

# An Integration of *The Wealth of Nations* *The Theory of Moral Sentiments*

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## Introduction

For either [France or England] to envy the internal happiness and prosperity of the other, the cultivation of its lands, the advancement of its manufactures, the increase of its commerce, the security and number of its ports and harbours, its proficiency in all the liberal arts and sciences, is surely beneath the dignity of two such great nations. These are all real improvements of the world we live in. Mankind are benefited, *human nature is ennobled by them*.<sup>1</sup>

This paper contends that Adam Smith meant what he said; human nature is ennobled by the cultivation of its lands, the advancement of its manufactures, the increase of its commerce, etc. Since it describes the environment in which these improvements will most likely occur, *The Wealth of Nations*<sup>2</sup> provides a base for the ennobling of man's nature, which Smith discusses in *The Theory of Moral Sentiments*.

In *The Wealth of Nations*, Smith describes the political-economic framework within which individuals could prosper, both materially and morally.<sup>3</sup> Although much has been said about the former, very little literature exists regarding the moral development of man within the environment of *The Wealth of Nations*.

Although *The Theory of Moral Sentiments* gives no concise presentation of this concept, it does contain the blocks from which it can be built. Smith's failure to join the two books in this way may have been due to his preoccupation with jurisprudence near the end of his life.<sup>4</sup>

In any regard, Smith discussed four ways in which capitalism "ennobles human nature." First, capitalism develops the impartial spectator (both internal and external). Second, it simultaneously develops self-command and humanity (the awful and amiable virtues). Third, Smith gives examples of how it develops virtue in man. Finally, capitalism develops a set of general rules of conduct that lead to

moral activity. This paper begins with a review of the relevant concepts from *The Wealth of Nations*, then discusses each of the four items from *The Theory of Moral Sentiments* in turn, and finishes with a brief summary.

### Review of Concepts

The environment Smith proposed—capitalism—is a nonviolent, voluntary-exchange, limited-government, largely spontaneously ordered society where individuals interact within a system of natural law. Two of these laws have important implications for this paper. First, capitalism rests on a system of just property rights.<sup>5</sup> Each individual has ownership rights over his person and the property he creates or transforms with his labor. In addition, the individual has the absolute right to be free from any aggression by other men. Aggression is the initiation of the use or threat of physical violence against his person or property. Second, and related, capitalism is a society of contract. One of the rights of ownership is the right to exchange. The free market system is the total of all such voluntary (and thus mutually beneficial) exchanges of alienable property titles. No individual can prevent voluntary exchanges by the use or threat of violence. In other words, no special privileges exist to create and maintain a caste system by violence.

Under capitalism, the only legitimate way for an individual to accomplish his goals is the economic means—production and exchange in accordance with the values of other individuals. The greater the value others place on an individual's activity, the greater his monetary gain. This income can then be used to induce the cooperation of others to achieve his goals. Such incentive leads to production gains, but the greatest advance in productivity comes from the division of labor allowed by the ability to exchange.

The division of labor proceeds according to each individual's relative productivity in various occupations. Free exchange induces this result, as individuals earn higher incomes where they are the most productive to others. Yet, with everyone specializing in particular tasks, how will they be coordinated? Individuals with comparative advantages (capitalists) will specialize in coordinating supply to demand. To prosper they must allocate resources to coincide with the values all individuals place on their service. Thus, under capitalism, not only is wealth created but, once in existence, it is channeled into highly valued activities.

The environment Smith opposed—mercantilism—is a society of status. All men are not extended equal rights according to the natural law. States use aggressive violence to create a superhuman caste (those with superior rights) at the expense of the subhuman caste (those with inferior rights). The former gain wealth by the political means—the use of violence. Competition to gain status with those who control the state places wealth in the hands of men with comparative advantage, not in serving others but in exploiting them. In addition, such a system stunts productivity by eliminating incentives to engaged in productive competition and by inhibiting—through the establishment of castes—the division of labor.<sup>6</sup>

These conclusions regarding man's material growth have been extensively explored. The next four sections contrast Smith's view of the moral development of man under these two alternative systems.

### The Development of Impartial Spectators

Adam Smith believed that nature gave man not only self-love but fellow-feeling for others.<sup>7</sup> The latter Smith called sympathy. "Sympathy . . . may now be made use of to denote our fellow-feeling with any passion whatever."<sup>8</sup> This sympathy has two versions: immediate and imaginative. Immediate sympathy is "transfused from one man to another, instantaneously, and antecedent to any knowledge of what excited them in the person principally concerned."<sup>9</sup> Imaginative sympathy arises "from the situation which excites it" as "we put ourselves in his case."<sup>10</sup> When an onlooker mentally switches roles with the person he is observing, his feeling must develop through imagination, since this spectator can feel something the actor does not seem to feel. For example, through the illusion of imagination "arises the dread of death . . . the great restraint upon the injustice of mankind."<sup>11</sup>

It is important for Smith's theory that sympathy has its greatest intensity when it is mutual. "Nothing pleases us more than to observe in other men a fellow-feeling with all the emotions of our own breast; nor are we ever so much shocked as by the appearance of the contrary."<sup>12</sup> This mutual sympathy forms bonds between individuals that hold society together. It develops through role switching and the sentiment of approbation that follows.

We approve of another's reaction to his circumstance if that reaction is not excessive, as judged by what we imagine our reaction would be in similar circumstance. This approbation is "ultimately founded upon a sympathy."<sup>13</sup>

To approve of the passions of another as suitable to their objects, is the same thing as to observe that we entirely sympathize with them; and not to approve of them as such, is the same thing as to observe that we do not entirely sympathize with them.<sup>14</sup>

Smith continues to develop the function of sympathy in society by noting that

The sentiment or affection of the heart from which any action proceeds, and upon which its whole virtue or vice must ultimately depend, may be considered under two different aspects . . . first, in relation to the cause which excites it, or the motive which gives occasion to it; and secondly, in relation to the end which it proposes, or the effect which it tends to produce.<sup>15</sup>

In the proportion or disproportion which the affection seems to bear to the cause or object which excites it, consists the propriety or impropriety . . . of the consequent action. In the beneficial or hurtful nature of the effects which the affection aims at, or tends to produce, consists the merit or demerit of the action.<sup>16</sup>

When we judge in this manner of any affection . . . it is scarce possible that we should make use of any other rule or canon but the correspondent affection in ourselves.<sup>17</sup>

We may judge of the propriety or impropriety of the sentiments of another person by their correspondence or disagreement with our own, upon two different occasions; either, first, when the objects which excite them are considered without any peculiar relation, either to ourselves or to the person whose sentiments we judge of; or, secondly, when they are considered as peculiarly affecting one or other of us.<sup>18</sup>

Regarding these last items, which personally affect us, Smith says,

But if you have either no fellow-feeling for the misfortunes I have met with, or none that bears any proportion to the grief which distracts me; or if you have either no indignation at the injuries I have suffered, or none that bears any proportion to the resentment which transports me, we can no longer converse upon these subjects. We become intolerable to one another.<sup>19</sup>

Thus, society requires the (even if imperfect) coincidence of sentiments between spectator and actor. Smith outlines the process by which this happens.

“The spectator must, first of all, endeavour, as much as he can, to put himself in the situation of the other, and to bring home to himself every little circumstance of distress which can possibly occur to the sufferer. And strive to render as perfect as possible, that imaginary change of situation upon which his sympathy is founded.”<sup>20</sup> After all this, the spectators “though naturally sympathetic, never conceive, for what has befallen another, that degree of passion which naturally animates the person principally concerned.”<sup>21</sup> Yet, the person principally concerned “longs for that relief which nothing can afford him but the entire concord of the affections of the spectators with his own. But he can only hope to obtain this by lowering his passion to that pitch, in which the spectators are capable of going along with.”<sup>22</sup> The sentiments (through this process) of the principal actor and that of the spectator

have such a correspondence with one another, as is sufficient for the harmony of society. In order to produce this concord, as nature teaches the spectators to assume the circumstances of the person principally concerned, so she teaches this last in some measure to assume those of the spectator. As their sympathy makes them look at it, in some measure, with his eyes, so his sympathy makes him look at it, in some measure, with theirs, especially when in their presence and acting under their observation: and as the reflected passion, which he thus conceives, is much weaker than the original one, it necessarily abates the violence of what he felt before he came into their presence . . . and [enables him] to view his situation in this candid and impartial light.<sup>23</sup>

The role in society of the sympathy so created is to allow men to live together in harmony. The society that men establish, in turn, helps them. “Society and conversation, therefore, are the most powerful remedies for restoring the mind

to its tranquility, if, at any time, it has unfortunately lost it; as well as the best preservatives of that equal and happy temper, which is so necessary to self-satisfaction and enjoyment."<sup>24</sup>

The political-economic system of capitalism described in *The Wealth of Nations* tends to create both an internal and external impartial spectator. The former is brought about by the vast amounts of role switching (of the type that creates coincidence of sentiments between individuals) due to the almost infinite interdependence of individuals in a system of markets. Each participant in every exchange must gain the voluntary cooperation of the other party. By role switching, each individual comes to understand the viewpoint of other parties and thus how to induce them to trade. If, initially, the buyer bids a price less than the price the seller offers, they bargain until a coincidence is reached. The result of this moderation is a working market system of interaction—analogue with Smith's moderating of sentiments producing a society. Capitalism provides a fertile ground for development of the internal impartial spectator.

In contrast, mercantilism is not conducive to the formation of this spectator. The wielder of violence has little incentive to switch roles with his victim. In his turn, the victim comes not to understand but to resent his master.

The external impartial spectator represents the sum of all other participants' evaluation of an actor's activity. These evaluations consist of bids and offers in prices freely made in voluntary trades. The sum of these—the market price—represents an impartial evaluation made by all participants of the actor's market activity. In mercantilism, the hampering of trades in the market by violence distorts this evaluation. Hence, no external impartial spectator can develop.

In capitalism, both the internal and external spectators tend to be impartial as opposed to partial. Those who show favoritism in the market get outbid by those who measure an activity's value more accurately. For Smith, it is essential that the environment (in which a spectator emerges) generate an impartial spectator.

The propriety of our moral sentiments is never so apt to be corrupted, as when the indulgent and partial spectator is at hand, while the indifferent and impartial one is at a great distance.<sup>25</sup>

This self-deceit, this fatal weakness of mankind, is the source of half the disorders of human life. If we saw ourselves in the light in which others see us, or in which they would see us if they knew all, a reformation would generally be unavoidable. We could not otherwise endure the sight.<sup>26</sup>

In a market system, each of our actions is judged by several other market participants. In this way, an external impartial spectator always exists to temper our conduct. Smith claims that no innate, internal, moral sense exists. Only the impartial spectator can accomplish this task. The internal "man within the breast" develops only a hospitable environment—a society of contract.

In contrast, within a society of status—the mercantilism of Smith's day—favoritism is the norm. The most harmful result of mercantilism in Smith's view

was the moral, and productive, degeneration of the owners of wealth. Smith makes numerous reference to the social benefits of transferring wealth from an unproductive, immoral privileged caste to capitalists.<sup>27</sup> Because the latter must continually please others, they become both productive and moral.

### The Development of Self-Command and Humanity

As well as holding society together by creating an impartial spectator, this dual role-switching forms the basis for "two different sets of virtues."<sup>28</sup> First, the amiable virtues such as humanity and condescension. Second, the awful "virtues of self-denial, of self-government, of that command of the passions which subjects all the movements of our nature to what our own dignity and honour, and the propriety of our own conduct require."<sup>29</sup> By creating an impartial spectator, role-switching develops these virtues in man and leads finally to the perfection of human nature.

And hence it is, that to feel much for others and little for ourselves, that to restrain our selfish, and to indulge our benevolent affections, constitutes the perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety. As to love our neighbour as we love ourselves is the great law of Christianity, so it is the great precept of nature. . . .<sup>30</sup>

For Smith this perfection of human nature (indeed the development of every virtue) requires practicing role switching: "that great discipline which Nature has established for the acquisition of this and of every other virtue; a regard to the sentiments of the real or supposed spectator of our conduct."<sup>31</sup>

Smith illustrates the development of the impartial spectator within the family; he then proceeds to its role within capitalism.

{The situation of brothers and sisters} renders their mutual sympathy of the utmost importance to their common happiness; and, by the wisdom of nature, the same situation, *by obliging them to accommodate to one another*, renders that sympathy more habitual, and thereby more lively, more distinct, and more determinate.<sup>32</sup>

In a free market system, every exchange is one of mutual accommodation, just as it is in a family, and thus strengthens sympathy.

Among well-disposed people, the necessity or conveniency of mutual accommodation, very frequently produces a friendship not unlike that which takes place among those who are born to live in the same family. Colleagues in office, partners in trade, call one another brothers; and frequently feel towards one another as if they really were so.<sup>33</sup>

This natural disposition to accommodate and to assimilate, as much as we can, our own sentiments, principles, and feelings, to those which we see fixed and rooted in the persons whom we are obliged to live and converse a great

deal with, is the cause of the contagious effects of both good and bad company. The man who associates chiefly with the wise and virtuous, though he may not himself become either wise or virtuous, cannot help conceiving a certain respect at least for wisdom and virtue; and the man who associates chiefly with the profligate and the dissolute, though he may not himself become profligate and dissolute, must soon lose, at least, all his original abhorrence of profligacy and dissolution of manners.<sup>34</sup>

Smith proceeds to describe how a child matures by gaining self-command through the use of role switching. The child learns to moderate his behavior only when exposed to a particular environment. In Smith's words when he is "old enough to go to school, or to mix with [his] equals."<sup>35</sup> He "naturally wishes to gain their favour, and to avoid their hatred . . . and [he] soon finds that [he] can do so in no other way than by moderating . . . all [his] passions, to the degree which [his] play-fellows and companions are likely to be pleased with."<sup>36</sup>

Thus, the virtues a person develops depend upon the environment in which role switching occurs.

The different situations of different ages and countries are apt, in the same manner, to give different characters to the generality of those who live in them, and their sentiments concerning the particular degree of each quality, that is either blamable or praise-worthy, vary, according to that degree which is usual in their own country, and in their own times. Every age and country look upon that degree of each quality, which is commonly to be met with in those who are esteemed among themselves, as the golden mean of that particular talent or virtue. And as this varies, according as their different circumstances render different qualities more or less habitual to them, their sentiments concerning the exact propriety of character and behaviour vary accordingly.

Among civilized nations, the virtues which are founded upon humanity, are more cultivated than those which are founded upon self-denial and the command of the passions. Among rude and barbarous nations, it is quite otherwise, the virtues of self-denial are more cultivated than those of humanity. The general security and happiness which prevail in ages of civility and politeness, afford little exercise to the contempt of danger, to patience, in enduring labour, hunger, and pain. Poverty may easily be avoided, and the contempt of it therefore almost ceases to be a virtue. The abstinence from pleasure becomes less necessary, and the mind is more at liberty to unbend itself, and to indulge its natural inclinations in all those particular respects.<sup>37</sup>

For Smith, a particular environment is necessary for man to develop each type of virtue. Within this environment, he becomes perfected by observing others and practicing sympathy.

The wise and just man who has been thoroughly bred in the great school of self-command, *in the bustle and business of the world* . . . maintains this control of his passive feelings upon all occasions. He has never dared to forget for one moment the judgment which the impartial spectator would pass upon

his sentiments and conduct. He has been in the *constant practice*, and, indeed, under the constant necessity, of modelling, or of endeavouring to model, not only his outward conduct and behaviour, but, as much as he can, even his inward sentiments and feelings, according to those of this awful and respectable judge.<sup>38</sup>

Man becomes wise and just in the environment of business as he practices using sympathy to judge his behavior. It is this environment that Smith describes in *The Wealth Of Nations*. Smith continues this line of reasoning as he describes the man of perfect virtue.

Is he who joins, to the most perfect command of his own original and selfish feelings, the most exquisite sensibility both to the original and sympathetic feelings of others. The person best fitted by nature for acquiring the former of those two sets of virtues, is likewise best fitted for acquiring the latter. He has the disposition which fits him for acquiring the most perfect self-command; but he [may have] never had the opportunity for acquiring it. Exercise and practice have been wanting; and without these no habit can ever been tolerably established. Hardships, dangers, injuries, misfortunes, are the only masters under whom we can learn the exercise of this virtue.<sup>39</sup>

Capitalism provides the environment necessary for development of this virtue. It is unique to capitalism, as an economic system, that an individual can further his goals only by furthering the goals of others. Each exchange in the system of free voluntary markets gives benefit to both parties. Thus, an individual can simultaneously be under the constant pressure of competition to practice self-command and be humanitarian. Yet, neither type of virtue develops in mercantilism. The privileged caste, not subject to competitive pressures, cannot develop self-command. Men who can use violence to achieve their goals are unlikely to become humane. For Smith, different environments create in men different morals.

The situations in which the gentle virtue of humanity can be most happily cultivated, are by no means the same with those which are best fitted for forming the austere virtue of self-command. Under the boisterous and stormy sky of war and faction, of public tumult and confusion, the sturdy severity of self-command prospers the most, and can be the most successfully cultivated. But, in such situations, the strongest suggestions of humanity must frequently be stifled or neglected; and every such neglect necessarily tends to weaken the principle of humanity. [The soldier] is too apt to learn to make light of the misfortunes which he is so often under the necessity of occasioning; and the situations which call forth the noblest exertions of self-command, by imposing the necessity of violating sometimes the property, and sometimes the life of our neighbour, always tend to diminish, and too often to extinguish altogether, that sacred regard to both, which is the foundation of justice and humanity. It is upon this account, that we so frequently find in the world men of great humanity who have little self-command . . . and, on the contrary, men of the most perfect self-command . . . who . . . seem to be hardened against all sense either of justice or humanity.<sup>40</sup>



For Smith, the most important class of people affected by the environment are the holders of wealth. Mercantilism, by giving protected status to landlords and merchants, cannot induce them to develop the two types of virtue. Yet, in capitalism, capitalists must develop self-command to survive the competition in the market. Simultaneously, their acts of saving and investment have vastly improved the lives of common men. Only in capitalism can the perfectly virtuous man develop. The next section discusses this development process.

### The Development of Virtue

The qualities most useful to ourselves are, first of all, superior reason and understanding, by which we are capable of discerning the remote consequences of all our actions, and of foreseeing the advantage or detriment which is likely to result from them: and secondly, self-command, by which we are enabled to abstain from present pleasure or to endure present pain, in order to obtain a greater pleasure or to avoid a greater pain in some future time. In the union of these two qualities consists the virtue of prudence, of all the virtues that which is most useful to the individual.<sup>41</sup>

To prosper in capitalism, an individual must combine superior reason with self-command. Furthermore, an individual must become prudent to gain other virtues.

Though it is in order to supply the necessities and conveniencies of the body, that the advantages of external fortune are originally recommended to us, yet we cannot live long in the world without perceiving that the respect of our equals, our credit and rank in the society we live in, depend very much upon the degree in which we possess, or are supposed to possess, those [external fortunes]. The desire of becoming the proper objects of this respect . . . is, perhaps, the strongest of all our desires, and our anxiety to obtain the advantages of fortune is accordingly much more excited and irritated by this desire. . . .<sup>42</sup>

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.<sup>43</sup>

By being the object of approbation, prudence leads to higher virtues. "In the steadiness of his industry and frugality . . . the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator, and of the representative of the impartial spectator, the man within the beast."<sup>44</sup> In addition, "the man who lives within his income, is naturally contented with its situation, which . . . is growing better and better every day."<sup>45</sup> Even though "prudence . . . when directed merely to the care of the health, of the fortune, and of the rank and reputation . . . never is considered as one, either of the most endearing, or of the most ennobling of the virtues,"<sup>46</sup> yet "when directed to greater and nobler purposes,"<sup>47</sup> it becomes superior prudence.

This superior prudence, when carried to the highest degree of perfection, necessarily supposes the art, the talent, and the habit or disposition of acting with the most perfect propriety in every possible circumstance and situation. It necessarily supposes the utmost perfection of all the intellectual and of all the moral virtues. It is the best head joined to the best heart. It is the most perfect wisdom combined with the most perfect virtue.<sup>48</sup>

Just as "war is the great school for both acquiring and exercising this species of magnanimity,"<sup>49</sup> free markets are the great developing ground for prudence. In contrast, prudence is not the method of prospering in mercantilism. Wealth accrues to those who gain the favor of the state—a boon for which attributes other than prudence are required. Since prudence does not develop, neither can higher virtue (i.e., superior prudence).

Dealing with the virtue of benevolence and its development in man, Smith states,

Of all the persons, however, whom nature points out for our peculiar beneficence, there are none to whom it seems more properly directed than to those whose beneficence we have ourselves already experienced. Nature, which formed men for that mutual kindness, so necessary for their happiness, renders every man the peculiar object of kindness, to the persons to whom he himself has been kind. Though their gratitude should not always correspond to his beneficence, yet the sense of his merit, the sympathetic gratitude of the impartial spectator, will always correspond to it.<sup>50</sup>

Since mutual advantage (kindness) is shown in every free market trade, capitalism tends to spread beneficence. Yet, the superior-inferior relationships of mercantilism lack mutual kindness. Such relationships will not gain the approbation of the impartial spectator, and thus individuals will not develop beneficence.

After the persons who are recommended to our beneficence, either by their connection with ourselves, by their personal qualities, or by their past services, come those who are pointed out . . . by their extraordinary situation; the greatly fortunate and greatly unfortunate, the rich and the powerful, the poor and the wretched. . . . The peace and order of society [is], in a great measure, founded upon the respect which we naturally conceive for the former. This fascination [for the rich], indeed, is so powerful, that the rich and the great are too often preferred to the wise and virtuous. Nature has wisely judged that . . . the peace and order of society, would rest more securely upon the plain and palpable difference of birth and fortune, than upon the invisible and often uncertain difference of wisdom and virtue.<sup>51</sup>

In a market system, the rich and powerful (the capitalists) tend to be the prudent and productive. That is, they tend to be those who are developing virtue. Thus, by imitating virtuous individuals, the masses tend to become more virtuous.

"By this admiration of success we are taught to submit more easily to those superiors, whom the course of human affairs may assign to us."<sup>52</sup> In capitalism, success is gained by the productive, through cooperation with and aid of others.

The peace and order of society corresponds to an environment where virtue develops.

In mercantilism, the rich and powerful are those who can violently protect their special privilege. Since they will not be virtuous, the masses, when imitating them, will not become virtuous.

The next section extends this theme of imitation to the development of a set of general rules in society.

### Development of General Rules

The coarse clay of which the bulk of mankind are formed, cannot be wrought up to . . . perfection. There is scarce any man, however, who by discipline, education, and example, may not be so impressed with a regard to general rules, as to act upon almost every occasion with tolerable decency, and through the whole of his life to avoid any considerable degree of blame. Without this sacred regard to general rules, there is no man whose conduct can be much depended upon. It is this which constitutes the most essential difference between a man of principle and honour and a worthless fellow.<sup>53</sup>

For Smith, most men cannot develop an impartial spectacular through self-command and role switching. They are too swayed by self-love.

Nature, however, has not left this weakness, which is of so much importance, altogether without a remedy; nor has she abandoned us entirely to the delusions of self-love. Our continual observations upon the conduct of others, insensibly lead us to form to ourselves certain general rules concerning what is fit and proper either to be done or to be avoided. It is thus that the general rules of morality are formed. They are ultimately founded upon experience of what, in particular instances, our moral faculties, our natural sense of merit and propriety, approve, or disapprove of. We do not originally approve or condemn particular actions; because, upon examination, they appear to be agreeable or inconsistent with a certain general rule. The general rule, on the contrary, is formed, by finding from experience, that all actions of a certain kind, or circumstanced in a certain manner, are approved or disapproved of.<sup>54</sup>

Those general rules of conduct, when they have been fixed in our mind by habitual reflection, are of great use in correcting the misrepresentations of self-love concerning what is fit and proper to be done in our particular situation.<sup>55</sup>

The regard to those general rules of conduct, is what is properly called a sense of duty, a principle of the greatest consequence in human life, and the only principle by which the bulk of mankind are capable of directing their actions.<sup>56</sup>

In capitalism those whose conduct is most observed (capitalists) act virtuously. By following virtuous examples, the general rules developed in a free market system lead most men to act properly. The general rules of mercantilism will be founded on the behavior necessary to gain access to and use violence. Most men will not act virtuously in such an environment.

In addition, the market links virtue with reward and thus brings man's sentiments in line with nature's course.

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. What is the reward most proper for encouraging industry, prudence, and circumspection? Wealth and external honours are their proper recompense, and the recompense which they can seldom fail of acquiring. What reward is most proper for promoting the practice of truth, justice, and humanity? The confidence, the esteem, and love of those we live with. Humanity does not desire to be great, but to be beloved.<sup>57</sup>

But though the general rules by which prosperity and adversity are commonly distributed, when considered in this cool and philosophical light, appear to be perfectly suited to the situation of mankind in this life, yet they are by no means suited to some of our natural sentiments. Our natural love and admiration for some virtues is such, that we should wish to bestow on them all sorts of honours and rewards, even those which we must acknowledge to be the proper recompenses of other qualities, with which those virtues are not always accompanied.<sup>58</sup>

The harmony of nature and man becomes more complete in a society of contract. To prosper, capitalists must be prudent. When applying prudence to higher ends, capitalists develop higher virtues. The reward of wealth that naturally goes to the prudent will go the virtuous as well. And others who cannot acquire virtue will follow virtuous examples of these entrepreneurs. In contrast, the society of status does not reward prudence. The greatest wealth goes to those who best manipulate the coercive power of the political system. Man's course will diverge from that of nature.

### Conclusions

This paper has constructed an integration between Smith's two works on four pillars: the development of (1) impartial spectators, (2) self-command and humanity simultaneously, (3) virtues, and (4) general rules of conduct. When joined in this way, capitalism is the environment that prompts the prosperity of man's material and moral statures. Furthermore, this completes Smith's system. The *Wealth of Nations* contains his political ethics and *Moral Sentiments* constructs his views on personal ethics; integrating the two books reveals a real world environment for achieving his ethical goals.

### Notes

1. Adam Smith, *The Theory of Moral Sentiments*, Glasgow Edition (Indianapolis: Liberty Classics, 1982), p. 229.

2. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. Edward Cannan (New York: Random House, 1937).
3. For example, see Nathan Rosenberg, "Some Institutional Aspects of the Wealth of Nations," *Journal of Political Economy* 68 (1960):557-70.
4. Smith, *Moral Sentiments*, Advertisement.
5. For discussion of property rights, see John Locke, *An Essay Concerning the True Original, Extent and End of Civil Government*, in E. Barker, ed., *Social Contract* (New York: Oxford University Press, 1948), pp. 17-18; or Murray Rothbard, *For a New Liberty* (New York: Macmillan, 1978), pp. 23-24.
6. Smith, *Wealth of Nations*. For the economic impact of mercantilism, see pp. 398-446. Also of interest is his discussion of new colonies, pp. 523-56.
7. Smith, *Moral Sentiments*, p. 9.
8. *Ibid.*, p. 10.
9. *Ibid.*, p. 11.
10. *Ibid.*, p. 12.
11. *Ibid.*, p. 13.
12. *Ibid.*
13. *Ibid.*, p. 17.
14. *Ibid.*, p. 16.
15. *Ibid.*, p. 18.
16. *Ibid.*
17. *Ibid.*
18. *Ibid.*, p. 19.
19. *Ibid.*, p. 21.
20. *Ibid.*
21. *Ibid.*
22. *Ibid.*, p. 22.
23. *Ibid.*
24. *Ibid.*, p. 23.
25. *Ibid.*, p. 154.
26. *Ibid.*, pp. 158-59.
27. Smith, *Wealth of Nations*: pp. 247-50, 314-32, 363-64.
28. Smith, *Moral Sentiments*, p. 23.
29. *Ibid.*
30. *Ibid.*, p. 25.
31. *Ibid.*, p. 145.
32. *Ibid.*, p. 220. (Emphasis added.)
33. *Ibid.*, pp. 223-24.
34. *Ibid.*, p. 224.
35. *Ibid.*, p. 145.
36. *Ibid.*
37. *Ibid.*, pp. 204-5.
38. *Ibid.*, p. 146. (Emphasis added.)
39. *Ibid.*, pp. 152-53.
40. *Ibid.*, p. 153.
41. *Ibid.*, p. 189.
42. *Ibid.*, pp. 212-13.
43. *Ibid.*, p. 213.
44. *Ibid.*, p. 215.
45. *Ibid.*
46. *Ibid.*, p. 216.
47. *Ibid.*
48. *Ibid.*
49. *Ibid.*, p. 239.
50. *Ibid.*, p. 225.

51. *Ibid.*, pp. 225-26.
52. *Ibid.*, p. 253.
53. *Ibid.*, pp. 162-63.
54. *Ibid.*, p. 159.
55. *Ibid.*, p. 160.
56. *Ibid.*, pp. 161-62.
57. *Ibid.*, p. 166.
58. *Ibid.*, p. 167.