

On Vernon's Smith

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Friends of Adam Smith have good reason to be grateful to Vernon Smith – indeed two good reasons. First, in developing the fundamental distinction between personal and market exchange that undergirds some of the experimental work for which he won the Nobel Prize, Vernon Smith credits Adam Smith as both a predecessor and inspiration – an honor which would no doubt make our modest Scot blush, but which specialists on his thought will quite willingly accept on his behalf. Second, in the course of developing his reflections on his debts to Adam Smith, Vernon Smith sets forth a distinction that is in its own right of great benefit to Adam Smith specialists and which deserves greater attention than it has thus far received from them: namely the distinction between reciprocated and non-reciprocated exchange behaviors that Vernon Smith suggests is the key to solving the notorious “Adam Smith Problem.”

Clearly then there is cause for mutual admiration and appreciation. Yet still one might wonder: are Adam Smith and Vernon Smith really playing on the same team? In slightly less colloquial language: are Vernon Smith’s conclusions – and indeed even his very questions – the same as those envisioned or sought by Adam Smith? In a very real and very deep sense, I think the answer is yes. But on three fronts it seems to me there is at least some reason to think there might be more divergence than convergence. First, on my reading Adam Smith is quite keen to defend the existence of non-reciprocated ethical behavior and indeed to celebrate such behavior as the very peak of virtue. Second, Adam Smith (again on my reading) defends intended beneficent activity as a genuine and even necessary political and ethical good. Third, Adam Smith (on any reading) places primary emphasis on the distinction between the “social” and “unsocial” passions, regarding this as a better means of distinguishing the passions than the familiar typology of selfish and

altruistic. Yet if I understand him correctly, Vernon Smith departs from Adam Smith on each of these three fronts: his account of reciprocity in small group exchange relegates non-reciprocated behavior to the realm of self-interested actors in large-group exchange; his emphasis on the limits of rational intentionality leads him to be skeptical of intended beneficence; and his approach to moral psychology – even as it ultimately leads fruitfully beyond stale debates over egoism vs. altruism – points in a quite different direction from Adam Smith’s distinction between the social and the unsocial.

What then to make of these seeming divergences? Here I think there is room for a potentially quite productive engagement. This engagement as I envision it would eschew the bloodsport question (e.g., “who’s right: Vernon or Adam?”) and instead ask what is to my mind a more interesting and more fruitful question, namely: are there other ideas set forth by Adam beyond those already considered by Vernon which would benefit from the scrutiny of the experimentalist? Working under the hopeful suspicion that the answer to this latter question is in fact yes, I focus here on three such ideas, wonderfully elaborated by Adam Smith and of great potential interest to both Smith specialists and experimental economists: praiseworthiness, intended beneficence, and social v. unsocial behavior.

Two disclaimers before we start. The first concerns the spirit of the analysis that follows. I note at the outset that it would be easy for this sort of encounter to degenerate quickly into the specialized methodological bickering that Adam Smith himself dismissed as “the abstruse syllogisms of a quibbling dialectic” (TMS 3.3.30). That is, having spent the greater part of the past twelve years working on *The Theory of Moral Sentiments*, I’m reasonably confident that I know a few details about TMS that those who haven’t had this good fortune may not (at least I certainly should). Conversely – and far more damningly

to myself – the limits of my grasp of experimental economics will be readily apparent; I concede from the outset that Vernon Smith’s knowledge of Adam Smith far eclipses this Smith specialist’s familiarity with Vernon Smith’s own field. I mention this at the outset only to make clear that the disciplinary one-upmanship that seems endemic to even well-intended attempts at interdisciplinary conversation seems particularly worthless here. So rather than engage in such, my hope is that it might be possible to pursue an engagement which focuses less on the benefits and limits of a particular methodology than it does on what I take to be the deepest point of similarity between Vernon Smith and Adam Smith: namely their shared interest in the substantive problems of human coordination raised by the human condition itself.

My second disclaimer concerns my shorthand for our two subjects. The fact that they share the same surname is significant only insofar as it makes repeated references to them by first and last name together terribly tedious. To avoid such tedium, I hope I can be forgiven if I refer to our subjects in the text and notes (and title) by first names. And I hasten to add that this cannot be construed to imply any personal familiarity whatsoever. Neither twelve years studying Adam nor two passing meetings with Vernon entitle me to use first-name address for any reason other than shorthand convenience; indeed I have no reason to believe that Vernon would (so to speak) know me from Adam!

### **Vernon’s Smith**

To begin: one of the most striking elements of Vernon’s striking and celebrated corpus is its generous acknowledgment of the work of its predecessors. And while this corpus identifies several of these predecessors by name – from eighteenth-century Scots such as Hume to twentieth-century Austrians such as Hayek – it seems fair to say that the

influence of Adam is especially prominent and celebrated by Vernon. In light of this, we might begin by briefly sketching how Vernon characterizes his debts to Adam's influence in helping him to formulate his central ideas. Vernon describes these debts in some detail in three specific essays: his 1997 Distinguished Guest Lecture to the Southern Economic Association, subsequently published as "The Two Faces of Adam Smith" (Vernon 1998); the introductory chapter to his more recent monograph *Rationality in Economics* (Vernon 2008); and an even more recent but very brief reply to his critics, published under the title "What Would Adam Smith Think?" (Vernon 2010).

The first of these (Vernon 1998) takes as its point of departure the famed "Adam Smith Problem": that is, the ostensible tension between the other-directed and benevolent moral psychology on which the social system of *The Theory of Moral Sentiments* is said to be founded and the self-interested moral psychology on which the system described in the *Wealth of Nations* is said to be predicated. Smith scholars have long debated whether there really is such a problem insofar as Adam is concerned; a great deal of ink has been spilled on the subject since *Das Problem* was set forth by August Oncken in 1898. That said, however relevant or irrelevant *Das Problem* is to our understanding of Adam, what drives it – the apparent tension between seemingly self-interested and seemingly altruistic tendencies in human behavior – has been and continues to be an important heuristic in the history and practice of the modern social sciences. Yet it was Vernon's achievement to suggest – with reference both to Adam's theoretical insights and his experimental results – that the conventional formulations of the "tension" are the result of a misunderstanding. That is, against the idea that there are somehow two Adams, or even two sides of human nature, Vernon, following Adam, argues that in fact there is only a single human nature

that merely expresses itself in different ways under different conditions and in different contexts. In Vernon's own words, in order to see that "what would appear to be directly contradictory views of human nature held by Adam Smith" – e.g., "noncooperative self-interest and other regarding sympathy" – are "not contradictory," we must "distinguish impersonal market exchange and personal economic exchange" (Vernon 1998, 2). By reorienting our perspective with regard to how we understand the context of expression, we come to see that the ostensible "tension" in our moral psychology is more apparent than real. Further, "if we recognize that a universal propensity for social exchange is a fundamental distinguishing feature of the hominid line, and that it finds expression in both personal exchange in small-group social transactions and in impersonal exchange through large-group markets," we reach two useful conclusions (Vernon 1998, 3). First, the conventional dichotomy between egoism and altruism will come to be seen as resting on a category mistake; hopelessly mired in a tired debate over how to understand human nature, the conventional dichotomy obscures our capacity to appreciate that the apparent differences are attributable simply to the different expressions of our natures in different contexts. This has payoffs on multiple fronts, not least of which is that it illuminates the deficiencies of all systems that reduce the mind to "a general purpose logic machine" in which "all decision tasks, regardless of context, constitute maximization problems subject to external constraints" (Vernon 1998, 7). But however crucial this may be, there is also a payoff for students of Adam, as this reorientation of focus away from "human nature" to contexts of expression helps us see that Adam "was talking about the juxtaposition of positive reciprocity and self-loving, or noncooperative behavior." Put slightly differently "the puzzle" implicit in *Das Problem* is how a single being can be both cooperating and

non-cooperating, and the “key” to its solution is a distinction between impersonal large group exchange and social small group exchange (Vernon 1998, 8; cf. 16-17). I want to come back to this below. But for now the important point is Vernon’s claim that Adam was working with two main categories: positive reciprocity (understood as the reciprocal benevolence exhibited by individuals in small groups) and non-cooperative behavior (or self-interested utility maximization in large groups).

In his more recent book *Rationality in Economics* these same themes are further developed, and indeed in a way that further illuminates Vernon’s debts to Adam. These debts are in fact strikingly acknowledged from the start, with Vernon paying homage in his preface to the “incredible Scottish Enlightenment” and “Scottish geniuses,” naming David Hume and Adam Smith in particular (Vernon 2008, xvi). And in becoming bolder in his praises of the Scots, Vernon also becomes somewhat bolder in his treatment of the Adam Smith Problem; indeed here we are forthrightly told that the ostensible Problem is in fact “an artificial problem” founded on the failure to appreciate the distinction between “personal exchange” and “impersonal exchange in markets” (Vernon 2008, 7). Now, all this is essentially familiar from the earlier piece. But what is new here is the theoretical framework in which the distinction is cast, for now the key problem is taken to be chiefly epistemological. In particular, the heart of the problem lies in the distinction between the two forms of rationality invoked in the book’s subtitle: the “constructivist” rationality by which a given agent purposefully uses his or her practical reason to establish a normative solution to a specific practical problem, and the “ecological” rationality embodied in the complex system of social norms and moral rules that is a preeminent part of our cultural and evolutionary inheritance and which reflects the aggregated and distilled collective

wisdom that emerges from human interaction in the absence of conscious human design (Vernon 2008, 2). And here too Vernon insists that the Scots were the true pioneers of this distinction, insisting that the “coexistence” of these two forms of rationality was in fact “well understood” by Smith and Hayek alike (Vernon 2008, 7). Here again Vernon is well positioned to remind Smith specialists of something all-too-often overlooked: that Adam was himself well aware of the complex range of types of social interaction, and the consequent need for us to employ different mental mechanisms in different contexts – an idea that has recently been given new life in the specialist literature in the debate over the extent of Adam’s ostensible “cosmopolitanism” (e.g. Forman-Barzilai 2010). But for our purposes, the significance of the distinction between the constructivist and the ecological lies in its implications for an understanding of other-regarding behavior. First, ecological rationality to some degree serves as a substitute for conscious intended beneficence; that is, one of the benefits of a focus on ecological rationality is that the wisdom embodied in the norms and codes of evolutionarily-successful groups can serve to supplant traditional focus on the moral psychology of other-directed agent motivation – a notoriously messy business. Second and similarly, the ecological rationality that has reciprocity at its core provides a more compelling explanation for other-directed behavior than the explanations neoclassical economic models have been able to provide. One of the chief benefits of the experimental approach, Vernon suggests, is that it enables us to “observe other-regarding behavior that supports more cooperation than the standard [neoclassical] model predicts” (Vernon 2008, 9; Paganelli 2010). But not only does it establish the reality of a greater degree of other regarding behavior than allowed to *homo economicus*: it also provides a more compelling explanation for such. Vernon is skeptical of efforts to “model[] these



other regarding behaviors as due to other-regarding preferences (utility) in the tradition of static equilibrium theory.” Such bending over backwards to explain other-directedness is ultimately doomed, as “this model confounds reputation-based reciprocal motives to cooperate through exchange with the notion that cooperation requires preferences to be altruistic” (Vernon 2008, 9). And herein lies the upshot: Vernon’s method of accounting for other-directed motives via reiterated reciprocity liberates us from having to subscribe to either the morality of pure altruism or the neoclassical claim that other-directed action is explicable only as “other-directed utility” – in Vernon’s words, “there is no inherent contradiction between self-regarding and other-regarding behavior, and as we shall see, the latter well serves each individual under common cultural norms of reciprocity sharing as it derives from repeat interaction” (Vernon 2008, 21).

These themes, so central to Vernon’s long-standing engagement with Adam, have recently been restated and even further developed. In his response published this year to 14 critiques of his recent essay on methodology, Vernon again returns to what he calls the “remarkable insights” of Adam concerning “the mainsprings of other regarding behavior in human sociality.” Several of these are now familiar, including the distinction between TMS and WN on the grounds that the former’s focus is “personal social exchange” while the latter’s is “impersonal market exchange” (Vernon 2010, 83). Also familiar is the claim that “contemporary notions of reciprocity in economics, and reciprocal altruism in biology, are inadequate as oversimplified mechanical reductions, in comparison with the concept as Smith applies it to human interaction” (Vernon 2010, 84). But what receives greater emphasis in this piece than in the previous discussions is Adam’s interest in moral psychology proper. Indeed here it is clear that so far from merely limiting his accounts of

human behavior to what can be observed in social interaction, a principal aim of TMS is said to be to probe “what might be going on inside of people’s heads” (Vernon 2010, 83). What seems to be going on inside these heads is sympathy, “the dynamic core of human sociality.” But what is truly striking about this is the extent of this claim: “in the absence of human sympathy, we are bereft of having any sense of self,” as the individual “*cannot even be defined* independently” of mutual sympathies (Vernon 2010, 84; italics original). With this last remark Vernon speaks to one of the most interesting and important debates for Smith specialists today, one to which we will need to return later. Put simply: do we in fact owe our entire sense of ourselves to our sympathetic interactions with others? Put slightly differently: are we simply social constructions constituted by our intersubjective interactions with other human beings, or is there an element of our natures and our selves that can be said to resist or transcend such intersubjectivity?

### **Non-Reciprocated Ethical Behavior**

As one might suspect, I have some particular views on these fronts! But here I restrict myself to those aspects of TMS which bear on the specific problems identified above: praiseworthiness, intended beneficence, and social v. unsocial. Our departure point for discussion of the first point is Vernon’s distinction between reciprocated and non-reciprocated behavior. As noted above, Vernon’s conception of reciprocity serves as an alternative to the account of altruism to be found in the traditional account of *homo economicus*. Thus where the traditional model is prone to interpret altruism in terms of a maximized utility of pleasure, in the system that Vernon defends, expressions of altruism need to be understood within the context of personal exchange in small groups; where the neoclassical model reduces all behavior to utility maximization, Vernon’s differentiates

between reciprocated and non-reciprocated behavior, associating beneficent behavior in small groups with the former and self-interested behavior in large groups with the latter. But with this we come to the central question: how does Vernon's response to *homo economicus* compare to Adam's?

In this section I want to argue that Vernon's and Adam's responses in fact diverge on a key point: namely that where Vernon distinguishes between two types of behavior – reciprocated beneficence and non-reciprocated self-interest – Adam consciously adds to these a third: non-reciprocated beneficence. More specifically: central to Adam's theory of ethics is a type of behavior that is performed without hope or expectation of any sort of reciprocity whatsoever (and in this sense operates like self-interest) but which is however motivated by genuine concern for the well-being of others (and in this sense operates like beneficence). This category, which, so far as I can tell, is not a central focus of Vernon's analysis, is central to TMS, as its well-known first line attests: "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" (TMS 1.1.1.1). Now, Vernon of course knows this line well, and quotes it directly. And his reasons for being interested in it are clear; as Smith scholars know, Adam's target in this opening line and opening section is the egocentrism defended by Hobbes and Mandeville, and the parallels between Adam's attempt to refute egocentrism by calling attention to the existence of the "pleasure" that virtuous spectators take in apprehending the well-being of others deserves comparison with Vernon's response to the attempts of theories of utility maximization to account for the existence of altruism. But for our present purposes, it is a different side of Vernon's

response that demands attention. Specifically, Vernon regards this element of Adam's response as something of a disappointment, and indeed evidence of a sort of limit in his horizons, as it reveals that Adam's conception of beneficence "is not clearly connected in [his] thinking with the informal social exchange of favors and goods." As a result, says Vernon, Adam regarded beneficence "as unexplained input," chalking it up "to design by the great Director of nature, Providence, the Judge of hearts, and so on." In this light Adam's conception of beneficence is "the ultimate conversation stopper," as for him "it was just too much to see in gifts, the hidden benefits of gifts in return." And it is this that Vernon aims to remedy by demonstrating that this "pleasure" is in fact best accounted for "from the expectation of reciprocal benefits" (Vernon 1998, 17).

Now, the Smith specialist in me here wants to stand up and shout "stop": to say that "Smith never asked why, outside of Divine design, otherwise selfish humans derived nothing from beneficence to others 'except the pleasure of seeing it'" (Vernon 1998, 17) seems to me to fall somewhat short of doing complete justice to the detailed and complex accounts of conscience and praiseworthiness later in TMS. But having promised already that I wouldn't play this card, it seems to me more worthwhile to ask a related albeit a bit different question, namely: what relationship might there be between the accounts of non-reciprocated beneficent behavior that are given in Adam's treatments of praiseworthiness and conscience and Vernon's distinction between reciprocal benevolent behavior and non-cooperative self-interested behavior? This question is all the more significant given the fact that Adam's own most pointed defenses of non-reciprocated beneficent behavior are presented specifically as responses to Mandeville's reduction of all moral motivation to mere egocentrism, just as Vernon's own most pointed defenses of reciprocated beneficent

behavior are specifically presented as responses to contemporary reductions of all human activity to utility maximization.

Adam's response to Mandeville is principally given in two places in TMS: 7.2.4 ("Of licentious systems") and 3.2 ("Of the love of Praise, and that of Praise-Worthiness ..."). These are subtle passages that demand careful reading and reconstruction (for some more detailed attempt at such, see Hanley 2009). Here I only want to focus on how they speak to the question regarding reciprocity. For what is in fact striking here is the degree to which Adam emphasizes the reality of the human capacity to act beneficently without any hope of reward or further reciprocity and specifically without any hope of augmented reputation. This is particularly evident in Adam's account of the "love of virtue." Lovers of praise and lovers even of "true glory" are regarded by Adam as decidedly second-rate, for virtue in its fullest sense emerges only when we are indifferent to any praise or other reward for our behavior: "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" (TMS 7.2.4.10; italics added). This is Adam's trump card, and indeed it is one that he would play not only in this passage, which dates from the first (1759) edition of TMS, but also in some of the key revisions that he would make three decades later to the sixth (1790) edition. Here again he insists that "though a wise man feels little pleasure from praise where he knows there is no praiseworthiness, he often feels the highest in doing what he knows to be praise-worthy, *though he knows equally well that no praise is ever to be bestowed upon it*" (TMS 3.2.7; italics added). Indeed what truly defines this peak of excellence is

precisely this indifference to reciprocity and reputation effects; thus the good man who “has the most perfect assurance of the perfect propriety of every part of his own conduct” not only “neglects” and “despises” all forms of recognition, but “his self-approbation, in this case, stands in need of no confirmation from the approbation of other men,” as “it is alone sufficient and he is contented with it” – this self-approbation indeed “if not the only, is at least the principal object, about which he can or ought to be anxious” (TMS 3.2.8). On these grounds, it seems fair to say that at the heart of Adam’s response to Mandeville is an effort to carve out a place for the reality and primacy of beneficent behavior performed in an absence of any hope of reciprocation, and specifically without any hopes of augmented reputation – an approach quite different from that in which the limits of non-cooperative self-interest are established by reciprocal behaviors.

So what implications does all of this have for Vernon? A few suggestions might be ventured. First, attending to Adam’s conception of praiseworthiness may lead to some slight adjustment of Vernon’s account of praiseworthiness. Vernon’s most direct account of praiseworthiness (so far as I know) is to be found in the most recent of the three pieces examined above. Here he suggests that Smith’s account of praiseworthiness “perhaps explains why, when you do me a favor, I may thank you but also add, ‘I owe you one.’ My acknowledgment of a debt to you adds praiseworthiness to my thankful praise of your actions” (Vernon 2010, 84). This seems absolutely right in one crucial sense; the “I owe you one” declaration conveys the judgment of “merit” or “desert” that is clearly central to Adam’s account of praiseworthiness. At the same time, this would seem to be only half of the function of praiseworthiness in Adam’s system. For beyond its role in our efforts to judge desert or merit, praiseworthiness also plays a crucial role in Smith’s account of

proper action-motivation. Put differently, what matters is not merely our expressions of praiseworthiness (as Vernon's example nicely captures) but also the precise way in which we are prompted to act as a result of praiseworthiness – an aspect of Adam's account that receives its fullest treatment in his accounts of not simply praiseworthiness per se, but the “desire” or “love of praiseworthiness” as distinct from the mere “love of praise (e.g. TMS 3.2.25-32). In short, this love of praiseworthiness is important because it leads us to act in a certain way and particularly in those instances in which we cannot expect to be either praised or blamed for so doing, and indeed “to do the right thing even if there is nobody there to praise or blame us” (Paganelli 2009, 187-88).

But all this is relatively minor: what response might Vernon have to Adam's quite insistent claims about the excellence of non-reciprocated beneficent behavior? There are several options available. One would be simply to dismiss such claims altogether, either on the grounds that these are behaviors exhibited by very few people – as perhaps might be demonstrable via experiment – or on the grounds that such concerns are somehow not in fact central to Smith himself – as some commentators have argued (see e.g. Forman-Barzilai 2010). Another equally simple option might be to say that this is the sort of stuff that goes beyond what experimental economics can or should be concerned with; that is, that it forms a part of that side of TMS to which Vernon generously calls attention in noting that personal exchange “is central to but certainly not all of the content of Smith's first book, which dealt broadly with human sociality” (Vernon 2008, 7). Doing so would display a truly admirable and rare resistance to that propensity to disciplinary imperialism to which even the best among us too often succumb! More substantively, doing so might also lead us to consider in greater detail the interesting question of how exactly we ought

to define the proper limits of economic explanation (and conversely the proper extent of moral theory). But it also might well be possible simply to regard all of this concern for praiseworthiness as merely the after-the-fact synthesis of our individual experiences into a moral code – the process by which reciprocity can become “internalized as conscience” (Peart and Levy 2006, 337; and esp. Paganelli 2010). At the same time, I suspect that in the end the concern isn’t so easily dismissed insofar as it speaks so directly to the central claims here at stake concerning the association of beneficence with reciprocity. For when Adam insists so pointedly that for a genuinely good person, the self-approbation that he or she experiences while doing well – even and especially if he or she is not recognized for such by others – “is alone sufficient,” he suggests that the end of morality lies not in reciprocation or cooperation but rather in a very one-sided sort of giving that seems the very opposite of exchange. Put in more familiar terms, we might borrow a phrase from Gordon Tullock, who closed his well-known essay on “Adam Smith and the Prisoners’ Dilemma” with the suggestion that in large groups in which individuals can choose with whom they wish to exchange, known self-interested non-cooperators are in time likely to find that they have “no one to noncooperate with” (Tullock 1985, 1081). For Adam’s genuinely virtuous person, animated by a desire to give without hope of receiving in return, the optimal activity is precisely that non-reciprocated beneficence in which all objects of our beneficence are assumed to be non-cooperators from the start.

### **Intended Beneficence**

A second point where Vernon and Adam may seem to diverge concerns intended beneficence. Here the central point at issue concerns the question introduced above with reference to ecological and constructive rationality. As we saw, one finds in Vernon’s



work the consistent claim that many of the outcomes we find praiseworthy or otherwise desirable are often attributable to actions in which such ends formed no part of the design or intention. On Vernon's account, this in fact forms "the key proposition of the Scottish philosophers": that "to do good for others does *not require* deliberate action to further the perceived interest of others" (Vernon 2008, 18; italics original). But what exactly does this mean? And does this in fact capture Adam's own position?

To begin with the first question: to some degree Vernon's claim here is one that is today eminently familiar (at least to readers of Hayek). That even our seemingly amoral actions often have beneficial unintended consequences is today at least a well-known (if hardly universally accepted) claim. And this seems to be essentially what Vernon has in mind when he suggests "that unintended good for others could flow from doing well for yourself" (Vernon 2008, 18). But what makes Vernon's claim especially interesting is first his identification of its provenance; in his text, Vernon identifies Mandeville as its originator and Adam as "influenced" by it. So too at the 2002 Nobel ceremony, where in praising the "discoveries of the Scottish philosophers" Vernon singles out Hume – for his insight "that the rules of morality are not the conclusions of reason" – and that honorary Scot Mandeville – for his observation that "'worst of all the multitude did something for the common good'" (Mandeville 1988, 9; Vernon 2002). Adam, as it happens, was not mentioned on this occasion. But this is itself of interest, as it leads us to wonder whether in fact an emphasis on the limits of rationality and the beneficial consequences of self-interested behavior in fact captures either the whole or the heart of Adam's own system, however well it might describe those of Hume or Mandeville.

In what follows I want to argue that in fact this emphasis not only fails to capture Adam's intention, but also that if pushed too far it is likely to distort it. My evidence for this is three key passages from TMS. In these three passages, Adam sets forth a series of strikingly direct claims concerning the intentional beneficence that is to be expected of a wise and virtuous man in both his private and his public capacity. Here again I hasten to add that these are rich passages which demand a much more sustained analysis than I can provide here (for further analysis, see e.g. Hanley 2009 and Hanley forthcoming). But in light of our present concerns, what is striking in each of these passages is the pronounced emphasis placed on intended beneficence. For example, in his account of the peak figure of his ethics, the wise and virtuous man, Adam insists that

he is never so elated as to look down with insolence even upon those who are really below him. He feels so well his own imperfection, he knows so well the difficulty with which he attained his own distant approximation to rectitude, that he cannot regard with contempt the still greater perfection of other people. Far from insulting over their inferiority, he views it with the most indulgent commiseration, and, by his advice as well as his example, is at all times willing to promote their further advancement. (TMS 6.3.25).

The excellence of the most excellent man seems to consist in both his generous attitude to others as well as his active exertion for their benefit. So too the excellent public servant:

The civil magistrate is entrusted with the power not only of preserving the public peace by restraining injustice, but of promoting the prosperity of the commonwealth, by establishing good discipline, and by discouraging every sort of vice and impropriety; he may prescribe rules, therefore, which not only prohibit mutual injuries among fellow-citizens, but command mutual offices to a certain degree. (TMS 2.2.1.8)

One fears that this striking account of the magistrate's positive duties is often overlooked owing to either a misreading of the debate with Kames that is its immediate context (see Hanley forthcoming), or a hurry to get to Adam's powerful critique of the dangers of the

man of system. In any case, neither the account of the wise and virtuous man nor the account of the virtuous public magistrate is an anomaly, as each embodies what Adam takes to be the defining principle of human nature – which is itself something quite different than the propensity for exchange:

Man was made for action, and to promote by the exertion of his faculties such changes in the external circumstances of both himself and others, as may seem most favorable to the happiness of all. He must not be satisfied with indolent benevolence, nor fancy himself the friend of mankind, because in his heart he wishes well to the prosperity of the world. That he may call forth the whole vigour of his soul, and strain every nerve, in order to produce those ends which it is the purpose of his being to advance, Nature has taught him that neither himself nor mankind can be fully satisfied with his conduct, nor bestow upon it the full measure of applause, unless he has actually produced them. (TMS 2.3.3.3)

Thus Adam on human nature!

Now, the key question of course is what we ought to do with these observations, and indeed what bearing they have on the claims that Vernon is centrally concerned to develop. And here again, one strategy for dealing with them might simply be dismissal. In this vein one might argue that the sorts of concerns about intentional beneficence that are reflected in the above-quoted passages are not really central to Adam's project – that his fundamental concerns lie more in containing "men of system" than encouraging men of virtue. Or one might concede that Adam did deem these central, but that this project is itself vitiated by vestiges from classical or Christian influence and thus better regarded as a stock of ideas from which to pick and choose rather than as a system that needs to be unpacked and reconstructed and understood as a whole. Or again one might say that this is simply part of that other side of TMS that cannot be captured by exchange. But to my mind the more interesting question is how we ought to understand Adam's commitment

to spontaneous order and unintended consequences in light of his emphasis on intended beneficence.

More particularly, this emphasis challenges us to be clear about what we mean when we say “that unintended good for others could flow from doing well for yourself.” Sometimes this is shorthand for the view that ‘the unintended good that is done for others that flows from doing well for yourself is sufficient for the purposes of preserving human order, and efforts at intended beneficence are supererogatory and need not necessarily be encouraged.’ And sometimes it is shorthand for the view that ‘the unintended good that is done for others that flows from doing well for yourself is sufficient for the purposes of preserving order, and since beneficent efforts often lead to pernicious albeit unintended consequences they should be actively discouraged.’ But either way, there is some reason to think that this position differs from Adam’s own view, which the passages above seem to suggest is better described in the terms of the present discussion as ‘the intended good that is done for others and which comes from putting the interests of others ahead of your own is at once a moral and a political good.’

Now, no doubt some will see this as the slippery slope to progressivism, and it is certainly true that Adam has been seen as defending some view of such in some of the most influential of the recent specialist scholarship (e.g. Fleischacker 2004; Sen 2010). This is not however a question that we can pursue here. Instead, I’d rather use this as an opportunity to put forth a question that I hope can productively advance our comparison of Vernon to Adam. Namely, to what degree does Vernon want to side with the position outlined just above: that ‘the intended good that is done for others and which comes from putting the interests of others ahead of your own is at once a moral and a political good’?

In some obvious sense there are clear parallels; what else is the beneficent activity of first movers in reciprocated interactions if not a recognition that in at least some contexts it is good to put the well-being of others before one's own? But the much more difficult and more interesting question is how we are to draw the line of demarcation that will allow us properly to distinguish those contexts in which intended beneficence is desirable and those in which it is pernicious. I do not know how an experimentalist might draw this distinction, but am curious to find out.

### **Egoism and Altruism**

In this final section, I turn to one of Vernon's central achievements: namely the resources that he provides for the transcendence of the tired but persistent debate over egoism and altruism. Comparing Vernon to Adam is particularly apt on this front, as the transcendence of this debate was every bit as much Adam's intention in his day as it is Vernon's in ours. At the same time it seems to me there may be a subtle but significant difference in Vernon's and Adam's routes to this end. In what follows I try to present this difference in such a way as to suggest that it might be usefully exploited by Vernon to further advance his position.

To introduce this, it might be useful to begin with a bit of historical context – just enough to see the similarities between the sorts of battles that Adam and Vernon are both fighting. Thus to tar with a broad brush: the chief debate of eighteenth-century British moral philosophy concerned the definition of human nature, and specifically the question of whether accounts of human nature and human action ought to give primary emphasis to selfish motives or to other-directed motives. The principals in this debate – here again tarring broadly – were on the one hand, the philosophers that Hume associated with what

he called the selfish system of morals – Hobbes and Locke and Mandeville – with those who sought to oppose what was generally considered to be their egocentric reductionism – most notably Shaftesbury and Hutcheson and Butler. This debate dominated much of the ethics of the first half of the eighteenth century, but in large part it was not until mid-century that real progress began to be made. For it was then – and specifically through the contributions of Hume and Rousseau – that the simple dichotomy of selfishness and selflessness or egoism and altruism began to be productively transcended. In particular, and for all their other many other disagreements (see esp. Scott and Zaretsky 2009), both Hume and Rousseau agreed that the essential question for students of human motivation was not whether human nature was somehow fundamentally either egoistic or altruistic, but rather how the self-directed and the other-directed passions that are both undeniably present in human nature and human action work together. In Hume’s terms, this inquiry takes the form of understanding how that “particle of the dove, kneaded into our frame, along with the elements of the wolf and serpent” can be most productively directed, and in Rousseau’s terms, it takes the form of understanding how the two passions natural to man – self-love (*amour de soi*) and compassion (*pitié*) interact to define natural morality (Hume 1998, 9.4; Rousseau 1993, Part 1). And it was in this precise context, and indeed with Hume and Rousseau as his two chief influences (as most Smith specialists generally now agree), that Adam composed and published *The Theory of Moral Sentiments*, to such a great degree itself centered around the question of the relationship of the self-directed to the other-directed – a relationship that takes center stage from the first sentence onwards, as we have seen.

But how exactly did Adam understand this relationship, and how does his view compare to Vernon's? For Vernon, the key to this relationship, as we have seen, lies in an appreciation of the necessary relegation of the self-directed and the other-directed to separate spheres. But Adam's solution seems to involve some additional elements. To some degree these include his redefinition of self-love itself; in Adam's hands, self-love, so far from being reducible to any simple sort of egocentrism or selfishness, is a dynamic passion capable of both evolution and education in a manner that renders it compatible with the promotion of the interests of others. But having examined this at some length elsewhere (Hanley 2009), here I want to focus on a different aspect of Adam's solution, one which bears crucially on Vernon's approach. This concerns the way Adam in fact divides the passions. Against the reductive binary of selfish and selfless, Adam suggests a classification founded on a tripartite distinction: in his terms, "social" and "unsocial" and "selfish." These are the three principal categories of TMS 1.2, and it is a distinction that deserves more attention than it has generally received from Smith specialists. But it also deserves attention from those interested in Vernon's project insofar as it would seem to provide further evidence for – and perhaps even clarify – the key suggestion that Adam privileges social over individual perspectives.

Adam presents this distinction chiefly at TMS 1.2.3-5 (though also returns to it briefly at TMS 3.6). Here I only want to focus on one specific element of it: namely the effect of this tripartite distinction on our understanding of the "selfish" passions. For in a very real sense, the effect of the substitution of the tripartite distinction for the old binary distinction between selfless and selfish is to reorient the selfish from its original position on one extreme pole and to place it in the middle, thereby neutralizing it. A brief turn to

the text can help make this clear. Adam's discussion begins with what he again calls the "unsocial" passions. Now, as Adam immediately makes clear, he has a very specific idea in mind in calling these "unsocial," an idea that emerges largely from his identification of "hatred and resentment, with all their different modifications" as the chief "unsocial" passions (TMS 1.2.3.1). Hatred and resentment are unsocial, he explains, because they are unpleasant in both their experience and their apprehension. They are "disagreeable to the spectator" insofar as witnessing them often "disgusts us" and "disturbs our sympathy" and they are "not less so to the person who feels them" as they "are the greatest poison to the happiness of a good mind" for in their experience we feel "something harsh, jarring and convulsive, something that tears and distracts the breast" (TMS 1.2.3.5 and 7). So their "unsocial" – or perhaps even better, "unsociable" – aspect is evident. But for all this, Smith insists that these passions are nevertheless "regarded as necessary parts of the character of human nature" (TMS 1.2.3.3). By this he means that they are the foundation of justice, an evolution developed in detail in TMS 2 (see esp. Pack and Schliesser 2006). But even here Adam insists that the only way to understand how the obviously unsocial passions in fact promote social ends is to shift perspective, for even though what he calls their "immediate effects" are mischievous, their "remote effects" ought to be welcomed (TMS 1.2.3.4). Thus Adam's conscious effort to shift our perspective, and indeed in two ways: first to have us shift time horizons to differentiate between short-term and long-term effects, and second to shift our analytical focus from the subjective feelings of an individual to the benefits of the group. It is this second shift that I suspect provides further justification for Vernon's own efforts to shift our focus away from the subjective and atomistic experience of *homo economicus* and to increase our appreciation of the



influence of group context in explaining specific behaviors. And Adam's emphasis on this shift continues in his discussion of the other two classifications. The discussion of the "social" passions that follows is the shortest of the three, perhaps since it is the least controversial and most intuitive. That "generosity, humanity, kindness, compassion, mutual friendship and esteem, all the social and benevolent affections" are immediately pleasing to both actors and spectators Adam seems to think sufficiently obvious and non-controversial and thus not in need of much elaboration or defense (TMS 1.2.4.1). But what does deserve pause is his account of the "third set of passions," here labeled "the selfish passions." In contrast to what one might have expected on turning to this section, one finds here no treatment of greed or pride or envy or any of the other selfish passions familiar from Hobbes and Mandeville. Rather the selfish passions, as defined here, are the feelings we experience on reflecting on "our own private good or bad fortune." And what is remarkable in Adam's treatment is that so far from regarding our concern with our private fortune as either a motivating force to be celebrated or a corrupting influence to be repressed, this concern is treated as a decidedly neutral phenomenon, which in fact "holds a sort of middle place" between "those opposite sets of passions, the social and unsocial" (TMS 1.2.5.1). Adam evidently thinks this an important enough observation to repeat it later, claiming that the selfish passions hold "a sort of middle place, between the social and unsocial affections" (TMS 3.6.6).

Now a chief advantage of attending to this tripartite distinction, it seems to me, is that it provides further evidence for Vernon's claim that Adam's perspective is that of the group rather than the isolated autonomous individual. It may also serve to clarify exactly what we mean when we say this. I suspect that Adam does not himself want to defend

what many of his latter-day readers want to defend when they make this claim: namely that human individuality is merely a social construct. My suspicion is that Adam's own claim is more nuanced: namely that from the specific perspective of the student of group dynamics, *homo economicus* is a particularly useless concept insofar as the primary and proper sphere of analysis is the well-being of a group in its totality. It is this frame-shift, perhaps better developed here than at any other place in TMS, that establishes a context which enables us usefully to employ a normative language to describe certain actions as virtuous or vicious, praiseworthy or blameworthy.

### **Conclusion**

My aim in this essay has been to set forth a modest call for a renewed engagement between students of the past and students of the present on the grounds that each stands in some sense to benefit from the wisdom of the other, and particularly with regard to what we might learn about and from Adam Smith. Vernon's analysis has much to teach Smith specialists, especially concerning Adam's understanding of the importance of exchange contexts and his awareness of the function of reciprocity; the textual evidence from TMS 2.1.1.5 and 6.2.1.19 that he adduces alone demonstrates this masterfully (Vernon 2010, 84). I also hasten to add that there is much else in Vernon beyond what I have been able to treat in this paper that deserves the attention of students of Adam; having long thought there is good reason to believe that Adam suffered from what we would today identify as obsessive-compulsive disorder (or some similar anxiety disorder), I was very interested to discover Vernon's suggestion that Adam "may have had some of the earmarks of high-functioning autism or Asperger's Syndrome" (Vernon 2008, 19n2). But leaving this for another occasion, we reiterate that there remains much in Adam that deserves exploration

by experimental economists. I would be especially interested to know what if any insight experimental economists might be able to provide regarding Adam's striking claim – made in the first person no less – that “the chief part of human happiness arises from the consciousness of being beloved” (TMS 1.2.5.1). But leaving this much larger question for a very different occasion, suffice it to say that there remain many “unexploited ideas” in TMS (Ashraf et.al. 2005; Paganelli 2009) that would benefit from further research.

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