

## Chapter 9

# Self-interest, equality, and respect

In the last two chapters we saw that, according to Adam Smith, in a “well-governed society” (which for him meant one that protects his “sacred” “3 Ps” of person, property, and promise) each of us would naturally seek out ways to achieve our own ends by becoming “mutually the servants of one another” and thereby would benefit others even as we seek to benefit ourselves. According to Smith, the task of the political economist is to conduct empirical, historical investigations to discover what the policies and institutions are that would enable “universal opulence” and “general plenty.” Smith’s investigations led him to argue that markets, in which the division of labor is allowed to progress, in which trade is free, in which taxes and regulations are light, and in which there is competition for scarce resources, are the most conducive to this end. Smith argues that in market-oriented economies based on private property, each person working to better his own condition will increase the supply, and thus lower the price, of whatever good he is producing; this means that others will in turn be in a better position to afford his goods. Thus each person serving his own ends is led, in Smith’s famous phrase, “by an invisible hand” simultaneously to serve others’ ends as well, both by providing more plentiful and a greater diversity of goods and by thereby lowering prices. The market, Smith believed, could harness people’s industry in the service of their own ends and make it serve everyone else’s welfare, even if the welfare of others was not part of the individuals’ own motivations.

This is an optimistic, even inspiring, story, and the subsequent history of those countries that most closely adopted his prescriptions would seem to have validated his predictions. Consider the United States, for example, which, at least until recently, has approximated Smithian political economy

more than perhaps any other country. In 1800 in America, the total population was 5.3 million souls. At that time, life expectancy at birth was an appalling 39. And gross domestic product per capita, in 2010 dollars, was \$1,343, or \$3.68 per person per day. And today? According to the most recent data available, the total population in the United States is now 324 million; life expectancy at birth has increased to 80; and gross domestic product per capita (in constant dollars) stands now at \$57,300, or \$156.98 per person per day. That means that since the time of America's founding, while its population increased some *61-fold*, life expectancy has nevertheless *doubled*, and real GDP per capita has increased *43-fold*. Truly a remarkable—and historically unprecedented—achievement.<sup>8</sup>

But is that the full story, as astonishing as it is? Are there moral values that have been sacrificed to achieve these lofty goals of prosperity? Perhaps we are richer, indeed much richer, today than we have ever been, but money is not the only thing that matters in life. What about equality? What about human dignity and mutual respect? Is the Smithian tale of fabulous wealth premised on a narrow, even odious, conception of self-interest? What does Smith have to say about the moral values of equality, respect, and altruism? Let us take these in turn.

## Equality

In a Smithian society, do people grow richer? Yes. Do people grow richer *equally*? No. Although all get richer, some get richer faster, and to greater heights, than others. Is this not morally problematic? Smith himself seems alive to this issue, even in the eighteenth century. He writes, for example: “No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labor as to be themselves tolerably well fed, cloathed and lodged” (WN: 96). Elsewhere he writes: “By necessaries I understand, not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent

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8 McCloskey (2016) argues that since 1800 the average person's overall prosperity, when factoring in the increased value of infrastructure and public goods, has in fact increased an incredible 100 times.

for creditable people, even of the lowest order, to be without. [...] Under necessaries therefore, I comprehend, not only those things which nature, but those things which the established rules of decency have rendered necessary to the lowest rank of people” (WN: 869–70). Together these passages not only reiterate Smith’s paramount concern for “the lowest rank of people,” but also express his moral mandate that as society increases in overall prosperity the standard of living of the least among us must rise as well.

How, then, can Smith endorse a system of political economy that, while making us richer, nevertheless also entails that some of us will be far richer than others? To see Smith’s answer to this question, we must first recall a claim of Smith’s that I said in Chapter 6 was “to his great credit”: namely, his rejection of claims of racial or natural superiority of some over others, and his endorsement of the claim that all human beings were roughly equal in motivation, rationality, and ability. Early in WN, Smith writes: “The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour” (WN: 28). Smith continues: “The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education” (WN: 28–29). Smith was himself, of course, a philosopher, so he includes himself in this comparison. So, according to Smith, we have different geniuses, but are not substantially different by nature. Pause for a moment to consider how radical such a claim would have been taken to be in the eighteenth century, when everyone “knew” that there were stark natural—and thus enduring—differences in different human characters.

What Smith means by the “different geniuses” each of us has is the differing proclivities, skills, and abilities each of us develops as a result of the different choices we make as we mature. We face differing circumstances, and we have differing goals and values, so we make different choices; that means we develop different packages of skills and abilities. But Smith is adamant that these different geniuses we possess are mainly a result of the differing “habit, custom, and education” each of us engages in, and, even more importantly, do not entail that we are entitled to differing moral status. We are, each of us, full moral agents, alike entitled to protection of our person, property, and

promises, and thus entitled to exactly the same scope of liberty and responsibility, of rights and privileges, as anyone else. Smith is here endorsing a profound *moral* equality among all humans.

But do these differing geniuses lead to differing levels of wealth that we will enjoy? Yes. As long as we live in a country whose level of prosperity is growing for all of us, however, Smith is less concerned about material inequality than he is about moral inequality. And in the free society he envisions, Smith claims that “the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men’s talents he has occasion for” (WN: 30). What is the medium through which we “truck, barter, and exchange”? It is the market—and the freer it is, the better. The more people who can enter into the market, the more each of them benefits from the goods and services produced by others’ talents, and, by the Invisible Hand Argument, the more the rest of us benefit as well. In this way the “common stock” of overall prosperity grows, and we are all the better for it.

### **Self-interest and respect**

As we saw last chapter, the most famous passage in Smith’s *Wealth of Nations*, and indeed perhaps in all of economics, is his “invisible hand” passage. But the *second* most famous passage is this one, which comes already in WN’s second chapter: “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” (WN: 27). Note the phrases “their own interest,” “self-love,” and “their advantages.” What do you hear when you read that passage? Do you hear selfishness? That is what Karl Marx (1818–1883), author of the 1848 *Communist Manifesto*, thought when he read Smith—and he did read Smith. Here, Marx thought, not even twenty pages into the *Wealth of Nations*, was the smoking gun: Adam Smith, the father of economics, admitting—even celebrating—the fact that Smithian political economy is founded on selfishness. Marx would go on to argue that this system of political economy, which Marx called “capitalism,” is built on recommending to people that they should be selfish and should consider other people as mere means to their own ends, as mere tools to be manipulated

rather than moral agents with dignity to be respected. Whatever its material virtues might be, capitalism, Marx thought, was thus founded upon an immoral base, and thus its gains were ill-gotten.

Was Smith arguing that we should all be selfish in our dealings with one another? Certainly not in our *moral* dealings with one another: remember that in his *Theory of Moral Sentiments* Smith argued that we all desire mutual sympathy of sentiments, which drives us to into mutually supportive relationships with others. But in our *economic* dealings with one another? Is Smith telling us we should be selfish in the market—as it were, to check our morality at the marketplace door?

Smith did not believe so. What he saw in these dealings with the butcher, the brewer, and the baker was not a narrow, let alone odious, selfishness, but something rather different: *respect*. Let me explain. Just before the butcher-brewer-baker passage, Smith says that human beings, unlike other animals, must rely on others to acquire what they want. “Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog” (WN: 26), because they do not need to: dogs, like most other animals, can procure most of what they need all on their own. “But man has almost constant occasion for the help of his brethren” (WN: 26), both because our needs and wants are more complex than those of other animals and because human beings do not have the equipment—fur, claws, wings, and so on—that nature provided other animals to enable them to satisfy their needs. What do human beings have to compensate for their relative physical weaknesses? They have “the faculties of reason and speech” (WN: 25), which enables them to discover and construct plans for cooperating with one another in ways that makes all parties better off. This is why “man has almost constant occasion for the help of his brethren.” But to this Smith adds: “and 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 shew them that it is for their own advantage to do for him what he requires of them” (WN: 26). How can one do this? By far the best way is by offering to do something for the other person *that that other person values*: “Give me that which I want, and you shall have this which you want, is the meaning of every such offer” (WN: 26). Because of our peculiar liabilities, human beings need the help of others; and it is by making mutually advantageous offers “that we obtain from one another the far greater part of those good offices which we stand in need of” (WN: 26).

Now the assumption Smith makes in this argument is indeed that we are driven by self-interest. Because, however, of the twin constraints of (1) our desire for mutual sympathy of sentiments and (2) living in a “well-governed society,” we are driven—both by our own desires and by our public institutions—to meet one another as peers, as moral equals, and to make offers to one another that either of us is free to decline. Each of us has an “opt-out option” that is protected by our society’s commitment to Smithian justice, and this disciplines us from any notion we might otherwise have had about merely trying to steal from or defraud one another. And because each of us desires mutual sympathy of sentiments, we desire to conduct ourselves in ways that others will approve of. So when we seek our meat from butchers, our ale from brewers, and our bread from bakers, we make them offers that recognize that they are our equals, that they have interests and obligations of their own, and that our interests and obligations do not trump theirs. Our desire for their meat, ale, and bread—which after all they had to make with their own labor and time and resources—does not trump their right to decide on their own what to do. In these circumstances, then, how are we going to get their meat, ale, or bread? We will have to treat them the way they want to be treated, and we will have to offer them something they might want; for their part, they will do, will *have* to do, the same for us. Otherwise each of us will go elsewhere. In other words, we have to treat each other with respect, and not presume that either of us is more important or more worthy or more deserving than the other. How might we do this? By expecting our dinner “not from the benevolence of the butcher, the brewer, or the baker,” but, rather, by taking due and proper “regard to their own interest.”

For Smith, then, the act of making a person an offer is a recognition of the inherent value of others; it reflects the equal dignity that each of us has, and it is a shining example of proper moral relations among people. The mutually voluntary and thus mutually beneficial transaction that is the cornerstone of a Smithian market economy is, then, not only the key to increasing general prosperity, but it is also the instantiation of truly moral human relations.

How would Smith respond, then, to Marx’s criticism? He would first of all say that the equality that matters is not *material equality* but, rather, *equality of moral agency*. A society in which each person has the liberty to construct for himself a life of meaning and purpose, and to determine what such a life would be; in which each person also enjoys the responsibility for his own life

that is entailed by his free moral agency; and in which each person has this liberty and responsibility in equal measure with every other person: that is the society of equality that is morally worth championing. And Smith would turn the tables on Marx: it is not the society of individual liberty, responsibility, and mutual respect that dehumanizes people; it is rather the society in which some may take from others, in which some make decisions for others, and in which therefore some have power over others that violates their inherent dignity and a proper conception of moral equality. That kind of society is not worth championing, no matter how grandiosely it is described.

### **Lying and dignity**

Let us close this chapter by addressing two further Marxian objections. The first is Marx's claim that negotiations in markets are essentially extended exercises in lying (Marx, 1844). Consider buying a car. You say to the car dealer, "I won't pay more than \$20,000 for that car." (That is a lie.) The dealer responds, "I won't take less than \$30,000 for it." (That too is a lie.) As the negotiation proceeds, at each stage each of you lies to the other. Even if you eventually agree on a price, and even if you both voluntarily agreed to the price and you both benefit from the transaction, nevertheless the transaction is based upon, and mediated through, lying. Marx believes that capitalism involves, indeed, systematic lying on virtually everyone's part. And this is a morally vicious way for people to deal with one another. Lying is morally wrong, and any system of political economy that not only allows it but, apparently, endorses it is morally wrong as well.

A related second objection Marx raises is that participants in a market come to view one another not as full moral agents with inherent dignity but, rather, as mere tools to be manipulated into giving us what we want. I want that car, so I say the words necessary to get you to give it to me. Even more insidiously, when I work and earn a paycheck, Marx says I am not actually providing a service to my company or producing a good on behalf of my company; what I am actually producing instead is the means for me to manipulate you into giving me what I want. I don't actually care about my company or about you: I care only about what it or you can give to me. And the same is true for you. So life under capitalism becomes a duplicitous system in which everyone tries to manipulate everyone else, a multi-player strategic game in which each participant tries to dupe and manipulate the others so as to achieve his own goals, regardless of what this means or does to others.

These are damning criticisms. How might Smith respond? He would first remind Marx that he believes that a central and enduring feature of human psychology is the desire for mutual sympathy of sentiments, a desire that makes us genuinely interested in others. The first sentence of *The Theory of Moral Sentiments* is: “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: 9). Smith later emphasizes the point: “Sympathy, however, cannot, in any sense, be regarded as a selfish principle” (TMS: 317). So Smith’s first response to Marx would be to deny his claim that human beings are fundamentally, or only, selfish, and claim instead that, as a matter of empirical fact, we do actually care about the “fortune of others.”

Smith’s second response would be to remind Marx that the offers we make to other people to buy from them, sell to them, or cooperate or associate with them all come with the recognition of the other’s right to say “no, thank you” and go elsewhere. When we recognize this right, we show respect for the others, and treat them as our peers who have the same free moral agency that we do. We do not presume to know what is best for others, and we do not presume that we are in a better position to know what others should do than those others themselves. Smith would probably also remind Marx of what the alternative is to encouraging people to pursue their ends by making offers to others that those others are free to decline: either prohibiting offer-making altogether, or prohibiting people from exercising an opt-out option. But either of these would constitute a restriction of people’s liberty and hence their moral agency. Is that preferable?

Third and finally, Smith might also argue that negotiation, which is indeed a central part of a market economy, can be just as often a genuine discovery process as an exercise in lying. Perhaps people don’t actually know what something is worth to them—in which case negotiating with others might help them clarify for themselves what their actual schedule of value, preferred tradeoffs, and opportunity costs are. How much would you be willing to spend on that new house, for example? How much would you be willing to sell your own house for? How much is a house actually worth? Perhaps people are often genuinely unsure about such things, in which case entering into a negotiation with others can help them figure it out. That is not lying; it is instead a mutual exploration of new potential ways to generate mutual benefit.