century. Smith uses illustrations from daily life and fiction to support his reasoning.

The idea that virtue is praiseworthy was, of course, not new. It is mentioned in both Aristotle's and Locke's discussion of virtue.[15] What is new is the central role given to it and to individual efforts to imagine how praise can be obtained.

A. Fellow Feeling and the Pursuit of Praise

Smith's analysis of the origins of moral sentiments begins with the observation that members of society are connected to one another, rather than completely independent of one another. Individuals can imagine the pains and happiness of others, and the happiness of others contributes to their own. Individuals are partly for this reason also interested in receiving the approval and avoiding the disapproval of others.[16]

> How selfish soever man may be supposed, there are evidently **some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.** (*Moral Sentiments*, KL 12-13).

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[13] James Buchanan once told me that he invented the term "classical liberalism" to reduce confusion in North America about the term "liberal." In the rest of the world, liberal continues to mean support for open politics and markets, as it did in the nineteenth century. In the United States, it refers to a moderate form of social democracy. The latter is not inconsistent with liberalism in its traditional sense, but tends to stress redistribution and fairness, rather than rule of law, constitutional governments, and open markets.

[14] In his widely read piece on "Adam Smith and Laissez Faire," Viner (1927) makes the same point, but as a criticism of the *Moral Sentiments*.

[15] Locke (1690) argued that "[O]ne of the rules made use of in the world for a ground or measure of a moral relation is that **esteem and reputation** which several sorts of actions find variously in the several societies of men, **according to which they are there called virtues or vices**. (*An Essay Concerning Human Understanding*. From the *The John Locke Collection: 6 Classic Works* (KL 5602-5604).]

[16] Excerpts are taken from digitized versions of the *Theory of Moral Sentiments* (1759) and the *Wealth of Nations* (1776). KL again refers to kindle locations. Some very modest changes to facilitate reading have been adopted, as for example the spelling conventions of the United States have been used. Bolding has again been added by the author to draw attention to key phrases and ideas.

> Mankind, though naturally sympathetic, never conceive for what has befallen another that degree of passion which naturally animates the person principally concerned. That **imaginary change of situation**, upon which their sympathy is founded, is but momentary. (*Moral Sentiments*., KL 256-257).

This empathic connection among men and woman (sympathy or fellow feeling) is the reason that we care about the happiness of others and their opinions about us. Our own happiness, according to Smith, is substantially caused by the assessments of others in the community.

Smith argues that this connection is the foundation of our "moral sentiments." The same ability that allows one to imagine the mental states of others can be used to understand how one's own behavior affects others and their assessment of us.

> **We suppose ourselves the spectators of our own behavior, and endeavor to imagine what effect it would, in this light, produce upon us.** This is the only looking-glass by which we can, in some measure, **with the eyes of other people, scrutinize the propriety of our own conduct.** ...
>
> When I endeavor to examine my own conduct, when I endeavor to pass sentence upon it, and either to approve or condemn it, it is evident that, in all such cases, **I divide myself, as it were, into two persons;** and that I, **the examiner and judge,** represent a different character from that **other I**, the person whose conduct is examined into and judged of. The **first is the spectator,** whose sentiments with regard to my own conduct I endeavor to enter into, by placing myself in his situation, and by considering how it would appear to me, when seen from that particular point of view. **The second is the agent, the person whom I properly call myself**. (*Theory of Moral Sentiments*, KL 1890-1900).

This mode of analysis has systematic effects on human behavior because people are naturally motivated to seek praise and avoid blame.

> [Mankind] **desires, not only praise, but praise worthiness;** or **to be that thing which, though it should be praised** by nobody, is, however, the natural and proper object of praise. He dreads, not only blame, but blame-worthiness; or to be that thing which, though it should be blamed by nobody, is, however, the natural and proper object of blame. *(Theory of Moral Sentiments*, KL 1911-1913).

Praiseworthiness differs somewhat from praise, and requires a different level of abstraction to appreciate. One is praiseworthy when not only one's friends approve of one's behavior, but when disinterested strangers also approve of it. Moreover, one can deserve praise even if one never receives it from others.

> **We are pleased to think that we have rendered ourselves the natural objects of approbation**, though no approbation should ever actually be bestowed upon us. ...
>
> **When he views [his behavior] in the light in which the impartial spectator would view it,** he thoroughly enters into all the motives which influenced it. He looks back upon every part of it with pleasure and approbation, and though mankind should never be acquainted with what he has done,

> he regards himself, **not so much according to the light in which they actually regard him, as according to that in which they would regard him if they were better informed**. [*Theory of Moral Sentiments* (KL 1947-1954).]

Smith argues that people use (and should use) an analytical device, the impartial spectator, to assess the moral worth of both their actions and rules of conduct that they might internalize. The test of the impartial spectator is different from the "golden rule" and also from utilitarianism, which we take up in the next chapter. It focuses on praiseworthiness. Smith's discusses two possible measures of praiseworthiness, an absolute one and a relative one.[17]

> [W]hen we are determining the degree of blame or applause which seems due to any action, we very frequently make use of **two different standards**. **The first is the idea of complete propriety and perfection**, which, in those difficult situations, no human conduct ever did, or ever can come, up to; and in comparison with which the actions of all men must for ever appear blameable and imperfect.
>
> **The second is the idea of that degree of proximity or distance from this complete perfection** , which the actions of the greater part of men commonly arrive at. Whatever goes beyond this degree, how far soever it may be removed from absolute perfection, seems to deserve applause; and whatever falls short of it, to deserve blame. (*Theory of Moral Sentiments.*, KL 337-342).

These standard shave implications about the nature of virtue that differ from Aristotle's theory, as emphasized by Smith. According to Smith, perfect virtue is an unobtainable perfection, a sublime extreme, rather than an entirely feasible intermediate type of behavior. Nonetheless, Smith believes that the pursuit of praise and praise worthiness tend to produce behavior consistent with the classical ideas of virtuous conduct.

> **Our rank and credit** among our equals, too, **depend very much upon what a virtuous man would wish them to depend** entirely, our character and conduct, or upon the confidence, esteem, and good will, which these naturally excite in the people we live with. (*Theory of Moral Sentiments*, KL 3668-3669).

B. Implications of Smith's Theory of Moral Sentiments

Smith uses the pursuit of praise to develop a unique psychological theory of virtue, which is surprisingly well aligned with Aristotle's in spite of its differences. Smith, for example, also places high regard on self mastery, prudence, justice and benevolence.

> **The man who acts according to the rules of perfect prudence, of strict justice, and of proper benevolence, may be said to be perfectly virtuous**. But the most perfect knowledge of those rules will not alone enable him to act in this manner ...
>
> **The most perfect knowledge, if it is not supported by the most perfect self-command, will not always**

---

[17] Some Smith scholars regard the impartial spectator as God, but he clearly states that it is not: "That consolation may be drawn, not only from the complete approbation of the man within the breast [the impartial spectator], but, if possible, from a still nobler and more generous principle, from a firm reliance upon, and a reverential submission to, that benevolent wisdom which directs all the events of human life" [Smith, Adam (1759/2013-09-03). *The Theory of Moral Sentiments.* (Kindle Locations 5115-5117)].

enable him to do his duty. (*Theory of Moral Sentiments*, KL 4131-4135).

According to Smith, prudence is the most important of the virtues for life on earth.

> **The care of the health, of the fortune, of the rank and reputation of the individual,** the objects upon which his comfort and happiness in this life are supposed principally to depend, is considered as **the proper business of** that virtue which is commonly called **Prudence.** (*Theory of Moral Sentiments.* (KL 3670-3671).

Smith's notion of prudence is a complex norm that combines aspects of the Aristotelian virtues of meekness and self-mastery.

> **The prudent man always** studies seriously and earnestly to understand whatever he professes to understand, and not merely to persuade other people that he understands it; and though his talents may not always be very brilliant, they are always perfectly genuine. ...
>
> **He is not ostentatious even of the abilities which he really possesses**. His conversation is simple and modest ... But though always sincere, he is not always frank and open; and though he **never tells any thing but the truth**, he does not always think himself bound, when not properly called upon, to tell the whole truth.
>
> **As he is cautious in his actions, so he is reserved in his speech;** and never rashly or unnecessarily obtrudes his opinion (*The Theory of Moral Sentiments.*, KL 3677-3690).

In England and many other places, Smith suggests, as did Franklin, that virtue tends to attract an appropriate reward within one's time on earth. One does not have to wait for an afterlife to benefit from following praiseworthy codes of conduct.

> **If we consider the general rules by which external prosperity and adversity are commonly distributed in this life** , we shall find, that notwithstanding the disorder in which all things appear to be in this world, yet even here **every virtue naturally meets with its proper reward**, **with the recompense which is most fit to encourage and promote it;** and this too so surely, that it requires a very extraordinary concurrence of circumstances entirely to disappoint it.
>
> **What is the reward most proper for encouraging industry, prudence, and circumspection? Success in every sort of business**. (*The Theory of Moral Sentiments*, KL 2818-2822).

A broad array of virtues are rewarded on earth--partly, as in Franklin, through effects on one's personal prosperity, but also through the esteem of others.

With respect to appropriate competitive behavior in markets and politics, Smith argues that the moral sentiments imply that there are appropriate and inappropriate methods for seeking wealth, honors, and other rewards.

> In the race for wealth, and honors, and preferments, he may run as hard as he can, and strain every nerve and every muscle, in order to outstrip all his competitors . **But if he should justle, or throw down any of them**, the indulgence of the spectators is entirely at an end. **It is the violation of fair play, which they cannot accept.** (*The Theory of Moral Sentiments*, 1331-1334).

Smith, as Franklin, also notes that hard work contributes to the receipt of praise and approbation, but part of that work consists in making others aware of one's virtues.

> He **must cultivate** these therefore: he **must acquire superior knowledge in his profession, and superior industry in the exercise of it.** He must be patient in labor, resolute in danger, and firm in distress.
>
> **These talents he must bring into public view**, by the difficulty, importance, and, at the same time, good judgment of his undertakings, and **by the severe and unrelenting application** with which he pursues them. **Probity and prudence, generosity and frankness, must characterize his behavior** upon all ordinary occasions. (*Theory of Moral Sentiments*, KL 883-887).

It bears noting that these paragraphs indirectly characterize the norms used by others in Smith's time and place. That is to say, Smith does not argue that some patterns of behavior should attract praise, but has observed that they actually do attract praise when put into practice.

Smith's theory includes both a subjective test for praiseworthiness--the internal, impartial spectator--and an objective test. One can place a rule of conduct into practice and observe whether it attract praise or not. That test is not always conclusive, because praiseworthy conduct is not always observed or observable. However, in many cases the conduct called for is observable and either attracts or does not attract praise. Insofar as internalized virtues generate behavior that is praised, virtuous dispositions are also indirectly observable.

Smith analysis of prudence and other virtues is based partly on his own internal spectator and partly on his observations about the praise and approbation received from other persons in his community. Smith does not only argue that some patterns of behavior should attract praise, but has observed that they actually do attract praise when put into practice.

C. Virtue and Life in Society

Following Locke and many others, Smith argues that virtuous conduct makes life in society both more pleasant and more sustainable. However, perhaps surprisingly, he argues that respect for private property is more important than sympathy or benevolence for life in society.

> **If there is any society among robbers and murderers, they must at least, according to the trite observation, abstain from robbing and murdering one another**. Beneficence, therefore, is less essential to the existence of society than justice. **Society may subsist, though not in the most comfortable state, without beneficence; but the prevalence of injustice must utterly destroy it**. (*The Theory of Moral Sentiments*, KL 1377-1384).

Societies do not require benevolent relationships among people, but they do require just relationships. He later applies this idea to markets with phrasing that is among the most memorable in the *Wealth of Nations*:

> **It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest**. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their advantages . **Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens**. [*Wealth of Nations* (pp. 7-8).]

Virtuous behavior is nonetheless commonplace in most societies because virtuous behavior is promoted by the pursuit of praise and efforts to avoid blame and feelings of guilt.

> **Nature has implanted in the human breast** that consciousness of **ill-desert,** those **terrors of merited punishment** which attend upon its violation, as the **great safeguards of the association of mankind, to protect the weak, to curb the violent, and to chastise the guilty.** ...
>
> **[I]f this principle did not stand up within them in his defense, and overawe them into a respect for his innocence, they would, like wild beasts**, be at all times ready to fly upon him; and a man would enter an assembly of men as he enters a den of lions. *(Theory of Moral Sentiments*, KL 1390-1396).

D. Praise and the Accumulation of Wealth

The desire for praise from one's fellow men and woman also plays a role in the accumulation of wealth and for "bettering our condition."

> **From whence, then, arises that emulation which runs through all the different ranks of men**, and what are the advantages which we propose by **that great purpose of human life which we call bettering our condition?**
>
> **To be observed,** to be attended to, **to be taken notice of with** sympathy, complacency, and **approbation, are all the advantages which we can propose to derive from it.** (*Theory of Moral Sentiments*, KL 794-796).

Smith's argument implicitly assumes that opulence (wealth) is a good and praiseworthy worthy end, a sign of economic success, as in Franklin and La Court.

> [C]apital has been silently and gradually accumulated by the **private frugality and good conduct of individuals**, by their **universal, continual, and uninterrupted effort to better their own condition**.
>
> It is this effort, protected by law, and allowed by liberty to exert itself in the manner that is most advantageous, **which has maintained the progress of England towards opulence and improvement in almost all former times,** and which, it is to be hoped, will do so in all future times. (*The Wealth of Nations*, KL 5178-5182).

The accumulation of capital that results from frugality, good conduct and industry is the invisible explanation for economic growth and opulence, both meritorious goals (improvements), when achieved through praiseworthy methods.

> [B]y directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is **in this, as in many other cases, led by an invisible hand to promote an end** which was no part of his intention. (*The Wealth of Nations*: KL 6709).
>
> [Prosperity] is the necessary, though **very slow and gradual, consequence of a certain propensity in human nature,** which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another. (*The Wealth of Nations*, KL: 180).

Nor is it always worse far society that the intention to benevolence is not the cause of industry and frugality.

> **By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it**. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it. (*The Wealth of Nations*: KL 6709).

Although not himself a "wealth maximizer," it is clear that Smith's readers, like those of Franklin and La Court, take prosperity and the pursuit of personal wealth to be praiseworthy ends. Activities that promote general prosperity are essentially all praiseworthy.

E. Overview of Smith's Philosophy of Virtue and Life

Many of Smith's arguments are entirely novel. He provides a new psychological theory of ethics, grounded in human nature. Mankind is naturally fellow feeling. Their natural demand for praise induces them to imagine how their behavior affects others. It also supports the accumulation of wealth, which in turn tends to increase general prosperity, as if guided by an invisible hand.

Although Aristotle would agree that praise is a source of happiness, he would argue that praise is a means rather than an ultimate end. Smith might agree, but argues that it is the main cause of virtuous behavior. Smith's explanation for virtuous behavior is not based on efforts to perfect one's self or the pursuit of salvation, but rather on the natural human tendency to seek the approval of others in one's community. Smith's theory is at least as much a theory of life in society as a theory of personal virtue.

Nonetheless, Smith does not equate the pursuit of praise with praise worthiness. He notes that

> The **love of praise-worthiness is by no means derived altogether from the love of praise**. Those two principles, though they resemble one another, though they are connected, and often blended with one another, are yet, in many respects, **distinct** and independent of one another. ... **Nature, accordingly, has endowed him,** not only with a desire of being approved of, but **with a desire of being what ought to be approved of**; or of being what he himself approves of in other men." *(Theory of Moral Sentiments*, KL 1913-1969).

> **The man who acts solely from a regard to what is right and fit to be done**, from a regard to what is the proper object of esteem and approbation, though these sentiments should never be bestowed upon him, **acts from the most sublime and godlike motive which human nature is even capable of conceiving**. (*Theory of Moral Sentiments*, KL 5461-5463).

The idea that to be a "proper object of esteem and approbation" is the aim of moral behavior is a natural consequence of his line of reasoning. The same motivation also accounts for the accumulation of wealth and how it is spent.

Virtue plays significant roles in economic activities, although this point is mentioned in only in passing. Frugality and prudence account for capital and wealth accumulation. Markets also reward various virtues, as when trust and trust worthiness play a role in wage rates and exchange. For example, regarding the salaries of managers and other inspectors, Smith notes:

> [Managerial] **wages properly express the value** of this labor of inspection and direction. Though in settling them some regard is had commonly, **not only**

> **to his labor and skill, but to the trust which is reposed in him**. (*The Wealth of Nations* (KL 716-717).

Smith also notes that a subset of praiseworthy dispositions tend to be rewarded by wealth, when these activities take place within more or less open markets.

> It seldom happens, however, that great fortunes are made, even in great towns, by any one regular, established, and well-known branch of business, **but in consequence of a long life of industry, frugality, and attention.** (*The Wealth of Nations* , KL 1717-1719).

Nonetheless, as with Montesquieu and Aristotle, he notes that commerce can undermine some virtues. Greed can induce men to abandon virtue.

> To attain to this envied situation, **the candidates for fortune too frequently abandon the paths of virtue**; for unhappily, the **road which leads to the one, and that which leads to the other, lie sometimes in very opposite directions**. (*Theory of Moral Sentiments*, KL 1027-1029).

Moreover, Smith does not believe that wealth and power are the main sources of happiness.

> Power and riches appear then to be, what they are, enormous and operose machines contrived to **produce a few trifling conveniencies to the body** ... They keep off the summer shower, not the winter storm, **but leave him always as much, and sometimes more exposed than before, to anxiety, to fear, and to sorrow;** to diseases, to danger, and to death. (*Theory of Moral Sentiments*, KL 3132-3138).

Regarding governments and efforts to improve society, Smith, like La Court, regards governments and policy makers to be a potential source of problems. This is partly because they fail to take proper account of human nature and partly because they tend to over estimate their ability as policy makers.

> **The man of system**, on the contrary... is often so enamored with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it. He goes on to establish it completely and in all its parts, without any regard either to the great interests, or to the strong prejudices which may oppose it. **He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board**.
>
> **He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand** impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might choose to impress upon it.
>
> **If those two principles coincide** and act in the same direction, **the game of human society will go on easily and harmoniously,** and is very likely to be happy and successful. **If they are opposite or different, the game will go on miserably, and the society must be at all times in the highest degree of disorder.** (*The Theory of Moral Sentiments* KL 4065-4073).

It is not the case that all systems are doomed to failure, but all that fail to take account of the interests and will of the individual members of society will generate conflict and misery.

Smith argues that the "system of natural liberty" is consistent with human nature and accounts for much of England's economic success. The system of natural liberty works well because the pursuit of praise induces virtuous behavior and the accumulation of wealth, and because markets tend to be self-regulating.

Market activities are for the most part morally neutral, motivated by self interest, rather than a source or test of virtue. The accumulation of wealth itself can be praiseworthy, but it lies for the most part outside of the domain of morality. If not the most important aim in life, the accumulation of material comforts add to the quality of life. For this and other reasons, life in society tends to be relatively good and fruitful when the system of natural liberty is in place.[18]

V. Immanuel Kant (1724-1804): Duty and Generality

In the decades after Smith wrote the *Moral Sentiments*, several other philosophers proposed other grounding principles for ethics. Two of these have had profound influence on philosophy and also arguably on internalized codes of conduct by literate men and women, Immanuel Kant and Jeremy Bentham. Again the roots of these theories can be found in earlier writers, including Smith and Aristotle. Like Smith, these thoughtful men attempted to create new theories of morality and public policy grounded in one or two overarching principles or mechanisms, an approach that might be considered the scientific or Newtonian approach to ethics. Both also had something to say about the role of commerce in a moral life and good society.

We first turn to Kant. Bentham and utilitarianism are taken up in the next chapter. Kant was raised in a middle class religious family and showing much talent went off to university. Kant, like Smith, became a lifelong academic, who spent essentially his entire career at the University of Köningsberg in what was then northwestern Prussia, a leading kingdom in the Holy Roman Empire. Kant's philosophical interests were broader and more abstract than those of Smith, and had impacts across contemporary philosophy, most of which will be neglected in this short overview of his theory of moral action.

A. Kantian Morality

There is a sense in which Kant returns to the religious view of ethics in that he argues that moral actions are ones grounded in duty rather than self interest, and that duty is grounded in universal law. Religious deontologists such as Baxter stress obligations to follow rules based on divine texts. Secular deontologists such as Kant require other methods for determining duties, because ones obligations are not always obvious.

According to Kant, one's duty is to follow universal law. Universal law according to Kant is based partly on moral intuition of a sort similar to Grotius' natural law, and also, as in Grotius, partly on reason. He argues that the rules we have a duty to follow cannot be known perfectly, but that reason helps us to identify them.

Moral rules have to be universal in the sense that that if everyone followed them, the results would be in some sense fit or appropriate

[18] Smith also argues that the system of natural liberty is relatively simple to implement: "All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men," (*The Wealth of Nations*, KL 10486).

(in what sense he does not really identify). This principle he terms the categorical imperative (kategorischer imperativ).[19]

> The **categorical imperative** only expresses generally what constitutes **obligation**. It may be rendered by the following formula: '**Act according to a maxim which can be adopted at the same time as a universal law**.' ... the test, by calling upon the agent to think of himself in connection with it as at the same time laying down a universal law, and **to consider whether his action is so qualified as to be fit for entering into such a universal legislation.** *(Introduction to the Metaphysics of Morals*, KL 1098-1103).

> The **supreme principle** of the science of morals accordingly is this: "Act according to a maxim which can likewise be valid as a universal law." Every maxim which is not qualified according to this condition is contrary to Morality. (*Introduction to the Metaphysics of Morals*, KL 1117-1118).

A universal law must be feasible and lead to good outcomes. Together, these principles allow rules that one has a duty to follow to be identified and others rejected.

> [M]orality is in itself practical, being **the totality of unconditionally mandatory laws according to which we ought to act.** It would obviously be absurd, after granting authority to the concept of duty, to pretend that we cannot do our duty. (*Perpetual Peace.* KL 519-521).

Kant makes a sharp distinction between actions motivated by self interest and those based on duty.[20] In his view, self-interested actions cannot be moral, although they may be praiseworthy. Only actions based on duties to follow universal laws. In this, the Kantian perspective clearly differs from that of Smith and Aristotle, where there is no fundamental conflict between self interest and ethics.

> The **direct opposite of the principle of morality is, when the principle of private happiness** is made the determining principle of the will. (*Critique of Practical Reason,* KL 10528-10529).

> [A]ll **the morality of actions may be placed in the necessity of acting from duty** and from respect for the [universal] law, not from love and inclination for that which the actions are to produce. (*Critique of Practical Reason,* KL 11273-11274).

Following one's duty in turn improves one's will (one's character), as in Aristotle's theory of virtue. This in Kant's view is the natural purpose and aim of reason, the improvement of the will. However, perfecting the will is a consequence of, but not the purpose of, moral action. Indeed, he argues that the perfecting of one's will requires no deeper philosophy than the categorical imperative.

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[19] Excerpts from a digitized collection of translations of Kant's major books are used in this section. The collection used is: *The Immanuel Kant Collection: 8 Classic Works* (2013). Waxkeep Publishing. Kindle Edition. Titles of the individual works are included for those familiar with his work. KL again refers to Kindle locations. As true of other major works from German, a variety of translation are available for each of his books. The above collection is used because of its convenience and ready availability, rather than because it includes exceptional translations. Hartmut Kliemt once told me that Kant makes a lot more sense in English than in German, in large part because of the efforts of the individual translators.

[20] This is likely to have been a challenge to utilitarian ideas that were taking shape during this period.

> **I do not, therefore, need any far-reaching penetration to discern what I have to do in order that my will may be morally good**. Inexperienced in the course of the world, incapable of being prepared for all its contingencies, I only ask myself: **Canst thou also will that thy maxim should be a universal law? If not, then it must be rejected,** and that not because of a disadvantage accruing from it to myself or even to others, but **because it cannot enter as a principle into a possible universal legislation,** and reason extorts from me immediate respect for such legislation.
>
> I do not indeed as yet discern on what this respect [for the categorical imperative] is based (this the philosopher may inquire), but at least I understand this, that **it is an estimation of the worth which far outweighs all worth of what is recommended by inclination** [self interest], and that t**he necessity of acting from pure respect for the practical law is what constitutes duty,** to which every other motive must give place, because **it is the condition of a will being good in itself**. [*Fundamental Principle of the Metaphysics of Morals* (KL 13182-13189).]

Again, as in other theories of ethics, much of his reasoning is empirical in nature. Whether a rule or maxim is suitable as universal law is partly a matter of deduction and imagination, and partly how it works in practice. Nonetheless, the focus of morality itself is dutiful universal rule-following conduct rather than the consequences of that conduct.

B. Ethics, Law, and Markets

Although every universal maxim could be incorporated into law, in practice the domain of law and ethics are different. There are differences in motivation and in the process through which moral maxims and legislation are adopted. Moral maxims all, by definition, satisfy the categorical imperative. Laws are adopted by legislators who may or may not have an interest in the categorical imperative. Moral actions are motivated internally, by an individual's sense of duty. Lawful actions, in contrast, are motivated by external penalties and rewards.

Ethical duties often go beyond those required by law. For example, Kant argues that one's moral duty may demand the fulfillment of contracts that external law does not.

> From what has been said, it is evident that **all duties, merely because they are duties, belong to ethics;** and yet the legislation upon which they [legal duties] are founded is not on that account in all cases contained in ethics. On the contrary, the law of many of them lies outside of ethics.
>
> **Thus ethics commands that I must fulfill a promise entered into by contract**, although the other party might not be able to compel me to do so. [The legislature] adopts the law (pacta sunt servanda) and the duty corresponding to it, from jurisprudence or **the science of right,** by which they are established. It is not in ethics, therefore, but in jurisprudence, that the principle of the legislation lies. (*Introduction to the Metaphysics of Morals*, KL 12753-12758).

Kant also suggests that the duty of fairness may induce businessmen to treat their customers better than required by law. However, such behavior may simply be good business, rather than instances of moral action.

> For example, **it is always a matter of duty that a dealer should not over charge an inexperienced purchaser**; and **wherever there is much commerce**

> **the prudent tradesman does not overcharge**, but **keeps a fixed price for everyone**, so that a child buys of him as well as any other**. Men are thus honestly served;** but **this is not enough** to make us believe that the tradesman has so acted from duty and from principles of honesty. (*Fundamental Principles of the Metaphysic of Morals,* KL 13082-13085).

This illustration also illustrates the Kantian difference conduct and duty. The same conduct may be motivated by duty or self interest. For Kantians, it is not the conduct, but the motivation of the conduct that makes it moral or not. Moral actions are based on dutiful rule following, rather than formal law, economic incentives, or the consequences of one's actions. Although economic and other forces may generate the behavior required by a moral maxim, the actions taken are not moral ones unless duty is the main determinant of that behavior. When interest rather than duties motivates such conduct, that conduct is outside of the sphere of moral choice.

Market activities are thus largely outside the sphere of Kantian morality, because they are largely consequences of self interest rather than duty. This does not imply that market activities immoral, rather they are simply outside the domain of morality.

Nor does this distinction imply that market outcomes may not be praiseworthy.[21]

> [I]n such a case **an action of this kind, however proper, however amiable it may be, has nevertheless no true moral worth,** but is on a level with other inclinations, e.g., the inclination to honor, which, if it is happily directed to that which is in fact of public utility and accordant with duty and consequently honorable, **deserves praise and encouragement,** but not esteem. For **the maxim lacks the moral import, namely, that such actions be done from duty**, not from inclination. (*Fundamental Principles of the Metaphysics of Morals,* KL 13095-13098).

Kant notes several positive effects of markets, including world peace, but regard these desirable consequences as outside the domain of morality.

> **The spirit of commerce, which is incompatible with war, sooner or later gains the upper hand in every state**. As the power of money is perhaps the most dependable of all the powers (means) included under the state power**, states see themselves forced , without any moral urge, to promote honorable peace.** [*Perpetual Peace.* (KL 440-442).]

However, not all good acts or good results are within the domain of morality. Market activities being motivated by interest rather than duty are largely outside the sphere of moral choice, and thus they cannot be immoral except insofar as they conflict with universal law.

C. Overview

Kant's analytical device for discovering moral rules is an alternative to both Smith's impartial spectator and Bentham's aggregate utility increasing principle, which were the chief rivals at his time. That Kant's theories continue to be taught in virtually every philosophy department in the world suggests that the categorical imperative has been broadly accepted as a useful method for

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[21] The use of the terms public utility and praiseworthy here suggests that Kant regards Bentham and Smith as having adopted too encompassing theories of virtue. Kant suggests that there are praiseworthy activities that have nothing to do with morality or moral sentiments.

evaluating ethical propositions. Indeed, parents often child their children with comments of the "what if everyone did that" variety.

Kant's categorical imperative implies that only rules that could be simultaneously adopted by all to good effect necessarily create moral duties. Although, universality does seem to require some consideration of the consequences of a rule, duty does not. It simply requires following universal rules. Kant evidently regarded such universal maxims to be self evident, because he doe not provide a systematic way of choosing among universal laws that conflict with each other. It clearly allows a variety of maxims to be rejected as mutually inconsistent, as with special privileges in law and rules of conduct that lead to absurd results when applied to all, as with sumptuary codes. Duties mentioned by Kant include promise keeping, honesty, abiding by contracts, and honesty. Such norms had long existed, of course, but were given new justifications in Kant's theory. They satisfied the categorical imperative.

Kant, like Aristotle, uses market transactions to illustrate moral issues. For example, he uses market settings to illustrate differences between legal and ethical duties. Market activities were occasionally motivated by internalized duties, as with duties to abide by contracts and to be fair toward the less informed. Most market activities, however, Kant argues are outside the sphere of moral choice, although commercial actions and consequences are often praiseworthy.

It bears noting that Smith's and Kant's theories reveal that a subtle shift in the focus of ethical theory is taking place in the mid-to-late eighteenth century. First, ethics begins to look far more like Newtonian mechanics in which a few principles can be used to both account for and to deduce rules for ethical behavior. Second, the motivation for the rules themselves has shifted; no long are they adopted to improve oneself, as in Aristotle or Franklin, or to obtain divine approval. Rather he rules of conduct should yield good results for all (satisfy the categorical imperative) or be respected by all (generate Smithian praise and esteem).

This is not to say that self improvement does not occur, only that it is not central to ethics. In both Smith and Kant, dutiful behavior contributes to perfecting one's will (or character), although that is not the main purpose of virtue. In Smith's theory, one's habits become praiseworthy by systematically engaging in praiseworthy conduct, but the approval of the impartial spectator is the indicator of virtue, rather than its contribution to character. In Kant's theory, developing the capacity to recognize and follow universal laws tends to perfect the will, which in turn produces moral actions.

The work of deontologist philosophers such as Kant who stress duties rather than consequences is relevant for the purposes of this book because dutiful behavior often supports market activities. Many of the duties that individuals internalize, involve the conduct of day-to-day life, both in their private lives and in their occupations. Many of these duties such as an obligation to follow rules, being honest, keeping promices, and working with diligence, tend to increase the productivity of economic organizations and reduce risks associated with market transactions. Indeed, the words "job" and "duty" are often used in the same sense. "That's not my job" means "that is not my duty;" I have no moral obligation to engage in that activity. Such internalized duties tend to extend the possibilities for specialization and extent of trading networks, as discussed in part II of the book.

VI. Claude F. Bastiat (1801-1850): Markets as Ethical Systems

Bastiat, like Montesquieu, was from a relatively wealthy French family and inherited great wealth at an early age, although not a noble title. This allowed him to devote himself to writing and politics. He was elected to local political offices in the 1830s and to the French National Assembly in 1848.

Classical Liberalism

Bastiat exemplifies the politically active liberal of the nineteenth century. He was not an academic, but rather was a business man and politician who served in local and national offices for much of his life. His writing was largely a persuasive exercise, oriented to French voters, and so provides a useful window into French liberalism during the mid-nineteenth century. He is covered in this chapter rather than the next one, because most of his arguments seem to have eighteenth century roots rather than nineteenth century ones.

His political economy is largely a grand synthesis of elements from Locke, Rouseau, Saint-Simon, Say, and Smith. However, as a popularizer and politician, he sharpens and extends their arguments in much that same manner that Thomas Paine arguably did for Locke in his widely read pamphlets published at the time of the American and French revolutions. Bastiat argues that under a proper civil law, there is a broad harmony of economic and moral interests.

Most of his pieces were short ones written for magazines and newspapers, which were subsequently collected together and turned into books. So, although books are referred to, they are collections of essays rather than book length analyses of particular issues.

His writings remain of interest to economists because they are laced with clear, early, insights about the workings of an open economy. They are of interest for this chapter because his support for markets often takes into account the effects that markets have on morals as well as their effect on material well being.

A. On the Benefits of Commerce and Specialization

Bastiat is among the first to make a case in favor of consumer sovereignty: that markets attempt to please consumers, rather than elites, tends to advance general interests.

> [W]e now proceed to consider **the immediate interest of the consumer, we shall find that it is in perfect harmony with the general interest, with all that the welfare of society calls for.** When the purchaser goes to market he desires to find it well stocked. Let the seasons be propitious for all harvests; let inventions, more and more marvelous, bring within reach a greater and greater number of products and enjoyments.
>
> [L]et time and labor be saved; let distances be effaced by the perfection and rapidity of transit; let the spirit of justice and of peace allow of a diminished weight of taxation; **let barriers of every kind be removed—in all this the interest of the consumer runs parallel with the public interest**. (*Economic Sophisms*, pp. 180-181).

Bastiat often uses parables to get his ideas across to readers, as with the following story illustrating the benefits of specialization. Bastiat reminds the reader that commerce has greatly increased the material comforts and services available to people throughout society, including ordinary workmen such as cabinet makers.

> Let us take, by way of illustration, a man in the humble walks of life—a village carpenter, for instance—and observe the various services he renders to society, and receives from it; we shall not fail to be struck with the enormous disproportion that is apparent. This man employs his day's labor in planing boards, and making tables and chests of drawers. He complains of his condition; yet in truth what does he receive from society in exchange for his work?
>
> First of all, on getting up in the morning, he dresses himself; and he has himself personally made none of the numerous articles of which his clothing consists. Now, in order to put at his disposal this clothing, simple as it is, an enormous amount of labor, industry, and locomotion, and many ingenious inventions, must have been employed. Americans must have produced cotton,

Indians indigo, Frenchmen wool and flax, Brazilians hides; and all these materials must have been transported to various towns where they have been worked up, spun, woven, dyed, etc.

Then he breakfasts. In order to procure him the bread he eats every morning, land must have been cleared, enclosed, labored, manured, sown; the fruits of the soil must have been preserved with care from pillage, and security must have reigned among an innumerable multitude of people. The wheat must have been cut down, ground into flour, kneaded, and prepared; iron, steel, wood, stone, must have been converted by industry into instruments of labor; some men must have employed animal force, others water power, etc.; all matters of which each, taken singly, presupposes a mass of labor, whether we have regard to space or time, of incalculable amount.

In the course of the day this man will have occasion to use sugar, oil, and various other materials and utensils. He sends his son to school, there to receive an education, which, although limited, nevertheless implies anterior study and research, and an extent of knowledge that startles the imagination.

He goes out. He finds the street paved and lighted. A neighbor sues him. He finds advocates to plead his cause, judges to maintain his rights, officers of justice to put the sentence in execution; all which implies acquired knowledge, and, consequently, intelligence and means of subsistence.

He goes to church. It is a stupendous monument, and the book he carries thither is a monument, perhaps still more Stupendous, of human intelligence. He is taught morals, he has his mind enlightened, his soul elevated; and in order to do this we must suppose that another man had previously frequented schools and libraries, consulted all the sources of human learning, and while so employed had been able to live without occupying himself directly with the wants of the body.

If our artisan undertakes a journey, he finds that, in order to save him time and exertion, other men have removed and leveled the soil, filled up valleys, hewed down mountains, united the banks of rivers, diminished friction, placed wheeled carriages on blocks of sandstone or bands of iron, and brought the force of animals and the power of steam into subjection to human wants.

It is impossible not to be struck with the measureless disproportion between the enjoyments which this man derives from society and what he could obtain by his own unassisted exertions. **I venture to say that in a single day he consumes more than he could himself produce in ten centuries.**

What renders the phenomenon still more strange is that **all other men are in the same situation.** Every individual member of society has absorbed millions of times more than he could himself produce; yet there is no mutual robbery.

And, if we regard things more nearly, we perceive that the carpenter has paid, in services, for all the services others have rendered to him.

If we bring the matter to a strict reckoning, we shall be convinced that he has received nothing he has

> **not paid for by means of his modest industry;** and that everyone who, at whatever interval of time or space, has been employed in his service, has received, or will receive, his remuneration.
>
> The social mechanism, then, must be very ingenious and very powerful, since it leads to this singular result, that **each man, even he whose lot is cast in the humblest condition, has more enjoyment in one day than he could himself produce in many ages.** (*Harmonies of Political Economy*, pp. 452-4).

According to Bastiat, there is a harmony of interests in a society governed by appropriate civil law, and thus no reason for public policies to do anything beyond defending individual rights against intrusions (attacks) by others.

B. Virtue and Markets

Bastiat often argued that virtues support commerce and that commerce support virtues, as with the following story showing the value of prudence.[22]

> Mondor and his brother Aristus, after dividing the parental inheritance, have each an income of 50,000 francs.
>
> Mondor practices the fashionable philanthropy. **He is what is called a squanderer of money. He renews his furniture several times a year; changes his carriages every month**. People talk of his ingenious contrivances to bring them sooner to an end: in short, he surpasses the extravagant lives of Balzac and Alexander Dumas.
>
> Aristus has adopted a very different plan of life. If he is not an egotist, he is, at any rate, an individualist, for **he considers expense, seeks only moderate and reasonable enjoyments, thinks of his children's prospects, and, in fact, he economizes.**
>
> But things have been so admirably arranged by the Divine inventor of social order that **in this, as in everything else, political economy and morality, far from clashing, agree.**
>
> The wisdom of Aristus is not only more dignified, but still more profitable, than the folly of Mondor. And when I say profitable, **I do not mean only profitable to Aristus, or even to society in general, but more profitable to the workmen themselves—to the trade of the time.** To prove it, it is only necessary to turn the mind's eye to those hidden consequences of human actions, which the bodily eye does not see. (*That Which is Seen, and That Which is Note Seen*, pp. 42-3).

Bastiat goes on to show the Aristus produces more income for more persons over a longer time in his community than does Mondor. Note that Bastiat assumes without hesitation that material comforts, job opportunities, and profits are all praiseworthy consequences of Aristus' approach to life.

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[22] Excerpts are taken from a digitized collection of translations of Bastiat's writings assembled by the Ludwig von Mises Institute *(The Bastiat Collection* Ludwig von Mises Institute. Kindle Edition.). Several translations were consulted, but these seems to be clearer and less bombastic than most others.

Classical Liberalism

Bastiat repeatedly argues that there is no tension between markets and morality. In effect, Bastiat argues that the invisible hand is broader than acknowledged by Adam Smith. Markets reward virtuous behavior at the same time that they provide material comforts--but often do so in a manner that is not directly visible. However, this natural harmony is not associated with all possible civil laws or public policies. For example, laws protecting private property are important for this invisible harmony of interests.

> The French civil code has a chapter entitled, "On the manner of transmitting property." When a man by his labor has made some useful things—in other words, when he has created a value—it **can only pass into the hands of another by one of the following modes**: as a gift, by the right of inheritance, by exchange, loan, or theft. ...
>
> **A gift needs no definition. It is essentially voluntary and spontaneous.** It depends exclusively upon the giver, and **the receiver cannot be said to have any right to it.** Without a doubt, morality and religion make it a duty for men, especially the rich, to deprive themselves voluntarily of that which they possess in favor of their less fortunate brethren. But this is an entirely moral obligation. **If it were to be asserted on principle, admitted in practice, sanctioned by law, that every man has a right to the property of another, the gift would have no** merit—charity and gratitude would be no longer virtues.
>
> Besides, **such a doctrine would suddenly and universally arrest labor and production,** as severe cold congeals water and suspends animation; for **who would work if there was no longer to be any connection between labor and the satisfying of our wants?** (*Harmonies of Political Economy,* pp. 141-2).

Changes in civil law or policies that force transfers of wealth from the rich to the poor, undermine private virtues and the commercial society. His conclusions are similar to one Aristotle had made with respect to moral choice and Locke with respect to religious choice. Morality cannot be forced and good public policies have to be compatible with human nature.

Although he strongly argues in favor of open markets, he acknowledges that efforts to accumulate wealth can be good or evil. Whether the accumulations of wealth is good or not depends partly upon how one goes about it.

> I willingly grant that **when wealth is acquired by means that are immoral, it has an immoral influence**, as among the Romans. I also allow that when it is developed in a very unequal manner, creating a great gulf between classes, it has an immoral influence, and gives rise to revolutionary passions.
>
> **But does the same thing hold when wealth is the fruit of honest industry and free transactions, and is uniformly distributed over all classes?** That would be a doctrine impossible to maintain. (*Harmonies of Political Economy*, p. 627).

In commercial society, wealth is accumulated through hard work, frugality, and efforts to please consumers, all which tend to be a praiseworthy methods for accumulating wealth.

C. Bastiat and the Morality of Public Policy

Bastiat repeatedly argues that both private and public interests are advanced through limited government and open markets, an opinion that was not clearly articulated in eighteenth century writers such as Kant and Smith, although both favored such governments.

Bastiat suggests that a state that confines itself to ensuring public safety (broadly interpreted) will produce better results than one that undertakes more responsibilities. This is a perspective shared among "doctrinaire Liberals" of the mid nineteenth century throughout Europe and the United States.

> [U]nder such an administration, everyone would feel that he possessed all the fullness, as well as all the responsibility of his existence. **So long as personal safety was ensured, so long as labor was free, and the fruits of labor secured against all unjust attacks, no one would have any difficulties to contend with in the State**. (*The Law,* p. 51).

With respect to other duties that a government may undertake, Bastiat tirelessly reminds his readers to consider both what is seen and what is not seen. For example, with respect to a proposal to spend 60,000 francs on a new theater in Paris he notes:

> Yes, it is to the workmen of the theaters that a part, at least, of these 60,000 francs will go; a few bribes, perhaps, may be abstracted on the way. Perhaps, if we were to look a little more closely into the matter, we might find that the cake had gone another way, and that those workmen were fortunate who had come in for a few crumbs. But I will allow, for the sake of argument, that the entire sum does go to the painters, decorators, etc.
>
> But whence does it come? This is the other side of the question, and quite as important as the former. Where do these 60,000 francs spring from? ...
>
> [I]t is clear that the taxpayer, who has contributed one franc, will no longer have this franc at his own disposal. It is clear that he will be deprived of some gratification to the amount of one franc; and that the workman, whoever he may be, who would have received it from him, will be deprived of a benefit to that amount.
>
> Let us not, therefore, be led by a childish illusion into believing that the vote of the 60,000 francs may add anything whatever to the well-being of the country, and to national labor. It displaces enjoyments, it transposes wages—that is all.
>
> Will it be said that for one kind of gratification, and one kind of labor, it substitutes more urgent, more moral, more reasonable gratifications and labor? I might dispute this; I might say, by taking 60,000 francs from the taxpayers, you diminish the wages of laborers, drainers, carpenters, blacksmiths, and increase in proportion those of the singers. (*That Which is Seen, and That Which is Note Seen*, p. 15).

D. Bastiat's Normative Framework

Bastiat moral or normative assessments rely on "general interests," but in a form that emphasizes material conveniences, what economists would later refer to as goods and services, rather than advancement of private virtue, praise-worthiness, duty, salvation, or the grandeur of the state. In this his policy analyses continues the shift in emphasis from private virtue to civic virtue that began in Locke's analysis and continued through Smith, Kant, and Bentham. He mentions morals and justice as separate categories, but ones that are not disadvantaged by markets under appropriate civil law.

The benefits of specialization and exchange are nearly all expressed in narrow self-interest terms, as would be done in a contemporary microeconomics class. There are mutual gains form exchange. Markets allow persons to "enjoy more in one day than he could himself produce in many ages." The good life in this economic

account is material rather than spiritual, social, or ethical, a common sentiment among economists from Smith's *Wealth of Nations* onward.

Bastiat notes that commerce is not a threat, but a means of obtaining that good life. Moreover, it is means that has gained enormously in its productivity in the period from 1700-1850, as ships became larger and safer, canal and road systems expanded, railroads introduced, and as mass production was gradually being adopted for more and more products. He argues, as did other liberals in France and elsewhere, that the commercial society of France and should be allowed to continue to play an increasing role in life.

> [O]ne can scarcely conceive anything more easily reduced to practice than this—to **allow men to labor, to exchange, to learn, to associate, to act and react on each other**—for, according to the laws of Providence, **nothing can result from their intelligent spontaneity but order, harmony, progress, good, and better still**; better ad infinitum. (*Harmonies of Political Economy*, p. 442).

E. Bastiat's Mode of Argument

As a political activist, rather than an academic philosopher, Bastiat employs arguments that he believes will be persuasive the intended readers of his pieces, to literate Frenchman. He does not attempt to teach his readers about ethics but attempts to use his reader's preexisting ethics to evaluate market outcomes and public policies. The simplicity of Bastiat's arguments relative to Smith and Kant, and their excited presentation, at least partly reflects his intended audience.

Policy proponents and politicians must persuade a broad audience that their interests can be advanced by the same policies. Readers are more likely to agree about their material interests than about ethical or spiritual ones even in Catholic France. Although Bastiat often demonstrates that material interests are advanced through trade and specialization, he does not rely entirely on self-interest-based arguments.

Bastiat also relies heavily on general interests as a norm, a term that he uses in its pre-utillitarian sense, of common interests. He does not assume that it is possible to add up human happiness, but rather suggests that a broad range of persons benefit from commerce, evidently one at time. "General interest" is not an aggregate, as it would be for a utilitarian, rather it is shared or common interests. Indeed, he uses the word utility in its older sense of usefulness (or at least his translator does).

That Bastiat was elected to public office while espousing these ideas suggests that in his part of France support for markets (and other liberal principles) had deepened since the time of Montesquieu. Both his arguments and election to parliament suggest that the arguments of anti-market conservatives had been replaced with a more optimistic assessment of markets. No concern is expressed about tensions between commerce and the good life, instead commerce is argued to promote the good life both materially and morally.

F. The New Opponents of Liberalism

Bastiat's arguments also demonstrate that his opponents are no longer cultural conservatives as had been the case for the previous generation of liberals. The new opponents have greater affinities to More's Utopia, than to medieval theology, familial privilege, and the divine right of kings.[23]

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[23] I refer to Thomas More rather than Karl Marx or other nineteenth century socialists for several reasons. Although Marx had some contact with French intellectuals in the 1840s, his most famous essay, the *Communist Manifesto*, was published in 1848 in German and would not have had a broad impact in France before the time of Bastiat's death in 1850. Marx himself had spent time in France during the 1940's, but partly to study earlier French socialists and communists. Pre-Marxist views of ideal communal societies had been produced by French intellectuals well

He is the first of the authors covered in this volume to address mid to late nineteenth century political debates, when advocates of class conflict, socialism, or communalism replace advocates of the medieval order as the main opponents of classical liberals in policy debates.

> **[T]hose who tell us that capital is by nature unproductive, ought to know that they are provoking a terrible and immediate struggle**.
>
> **If, on the contrary, the interest of capital is natural, lawful, consistent with the general good, as favorable to the borrower as to the lender, the economists who deny it, the writers who grieve over this pretended social wound, are leading the workmen into a senseless and unjust effort which can have no other issue than the misfortune of all.**
>
> I am convinced [that my argument has awakened] doubts in your minds, and scruples in your conscience. You say to yourselves sometimes: "But **to assert that capital ought not to produce interest is to say that he who has created tools, or materials, or provisions of any kind, ought to yield them up without compensation. Is that just?**" (*Capital and Interest*, p. 139-41).

This change in opponents indirectly changed the kinds of normative arguments being made. The public debate had largely shifted from personal behavior and relatively narrow policy issues such as tariffs, public education, and suffrage to system-wide choices. Such debates required broader more general ethical perspectives than provided by rules for private conduct. Bastiat uses a common interest or general welfare norm for doing so.

VII. Conclusions: A Century of Increasing and Deepening Support for Commerce

The age in which classic liberalism emerged is the period in which economics, ethics, and political science became more somewhat specialized fields. Ethics began to be more principle-based, more abstract, and more "other" oriented. The development of character remained part of ethics, but good character increasingly meant that one's dispositions and actions elicited approval from or benefited others, as with Smith's ethics as the pursuit of praise worthiness and Kant's characterization of universal law.

During roughly the same period, a more systematic understanding of commercial systems was developed, although it was less principle-based than the new ethical theories. Smith's and Bastiat's economics provided a more subtle and integrated understanding of the effects of specialization and competition than previous generations had, in part because markets were becoming more extensive and competitive. The logic of the invisible hand overturned centuries of mercantilist arguments that markets needed active regulation to flourish.

Smith, Bastiat, and many others insisted that a supportive civil law is sufficient to promote general interests, much as physical laws determined the orbits of planets and the location of the sun each day. These intellectual developments altered the debate over commerce. It was less concerned with the direct effects of commerce on one's soul or character and more focused on the extent to which public policies could enhance or undermine commercial systems. Prosperity became

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before Marx, as with Saint-Simon, Fourier, and Proudhon. Many of their ideas arguably were presaged by Catholic theories of ideal monastic societies that would go back at least as far as More's clear statement (in Latin) in his *Utopia*. More's vision of the good society was discussed above in chapter 3.

a goal worthy of support rather than a temptation to avoid. This is not to say that the pursuit of wealth was new, but it was increasingly considered admirable rather than a defect of character.

Developments in moral theory were not simply restatements of previous arguments, although the conclusions reached were often similar to those reached by previous generations of philosophers. The new arguments were more analytical and less proscriptive. They were based on one or two principles, which were themselves partly grounded in theories of human nature or life in society. The older religion-based theories did not disappear, but divine texts were reinterpreted and given relatively less attention among theists and intellectuals as life on earth became more central to theories of the good life.

With respect to character development, more stress was placed on virtues that were market supporting. Industry, frugality, prudence and rule-following rose to be among the most important virtues, as others such as bravery, honor, and generosity faded in importance. Careers in commerce were increasingly considered either morally neutral or moral. Commerce was said to support important virtues, as argued by Montesquieu, Franklin, and Bastiat. Material comfort was increasingly used as an index of general welfare, as in Montesquieu, Smith, and Bastiat.

As a consequence, of ethical and economic theories, the West in 1800 had become more supportive of commerce than in any previous time, both at the individual and political levels of discourse. Commerce was largely a virtuous activity, not a distraction. A career in business could be a divine calling rather than temptation, material comforts were a significant part of the good life, indeed an index of a good society. Prosperity and the accumulation of wealth contributed to a nation's stature and power. Moreover, property and trade were causes of international and domestic peace. In the next century, economic progress accelerated and general trends in ethical and political support for markets continued, although new opponents to the commercial life also emerged.

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