

# Hume and Smith on the Moral Psychology of Market Relations, Practical Wisdom, and the Liberal Political Order

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## 1. Introduction

David Hume and Adam Smith had profound insights into some of the key features of politics, morality, and society in the then-emerging modern world. This paper will indicate and elaborate upon some of those insights, with a view to showing their continuing significance for the case for the market and a liberal political order. Many of those insights were of a moral-psychological character. I use the expression “moral psychology” broadly to refer to features of motivation, morally relevant attitudes and responses, the role of sensibility, self-regard and regard for others, and the like. Moral-psychological matters are crucial to understanding human activity in general—people’s judgments, decisions, and actions, and also such things as the structure, content, and justification of moral claims and moral theorizing. Indeed, I would argue that ultimately a plausible political theory depends upon a plausible moral psychology. Unless conceptions of and ideals of institutional arrangements are based upon a realistic moral psychology, they will be inadequately underwritten, and potentially very mischievous, as well.

## 2. Hume on Civil Society

My claim is not that a case for the market or for a liberal political order can be read off of facts about human nature; it is not that simple. Neither did Hume or Smith believe that it was that simple. Nor am I arguing that *only* through a market economy in a liberal order can people lead excellent and fulfilling lives. Nevertheless, the case for the market and the liberal polity is not merely ideological; it is not just an expression of arbitrary preference or just an expression of what seems desirable in a certain socio-cultural context. Realities of history, conceptual relations, as well as multiple sources of empirical evidence help make the case.

I shall use the term “liberal” in a wide but not uselessly vague way. Among the most important features of a liberal political order are that (1) it accommodates a measure of value pluralism, even if it should happen that, as a matter of contingent fact, there is a high degree of value consensus; (2) it

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accords extensive rights and liberties to individuals, leaving much of their life-plans, decisions, and actions to their discretion; (3) it protects private property as one of the more basic rights; and (4) it is a polity to which the rule of law—and one in which law reflects principles and values widely endorsed by citizens—is essential. A liberal polity—while it depends upon a widely shared scaffolding of basic values—does not comprehensively enforce morality.<sup>1</sup> It accommodates diverse conceptions of what is worthwhile (not just of what is pleasing) and it depends, in part, on the disposition of citizens to *value* that accommodation and to value the interaction or reconciliation of divergent interests without the exercise of coercive state power. In a liberal polity a great many of the activities in which people engage take place in contexts and arrangements independent of the state. Those contexts and arrangements constitute what is sometimes called “civil society.”

Without pursuing the matter here, I note that there are several different approaches to making the case for a liberal polity. Even when there is agreement on the merits of a liberal polity, there are complex arguments over what actually constitutes its justification. Among the more influential approaches are the Kantian, Lockean, and Aristotelian. There are several others, even including certain strands of Hobbes’s thought. While each justification of a liberal polity has merit, that is not to say that we can just combine them and thereby have an overwhelming case for a liberal polity. The present discussion does not extend to arguing for a particular justification for a liberal political order, but it will indicate some important considerations in favor of it and the market. Also, I will comment on the importance of the market to civil society and the importance of civil society to a liberal polity.

Wide scope for individual liberties without extensive enforcement of morality is supported by a shared commitment to civil society as the context that permits and, to some extent, arbitrates divergent interests and the friction they often bring with them. Increased reliance on formal political institutions, and reliance upon addressing friction legalistically, is almost certain to contract liberty and to enlarge the role of the state. An inclination to use state power—such as legislative power and the courts—as a first resort will accustom people to regarding the state as an apparatus, an instrument, to be

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<sup>1</sup> Many defenses of liberalism include arguments for austere legal moralism; that is, for a minimal extent to which morality is enforced by law. Here I do not enter into the argument over the question of whether austere legal moralism is essential to liberalism, or the question of just how to interpret the relevant notion of austerity. In any case, it does seem plausible that a liberal polity will need a high level of commitment to certain moral principles as a framework for sustaining a liberal order. So, even on a quite austere conception of the extent to which morality is to be enforced, moral commitment to the value of liberalism is still required. The aspects of a liberal polity indicated in the discussion are intended as parts of a characterization, not a definition.

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employed to achieve their purposes, and that can encourage a culture of competitive entitlement and ideological politics. The more policy and the more saturating is administrative law, the less scope there is for free activity in civil society. I will argue that one reason civil society is very important is that it creates conditions through which people are encouraged to recognize and appreciate each other as *agents*. This is an issue in regard to which Smith has especially important insights.

Nonetheless, valuing civil society and the willingness to live more, rather than less, of life without official policy to direct it, is a disposition that needs to be learned, acquired through habit and experience. It is not the natural or default position of human beings. It is easy to be implausibly optimistic about the extent to which a liberal political order habituates people for self-determination and for resolving the issues and the conflicts that occur. The experience of the nations of the former Soviet Union and the East Bloc provides evidence that just removing statist and illiberal regimes does not lead to the flourishing of liberal democracy and a market economy, as if people were naturally disposed in that way and the removal of impediments was all that was needed to achieve them. Those are *achievements*, and a great deal of work is required in order to attain them. The dispositions that make this possible have to be cultivated, encouraged, and exercised. As Frank Knight remarks, "The human being does not achieve individuality or freedom, or the idea of freedom, except through a culture made and continued by the various groups in which he lives."<sup>2</sup>

At the same time, we should not think that because this set of dispositions is a second nature, it is *merely* a second nature, just one set of possible dispositions among a large number, and without very strong normative grounds for it. Given the distinctive, constitutive capacities of human nature, there are good reasons to encourage a second nature to which self-determination is central. Self-determination is a crucial condition for engaging in activities in ways the agent can find desirable and worthwhile in a distinctively rich manner on account of the exercise of his or her own capacities. This is a reason independent of considerations of efficiency in favor of extensive liberty, private property, and the market. And self-determination does not imply social atomism, egoism, or a narrow, strongly self-interested prudence. It primarily concerns capacities for deliberation, evaluative judgment, and articulating the reasons for one's commitments and choices. It has no essential connection with acquisitive individualism.

It is also not part of the present view that, in a liberal polity, agents will be *fully* rational calculators (whatever that means) of their interests, and

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<sup>2</sup> Frank Knight, "Human Nature and World Democracy," in Frank Knight, *Freedom and Reform* (Indianapolis, IN: Liberty Fund, 1982), p. 373.

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that they will participate in social decisions and collective choices in a *purely* rational manner (whatever that means). Again, Knight comments aptly, “In fact, emotion and tradition and force have always been the main factors controlling opinion.”<sup>3</sup> The passions and attachment to tradition often have a crucial role in shaping the exercise of self-determination. The issue is not, “What is it for an agent to be perfectly rational?” but rather, “Are there certain forms of political and economic arrangement that are especially conducive to human beings’ living well in the most fundamental senses, given historical realities and the conditions of the actual contemporary world?” The answer is, “Yes,” and the answer includes a significant role for civil society, the liberal polity, and the market.

When more, rather than fewer, aspects of people’s lives are shaped by voluntary undertakings, choice, and discretionary pursuits, people learn the habits of political life (in the broadest sense of politics) that dispose them to want to keep their liberty and to be suspicious of centralized power. And the market is especially important to civil society. Edward Shils writes:

The pluralism of institutions and institutional spheres requires the market economy quite apart from its necessity as the only way of working of a system of private ownership of the instruments of production and from its greater productivity than other modes of organizing economic life. The market is also an important precondition of a civil society because its own autonomy guarantees the autonomy of other institutions as well as business firms.<sup>4</sup>

He also states, “The hallmark of a civil society is the autonomy of private associations and institutions, as well as that of private business firms.”<sup>5</sup> Furthermore, he notes, “The pluralism of civil society is two-fold. Its pluralism comprises the partially autonomous spheres of economy, religion, culture, intellectual activity, political activity, etc., *vis-à-vis* each other . . . . The pluralism of civil society also comprises within each sphere a multiplicity of many partially autonomous corporations and institutions.”<sup>6</sup> He mentions business firms, churches and sects, universities, independent newspapers,

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<sup>3</sup> *Ibid.*, p. 379.

<sup>4</sup> Edward Shils, *The Virtue of Civility*, ed. Steven Grosby (Indianapolis, IN: Liberty Fund, 1997), p. 331.

<sup>5</sup> *Ibid.*, p. 330.

<sup>6</sup> *Ibid.*

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periodicals, broadcasting corporations, political parties, and philanthropic and civic associations.<sup>7</sup>

That fabric of voluntary organizations, associations, and undertakings cannot be woven into just any setting of economic arrangements. It depends, to a large extent, upon the market. It is a social phenomenon in a complex and multi-dimensional way. The suggestion that we could have all of those other types of voluntariness and independence without the market is implausible. People would have neither the opportunities nor the access to and control of means needed to engage in those activities and shape and reshape those contexts, nor could they enter and exit them on a voluntary basis. Neither would they develop many of the capacities and dispositions that need to be exercised in a complex setting of discretionary activity and voluntary association. Perhaps in a society that is both very homogeneous and very traditional civil society could flourish without the market, because civil society would not contend with the challenges and frictions of diversity and ongoing change. But it is difficult to see how a diverse civil society could be cultivated absent the market. It is an enabling condition and a constitutive condition for the sorts of plasticity of social organization and interaction that vibrant civil society requires in most social contexts. The variety and efficacy of the various institutions and organizations mentioned by Shils could not be sustained in a command economy or one with significant state monopolies or a strongly protected system of guilds.

Hume has an optimistic view of industry and commerce and their overall social impact. He writes:

The spirit of the age affects all the arts; and the minds of men, being once roused from their lethargy, and put into a fermentation, turn themselves on all sides, and carry improvements into every art and science. Profound ignorance is totally banished, and men enjoy the privileges of rational creatures, to think as well as to act, to cultivate the pleasures of the mind as well as those of the body.<sup>8</sup>

He writes of the ways in which advances in the arts make men more sociable:

They flock into cities; love to receive and communicate knowledge; to show their wit or their breeding; their taste in conversation or living, in clothes or furniture. Curiosity allures the wise; vanity the

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<sup>7</sup> Ibid.

<sup>8</sup> David Hume, "Of Refinement in the Arts," in David Hume, *Essays Moral, Political, and Literary*, ed. Eugene F. Miller (Indianapolis, IN: Liberty Fund, 1987 [1777]), p. 271.

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foolish; and pleasure both. Particular clubs and societies are every where formed. . . . So that, beside the improvements which they receive from knowledge and the liberal arts, it is impossible but they must feel an encrease of humanity, from the very habit of conversing together, and contributing to each other's pleasure and entertainment. Thus industry, knowledge, and humanity, are linked together by an indissoluble chain, and are found, from experience as well as reason, to be peculiar to the more polished, and what are commonly denominated, the more luxurious ages.<sup>9</sup>

Hume is on to something important, even if he overstates it. Civil society and the market can support and energize the imagination in particularly robust ways. These include a broad range of things such as envisioning possibilities and fashioning ideals and resolutions of problems, conceptualizing one's self in changed circumstances, changed largely through one's own decisions and efforts, and so forth. Various forms of involvement in civil society may be strongly traditional, highly ritualized, or otherwise very conservative. But civil society is also a sphere in which there is space to pursue aspiration and possibility. The ways in which they are pursued *makes* us the kinds of agents we are and do not just *reflect* what kinds of agents we are.

Among the general principles of politics that Hume suggests is the notion “[*t*]hat it is impossible for the arts and sciences to arise, at first, among any people unless that people enjoy the blessing of a free government.”<sup>10</sup> People under arbitrary or despotic government “are slaves” and cannot “aspire to any refinement of taste or reason.”<sup>11</sup> The point about the demoralization of aspiration is quite important. It is a moral-psychological consideration with manifold significance because of how aspiration shapes civil society, economic activity, and the overall exercise of self-determination. The arts and sciences of a free people differ dramatically from the arts and sciences of people living in an illiberal regime. Moreover, Hume argues “[*t*]hat nothing is more favourable to the rise of politeness and learning, than a number of neighboring and independent states, connected together by commerce and policy.”<sup>12</sup> A free government gives rise to law—to government by principles acknowledged and endorsed as being in the interest of the

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<sup>9</sup> Ibid.

<sup>10</sup> David Hume, “The Rise of Arts and Sciences,” in Hume, *Essays Moral, Political, and Literary*, p. 115 (italics in original).

<sup>11</sup> Ibid., p. 117.

<sup>12</sup> Ibid., p. 119 (italics in original).

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governed and as minimizing arbitrariness and tyranny—and the ties of commerce and policy give rise to emulation and competition, while also inhibiting tendencies toward arbitrary political power.

It is part of Hume's sociology of politics that, "Laws, order, police, discipline; these can never be carried to any degree of perfection, before human reason has refined itself by exercise, and by an application to the more vulgar arts, at least, of commerce and manufacture."<sup>13</sup> Hume's explanation of this includes the claim that where commerce and industry are encouraged, more and more people have property and develop a concern to safeguard property; "They covet equal laws, which may secure their property, and preserve them from monarchical, as well as aristocratical tyranny."<sup>14</sup> And he claims, "If we consider the matter in a proper light, we shall find, that a progress in the arts is rather favourable to liberty, and has a natural tendency to preserve it, if not produce a free government."<sup>15</sup> Commerce, industry, and property sustain and enlarge "that middling rank of men, who are the best and firmest basis of public liberty."<sup>16</sup>

The market does not simply reward initiative and widen consumer choice. It also accelerates and multiplies kinds of interaction and thereby motivates innovation and problem solving and energizes imagination. A market-supported civil society multiplies the contexts in which we can recognize each other as agents. To be sure, it can also shape a social world in which there is envy, anxious competition, and formal and informal contests for political influence. But that is hardly unique to the market. It would be an error to focus too exclusively on either the positive or the negative. But because of the market's relation to the character of civil society in general, it can encourage habits of initiative in many different contexts, not just in commerce and industry. There are more sources of motivation to develop new ideas and organize new institutions.

### 3. Smith on Civil Society

Adam Smith argues that through the sorts of interactions made possible by commerce, industry, and the various activities constitutive of a market economy and the civil society it supports, we are enabled more fully to acknowledge and appreciate others as participants in a common moral world. In so seeing them, we are better able genuinely to include them within the

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<sup>13</sup> David Hume, "Of Refinement in the Arts," p. 273.

<sup>14</sup> *Ibid.*, p. 277.

<sup>15</sup> *Ibid.*, p. 278.

<sup>16</sup> *Ibid.*, p. 277.

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scope of moral imagination. There are more ways in which to see the relevance of considerations of desert, accountability, and responsibility as people are increasingly acknowledged as agents.

While *The Wealth of Nations* largely concerns certain fundamental dispositions of human behavior and their overall results in economic terms, and *The Theory of Moral Sentiments* largely concerns the basis and character of moral judgment, there is an important connection between them through considerations of moral psychology. Smith has a profound grasp of the importance of understanding the modern human world as an order shaped by contingency—a world that is not to be understood directly in terms of providential governance or a fixed normative order.<sup>17</sup> This has enormous significance for morality and economics alike.

*The Wealth of Nations* is in part an explication of what sorts of differences are made at the social level by the ways that individuals behave without intending that those specific differences should be brought about. *The Theory of Moral Sentiments* explicates how morality could have a naturalistic basis—how moral objectivity can be explicated in terms of sentiments and the imagination. That is a quite remarkable project. Whether or not one finds Smith's moral theory compelling, it is notable that he has an explanatory conception of the human world and basic forms of human relations that take contingency seriously and dispense with metaphysical requirements to underwrite the intelligibility of the social and moral order. He sees that human beings, through a complex interaction of individual actions with highly local intentions, achieve a complex socio-economic world that has certain regular features but is not itself the product of design. And he gives an account of how morality—how normative requirements—could nonetheless fully apply and genuinely be effective in that un-designed order, fraught with contingency. Smith recognizes how appreciating others as self-determining agents depends upon the kinds of activities that the market allows, enables, and encourages. And that, in turn, is crucial to strengthening moral imagination, to seeing others as participants with us in a common moral world.

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<sup>17</sup> I will not pursue in any detail the issue of the nature of Smith's theistic commitments. It seems clear to me (from *The Theory of Moral Sentiments*) that he has theistic commitments and that he takes them quite seriously, appealing to them as having genuine explanatory and moral significance. However, it does not seem to me that he appeals directly to specific theological claims in order to explicate moral judgment or moral motivation. Rather, he takes the notion of providential order seriously, but does not assign a role to revelation or specific theological doctrines in his account of what is morally right or in the account of why one should do what is morally required.



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If there is extensive scope for self-determination, there are more ways in which we can regard and interact with people in their status as agents. We see their self-determination being exercised in judgment, decision, choice, and action, and we find that the exercise of self-determination shapes the world. Even if simply having a human nature is a *ground* for regarding someone as an agent, exercises of self-determination supply *occasions* to do so. The market and the textured civil society supported by it create and sustain conditions for individuals more fully to *become* agents and to interact with others *as* agents. That is a crucial respect in which—as Smith, I think, sees—the market actually can educate moral imagination.

Smith writes, “Our sensibility to the feelings of others, so far from being inconsistent with the manhood of self-command, is the very principle upon which that manhood is founded.”<sup>18</sup> And he elaborates:

The man of the most perfect virtue, the man whom we naturally love and revere the most, is he who joins, to the most perfect command of his own original and selfish feelings, the most exquisite sensibility both to the original and sympathetic feelings of others. The man who, to all the soft, the amiable, and the gentle virtues, joins the great, the awful, and the respectable, must surely be the natural and proper object of our highest love and admiration.<sup>19</sup>

He also says that the “sacred regard” to the life and the property of others is “the foundation of justice and humanity.”<sup>20</sup> Life in a liberal polity with the market provides extensive experience of the sort that is a basis for agents to acquire the virtues of self-command and sympathy (in the more, rather than less, morally complex sense of sympathy). There is nothing automatic about this. Nor am I arguing that those virtues can only be acquired in that sort of social world. But Smith is right to see that that kind of social world is particularly apt to require the acquisition of prudential self-command, and it is also a world in which the multiple and diverse interactions people have with each other can especially be conducive to that complex kind of sympathy.

Smith writes:

The desire of becoming the proper objects of this respect, of deserving and obtaining this credit and rank among our equals, is,

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<sup>18</sup> Adam Smith, *The Theory of Moral Sentiments*, ed. by D. D. Raphael and A. L. MacFie (Indianapolis, IN: Liberty Fund, 1984), III.3.34, p. 152.

<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*, p. 153.

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perhaps, the strongest of all our desires, and our anxiety to obtain the advantages of fortune is accordingly much more excited and irritated by this desire, than by that of supplying all the necessities and conveniencies of the body, which are always very easily supplied.<sup>21</sup>

Our concern to obtain the respect of our fellow men is very powerful. It is a crucial element in attaining merited self-respect, and there is considerable gratification in being held in high regard by others. “Our rank and credit among our equals, too, depend very much upon, what, perhaps, a virtuous man would wish them to depend entirely, our character and conduct, or upon the confidence, esteem, and good-will, which these naturally excite in the people we live with.”<sup>22</sup> Actions and interactions are the basis of our standing with others and are thereby a basis of our self-regard. Prudence and self-command have a key role in this. And prudence and self-command are both valued and encouraged in a complex, dynamic civil society and the market that underlies it. Civil society and participation in the market are intensive schools of practical rationality.

In fact, participation in civil society and the market can be crucial to developing a sense of moral responsibility to others and to regarding others as rational agents with interests and concerns much like one’s own. They are contexts in which voluntary collaboration and cooperation may be valued highly, and in which agents often have shared responsibility. It is difficult to see how the virtue of prudence can be acquired *unless* one’s activities make demands and offer challenges to practical reasoning, imagination, attention, resolve, and other capacities and skills. It is not as though a sound sense of what is worth doing, good judgment, and a capacity for deliberative excellence can be learned or imparted on their own, without actually engaging the complexities and contingencies of actual, concrete circumstances where matters of genuine importance are at issue. Self-command and prudence—the combination of which is the core of general practical wisdom—are learned in practice. Civil society and the market can multiply opportunities for emulation and examples of excellence attained by effort and initiative.

Moral education, in the sense of the most general cultivation of practical rationality, is most fully available in an open and diverse civil society, with wide scope for voluntariness. In it we are best able to learn prudence and attain the regard of others on the basis of morally estimable acts and qualities. This fact about the market is part of a strong case for it on the basis of moral-psychological considerations. The market does not ensure that

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<sup>21</sup> Ibid., VI. 1.3, p. 213.

<sup>22</sup> Ibid.

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virtue is rewarded with prosperity and ill-desert with unhappiness. In fact, it is an important element of moral education that people should come to see that nothing in the natural and social world ensures that. But learning to participate in the market involves learning responsibility, initiative, and energetic self-determination. It can do this at the same time that it is understood that our lives are fraught with contingency, unintended consequences, and the vagaries of fortune, and that no natural or social mechanism or process guarantees desert in all outcomes.

To be sure, it is obvious that people's tastes may be vulgar, that they may choose to let their abilities lay idle, that they may seek enjoyments and distractions that are tedious or corrupting, and so forth—and the market can encourage this. If we are to believe advertising, it seems that it is *always* true that there has *never* been a better moment to buy a car, that there are a vast variety of opportunities to indulge yourself by eating things that are no good for you, and that now you can do all of that from the comfort of your sofa, surrounded by video games and bookless shelves. Here, too, Knight makes an important point. He observes that “one of the most fundamental weaknesses of the market system is the use of persuasive influence by sellers upon buyers and a general excessive tendency to produce wants for goods rather than goods for the satisfaction of wants.”<sup>23</sup>

It must be admitted that the market can corrupt not only popular taste but also politics. Knight goes on to say, “Influencing men's judgment, however, is almost the essence of democratic political process, and is definitely more sinister where the advocate appeals to men in the mass, and they decide in the mass, rather than individually.”<sup>24</sup> He adds, “But under liberalism, political truth is decided by mass judgment selecting among opinions or personalities advocated under conditions of free competition.”<sup>25</sup> And, “It is surely unnecessary to explain here that what this process selects is not truth, but effective technique in persuading the crowd.”<sup>26</sup> In addition, there are often powerful tendencies on the part of political and economic groups to try to determine political and economic outcomes on the basis of factional interests and even outright corrupt practices.

There surely is truth to those observations. However, it is easy to highlight the market as the cause of moral corruption and misery in ways that

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<sup>23</sup> Frank Knight, “Social Science and the Political Trend,” in Knight, *Freedom and Reform*, p. 39.

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

<sup>26</sup> *Ibid.*, p. 42.

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are distorting. The political, the social, the economic, and the moral are braided together in ways that can only be separated analytically, and we should have sober expectations about how much can be accomplished by focusing on one rather than another dimension of our lives. No economic arrangement will solve all of our social problems. No public policy will robustly increase virtue. No exercise of moral wisdom and courage will make the world enduringly wonderful, both just and prosperous. But the market is especially promising and resilient in respect of making possible all variety of corrections, adjustment in tendencies, and potential for attaining desirable outcomes without the exercise of coercive force. Also, we should not overlook the fact that in a market economy—because of the way it supports civil society—we are also much more likely to have a large number and variety of private institutions of higher learning, a culture of invention and entrepreneurship, and all sorts of associations and organizations for the pursuit of shared interests and the promotion of shared aims and concerns.

There are ways in which the market can corrupt the political culture, but this is not because it necessarily or inevitably does so. A political culture depends upon many factors, including what sort of education people receive, what kinds of dispositions of public service and concern for the public good are encouraged, and who is willing to serve in political office and why, among other factors. As argued above, citizens of a liberal polity with a market economy can acquire a strong interest in the rule of law and integrity in politics because of how such things protect liberty and serve people's interests in common. There are always excesses of political pandering, demagoguery, and other political vices, because of what human beings are, not mainly because of what the market is. And in a liberal polity with a market economy corruption and malfeasance stand out because they are *not* in accord with what is appropriately expected.

It is easy to be overly impressed by examples and images of acquisitive and greedy competition, corporate unconcern with worker safety, deceptive claims in advertising, and the like, while taking for granted the enormous benefits of the market for individuals and for society in a multitude of respects. Historical evidence and the insights of sophisticated theorists and critics such as Knight warn us in no uncertain terms about the ease with which we can unduly be optimistic in our assessment of the market and its tendencies. I am not simply arguing that the freer the market, the better the life for all those affected by it. Yet history also supplies considerable evidence that in the absence of the market, and where economic activity is strongly controlled by the state, there are powerfully inhibiting and repressive influences on individuals and civil society in general. Substantial restrictions of the market constrain the metabolism of civil society and hinder imagination, creativity, interaction, and initiative of many kinds.

#### 4. The Scope of Market Values

Another objection to the market, and one that comes from a variety of critics is that “market relations tend to expand into areas of human life which had previously been outside the scope of the market.”<sup>27</sup> “‘Market relations’ here refers not only to the physical activities of exchange, but also to the legal institutions, and even ways of thinking which are characteristic of the market.”<sup>28</sup> The market, critics argue, has a tendency to enlarge the extent to which people see relations and activities in terms of the market, and this has very undesirable consequences. Peter Singer, for example, argues that “if we allow market relations to dominate most or all spheres of human activity, we may no longer be motivationally capable of certain forms of altruism.”<sup>29</sup> Allen Buchanan goes on to note that while there is considerable debate over “the scope and validity of the generalization that the market drives out altruism, there is a great deal of plausibility to the more guarded claim that human life would be greatly impoverished if all interpersonal relationships were market relationships.”<sup>30</sup>

This issue should be distinguished from the issue of whether we can give an economic analysis of all forms of human behavior, even including sex between a husband and wife. Buchanan refers to work by Richard McKenzie and Gordon Tullock, in which they “hypothesized that the frequency of sexual intercourse for a couple can be viewed as the outcome of nonmonetary exchanges in which each partner,” as McKenzie and Tullock put it, strives to “consume sex up to the point that the marginal benefits equal the marginal costs. . . . If the price of sex rises relative to other goods, the consumer will rationally choose to consume more of other goods and less sex.”<sup>31</sup> Ice cream is mentioned as a substitute for sex. Granted, this does take some of the romance out of intimacy. But in the first place, McKenzie and Tullock do not offer the hypothesis as a prescriptive claim. Second, while it may be that an economic analysis of any human behavior is possible, it does not follow that it

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<sup>27</sup> Allen Buchanan, *Ethics, Efficiency, and the Market* (Totowa, NJ: Rowman & Littlefield Publishers, Inc., 1988), p. 101.

<sup>28</sup> *Ibid.*

<sup>29</sup> Quoted in *ibid.*, p. 102.

<sup>30</sup> *Ibid.*, pp. 102-3. Buchanan is referring here to Peter Singer’s “Altruism and Commerce: A Defense of Titmuss Against Arrow,” *Philosophy & Public Affairs* 2, no. 3 (1972), pp. 312-17.

<sup>31</sup> *Ibid.*, p. 103. The quotation in Buchanan is from Richard B. McKenzie and Gordon Tullock, *The New World of Economics*, 5<sup>th</sup> ed. (New York: McGraw-Hill, 1994), pp. 48-49.

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gives a *correct explanatory account* of that behavior. We can—at the risk of significant distortion—re-describe fundamental values as preferences and speak only of preference-satisfying behavior, leaving out considerations concerning the intrinsic worth of things. Yet, the possibility of re-description does not imply that exclusively economic considerations fully account for behavior. This is an issue that is relevant to a great many contexts, that is, that description within the categories and idiom of a particular theory or approach does not in its own right indicate that that theory or idiom is properly exhaustive of the features of the phenomena being studied. For example, we could give purely behavioral descriptions of human action, but that would not show that there is nothing more to human action than the motion of bodies. That is why it is important to distinguish between a true explanatory account and the possibility of description in the vocabulary of a specific theory

However, while that distinction should be respected, we should note that encouraging people to explain phenomena in certain terms can lead to them acting in certain ways as their conceptualization of things become more fully assimilated to that perspective. That is why it is ethically important to guard against the market's setting the terms in which we understand all aspects of life. If we interpret and explain things too narrowly, we may begin to judge, decide, and be motivated too narrowly, losing or just never acquiring a richer normative idiom for thought and choice. Civil society can enormously be helpful in that regard, teaching people values that restrain them from seeing everything (or even just too many things) in exclusively economic terms.

Market-oriented thinking can sprawl into more and more departments of life, taking them over, so to speak, and that can lend plausibility to Singer's claim about the possibility of the market's disabling people for altruism. But first, there is no necessary relation between the extent of the market and the contraction of altruism. People could strongly be committed to the market as an economic arrangement without that arrangement becoming the sole or primary determinant of how they see others and themselves, and how they evaluate action, persons, and things. In addition, whether people are altruistic or not almost certainly depends upon a great many factors having to do with the nature of civil society, the society's traditions, and institutions and arrangements in addition to its economic organization. We should note, as well, that the moral-psychological phenomena to which Smith draws attention give us reason to think that the market in a liberal polity can powerfully *support* altruism. This occurs through the ways in which the regard for others as participants in a common moral world is supported by interacting with them as self-determining agents. That can be a powerful and important basis for respecting others and having a measure of concern for their well-being. The market is not bound to affect participants in just one way, encouraging them to see others through the narrow perspective of economically instrumental terms.

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We are able analytically to separate out economic considerations from moral considerations for various theoretical purposes. But the profit-orientation of a firm, for instance, does not imply that the managers or shareholders will not have philanthropic dispositions or that the profit-orientation leaves no scope for altruistic motives. People can be aggressively profit-seeking *and* very generous and genuinely philanthropic. People can be very competitive and also morally serious, alert, and responsive, and so forth. What we learn from studying Hume and Smith is that perhaps the key point is that participation in a market economy in a liberal polity can encourage regard and respect for other persons, trust and the willingness to cooperate, and an interest in civic virtue.

There are ways in which human corruption and immorality can find ways to flourish in the market, and in any human institutional arrangement whatsoever. It is doubtful that the market is outstandingly apt to fuel corruption or to supply a supportive environment for it. There are reasons to think that the market, civil society, and the rule of law in a liberal polity can contribute to moral education and to the cultivation of mature practical rationality in significant respects. Hume and Smith are owed gratitude for providing conceptual resources for understanding the ways in which the market and the liberal polity have normative bases in facts of moral psychology, and the ways in which the market and the liberal polity can well-serve some of our best interests, even to the extent of helping us learn what they are.<sup>32</sup>

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