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Sandra J. Peart

University of Richmond, speart@richmond.edu

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4 Comment: Entering the “great school of self-command”

The moralizing influence of markets, language, and imagination

Sandra J. Peart

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.

(Adam Smith, *The Theory of Moral Sentiments* (1759))

Economists for centuries have struggled to understand the self–other relationship and its implications for economic life. For economists in the classical tradition of Adam Smith, this was a central question regarding the wealth and flourishing of nations. Later, as this volume demonstrates, the relationship of the self to others was forgotten as economics became associated almost exclusively with the pursuit of what Peter Boettke and Daniel Smith describe as “ruthless efficiency.”

In the wake of the 2008 financial crisis and a growing body of experimental and empirical evidence showing the predictive shortcomings of narrow self-interest models, a more capacious economics has recently reemerged. Reimagining the economic problem to include what Samuel Bowles and Herbert Gintis refer to as “the evolution of human cooperation,” growing numbers of economists are investigating the relationship between self-regarding and other-regarding preferences. The essays by Bowles and Gintis, Boettke and Smith, and Robert Garnett are part of this reimagining and remind us that an economics in which actors are assumed to be entirely self-regarding is at odds with evidence about how people actually behave.

This reimagining has employed insights from Smith’s *Theory of Moral Sentiments* to examine experimental regularities such as cooperation and sharing (Ashraf *et al.* 2005). At the heart of this shift in analytic focus and perspective is an emerging consensus that economic actors are not simply selfish or even self-interested but frequently sacrifice their own material or physical well-being to help others, even in cases where, as Smith put it, they “derive nothing” from doing so: no promise of future reciprocity, no reputational gain, nothing but the pure joy associated with a praiseworthy act. For Smith,

one becomes generous and virtuous through the pursuit of approbation from actual and imaginary spectators, the “great school of self-command.”

Taken together, these three essays defend the Smithian claim that economic activity is a means by which people acquire a sense of ethics, reciprocity, fairness, trust, generosity, and virtue. The authors remind us, first, that economists did not always view efficiency as the chief normative desideratum or economic actors as primarily selfish or entirely unconnected to fellow beings. Instead, as Garnett and Boettke/Smith argue, the standard account of economics, which focuses on the *Wealth of Nations* exclusively and treats the subject matter of *The Theory of Moral Sentiments* as external to economics, is simply wrong-headed, notwithstanding its endorsement by eminent scholars such as Jacob Viner (1927). This narrow interpretation of Smith’s economics, which coincides with twentieth-century attempts to develop an economics of the disembodied self, of isolated economic actors unconnected to others by bonds of friendship, language, ethics, or reciprocity, lent itself well to the pursuit of economic efficiency. It did not fare well, however, in predicting human behavior or explaining the emergence of economic cooperation; nor did it leave any room to explain how and why actors enter into the “school of self-command,” of language, reciprocity, trust, forgiveness, or self-sacrifice.

The gap between predicted and actual behavior has been a source of discomfort at various points in the history of economics. In 1870, William Stanley Jevons wrote about a “being of perfect good sense and foresight,” whose actions, he acknowledged, were surely at odds with his predictions (72; see also Peart 1996). Indeed, economists late in the nineteenth and early in the twentieth century posited that individuals were hopelessly irrational when it came to decisions about how much to save and when and whom to marry. The question for early neoclassical economists such as Jevons, Alfred Marshall, Irving Fisher and A. C. Pigou was whether or not economic theory was sufficiently close to life on the ground to serve as an approximation for predicting behavior, and, more importantly, how best to “fix” myopic and ignorant economic people (Peart 2000). In this line of thought, the role of the economist was to serve the goal of economic efficiency by teaching actors how best to behave.¹

The authors of these essays, like Smith himself, place faith in people themselves to learn, adapt, and become moral by acting in the context of institutions that are largely outside the scope of human design – first and foremost the market. In addressing the moralizing influence of commerce, these essays address at least partially the question for which neoclassical economists of the early twentieth century had no answer, namely: why do humans cooperate? The answer, evident in all three chapters, is that economic interactions have a schooling effect, helping to correct myopia and generate welfare-enhancing cooperation.

Smith recognized that the first and most steadfast myopia is that which places the human self at the center of the universe. We overcome this

illusion, he argues, through a process of social exchange that cultivates our ethical imagination. As we exchange ideas, images, and sentiments with persons within and beyond our intimate circles, we develop our linguistic capacity and our habits of self-command. We learn to take account of others as we act and to act in such a way as to earn, at least on balance, the approval of others. This socializing commerce tempers our concern for the self.

Bowles and Gintis are also centrally concerned with self-other relationships as determinants of action. In their view, predictions by economists based on purely self-interested behavior often fall far from the mark as they fail to recognize the power of "social preferences" or pro-social motivations such as fairness, equity, concern for the well-being of others, or desire to uphold ethical norms. Bowles and Gintis take an instrumental view of cooperation, that humans cooperate because it is in our interests to do so, and argue that we acquired an evolved capacity to cooperate because our unique cognitive and linguistic skills enabled us "to structure our social interactions in ways that allowed altruistic cooperators to proliferate."² As a result of their instrumental approach and their interest in the evolution of human cooperation, Bowles and Gintis put the prisoner's dilemma and the concept of "strong reciprocity" at the center of their analysis.

Boettke and Smith write about the "doux-commerce thesis," which was developed to explain the "civilizing function" of commerce whereby "the market system" produces "social cooperation, especially among distant and different anonymous actors." Garnett, in contrast, argues that Smith's vision of social cooperation is much broader than "commerce" per se. He reads *TMS* and *WN* as an integrated theory of human collaboration in which wealth and human flourishing are generated by commercial and noncommercial (sympathy-seeking) exchange.

All three essays thus emphasize the importance of exchange in the development of cooperative behavior. As exchange multiplies and evolves over time, so too do institutions that corral our selfish and less cooperative impulses. Yet they disagree about the meaning of "social cooperation" and the types of institutions that induce it. Boettke and Smith defend a Hayekian view, according to which social cooperation is synonymous with the extended order of commercial specialization and trade, whereas Bowles, Gintis, and Garnett define cooperation as any form of mutually beneficial activity, commercial or noncommercial.

The role of language looms large but remains mostly implicit in each essay and is one area that warrants further attention. For it is through language that reciprocity and civility are cultivated. Through language, people learn to understand and persuade others, and to understand how others perceive them. They exchange ideas and emotions with others. Language is the basis for imaginative exchange, for placing oneself in another's shoes, for giving and receiving approval or approbation.

Language is necessary to the exchange of approbation just as it is necessary for the barter and exchange of the commercial market.

It is important to note, as does Garnett, that for Smith, and the economists who follow in his tradition, exchange occurs in two related but incommensurable dimensions: in material goods and in approval. Language is essential to both: to convey what belongs to whom and the advantages of giving “that which I want” in exchange for “this which you want” in material trades; and to convey what action is proper and how much self-command is necessary for trades in approbation. The virtuous society is one in which self-command is exercised and developed in both spheres.

As is well known, Smith distinguished between praise and praiseworthiness in *The Theory of Moral Sentiments*, and held that we are all subject to the desire to be praiseworthy. While we do not come into the world knowing how to obtain the approbation of others, we observe people’s reactions to our acts and the actions of others and come to understand what constitutes appropriate and virtuous conduct by observing what is generally approved. We come to moderate our actions in order to obtain general approval. We come to understand that we are not the center of the universe and to regulate our behavior accordingly (Smith [1759] 1976, 145). As Smith tells us, “ignorant and groundless praise can give no solid joy” but we are pleased “with having done what is praise-worthy. We are pleased to think that we have rendered ourselves the natural objects of approbation” even if no explicit approbation is voiced (Smith 1759)!

Our authors help us recognize that exchange induces moderation and even what we would today describe as tolerance. Exchange provides the training ground for trustworthiness (independently of reputational effects), forgiveness, and civility. Trade of course also generates significant material benefits. As noted, Smith famously held that without discussion there is no trade. Without the ability to converse and persuade, creatures like greyhounds and mastiffs are unable to obtain the material benefits of specialization, trade, and cooperation that flow from reason and speech (Smith [1776] 1976, 30). On this view, in addition to the enormously important moral improvement associated with language, discussion is also the key means by which wealth is produced and increased over time. In today’s vernacular, it is via discussion – exchange or commerce, broadly defined – that we are best able to cooperate, to decide who should do what for whom.

These essays fill an increasingly apparent gap in our understanding of the relationship between Smith’s teaching on economic development as outlined in *The Wealth of Nations* and his teaching in moral philosophy in *The Theory of Moral Sentiments*. More than this, they shed light on the evolution of institutions that support cooperation, rules that harness our self-interested actions in order better to enable our sympathetic natures to flourish. While one is left wondering about whether and how best to distinguish between “commercial life” and the messy forms of

crony capitalism that are flourishing currently, that is surely a subject for another collection and should by no means diminish the significance of the contribution here.

Notes

- 1 See Peart 2000 for a detailed examination of policy prescriptions designed to “correct” the myopia and other “irrationalities” discussed by Jevons and other early neoclassical economists.
- 2 Smith wrote a great deal about what happens when the desire for approval is warped by the desire for within-group (factional) approval; so, for Smith, there can be *too much* cooperation, as when sub-groups cooperate within a prisoner’s dilemma setting (Levy and Peart 2009). While Bowles and Gintis examine how rules evolve to serve groups, theirs is a more positive story than Smith’s.

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