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Adam Smith's *Theory of Moral Sentiments:* On Morals and Why They Matter to a Liberal Society of Free People and Free Markets

Jerry Evensky

Adam Smith (1723–1790) held the Chair of Moral Philosophy at Glasgow University from 1752 to 1763. Smith sought to do for moral philosophy what Isaac Newton had done for natural philosophy: to imagine and represent those invisible connecting principles that determine the course of nature. Newton's natural philosophical realm encompassed all in nature that envelopes humankind. Smith's moral philosophical realm *was* humankind.

During his years at Glasgow, Smith lectured on human nature, the development of societies' systems of ethics, the evolution of societies' legal systems and the relationship of these social and political institutions to the wealth of nations. His years of teaching and inquiry at Glasgow established the foundation for his most famous work, *An Inquiry into the Nature and Causes of the Wealth of Nations*, initially published in 1776, which explores how markets function in a liberal society and the instrumental value of an effective market system to such a society.

Early in the *Wealth of Nations*, Smith famously lays the groundwork for his argument that self-love is the force that drives the market system (1784 [1976a], pp. 26–27):[1]

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[1] Of course, the first edition of *The Wealth of Nations* was published in 1776. However, quotations in this paper are drawn from the 1784 edition.

■ *Jerry Evensky is Professor of Economics and Laura J. and L. Douglas Meredith Professor for Teaching Excellence, Maxwell School of Citizenship and Public Affairs, Syracuse University, Syracuse, New York.*

> But [while] man has almost constant occasion for the help of his brethren, . . . it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. 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.

Since the market system benefits society as a whole, the individual self-love that drives that market system is also instrumentally valuable to society as a whole—even if self-love involves the pursuit of mere "trinkets of frivolous utility." In Smith's first great work, *The Theory of Moral Sentiments* (1790 [1976b] pp. 181–183–184), initially published in 1759, he writes of

> . . . the poor man's son, whom heaven in its anger has visited with ambition . . . [and who thus] sacrifices a real tranquility that is at all time in his power . . . [for the pursuit of] wealth and greatness [that] are mere trinkets of frivolous utility. . . . [I]t is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind. It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life; which have entirely changed the whole face of the globe, have turned the rude forests of nature into agreeable and fertile plains, and made the trackless and barren ocean a new fund of subsistence, and the great high road of communication to the different nations of the earth.

This image of the instrumental value of self-love has become, in modern economics, the fundamental assumption that humans are all of the species *homo economicus*, motivated entirely by utility-maximizing self-interest. For example, Gary Becker (1976, p. 5) writes in *The Economic Approach to Human Behavior*: "The combined assumptions of [utility] maximizing behavior, market equilibrium, and stable preferences, used relentlessly and unflinchingly, form the heart of the economic approach as I see it." But in Smith's analysis, while self-love is a necessary condition for the unleashing of humankind's productive energy and creativity, it is not sufficient.

Smith recognized—as did many of his predecessors and contemporaries from Thomas Hobbes to the Physiocrats—that an unfettered freedom to pursue self-interest could undermine a constructive liberal society. How, they wondered, can such a society avoid a Hobbesian war of all against all? Or in modern terminology, how does a liberal society avoid degenerating into a "rent-seeking society" (Krueger, 1974; Buchanan, Tollison and Tullock, 1980; Rowley, Tollison and Tullock, 1988)? What mechanism can constrain the destructive dynamic of unbridled self-interest and hold liberal society together so that its potential—a materially satisfactory, secure, tranquil life for each individual and the greatest wealth for the nation—can be realized?

In Smith's (1790 [1976b], p. 86) analysis in *The Theory of Moral Sentiments*, the *sine qua non* for a successful liberal system of free people and free markets is security for all participants: "Society . . . cannot subsist among those who are at all times ready to hurt and injure one another. . . . 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." Smith believed that the source of this security must be a system of justice that establishes and enforces principles of interpersonal behavior that insure individuals' security. Smith drives this point home again and again in *The Wealth of Nations*.

What institutional process led to the decline of feudal systems and the emergence of nascent liberal systems in Europe? In Book III of *The Wealth of Nations*, Smith describes the slow, steady, generally unintended development of institutions that improved the conditions of justice and thus increased individual security (Evensky, 2005, chapter 7). And what was the institutional process that led England to become the most advanced commercial society of his day? In Smith's *Lectures on Jurisprudence* and in *The Wealth of Nations*, he describes the slow, steady, generally unintended development of the institutions of the English legal system that protected individual liberty and thus insured individual security (Evensky, chapter 3). Smith (1978, p. 425) writes of the jury system and the impartiality of the judiciary:[2]

> The law of England, always the friend of liberty, deserves praise in no instance more than in the carfull provision of impartial juries. . . . Nothing can be a greater security for life, liberty, and property than this institution. The judges are men of integrity, quite independent, holding their offices for life, but they are tied down by the law. The jurymen are your neighbours who are to judge of a fact upon which your life depends.

In an especially vivid example of the fruitfulness of the justice that Britain enjoyed, Smith describes the experience of the British colonies in Bengal and contrasts it with the experience of the British colonies in the Americas, the former representing the worst case of decline and the latter the best case of progress

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[2] Adam Smith did not complete his planned book on jurisprudence. But during his tenure at Glasgow University, Smith lectured on jurisprudence, and we have two sets of detailed notes from students at those lectures.

(Evensky, 2005, chapter 3). "The difference between the genius of the British constitution which protects and governs North America, and that of the mercantile company which oppresses and domineers in the East Indies, cannot perhaps be better illustrated than by the different state of those countries" (Smith, 1784 [1976a], p. 91). Bengal had many resources, but people enjoyed no security. The merchants ran the colony for their own short-term gain, extracting "great fortunes" from the colony by monopolizing access to capital and lending it "to the farmers at forty, fifty, and sixty per cent . . . [so that] the succeeding crop is mortgaged for the payment" (p. 111).

In contrast, citizens in the British American colonies enjoyed the same system of justice as that which benefited the citizens of Great Britain. So notwithstanding the mercantile regulations that constrained the commerce of North American colonial farmers and merchants, the combination of liberty and justice that they enjoyed afforded them security and encouraged their fruitfulness (Smith, 1784 [1976a], p. 540):

> That security which the laws in Great Britain give to every man that he shall enjoy the fruits of his own labour, is alone sufficient to make any country flourish, notwithstanding these [mercantile impediments] and twenty other absurd regulations of commerce. . . . The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often incumbers its operations . . . . In Great Britain [and in its American colonies] industry is perfectly secure; and though it is far from being perfectly free, it is as free or freer than in any other part of Europe.

Adam Smith completed two major works—*The Theory of Moral Sentiments* and *The Wealth of Nations.* His *Lectures on Jurisprudence* were to be the basis of a third major work. Smith's analysis of the evolution of liberal market systems, positive law and civic ethics is not segmented among these presentations. Smith envisioned these dimensions of humankind as a simultaneous system within which progress along any one dimension requires complementary progress in the other two (Evensky, 2005, chapters 3 and 4). Smith's analysis in *The Wealth of Nations* presumes a system of justice defined and enforced by positive law and civic ethics, but as Smith tells the story, the emergence of that mature system of justice is in turn dependent on humankind's material progress. Only with material progress is there a surplus sufficient to support a refined division of labor that includes courts of justice, standing armies to defend a nation of citizens engaged in commerce, and the philosophical reflection that informs institutional maturation.

Smith's *Lectures on Jurisprudence* describe how positive law evolves to facilitate the emergence of liberal, free market society. However, Smith makes clear that this institutional maturation can only take societal progress so far. Positive laws are external constraints that must be imposed on individuals by a system of police. As society becomes more complex, if police must be the ultimate source of a society's security, the freedom that makes progress possible is crushed by the oppressive police state that makes that freedom secure. Ultimately, the cohesiveness and constructiveness of a liberal order depends, according to Smith, not on institutional government but on self-government, on the ethical maturity of the citizenry. "What institution of government," Smith (1790 [1976b], p. 187) writes, "could tend so much to promote the happiness of mankind as the general prevalence of wisdom and virtue? All government is but an imperfect remedy for the deficiency of these. Whatever beauty, therefore, can belong to civil government upon account of its utility, must in a far superior degree belong to these." The emergence and maturation of civic ethics is the subject of Smith's *Theory of Moral Sentiments*.

This essay describes Smith's analysis of ethics in his *Theory of Moral Sentiments*: the interaction of our nature and our nurturing that makes common civic ethics possible and the dynamic interaction of individuals and extant societal constructions that can lead to ever more mature systems of civic ethics and thus toward those conditions necessary for a constructive, sustainable liberal system.

On the Nature of Our Being and the Ties that Bind

According to Smith, a natural sense of fellow-feeling is the thread that weaves the social fabric together. The opening words of Smith's *Theory of Moral Sentiments* (1790 [1976b], p. 9) are "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others. . . ."

Human beings care and wonder about the feelings that fill the hearts of others. But our access to that which another feels is not direct. We are not capable of seeing into the hearts of others. Smith (1790 [1976b], p. 9) writes that we can only conceive of what others feel "by conceiving what we ourselves should feel in the like situation. . . . [We are but a spectator of that other's life and it] is by the imagination only that we can form any conception of what are his sensations."

Our imagination looks into the invisible recesses of another's heart through the window of that person's passions. Passions are the visible expression of another's sentiments, and sentiments are those "affection[s] of the heart, from which any action proceeds" (Smith, 1790 [1976b], p. 18). Our sentiments, residing in the heart of our being, process experience and generate our passions—and in turn our actions. The strength of a passion is determined by the measure of the sentiment that evokes that passion. For example, one who sees another suffering and whose heart holds a large measure of the sentiment of beneficence (sometimes referred to as benevolence) will passionately desire to help that other and will act with great kindness.

As a spectator, when we observe in another both the passion and the circumstance that engenders it, we imagine the measure of the sentiment in that person's heart that transformed that circumstance into the passion we observe. Inevitably, as we do so we ask ourselves: Is that measure of sentiment appropriate? Does the cause—the circumstance—justify the strength of the effect—the passion? To the degree our answer is "Yes," our sentiments are in harmony with those of the person we observe. That sense of harmony of sentiments is what Smith (1790 [1976b], p. 9) refers to as "sympathy." To sympathize with another is to feel approval of his sentiments.

To the degree that we are in sympathy with the sentiments of another, that person enjoys our approbation. Where sympathy is lacking there is a "dissonance" (p. 16), which gives rise to "disapprobation."

> If we hear a person loudly lamenting his misfortunes, which, however, upon bringing the case home to ourselves, we feel, can produce no such violent effect upon us, we are shocked at his grief; and, because we cannot enter into it, call it pusillanimity and weakness. . . . In the suitableness or unsuitableness, in the proportion or disproportion which the affection seems to bear to the cause or object which excites it, consists the propriety or impropriety, the decency or ungracefulness of the consequent action (pp. 16, 18).

Thus, our sympathy is the standard by which we assess the propriety or impropriety of others' sentiments. And as we assess others, so, too, they assess us.

There is little at stake in this mutual assessment if neither of us has a particular relation or a vested (or in Smith's terms, "partial," p. 154) interest involved. However, Smith (1790 [1976b], p. 21) writes:

> With regard to those objects, which affect in a particular manner either ourselves or the person whose sentiments we judge of, it is at once more difficult to preserve this harmony and correspondence, and at the same time, vastly more important. . . . I can much more easily overlook the want of this correspondence of sentiments with regard to such indifferent objects as concern neither me nor my companion, than with regard to what interests me so much as the misfortune that has befallen me, or the injury that has been done me.

When my partial interest is involved, I keenly desire the sympathy of the spectator. I look to his fellow-feeling for validation, support and comfort. If, for example, someone injures me intentionally and unjustly, I look to the spectator for sympathy with my pain and my resentment.

But even as I look to the spectator for that sympathy, I understand that the spectator is not me, and so he cannot fully appreciate my position. The spectator can only imagine from a distance the sentiments that give rise to my passion, and so the spectator's sympathy is tempered by that distance that the imagination must bridge. Smith (1790 [1976b], p. 22) writes:

> The person principally concerned is sensible of this, and at the same time passionately desires a more complete sympathy. . . . 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 him. . . . In order to achieve this concord, as nature teaches the spectators to assume the circumstances of the person principally concerned, so she teaches this last in some measure to assume those of the spectators. . . . [A]s the reflected passion [of the spectators], 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 to view his situation in this candid and impartial light.

This passage contains the first use of the term "impartial" in *The Theory of Moral Sentiments.* As we will see, it becomes a central concept in Smith's representation of moral sentiments.

In sum, as we judge others by our sense of harmony with what we imagine to be their sentiments, we know that they are doing the same in judging us. That judgment matters to us. We desire the harmony of others' sympathy with our sentiments. Thus, we naturally adjust our sentiments toward that measure that will enjoy their sympathy. This natural inclination to desire the sympathy of others and thus to seek a harmony of sentiments with them is the foundation of the social regulation of personal behavior.

On Moral Sentiments

Since sentiments are invisible but their expressions—the passions—are visible, Smith (1790 [1976b]) establishes a general taxonomy of sentiments by examining the categories of passions we observe. These categories are: "*the unsocial Passions*" (p. 34), "*the social Passions*" (p. 38) and "*the selfish Passions*" (p. 40).

The unsocial passions are those of "hatred and resentment" (p. 34). They exist to protect us from injury at the hands of others, by making others wary of harming us for fear of exciting these passions. They are, according to Smith, the expression of an underlying sentiment that people have for justice.

When unregulated, these unsocial passions can be the most socially destructive of all passions. "There is no passion . . . concerning whose indulgence we ought so carefully to consult our natural sense of propriety, or so diligently to consider what will be the sentiments of the cool and impartial spectator" (p. 38). The impartial spectator will be sympathetic if and only if this passion reflects a properly measured sentiment of justice. "Too violent a propensity to those detestable passions, renders a person the object of universal dread and abhorrence, who, like a wild beast, ought, we think, to be hunted out of all civil society" (p. 40). Here we meet Smith's "impartial spectator," a spectator with no vested interest. This impartial observer, first as a real being and then as an abstract conception, is central to Smith's standard of moral sentiments.

The social passions include "all the social and benevolent affections," including "[g]enerosity, humanity, kindness, compassion, mutual friendship" (Smith, 1790 [1976b], p. 38). They are the expression of an underlying sentiment people have for beneficence. For Smith, the real pleasures of life derive from these intangibles rather than from material wealth. But even these highly desirable passions can be overdone. Where they are "excessive . . . [we see] a helplessness in the character of extreme humanity which more than any thing interests our pity" (p. 40). Properly measured, beneficence not only enjoys the complete sympathy of an impartial spectator, it is very much esteemed by that spectator. The mutual kindnesses that spring from this beneficence are the source of the love and friendship that in Smith's view are the ultimate joys of human society (for examples of Smith's emphasis on the ultimate importance of friendship, see pp. 39, 41, 225 and 243).

There is both an essential consistency and a very important difference between the sentiment of justice that drives the unsocial passions and the sentiment of beneficence that drives the social passions. The standard for assessing these sentiments is consistent. Properly measured, justice and beneficence enjoy the sympathy of an impartial spectator, and the actions they generate meet the standard of propriety.

The important difference between justice and beneficence lies in what people have a right to enforce upon another. Smith (1790 [1976b], pp. 78, 79) explains:

> Beneficence is always free, it cannot be extorted by force, the mere want of it exposes to no punishment; because the mere want of beneficence tends to do no real positive evil. . . .
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> There is, however, another virtue, of which the observance is not left to the freedom of our own wills, which may be extorted by force, and of which the violation exposes to resentment, and consequently to punishment. This virtue is justice: the violation of justice is injury: it does real and positive hurt to some particular persons. . . .

One who does not display appropriate beneficence can be "the object of hatred" (p. 79). But only the absence of appropriate justice justifies resentment and its attendant just punishment, which is why Smith (p. 79) argues: "Resentment . . . is the safeguard of justice. . . ."

With these words, the connection between moral sentiments and a liberal society begins to emerge. Police cannot be the ultimate source of justice, for a police state cannot be a liberal order. A liberal society can only be constructive and sustainable to the degree that the hearts of its citizens embody a properly measured sentiment of justice and regulate themselves by that measure. Thus, the *sine qua non* of a liberal society is moral sentiments.

Between beneficence and justice, the one motivating our kindnesses to others and the other motivating our resentment of injury from others, is the sentiment of self-love. The selfish passions, "[g]rief and joy, when conceived upon account of our own private good or bad fortune" (Smith, 1790 [1976b], p. 40) express the sentiment of self-love. As Smith (pp. 82–83) describes this sentiment:

> Every man is, no doubt, by nature, first and principally recommended to his own care; and as he is fitter to take care of himself than of any other person, it is fit and right that it should be so. Every man, therefore, is much more deeply interested in whatever immediately concerns himself, than in what concerns any other man: and to hear, perhaps, of the death of another person, with whom we have no particular connexion, will give us less concern, will spoil our stomach, or break our rest much less than a very insignificant disaster which has befallen ourselves.

As with justice and beneficence, self-love enjoys the sympathy of an impartial spectator if it is properly measured and balanced (Smith, 1790 [1976b], p. 305). Indeed, to have an appropriate measure of self-love inspiring one to better one's condition is not only proper; it is admirable. We respect the person who "[i]n the race for wealth, and honours, and preferments, . . . run[s] as hard as he can, and strain[s] every nerve and every muscle, in order to outstrip all his competitors" (p. 83). But this desire must be balanced by an appropriate measure of the sentiment of justice.

> In the race for wealth, and honours, 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 a violation of fair play, which they cannot admit of.

In Smith's analysis, proper balance is the key to moral sentiments, and the standard of proper balance is the sympathy of an impartial spectator. The ideal moral sentiments are therefore those that, in measure and balance, enjoy the complete sympathy of a perfectly informed and perfectly ethical impartial spectator. This idealized, abstract spectator knows both the contents of your heart and the ideal moral measure and balance of sentiments.

To know this standard would be a first step toward virtue, but to be virtuous one must also enforce this standard upon oneself. The enforcement mechanism is "self-command" (p. 24), "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. . . ." (p. 23) If one could make the imaginary leap into an ideal impartial spectator position and know the balance of sentiments consistent with perfect virtue, and if that individual had the self-command necessary to maintain that ideal balance in himself, then he could achieve Smith's (1790 [1976b], p. 237) standard of perfect virtue: "The man who acts according to the rules of perfect prudence [that is, mature self-love], of strict justice, and of proper benevolence, may be said to be perfectly virtuous."

Smith's ideal liberal society would be inhabited by such perfectly virtuous beings. It would be a society in which all could enjoy liberty secured by the rule of justice. It would be a society in which there would be no need for institutional government to police the rules of justice, for in this perfect world citizens would know the ideal measure of justice and would have the self-government, the self-command, to enforce it upon themselves.

But as Smith appreciated full well, real human beings do not live in this perfect world. As Waterman (2002, pp. 912–913) writes: "*The Theory of Moral Sentiments* . . . expounds a detailed psychology according to which human action is motivated by a less-than-perfect balance of 'sentiments': self-love, justice, and beneficence or benevolence." However, while Smith believed that perfection is impossible, he also believed that humankind can make progress.

It is important to pause here and distinguish the concept of humankind's progress from the concept of human improvement. Smith viewed human nature as universal and constant. In his "History of Ancient Logics and Metaphysics," he (1980, p. 121) writes: "Man is perpetually changing every particle of his body; and every thought in his mind is in continual flux and succession. But humanity, or human nature, is always existent, is always the same. . . ."

However, while our nature is constant, chance, circumstance and the intended and unintended consequences of individuals' actions can transform the material, institutional, intellectual and ethical conditions of societies and their citizens. This transformation makes humankind's progress possible. Smith makes this point with respect to philosophy when he asserts in his "History of Ancient Physics" (1980, p. 109): "Let us not despise those ancient philosophers . . . [who held what we now consider immature ideas. We have] no superior sagacity"—just the advantage of their contributions, along with time and experience.

As with philosophy, Smith believed that civic ethics could mature. Maturation in that case implies an ever-closer approximation of the ethical ideal consistent with a liberal order. This possibility, in turn, makes the approximation of that ideal liberal order a plausible human prospect. His analysis of the history of humankind represents this process of progress.

Smith describes humankind as having evolved through four progressively more complex and mature stages: hunting and gathering, pasturage, agriculture and, finally, commerce. As humankind progressed through these stages, ever more complex social and political institutions played an essential instrumental role in making that progress possible. They provided security when individuals' civic ethics did not; and by institutionalizing the progress of the past, these institutions served as a foundation for further progress.

Smith does not represent humankind's progress through these stages as an inexorable, linear improvement from the first to the last stage. Rather, the story he tells is of particular societies progressing, stagnating and declining; the emergence of new societal constructs followed by progress, then again stagnation and decline. The progress of humankind emerges from this process because among these societal experiments, more mature societies are, *ceteris paribus*, more capable of defending themselves. Thus, progress, in the large, is reinforcing (Evensky, 2005, chapter 1).

Institutions facilitate this progress, but, ultimately, the achievement of a constructive and sustainable liberal order of free people and free markets depends not on more mature institutions, but on the progressive maturation of societal norms of justice—and on the acceptance of and the adherence to these norms by the citizenry.

Establishing Social Order: The Development and Inculcation of Societal Norms

Justice is a *sine qua non* of the liberal plan for free people and free markets, for without justice there is no security and society degenerates into the Hobbesian war of all against all. Smith (1790 [1976b], p. 85–86) argues:

> All the members of human society stand in need of each others assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship, and esteem, the society flourishes and is happy. All the different members of it are bound together by the agreeable bands of love and affection, and are, as it were, drawn to one common centre of mutual good offices.
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> But though the necessary assistance should not be afforded from such generous and disinterested motives, though among the different members of the society there should be no mutual love and affection, the society, though less happy and agreeable, will not necessarily be dissolved. . . .
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> Society, however, cannot subsist among those who are at all times ready to hurt and injure one another. . . .
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> [B]eneficence . . . is the ornament which embellishes, not the foundation of [society]. . . . Justice, on the contrary, is the main pillar that upholds the whole edifice.[3]

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[3] As Gary Becker demonstrates, his self-interested individual is capable of altruism. However, Becker's altruism is not sufficient to provide the justice Smith identifies as a necessary condition for cohesion of liberal society. Beyond genetic connection, the altruism effect diminishes as social distance increases

This essential justice does not emerge and mature as a consequence of human wisdom or reason. Justice emerges from the nature of our being. In the first stage, the "rude state" of society (Smith, 1784 [1976a], p. 712), our unregulated sentiment of justice enforces a rude standard of justice through retaliation based on resentment. But as society becomes more complex, this vigilante justice becomes destructive. At that point, the dictates of institutional religion and the positive laws of institutional government emerge to define, regulate and enforce standards of justice (Evensky, 2005, chapters 3 and 4).

If these standards are to serve as an effective tool for social cohesion, obedience to the standards cannot depend on thoughtful reflection. Certain moments of great passion will overwhelm reasoned judgment, because in those moments "the fury of our own passions constantly calls us back to our own place, where every thing appears magnified and misrepresented by self-love" (Smith, 1790 [1976b], p. 157).

> This self-deceit, this fatal weakness of mankind, is the source of half the disorders of human life. . . .
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> 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. . . .
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> It is thus that the general rules of morality are formed.

We are not born with a natural sense of these general rules.

> [They] are all formed from the experience we have had of the effects which actions of all different kinds naturally produce upon us. . . . When these general rules . . . are universally acknowledged and established, by the concurring sentiments of mankind . . . [they are] commonly cited as the ultimate foundations of what is just and unjust in human conduct. . . .
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> 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.

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because the reciprocal benefit one can expect to receive decreases. Adam Smith (1790 [1976b], p. 220) notes as much when, in the course of describing concentric spheres of relations, he writes that "affection gradually diminishes as the relation grows more and more remote." Because altruism is diminishing with social distance, it rapidly looses the capacity to constrain the immediate and obvious incentive to create and exploit advantages that secure a larger share of the social surplus, the incentive to seek rents. Clearly the altruistic incentives of the corporate leaders at Enron, WorldCom or Tyco, to name a few of the scandals at the turn of the century, did not constrain their pursuit of the rich returns of rent seeking at the expense of millions of people those leaders never met (Evensky, 2005, chapter 10).

These general rules serve as a guide for our behavior when, in the heat of passion, the cool perspective of an impartial spectator is unavailable to us. Education and experience make the rules immediately accessible to us. Social concurrence with their content and social/legal sanction for their violation give these rules authority over us. We are not capable of perfection, but we are capable of the citizenship necessary for social cohesion, thanks to the capacity of our society to impress upon us general rules that can guide our behavior.

> The coarse clay of which the bulk of mankind are formed, cannot be wrought up to such 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. . . . [U]pon the tolerable observance of these duties, depends the very existence of human society, which would crumble into nothing if mankind were not generally impressed with a reverence for those important rules of conduct (Smith, 1790 [1976b], pp. 162–163).

At any given time, these general rules exert an invisible force because they represent the existing societal standards of custom. Custom, according to Smith (1790 [1976b], p. 194), is that habit of mind that is formed by the "habitual arrangement of our ideas." Smith (pp. 194–206) describes at length the strength of embedded social expectations in the areas of dress, fashion, furniture, music, architecture and human beauty.[4] Just as every society has evolving social expectations in these areas, so too every society develops its unique social construction that embodies established norms of interpersonal behavior that are peculiar to its particular time, place and circumstance. Smith (p. 204) refers to the set of societal norms of a given society, determined primarily by custom and social fashion, as its "golden mean":

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[4] For example, Smith (1759, p. 199) cites as an example of this sociocentrism the absurdity of European arrogance with respect to definitions of beauty:

> What different ideas are formed in different nations concerning the beauty of the human shape and countenance? A fair complexion is a shocking deformity upon the coast of Guinea. Thick lips and a flat nose are a beauty. In some nations long ears that hang down upon the shoulders are the objects of universal admiration. In China if a lady's foot is so large as to be fit to walk upon, she is regarded as a monster of ugliness. Some of the savage nations in North-America tie four boards round the heads of their children, and thus squeeze them, while the bones are tender and gristly, into a form that is almost perfectly square. Europeans are astonished at the absurd barbarity of this practice, to which some missionaries have imputed the singular stupidity of those nations among whom it prevails. But when they condemn those savages, they do not reflect that the ladies in Europe had, till within these very few years, been endeavouring, for near a century past, to squeeze the beautiful roundness of their natural shape into a square form of the same kind. And that, notwithstanding the many distortions and diseases which this practice was known to occasion, custom had rendered it agreeable among some of the most civilized nations which, perhaps, the world ever beheld.

> The different situations of different ages and countries are apt . . . 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 behavior vary accordingly.

This conception of the natural order is woven into our being through the process of socialization. Individuals are "familiarized with it from their infancy, custom has rendered it habitual to them, and they are very apt to regard it as, what is called, the way of the world . . ." (Smith, 1790 [1976b], p. 201). But societal norms are peculiar to a particular time and place. Driven by chance, circumstance and the unintended and intended actions of individuals, these social constructions can and do change. While this change is not effected by individual intention, it is affected by it. This point brings us to Smith's analysis of the role of individuals in this dynamic of change.

The Emergence of Ethical Autonomy and the Evolution of Civic Ethics

If change is at least in part intentional, how do individuals escape the confines of the "natural order" into which they are born in order to act on it?

Smith saw individuals as both social beings *and* as sovereign beings: "[I]n the great chess-board of human society, every single piece has a principle of motion of its own . . ." (Smith, 1790 [1976b], p. 234). Even as an individual is shaped by society, the experience, imagination and reason of each person creates a unique perspective from which that person can act on and affect the extant social constructs—including society's definition of ethical balance. As one thoughtful commentator on Smith's work puts it (Fleischacker, 1999, pp. 49, 51):

> Individual judgments are, ultimately, constitutive of social norms, but social norms are also an indispensable source for individual judgments. Indeed, the process of moral judgment is the means by which individuals most deeply build the views of their society into themselves. Paradoxically, it is precisely by

> doing this that they can also most fully express their individuality. . . . Individually free action and social construction of the self are compatible, for Smith, even dependent on one another.

In this interdependent development of individual and society, real, as opposed to ideal, impartial spectators apply socially constructed standards. Smith (1790 [1976b], pp. 110, 112) writes:

> Were it possible that a human creature could grow up to manhood in some solitary place, without any communication with his own species, he could no more think of his own character, of the propriety or demerit of his own sentiments and conduct, of the beauty or deformity of his own mind, than of the beauty or deformity of his own face. All these are objects which he cannot easily see, which naturally he does not look at, and with regard to which he is provided with no mirror which can present them to his view. Bring him into society, and he is immediately provided with the mirror which he wanted before. It is placed in the countenance and behaviour of those he lives with, which always mark when they enter into, and when they disapprove of his sentiments; and it is here that he first views the propriety and impropriety of his own passions, the beauty and deformity of his own mind. . . . 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.

We pay careful attention to what we see in this looking-glass because we are social beings. We desire the approbation and abhor the disapprobation of those who make up our social frame (Smith, 1790 [1976b], p. 112): "[O]ur first moral criticisms are exercised upon the characters and conduct of other people; and we are all very forward to observe how each of these affects us. But we soon learn, that other people are equally frank with regard to our own. We become anxious to know how far we deserve their censure or applause. . . ."

But while the approbation of others is the first measure of our being, it is not the ultimate measure. Even when the real-world spectators who judge us are impartial, they cannot know our heart and the sentiments within it. In judging us, they must do so based on what "*appears to be*" (Smith, 1790 [1976b], p. 67, emphasis in original), on what they see, not what is in our heart.[5] "Unfortunately this moral looking-glass is not always a very good one" (Smith, 1759, p. 260).

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[5] Smith (1759, pp. 105–106) also makes the point that it is probably a good thing that we assess each other by actions, rather than pretending to have a direct window into the hearts of others: "If the hurtfulness of the design, if the malevolence of the affection, were alone the causes which excited our resentment, we should feel all the furies of that passion against any person in whose breast we suspected or believed such designs or affections were harboured, though they had never broke out into any action. Sentiments, thoughts, intentions, would become the objects of punishment; and if the indignation of mankind run as high against them as against actions; if the baseness of the thought which had given birth to no action, seemed in the eyes of the world as much to call aloud for vengeance as the baseness

In contrast, when we attempt to take the position of an impartial spectator in order to assess our own behavior, we can know our own sentiments—but it takes a great effort to be impartial, for we always have a partial interest in our own circumstance.

This fundamental difference of perspective between societal judgment and self-judgment can lead to a dissonance when we feel that society has misjudged us with either excessive praise or blame (Smith, 1790 [1976b], pp. 114, 115):

> The most sincere praise can give little pleasure when it cannot be considered as some sort of proof of praise-worthiness. . . . As ignorant and groundless praise can give no solid joy, no satisfaction that will bear serious examination, so, on the contrary, it often gives real comfort to reflect, that though no praise should actually be bestowed upon us, our conduct, however, has been such as to deserve it. . . .

This dissonance between society's judgment and our own self-judgment can in turn lead to the emergence of autonomy in moral assessment, making possible moral maturation. It is, after all, not the desire for praise or avoidance of blame from others that motivates real virtue, rather the pursuit of virtue is driven by the internal desire to be praiseworthy and the abhorrence of blameworthiness (Smith 1790 [1976b], pp. 116–117).

> Nature, when she formed man for society . . . endowed him, not only with a desire of being approved of, but with a desire of being what ought to be approved of. . . . . . [T]hough a wise man feels little pleasure from praise where he knows there is no praise-worthiness, 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.[6]

As we depend more on this internal assessment of praiseworthiness and blameworthiness, we become more autonomous in our ethical judgments. Given this new perspective, when we take that imaginary step into an impartial spectator's position things begin to look different. We are invariably led to imagine not only what would be the socially acceptable response to the circumstance—what would be our duty and would follow custom—but also whether another response seems more

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of the action, every court of judicature would become a real inquisition. There would be no safety for the most innocent and circumspect conduct. . . . Actions, therefore, which either produce actual evil, or attempt to produce it, and thereby put us in the immediate fear of it, are by the Author of nature rendered the only proper and approved objects of human punishment and resentment. . . ."

[6] This quotation is part of the substantial revision to the sixth edition of *The Theory of Moral Sentiments* that was completed just before Smith's death in 1790. In that revision, Smith revisits this section and puts renewed emphasis on his distinction between praise/blame and praiseworthiness/blameworthiness.

appropriate to us. This application of reason and imagination leads to the emergence of ethical standards based on our unique, independent perspective. As Smith (1790 [1976b], pp. 128–130) describes it:

> The all-wise Author of Nature has, in this manner, taught man to respect the sentiments and judgments of his brethren; to be more or less pleased when they approve of his conduct, and to be more or less hurt when they disapprove of it. He has made man, if I may say so, the immediate judge of mankind. . . .
>
> But though man has, in this manner, been rendered the immediate judge of mankind, he has been rendered so only in the first instance; and an appeal lies from his sentence to a much higher tribunal, to the tribunal of their own consciences, to that of the supposed impartial and well-informed spectator, to that of the man within the breast, the great judge and arbiter of their conduct.

Through this development of ethical autonomy, an individual can transcend current societal norms. But societal progress is only possible when the norms themselves, and thus the common standard of civic ethics, progress. Individuals can contribute to this progress, but the process of progress is larger than any one individual.

That larger process involves a dynamic interaction between individuals and society. The individual is initially socially constructed by the extant institutions, but then reshapes the extant social construction. That new construction, embodied in the changing shape of the social and political institutions of the times, represents a new societal experiment. When that new shape is more constructive the society makes progress. Progress brings power.

But inevitably, either internal corrosion destroys that power or other societies develop more progressive structures and challenge that power. So any given society, to maintain its existence, must evolve into an ever more constructive and powerful model. Here again, the individuals who are shaped by the extant structure can contribute to this progress by acting on the inherited construct.

The competition among the societal experiments encourages new experiments and rewards those that are constructive. In the large, this process leads to the progress of humankind. In the last, commercial stage of humankind's progress, Smith envisions the competition among societal experiments as a *potentially* positive sum game, thus accelerating the process of humankind's progress—"potentially," because he believed that while the commercial stage, in the ideal a stage of free people and free markets, held great promise for global improvement, that promise was problematic because the partial interests that come with commerce—the mercantile interests—are a powerful corrosive force that must be overcome for that progress to be realized.

On Progress, Active Virtue and the Humble Statesman

Adam Smith's (1790 [1976b], p. 166) confidence that humankind could and would progress was based on faith, a faith born of a belief in a benevolent Deity. "The happiness of mankind . . . seems to have been the original purpose intended by the Author of nature. . . . No other end seems worthy of that supreme wisdom and divine benignity which we necessarily ascribe to him. . . ." Smith's was a personal faith, not one based on either institutional religion[7] or scientific proof.[8]

But while the Deity offered humankind the prospect of happiness, over the years Smith (1790 [1976b], p. 237) came to believe that the path toward this prospect is very much in our hands.

> The administration of the great system of the universe, . . . the care of the universal happiness of all rational and sensible beings, is the business of God and not of man. To man is allotted a much humbler department, but one much more suitable to the weakness of his powers, and to the narrowness of his comprehension; the care of his own happiness, of that of his family, his friends, his country: that he is occupied in contemplating the more sublime, can never be an excuse for his neglecting the more humble department. . . . The most sublime speculation of the contemplative philosopher can scarce compensate the neglect of the smallest active duty.

This passage is from Part VI of *The Theory of Moral Sentiments* titled "Of the Character of Virtue." This Part VI is an addition to the original text, the most significant of those additions and revisions to the edition published in 1790, the year Smith died.

This concern about active duty was motivated by what Smith had seen since he went to London in 1775 to publish *The Wealth of Nations* (Evensky, 2005, chapter 8). In the intervening years Smith had become progressively more concerned about the distorting influence of the mercantile interests on the British experiment in liberal society. In 1784, having served for a number of years as a Commissioner of Customs and thus having seen from the inside how these mercantile interests worked to secure their advantages through legislation, Smith (1784 [1976a]) published a revised edition of *The Wealth of Nations*. In that revision, he writes that this partial, mercantile interest has expanded its power through sophistry and persuasion and, when those have failed, by intimidation (p. 471):

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[7] Indeed, Smith was very suspicious of institutional religion. His dearest friend David Hume advocated a state religion as the best strategy to *diminish* the threat of religious influence on public policy, in effect to "'bribe their indolence'" (as Smith, 1784 [1976a], p. 791, cites Hume). Smith disagreed. He feared that an established religion would become a "spiritual army . . . directed by one head, and conducted upon one uniform plan" (p. 800) and that it could use its independent power base to "over-awe the chiefs and leaders" of the party in power (p. 792). Smith envisioned a free competition among religious sects in a state that "dealt equally and impartially with all the different sects, and . . . allowed every man to chuse his own priest and his own religion as he thought proper" (p. 792). He believed that this competition will lead to a great many small sects, diminishing the influence of any one sect and thus the power of any one enthusiasm or superstition.

[8] Smith believed in the Deity as designer but not in the "design argument" (Smith, Norris Kemp, 1947, p. 44): Natural order as proof of a deity. As Griswold (1999, p. 333) writes, Smith does not adhere to "the argument from design, whose fallacies Smith had . . . learned from Hume." It should also be noted that Smith's analysis does not require a deity. He believes that the empirical evidence offered by the history he presents supports his vision of humankind's progress. His faith in the Deity gives him faith in the future of that progress.

> This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many occasions intimidate the legislature. The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest publick services can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists.

Because of these powerful interests, Britain was burdened by what should have been a wonderful opportunity: the globalization of trade. The opening of the east and west gave Europe access to markets that spanned the globe. Since an expansion of the extent of the market is both a prerequisite for the ever-finer division of labor and an opportunity to generate the capital to finance those improvements, a new era of global trade for Europe could have been a great benefit, directly and indirectly, to all the nations of Europe. But while nominally meant to "enrich a great nation" (Smith, 1784 [1976a], 627), the mercantile colonial policies were in fact "frequently more hurtful to the countries in favour of which they are established than to those against which they are established" (pp. 627–628):

> After all the unjust attempts, therefore, of every country in Europe to engross to itself the whole advantages of the trade of its own colonies, no country has yet been able to engross to itself any thing but the expence of supporting in time of peace and of defending in time of war the oppressive authority which it assumes over them.

In the new Part VI of *The Theory of Moral Sentiments*, Smith (1790 [1976b], pp. 231–232) appeals to the active virtue of those who would be leaders to look beyond the partial interests of faction and rise to the level of a statesman.

> The leader of the successful party . . . if he has authority enough to prevail upon his own friends to act with proper temper and moderation (which he

> frequently has not), may sometimes render to his country a service much more essential and important than the greatest victories and the most extensive conquests [of the patriot]. He may re-establish and improve the constitution, and from the very doubtful and ambiguous character of the leader of a party, he may assume the greatest and noblest of all characters, that of the reformer and legislator of a great state; and, by the wisdom of his institutions, secure the internal tranquillity and happiness of his fellow-citizens for many succeeding generations

But beware, Smith (p. 234) reminds the potential leader, of the arrogance of power:

> The man of system . . . [is] very wise in his own conceit; and . . . [is] often so enamoured with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it. . . . [Do not] imagine that . . . the different members of a great society [can be arranged] with as much ease as the hand arranges the different pieces upon a chess-board. . . . Some general, and even systematical, idea of the perfection of policy and law, may no doubt be necessary for directing the views of the statesman. But to insist upon establishing, and upon establishing all at once, and in spite of all opposition, every thing which that idea may seem to require, must often be the highest degree of arrogance. . . . It is to fancy himself the only wise and worthy man in the commonwealth, and that his fellow-citizens should accommodate themselves to him and not he to them.

Extolling the virtues of the classic statesman, Smith (1790 [1976b], p. 233) cites Solon, one of the ancient Greek heroes from Plutarch's *Lives* who is sometimes known as the "lawmaker of Athens," as a model:

> The man whose public spirit is prompted altogether by humanity and benevolence . . . [w]hen he cannot establish the right, he will not disdain to ameliorate the wrong; but like Solon, when he cannot establish the best system of laws, he will endeavour to establish the best that the people can bear.

As he matured, Smith came to believe that the virtuous statesman may be instrumentally necessary to help guide societal progress toward the realization of what he referred to in *The Wealth of Nations* (p. 664) as the "liberal plan of equality, liberty and justice." But from the initial publication of *The Theory of Moral Sentiments* in 1759 to the last revision of that work in the year he died, 1790, the foundation of Smith's moral philosophical vision never changed. If a society of free people and free markets is to avoid the Hobbesian abyss, justice must be enforced not by institutions and police, but by self-government—that is, by citizens who share and adhere to a common, mature standard of civic ethics.

This is why Smith's *Theory of Moral Sentiments* is the first piece he wrote in his moral philosophical enterprise. Its analysis of individual ethics and their social development is the foundation of his vision of a constructive liberal society.

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