

DAS ADAM SMITH PROBLEM: ITS ORIGINS, THE STAGES OF THE CURRENT DEBATE, AND ONE IMPLICATION FOR OUR UNDERSTANDING OF SYMPATHY

BY

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Scholars have long been interested in the apparent dichotomy between sympathy and self-interest in Smith. The question of the consistency between *The Theory of Moral Sentiments (TMS)* and *An Inquiry into the Nature and Causes of the Wealth of Nations (WN)*¹—the famous *Das Adam Smith Problem*—is definitely still relevant for anyone attracted to Smith scholarship. Although there is some agreement that the two works are consistent and, furthermore, parts of an incomplete system, it seems that the *Problem* continues to attract interest, not only for its historical and philosophical appeal, but also perhaps for its implications for the current economics-and-ethics debate.

This essay is structured as follows. In the first section, some basic historical facts about Adam Smith will be briefly revisited in order to establish the context of the debate on *Das Adam Smith Problem*. The second section will trace the shaping and early sources of the alleged *Problem* in nineteenth century Germany. I argue that, well before the formation of the German Historical School, the economic hegemony of Great Britain played an important role shaping the reception of Smith in Germany as the founder of the school of self-interest and

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¹In this essay I shall refer to five of the six standard books of *The Glasgow Edition of the Works and Correspondence of Adam Smith* by their abbreviations for references and quotations. In addition to *The Wealth of Nations* and *The Theory of Moral Sentiments* these are: *Essays on Philosophical Subjects (EPS)*, *Lectures on Jurisprudence (LJ)*, and *Correspondence of Adam Smith (Corr.)*.

laissez-faire. Then in section 3, after uncovering the sources of *Das Adam Smith Problem*, the views of two very influential historians of the last half of the nineteenth century, Henry Thomas Buckle (*History of Civilization in England*, published originally in two volumes in 1857 and 1861) and Leslie Stephen (*History of English Thought in the Eighteenth Century*, 1876), together with some early reactions to the *Problem*, are briefly analyzed as a necessary background for understanding later positions. The fourth section provides a concise review and critical assessment of the current debate on *Das Adam Smith Problem*. I identify three stages in the “Smith Problem” debate during the last quarter of the twentieth century: (i) as radically surmounted, (ii) as an issue that must not be overlooked, and then (iii) simply as a problem for which there are either only partial solutions or definitely no solution. The editors of the 1976 *Glasgow Edition of The Theory of Moral Sentiments*, David D. Raphael and Alec A. Macfie (Smith 1759), triggered the first stage by categorically dismissing *Das Adam Smith Problem* as “a pseudo-problem based on ignorance and misunderstanding” (*TMS*, intr. p. 20). In the second stage, Richard Teichgraeber stated that the treatment of it had been “perfunctory” (1981, p. 106) and Laurence Dickey (1986) considered that the *Problem* “is still very much alive today” (1806, p. 609), setting in motion a succession of novel approaches that implicitly or explicitly suggest that *Das Adam Smith Problem* ought not be overlooked. Finally, in the third stage, Spencer Pack (1997) has defended the idea of “partial resolutions,” and recently James Otteson (2000) has argued for the “real” *Adam Smith Problem*, contending that some proposed explanations for solving it rest on insufficient grounds.

In section 5 of this paper I shall contend, *pace* the editors of the *Glasgow Edition of The Theory of Moral Sentiments*, and specifically Raphael (1985), that by suggesting that “misunderstanding” the meaning of sympathy was the cause of the “Smith Problem,” and by too readily dismissing sympathy as a motive to action, they have failed to understand Smith’s broader sympathetic process. To understand sympathy as being merely related to moral judgment narrows Smith’s concept of this principle as a capacity and disposition. The sympathetic process, in its broad sense, can and ought to be understood as fundamental to moral judgment and, more importantly, to morality itself, as a motivation for action that does not entail a simple means-to-ends perspective towards the concordance of sentiments, but also a sense of moral autonomy. Finally, in section 6, I present a brief conclusion underlining the social nature of the Smithian sympathetic process.

I. A BRIEF HISTORICAL BACKGROUND

Between 1752 and the beginning of 1764, Adam Smith was Professor of Moral Philosophy at Glasgow University. His lectures on this subject, as reported by his student and friend John Millar, basically comprised natural theology, ethics, jurisprudence, and political economy (the last called *expediency*; see *Essays on Philosophical Subjects* (*EPS*), pp. 274–75). They constitute the basis not only for

his *The Theory of Moral Sentiments*, but also for his influential *The Wealth of Nations*.² Smith's intellectual prestige initially derived from his lectures at Glasgow and the favorable reception of *The Theory of Moral Sentiments*. Early in 1764 he set off for France, invited to be personal tutor to the Duke of Buccleuch. Mainly owing to Hume's influence, Smith had the chance to meet Helvetius, Holbach, D'Alambert, Turgot, Voltaire,³ and Quesnay to whom, according to his early biographer Dugald Stewart, "Mr. Smith had once an intention (as he told me himself) to have inscribed to him his 'Wealth of Nations'" (*EPS*, p. 304). In the summer of 1764 Smith mentioned to Hume that he felt homesick and thus had "begun to write a book in order to pass away the time" (*Corr.*, p. 102), probably the germ of *The Wealth of Nations*. The death of the Duke's brother forced them to return after almost three years abroad, and Smith retired, with the exception of a few visits to London and Edinburgh, to his birth town Kirkcaldy where he remained for the next ten years until he published *The Wealth of Nations*.

Early in 1785, Smith had agreed to publish a sixth edition of *The Theory of Moral Sentiments*, about which he said, "I have a few alterations to make of no great consequence" (*Corr.*, p. 281), but almost three years later he made a more realistic assessment of the size of this task: "I have now taken leave of my Colleagues for four months and I am at present giving the most intense application. My subject is *the theory of moral Sentiments* to all parts of which I am making many additions and corrections" (*Corr.*, p. 310). After a year of "labouring very hard in preparing the proposed new edition" (*Corr.*, p. 319), Smith apologized to his editor: "I am very much ashamed of this delay; but the subject has grown upon me" (*Corr.*, p. 321).

During his lifetime, *The Theory of Moral Sentiments* went through six editions (1759, 1764, 1767, 1774, 1781, and 1790, which appeared a few weeks before his death), and *The Wealth of Nations* went through five (1776, 1778, 1784, 1786, and 1789). Although the two last lifetime editions of *The Wealth of Nations* did not suffer any major alterations,⁴ the sixth edition of *The Theory of Moral Sentiments* contained substantial revisions and extensive additions. Indeed, Smith far exceeded his plan of a "few alterations," as almost one third of the definitive *The Theory of Moral Sentiments* corresponds to his late work. But it is important to point out that there "is development but no fundamental alteration" (*TMS*

² For example, in Great Britain the eleventh edition of *The Wealth of Nations*, published in 1803, with an introduction by William Playfair (1759–1823), explicitly acknowledges that "[i]t was during his Professorship that he published the first edition of *Theory of Moral Sentiments* . . . and it was then also that he probably collected many of the materials, and laid the plan for the *Inquiry into the Nature and Causes of the Wealth of Nations*" (Playfair 1803, p. 9).

³ Samuel Rogers not only ventured to treat Voltaire as a superficial writer, triggering Smith's anger (striking the table with his hand Smith said, "there has been but one Voltaire" (Peter Clayden 1887, p. 95), but also reported that Smith "had been in Voltaire's company five or six times" (1887, p. 95). There is also a letter to Smith from the niece, and later mistress of Voltaire, Marie Louise Denis, who sends him Voltaire's respects (*Corr.*, p. 110). On this, see also John Rae (1895, pp. 188–93) and Ian Ross (1995, pp. 208, 399).

⁴ Some "Additions and corrections" (approximately 24,000 words) to *The Wealth of Nations* were added to the third edition in 1784, but for the fourth and subsequent editions, Smith acknowledges in the Preface "no alterations of any kind."

intr., p. 20) in the last edition.⁵ It is noteworthy that Smith dedicated the last years of his life to *The Theory of Moral Sentiments*, ignoring further revision to his treatise on political economy. This is important, especially considering that within the academic discipline of economics *The Theory of Moral Sentiments* has been overshadowed by *The Wealth of Nations*.⁶ Modern economists have lost sight of the importance of *The Theory of Moral Sentiments*, inheriting a notion of self-interest devoid of its ethical framework. For example, John K. Galbraith (1989) disregards *The Theory of Moral Sentiments* as “a work now largely forgotten and largely antecedent to his interest in Political Economy” (1989, p. 60), and George Stigler (1982), simply ignoring *The Theory of Moral Sentiments*, narrowly conceives self-interest as “the crown jewel” of *The Wealth of Nations* that “became, and remains to this day, the foundation of the theory of the allocation of resources” (1982, p. 147).

II. THE GERMAN CONTEXT AND THE ORIGINS OF *DAS ADAM SMITH PROBLEM*

The famous “*Das Adam Smith Problem*,”⁷ put forward by the German Historical School, is still a subject of controversy. The *Problem* as such, states that there is an irreconcilable difference or inconsistency between *The Theory of Moral Sentiments*, with its sympathy-based concept of human nature, and *The Wealth of Nations*, founded on an egoistic theory of self-interest. Although the German context during the first half of the nineteenth century is extremely complex in its political and social dimensions, the shaping of the “Smith Problem” can also be seen as one result of an intellectual process at times hostile to the British *laissez-faire* doctrine that influenced not only some important predecessors of the German Historical School, but also its foremost representatives. Let me briefly elaborate this point.

The Germans, defined by a culture (*Kultur*) but not a state, had been seeking their own identity since well before the unification in 1871. For example, the philosopher Johann Gottlieb Fichte’s (1762–1814) *Reden an die deutsche Nation* (*Addresses to the German Nation*, 1808), an important influence on the final unification of Germany, represents a clear indication of the cultural tension between German nationalism and “foreignness.” But the achievement of a unified and centralized German Empire occurred within an economic environment in which Great Britain had attained clear dominance in world manufacturing and

⁵ This view has been partially challenged by Laurence Dickey (1986). Eckstein (1926), in his excellent introduction to the 1926 German translation of *The Theory of Moral Sentiments*, compared Smith’s six lifetime editions.

⁶ Not surprisingly, during the nineteenth and the first half of the twentieth century, the *Theory of Moral Sentiments* was reprinted only four times. However *The Wealth of Nations*’s early influence is still a matter of controversy. For Teichgraeber (1987) “the notion that the *Wealth of Nations* had an immediate impact on its time certainly ought to be put at rest” (1987, p. 364). See also Rothschild (1992; 2000, pp. 52–72) and Rashid (1998).

⁷ For a brief historical account of the *Das Adam Smith Problem* see the *Theory of Moral Sentiments* (intr., pp. 20–25) and Raphael (1985, pp. 87–90). Other basic sources are Oncken (1897; 1898), Morrow (1923, 1927), and Nieli (1986, pp. 612–16).

trade. In these circumstances, the industrializing process in Germany developed its own distinctive character (Milward and Saul 1977, pp. 49–50). Indeed, this process was in general quite cautious compared to the more liberal British policies.

The idea of shaping a *Nationalökonomie* in combination with a *Staatswirtschaftslehre* was part of a slow process of profound social, political, and economic change in Germany during the nineteenth century (Tribe 1988, pp. 175–76). Adam Smith played an important role in this process. For example, Adam Heinrich Müller (1779–1829), though acknowledging Smith as a most learned economist, saw him as a “one-sided” (*einseitig*) representative of English economic interests.⁸ Another earlier source of the tradition leading to the German Historical School’s hostility to British political economy is again Fichte, who in his *Der Geschlossene Handelstaat: Ein Philosophischer Entwurf als Anhang zur Rechtslehre* (*The Closed Commercial State: A Philosophical Outline as an Appendix to Law*, 1800), argued against *laissez-faire* policies. For this influential philosopher it was the duty of government not only to restrict and regulate foreign commerce, but also to prohibit it. When Friedrich List (1789–1846) published his *Das Nationale System der Politischen Ökonomie* (*The National System of Political Economy*, 1841) both arguments were synthesized in a serious critique of what was later called *Smithianism*. But one important underlying cause that motivated the latter is explicitly stated:

It is a very common clever device that when anyone has attained the summit of greatness, he kicks away the ladder by which he has climbed up, in order to deprive others of the means of climbing up after him. In this lies the secret of the cosmopolitan doctrine of Adam Smith ... and all his successors (List 1841, p. 295).

List considered that *laissez-faire* would benefit Great Britain but not the then-developing economies for which he proposed protective tariffs and an infant industry promotion strategy.⁹ Accusing Smith, “the founder of the prevailing economic school” (1841, p. 108), and his successors of *Kosmopolitismus* is, in part, a consequence of the fact that the German states lagged far behind the spectacular economic achievement of Great Britain. List, as an influential precursor of the German Historical School’s emphasis on the context of each country, argued that every man belongs to a nation that has its own circumstances that cannot be ignored.

Although it has been generally accepted that Wilhelm Roscher’s (1817–1894) *Grundriß zu Vorlesungen über die Staatswirtschaft: Nach geschichtlicher Methode* (*Outline for Lectures on Political Economy: According to the Historical Method*, 1843) at least marks the programmatic foundation of the German Historical

⁸ Müller’s works include *Die Elemente der Staatskunst* (*Elements of the Art of State*, a set of lectures presented in Dresden during the winter of 1808–1809), *Theorie des Geldes* (*Theory of Money*, 1816) and *Von der Nothwendigkeit einer theologischen Grundlage der gesammten Staatswissenschaften und der Staatswirtschaft insbesondere* (*Of the Necessity of a Theological basis for the entire Science of State, and Political Economy in particular*, 1819).

⁹ List’s argument is quite explicit: “[i]n order to attain freedom of trade to operate naturally, the less advanced nations must first be raised by artificial measures to that stage of cultivation to which the English nation has been artificially elevated” (List 1841, p. 107).

School,¹⁰ its formation, as has been briefly suggested, was the result of a long intellectual process.¹¹ In this, we cannot ignore the complex social, political, and economic circumstances since the appearance of *The Wealth of Nations*. For example, only a few months after its publication, the reviewer Johann Georg Heinrich Feder (1740–1821) wrote in the *Göttingische Gelehrte Anzeigen* (March 10, 1777):

On the whole Dr. Smith seems to trust too much to *the harmony of individual interests* as producing *naturally* by their free action general good. Many of his propositions cannot be accepted as principles of universal policy; they are adapted only to a particular stage of industry, wealth, and civilization (quoted in Cohn 1873, p. 64).

This early assessment of *The Wealth of Nations* reflects a view that was basically carried forward, with notable exceptions (see *infra* note 16), for more than a hundred years. Not surprisingly, in this setting Smith became known as the founder of the materialistic “Manchester School” that preached the gospel of individual interest and free competition.

To generalize briefly, the German Historical School proposed economics as a broader science that must take into account the interactions between ethical, political, and historical issues in order to understand social phenomena. Political economy, understood as *Nationalökonomie* in combination with a *Staatswirtschaftslehre*, should not merely constitute an independent discipline focused on the production of wealth, based on self-interested individuals. Its scope is broader, entailing the notion of individuals as social beings and taking into account the historical and political circumstances of a particular nation at a particular time. The methodological stance of the German Historical School is in opposition to that of a universalized scheme of deductive natural laws, as reflected by the then-predominant classical view of political economy. This later became the source of the famous *Methodenstreit* in which Menger (*Untersuchungen über die Methoden der Sozialwissenschaften und der Politischen Ökonomie insbesondere, Investigations into the Method of the Social Sciences with special reference to Economics*, 1883)

¹⁰ For Schumpeter, List was not only “a national hero” (1954, p. 504) but also a “forerunner of the historical school of economics” (p. 505). Hodgson (2001, p. 58) argues that the inception of the school coincides with List’s publication of *Das Nationale System der Politischen Ökonomie* (1841), but Pribram considers that List “does not belong to it [the German Historical School]” (1983, p. 213) and for Perlman and McCann (1998, p. 416) “the actual foundation of the German Historical School can be traced to the publication in 1843 of *Grundriß* . . .”

¹¹ In my personal view there is much research to be done on the historical, political, social, and economic circumstances, from Cameralism and Romanticism, that shaped the German Historical School. Tribe (1988; 1995, pp. 1–65; 2000) presents, however, very good accounts. For some background on the German Historical School, see Cohn (1873, 1894), Cossa (1880, pp. 192–201), Ingram (1888, pp. 200–15), Scott (1915, pp. 256–66), Gide and Rist 1915, pp. 266–89), Schumpeter (1954, pp. 501–10; 809–24), Pribram (1983, pp. 209–15), Perlman and McCann (1998, pp. 409–16), and Hodgson (2001, pp. 56–64). Some proceedings from conferences in Koslowski (1995, 1997) are interesting, although the quality of the contributions is variable. This last judgment also applies to Shionoya (2001). On the question whether there was actually “a” German Historical School, see Pearson (1999) who gives a challenging and insightful view. Recently, Caldwell (2001) has challenged Pearson’s position.

did not simply reject historical economics, but argued that it could neither replace nor improve our knowledge in theoretical economics (Tribe 1995, pp. 77–79).

Roughly speaking, it can be argued that for the “Older School” (mainly Roscher, Hildebrand, and Knies¹²) there was also a practical emphasis on how in the so-called “early stages of industrialization” (Trebilcock 1981, p. 37), and in some cases in opposition to the *laissez-faire* favored by the British economic hegemony, to develop the appropriate commercial policies for successful industrialization. The 1840s, just after the *Zollverein* and the railway expansion,¹³ can be seen as witnessing the industrializing “take-off” of the German states that was essentially carried out relying upon an agricultural revolution. Then, once Germany had attained, after unification, an increasing level of economic growth, the emphasis of the “Younger Historical School” was more on how to solve the social problems brought about by industrialisation. It was not simply a coincidence that this group of German political economists, dominated by Gustav von Schmoller (1838–1917),¹⁴ established the *Verein für Sozialpolitik* (Society for Social Policy) in 1872–73 to tackle social problems,¹⁵ claiming a “realistic” approach to economic problems (Pribram 1983, p. 216).

In Germany, Smith’s reception,¹⁶ as the natural father of classical political

¹² Schumpeter (1954, p. 507) considered that the “Older Historical School” does not constitute a school (see also, p. 808).

¹³ The implementation of the *Zollverein*, or Customs Unions, between most of the thirty-nine German states in 1834, influenced by List, and the impressive railway construction that began in 1835, were determinant in the German proto-industrializing process. But only in 1860 was there actually a “German” market area (Trebilcock 1981, p. 41), and the peak of construction and investment in transportation was reached in the 1870s (1981, p. 38), giving rise to the prosperity of the German Empire. After unification, between 1871–73, there was a bonanza called the *Gründerzeit*, ending in the financial collapse of 1873, called *Gründerkrise*, but in general Germany witnessed steady and rapid economic growth up to the First World War. In fact, per capita income in Great Britain grew by 44% between 1870 and 1910 (from \$904 to \$1,302, in 1970 U.S. dollars), but in Germany it grew 65.5% (from \$579 to \$958, in 1970 U.S. dollars. See Crafts 1985, p. 54, Table 3.2.). Although it is very difficult to situate and explain the German economic take-off, as has been convincingly argued by Tipton (1974), Milward and Saul (1977) are right when they state: “[w]hereas in the early nineteenth century economists, statesmen and social reformers in the less developed countries in Europe sought for clues to the future of their own society by analyzing that of Britain and France, by the end of the nineteenth century this interest had rightly become focused on Germany” (1977, pp. 65–66).

¹⁴ He was the indisputable leader of the school during the last three decades of the nineteenth century, and the one who once publicly declared, in his address as Rector of the University of Berlin, that “Smithians” and “Marxists” were unfit to occupy university chairs (Oncken 1898, p. 103; Ascher 1963, p. 284). Lionel Robbins (1998) refers to Schmoller’s overwhelming authority in appointing to chairs in Germany (1998, pp. 47, 245). Hutchison (1998) provides a brief but very insightful account on Schmoller; see also Heino Nau (2000), and an extensive survey of the literature on Schmoller in Peukert (2001).

¹⁵ This project was ironically labeled by a liberal journalist in 1871 as the *Katherdersozialisten*, a term usually translated as “socialists of the chair” (see Sheehan 1966, p. 59; Cohn 1894, p. 134; Oncken 1898, p. 103). For a recent history and analysis of the *Verein für Sozialpolitik*, see Hagemann (2001).

¹⁶ Christian Jacob Krauss (1753–1807), student and later colleague of Immanuel Kant at Königsberg, introduced and lectured on Smith’s economic thought in Germany. Georg Sartorius (1765–1828), a Lecturer at Göttingen’s Faculty of Philosophy, was one of the most influential of those who advocated Smith’s political economy in Germany, especially through his *Handbuch der Staatswirthschaft zum Gebrauche bey akademischen Vorlesungen, nach Adam Smith’s Grundsätzen ausgearbeitet* (Handbook

economy, might appear rather peculiar to a modern scholar. The familiar charge of being the prophet of self-interest and free competition was combined with some odd claims. He was also seen as a philosopher of the French Revolution and at the same time as a theorist who tried to create “a Political Economy for the world and humanity (*Welt und Menschheitsökonomie*) by deducing general axioms from the specific circumstances of single nations and stages of development” (Hildebrand 1848, p. 27).

Although there is a longstanding tradition in Germany of Adam Smith as the anti-hero of *Nationalökonomie*, as I have already hinted, it was certainly Bruno Hildebrand (1812–1878) in his *Die Nationalökonomie der Gegenwart und Zukunft* (*The National Economy of the Present and the Future*, 1848)¹⁷ who successfully re-launched the attacks on Smith. Following Müller and List, Hildebrand also complained about Smith’s “one-sidedness” (*Einseitigkeit*) and his “abstract cosmopolitanism” (*Abstrakter Kosmopolitismus*), concluding that “the problem of the Adam Smith School is that it tries to monopolise manufacturing for England” (Hildebrand 1848, p. 328).¹⁸ But Hildebrand’s project was more ambitious, as he attempted to overcome the “rationalistic Enlightenment” of which Adam Smith (like Rousseau, according to Hildebrand) was a representative, restoring political economy as a historical discipline. Hildebrand not only pointed out the materialism of the *Smithsche Schule*, with its emphasis on the atomistic nature of human beings, but also criticized self-interest and egoism as the central features of Smith’s economic system. According to Hildebrand, Smith and his followers would like to “transform political economy into a mere natural history of egoism” (Hildebrand 1848, p. 275, also quoted in Gide and Rist 1915, p. 394). And for Hildebrand, as a representative of the German Historical School, the “deification of private egoism” (1848, p. 275) had serious consequences for political economy as a social science that is essentially ethical.

A little later, Karl Knies (1821–1898), who considered Smith an “outstanding

of Political Economy for the use in academic lectures, according to the basics of Adam Smith, 1796). August Ferdinand Lueder (1760–1819) analyzes Smith’s *The Wealth of Nations* from a universal-historical perspective (Tribe 1988, p. 168) in his bulky three-volume *Ueber Nationalindustrie und Staatswirtschaft: Nach Adam Smith bearbeitet* (*On National Industry and Political Economy: According to Adam Smith*, 1800–1804). Thoemmes Press has recently republished the former and the latter (1998), with an introduction by Hiroshi Mizuta. Nevertheless, as Tribe (1988 p. 148) persuasively suggests, the influence of *The Wealth of Nations* during the last decade of the eighteenth century cannot be overstated, despite there having been a change in economic discourse. However, if the transition to a *Nationalökonomie* in Germany was not determined by the reception of *The Wealth of Nations*, it was certainly influenced by it through a debate, among other things, on the nature of *homo aeconomicus* and its implications for political economy.

¹⁷ Hildebrand projected a second volume about the future that never appeared.

¹⁸ Regarding the English economic hegemony, Hildebrand, like List, is aware that “a system of prohibitions was introduced by the government under which the English industry could grow” (Hildebrand 1848, p.4). But he defended, under certain circumstances, free trade policies. Another interesting case to point out (as I have already mentioned Fichte) is the philosopher Georg Wilhelm Friedrich Hegel (1770–1831) who in his *Lectures on the Philosophy of History* (1827–31) thought that “England’s material existence is based on trade and industry, and the English have taken on the major vocation of acting as missionaries of civilisation throughout the world” (Hegel 1827–31, p. 222).

thinker” (Knies 1853, p. 21), criticized his “theoretical absolutism” (1853, p. 22) and attacked the classical notion of self-interest in his *Die Politische Oekonomie vom Standpunkte der geschichtlichen Methode* (*The Political Economy from the point of view of Historical Method*, 1853).¹⁹ But he also cunningly suggested that “it does not seem like an accident that between the publication of his *The Theory of Moral Sentiments* and his economic *Inquiry* occurred his stay in France” (1853, p. 180). He is the originator of the so-called “French connection theory” (Nieli 1986, p. 612), that Smith’s mental shift between *The Theory of Moral Sentiments* and *The Wealth of Nations* was a consequence of his acquaintance with the French materialists.

If Karl Knies, as a representative of the “Older School,” set up the so-called *Umschwungstheorie* position as the source of *Das Adam Smith Problem*, it was the task of the “Younger School” not only to defend and develop this intuition, but also to undermine Smith’s reputation further.²⁰ Lujo Brentano (1844–1931) in *Das Arbeitsverhältniss gemäss dem heutigen Recht: Geschichtliche und ökonomische Studien* (*The Relation of Labour to the Law of Today: Historical and Economic Studies*, 1877) was the next German economist to tackle the *Problem*. Brentano again criticizes Smith’s individualism, and explicitly argues that his acquaintance in France with Helvétius and his circle “can be seen in the revolution (*Umschwung*) that it exerted upon his basic ideas,” since in *The Wealth of Nations* “he adopts completely the views of Helvétius concerning the nature of men and selfishness as the only motivating force in human action” (Brentano 1877, p. 61).

Only a year later, Witold von Skarżyński (1850–1910), a Polish nobleman who failed in his academic career at Breslau University, published *Adam Smith als Moralphilosoph und Schöpfer der Nationalökonomie: Ein Beitrag zur Geschichte der Nationalökonomie* (*Adam Smith as a Moral Philosopher and Creator of Political Economy: A Contribution to the History of Political Economy*, 1878). He was definitely Smith’s fiercest critic. In more than 450 pages on Smith, Skarżyński attempted to prove that Smith was neither an original philosopher, nor the creator of political economy, but simply “a vain teacher and an honest man” (Skarżyński 1878, p. xvii). His thesis, calling Smith a “subject of idolatry (*Abgötterei*)” (1878, p. vii), was that neither *The Theory of Moral Sentiments* nor *The Wealth of Nations* came from the mind of an original thinker. Both works were the result of external influences, that of Hume and of Smith’s acquaintance in France with the Physiocrats, respectively. Incidentally, Skarzynski, following List and Hildebrand in their attacks upon England, complained that that country “had been trying without pause, to be the merchant and manufacturer of the whole world” (1878, p. 126). But regarding the *Das Adam Smith Problem*, Skarżyński put forward the idea that Smith’s acquaintance with

¹⁹ In 1883 Karl Knies republished this book, with some minor additions, under the new title *Die Politische Oekonomie vom Geschichtlichen Standpunkte* (*The Political Economy from the Historical Point of View*). In the new preface he not only complains about the book’s reception, it having been ignored even by Roscher, to whom the book had been dedicated, but also explains why this new title is better.

²⁰ In 1898 Oncken justly complained about the “low estimation of Adam Smith, particularly in Germany” (Oncken 1898, p. 85).

Helvétius motivated him to adopt the principle of self-love (1878, p. 189).²¹ This intuition was finally expressed as follows:

Smith was an Idealist, as long as he lived in England under the influence of Hutcheson and Hume. After living in France for three years and coming into close contact with the Materialism that prevailed there, he returned to England a Materialist. This is the simple explanation of the contrast between his *Theory* (1759), written before his journey to France, and his *Wealth of Nations* (1776), written after his return (Skańczyński 1878, p. 183).

The *Umschwungstheorie* position, perceived by Knies (1853), then suggested by Brentano (1887) and finally expanded on by Skańczyński (1878), did not accept the reliability of Stewart's *Account of the Life and Writings of Adam Smith* in two respects. First, it contained John Millar's report on Smith's lectures in which the part labelled *expediency*, which we know to be the source of his political economy, "contained the substance" (*EPS*, p. 275) of *The Wealth of Nations*. Second, Stewart wrote about and quoted some sentences from a 1755 manuscript by Smith. In this document, Smith allegedly asserted the originality of his opinions, "without any considerable variation" (*EPS*, p. 322) from a lecture some six years earlier, i.e., back to his days at Edinburgh in 1749. According to Stewart, in this manuscript "many of the most important opinions in *The Wealth of Nations* are there detailed" (*EPS*, p. 322). For Skańczyński—as for his predecessors—neither report contradicting any French influence could be accepted as concrete evidence.²²

Ironically perhaps, Skańczyński's attacks on Smith were influenced by Henry Thomas Buckle's (1821–1862) controversial and widely read *History of Civilization in England*, published originally in two volumes in 1857 and 1861, respectively.²³ Skańczyński (1878), from his introduction onwards, criticized Buckle's account of Smith. Buckle not only showed an unconditional predilection for Smith, but also presented a naïve explanation of the consistency issue. He refers to "the illustrious Adam Smith" (Buckle 1861, p. 20) or to "this mighty thinker" (1861, p. 286) or "to that most profound and original thinker" (1861, p. 259), considering Smith "by far the greatest of all Scotch thinkers" (1861, p. 255). Moreover, although Hume is "a most accomplished reasoner, as well as a profound and fearless thinker, [he] had not the comprehensiveness of Adam Smith, nor had he that invaluable quality of imagination" (1861, p. 278). Buckle

²¹ Luigi Cossa (1831–1896) considered that "this writer [Skańczyński] is too ready to depreciate Adam Smith in comparison with the Physiocrats" (Cossa 1880, p. 163). Indeed, Skańczyński not only argued that the Physiocrats were the founders of political economy and Smith simply a compiler, but that his *The Wealth of Nations* was full of contradictions.

²² Another generally ignored early source in the literature, corroborating the fact that *The Wealth of Nations* was part of Smith's lectures, is in Samuel Rogers's *Early Life*, where the writer Henry Mackenzie, in 1791, is reported as sustaining this thesis (see Clayden 1887, p. 167). Cossa (1880, p. 164) rightly suggests, regarding the idea of *The Wealth of Nations* as part of Smith's lectures, that "it is much to be wished that some critic should consult the manuscripts of his lectures . . . so as to discover what truth there is in this assertion."

²³ Deutsch von Arnold Ruge (1802–1880) translated Buckle's *History of Civilization in England* into German (*Geschichte der Civilisation in England*, Leipzig and Heidelberg) in 1864–65 (not 1859–61, as Mizuta 2000, vol. 1, p. xxxiii, incorrectly affirms).

is very clear in stating that both works of Smith must be taken together and considered as one. However, by insisting that Smith adopted the deductive method, an assumption rapidly detected and rejected by Skańczyński, he is misled into defending this flawed assumption.²⁴ In his defense of the consistency between both works, Buckle asserts that:

Adam Smith, in his *Wealth of Nations*, simplified the study of human nature, by curtailing it of all its sympathy. But this most comprehensive thinker was careful, in his *Theory of Moral Sentiments*, to restore to human nature the quality of which the *Wealth of Nations* had deprived it; and, by thus establishing two different lines of argument, he embraced the whole subject (1861, p. 351; cf. p. 255).

Skańczyński simply detected the obvious error that *The Theory of Moral Sentiments*, based on sympathy, and *The Wealth of Nations*, based on self-interest, together comprise a complete, independent and almost additive picture of human nature. Against this peculiar interpretation, Skańczyński stated that both books gave divergent and irreconcilable views of human conduct.²⁵

III. SOME EARLY REACTIONS

A few years after Skańczyński, an important English intellectual historian, Sir Leslie Stephen (1832–1904) published his influential *History of English Thought in the Eighteenth Century* (1876). In this, Stephen gibes at Buckle's fondness for Smith, and reacts against his account, stating that *The Theory of Moral Sentiments* is "apt to disappoint us by a certain superficiality" (Stephen 1876, vol. 2, p. 71), suggesting that "it is impossible to resist the impression . . . that we are not listening to a thinker really grappling with a difficult problem, so much as

²⁴ In 1858, a year after the publication of the first volume of his *History of Civilisation in England*, Buckle was elected member of *The Political Economy Club*. If we remember the influence of Mill's *Principles* (first published in 1848), Buckle's emphasis on the deductive nature of Smith's *The Wealth of Nations* in the second volume of his *History*, to be published in 1861, is not surprising. In fact, when the editors of the 1976 *The Theory of Moral Sentiments* assert that "Buckle had a curious obsession with methodology" (*TMS*, intr. p. 21, emphasis added), they are simply ignoring this context, which was essentially different than the German Historical School program. Incidentally, Thomas E. Cliffe Leslie (1827–1882), who laid the foundations of the British Historical School, if there was one, had already pinpointed Buckle's two main mistakes: "Selfishness was not the fundamental principle of Adam Smith's theory; and his method . . . was in large measure inductive" (Cliffe Leslie 1870, p. 150).

²⁵ It is interesting to note the influence of Buckle's account in Great Britain, although this might also be a reflection of the prevalent deductive tradition of political economy that the German Historical School was reacting against. For example, in the 1887 English introduction to *The Wealth of Nations*, Joseph Shield Nicholson (1850–1927) reflects Buckle's view: "[t]he foundation of the 'Theory of Moral Sentiments' is sympathy—the natural complement to the self-interest and expediency of the 'Wealth of Nations'" (Nicholson 1888, p. 620). In the 1910 edition of *The Wealth of Nations*, Edwin Robert Anderson Seligman (1861–1939), an American economist who studied under Karl Knies at Heidelberg, follows a similar line: "[i]n his *Theory of Moral Sentiments* he posits the doctrine of sympathy . . . But what he was concerned with in *The Wealth of Nations* was an analysis of the economic situation" (Seligman 1910, p. 723).

to an ambitious professor who has found an excellent opportunity for displaying his command of language, and making brilliant lectures” (1876, p. 77). His position regarding the inconsistency of the two works is different, and like Skałczyński’s more familiar charge, it was also formed as a response to Buckle’s earlier characterization of the relationship between Smith’s two books.

Stephen considers self-interest in *The Wealth of Nations* as a motivating force, and sympathy in *The Theory of Moral Sentiments* as a regulative force. *The Theory of Moral Sentiments* is regarded:

as an answer to the question: given man as a predominantly selfish animal, how does he come to condemn actions which are prompted by his selfishness? The answer is substantially that morality is a kind of reflected selfishness . . . [reflex selfishness] exerts a regulative power which restrains purely mischievous actions. (Stephen, 1876, p. 320)

In a way Stephen, as a later convert of what today might be called evolutionary ethics, was an innovator looking at the “Smith Problem” through evolutionary glasses, considering the sympathetic process of *The Theory of Moral Sentiments* as a reflection of the natural human selfishness propounded in *The Wealth of Nations*. His approach to sympathy as reflected selfishness has remained influential within the current debate, though its roots can be traced back to the Scottish philosopher of common sense, Thomas Reid (1710–1796). In his 1778 letter to Lord Kames, Reid’s criticism of Smith’s sympathy was simply that it “is indeed only a Refinement of the selfish System” (quoted in Reeder 1997, p. 66).

There are two more positions in the early debate that are also worth mentioning as they were influential at the time.²⁶ Albert Delatour (1858–1938) in *Adam Smith, sa vie, ses travaux, ses doctrines* (1886), which won the award from the French Academy of Moral and Political Sciences, assumes the concordance between *The Theory of Moral Sentiments* and *The Wealth of Nations* as part of a more ambitious intellectual system, preceding, if not in content at least in scope, A. S. Skinner’s (1976) influential view of Smith as a “system builder.”²⁷ Delatour refers to Smith’s works on the whole as an attempt to describe the history of civilization, in which *The Theory of Moral Sentiments* deals with the moral development of man, his *Essays* deal with the intellectual development, and *The Wealth of Nations* with the material development of humankind (1886, p. 79). Besides, Friedrich Albert Lange (1828–1875), a founding member of the Marburg School of Neo-Kantianism, in his monumental *History of Materialism* (1865), defends the unity of both works, acknowledging sympathy and self-interest as different impulses for human actions. Nevertheless, he correctly deems

²⁶ Oncken (1898, p. 88) also mentions Richard Zeys’s *Adam Smith und der Eigennutz: Eine Untersuchung über die Philosophischen Grundlagen der älteren Nationalökonomie* (Adam Smith and Self-interest: An Analysis of the Philosophical Grounds of Political Economy, 1889) and Wilhelm Hasbach’s (1849–1920) *Untersuchungen über Adam Smith und die Entwicklung der politischen ökonomie* (An Analysis of Adam Smith and the Development of Political Economy, 1891). Paszkowsky is reported to have presented a normative and descriptive distinction between *The Theory of Moral Sentiments* and *The Wealth of Nations*, the former concerned with man as he should be, the latter with man as he is (Morrow 1923, p. 6; Oncken 1898, p. 88).

²⁷ Jacob Viner, in the first paragraph of his influential “Adam Smith and Laissez Faire,” also suggests the importance of Smith’s “system-building” for English economics (Viner 1927, p. 198).

self-interest as the bridge between the two works, as in *The Theory of Moral Sentiments* “we can everywhere read between the lines that the actions of man are essentially egoistic, and only modified by the effect of sympathy” (Lange 1865, vol. 3, p. 235, note 1). For Lange, the sympathetic process provides a corrective for guiding self-interested behavior. He precedes Stephen (1876) with the idea of sympathy as a regulative force, an interpretation that sets out a common theme that is fundamental to some current approaches to *Das Adam Smith Problem*.

In 1896, Edwin Cannan (1861–1935) published some lectures that had been delivered by Smith.²⁸ These lecture notes provided irrefutable evidence that the alleged French materialist influence was not a reasonable explanation for the differences between *The Wealth of Nations* and *The Theory of Moral Sentiments*, for they demonstrated that Smith’s ideas on political economy were quite clear before his trip to the Continent. Stewart’s words in his *Account of the Life and Writings of Adam Smith* were confirmed by this finding, and all explanations based on a shift of mind after Smith’s stay in France were nullified. This discovery encouraged the thesis that *The Theory of Moral Sentiments* and *The Wealth of Nations* are not only a comprehensive exposition of his moral philosophy lectures but, furthermore, that they form part of an incomplete system that lacks a theory of jurisprudence,²⁹ that Smith himself recognizes in the Advertisement to the sixth edition of *The Theory of Moral Sentiments*.³⁰ August Oncken, reacting against the position of the German Historical School,³¹ defended the consistency thesis just a year after the publication of Smith’s Lectures. He concludes by urging English political economists “to set themselves the task of inquiring fully into the Smith problem, and thus to protect their great master once and for all from detraction, by presenting his teaching in its entirety, as a system of Moral Philosophy, in which Political Economy forms but a part” (1897, p. 449).

It is interesting to note, however, that the leading British political economists of that time, for example, John Rae (1796–1872), James Bonar (1852–1941), and Edwin Cannan (1861–1935), did not “directly touch the question [*Das Adam Smith Problem*] at issue” (Oncken 1897, pp. 445–46).

Thirty years later, in his classic and seminal “Adam Smith and Laissez Faire,” Jacob Viner (1892–1970) revived the inherent discrepancies between *The Theory*

²⁸ Cannan’s Lectures are published as *LJ(B)*, lectures between 1763–64, together with *LJ(A)*, lectures between 1762–63, the latter found later in 1958, in *Lectures on Jurisprudence (LJ)*. *LJ(B)* had been in the hands of the Machonochie family before Edwin Cannan confirmed its authenticity.

²⁹ Smith instructed his executors to burn sixteen folios containing his lectures and notes. Only a few essays were allowed to survive and they are published as *Essays on Philosophical Subjects (EPS)*.

³⁰ See also Smith’s correspondence with the great-grandson of La Rochefoucauld (*Corr.*, p. 287; *TMS* VII.iv.37, p. 342).

³¹ It is worth mentioning that August Oncken (1844–1911) in fact changed his mind, as earlier in *Adam Smith und der Kulturgeschichte: Ein Vortrag (Adam Smith and Cultural History: A Lecture, 1874)* he had criticized Smith for his materialism and his *laissez-faire* doctrines in the spirit of the German Historical School. Other German historical economists advocating that there was no “Smith Problem” were Wilhelm Hasbach, Emanuel Leser, and later, more importantly, the translator of *The Theory of Moral Sentiments* to German, Wilhem Eckstein, who gives a very good account of the consistency position in his introduction.

of *Moral Sentiments* and *The Wealth of Nations*. By challenging the traditional view of Smith as a precursor of economic *laissez-faire*, Viner complains that the extensive revisions and additions to *The Theory of Moral Sentiments* did not diminish “in any particular the points of conflict between the two books,” even allowing that “he was elderly and unwell” (Viner 1927, p. 217)³² when he revised it. Although this point is worth considering, since in part VI of *The Theory of Moral Sentiments*, “Of the Character of Virtue,” completely added for the sixth edition, Smith’s memory fails him when referring to some classical anecdotes (see *TMS*, especially pp. 251–54), this should not be taken as a serious reason for disregarding his last additions. But Viner’s main point, regarding the conflict between both works, is that “there are divergences between them [*TMS* and *WN*] which are impossible of reconciliation” (Viner 1927, p. 201).

A few months later, Morrow’s lecture given at the University of Chicago was published to commemorate the 150th anniversary of the publication of *The Wealth of Nations*. Morrow here suggests we should understand self-interest as one of the inferior virtues summed up under the name prudence, namely “frugality, industry, self reliance” (Morrow 1927, p. 330). In an earlier work, Morrow had praised a monograph by Zeys, “which should once for all dispose of *Das Adam Smith Problem*” (Morrow 1923, p. 8, note 12), in which Zeys attempted to recover the role of virtues in *The Theory of Moral Sentiments*, explaining self-interest as part of prudence. This rightly led to the conclusion that “Morrow’s solution of *das Adam Smith Problem* was to a great extent a restatement of Zeys’s position” (Teichgraeber 1981, p. 108. See *supra* note 26), but I would like to add that he is also following Stephen’s explanation in two major points. First, the assumption that self-interest in *The Wealth of Nations* has to be understood as a motivation regulated by the ethical view of *The Theory of Moral Sentiments*, at least in the sense that “self-interested activities must be regulated by justice” (Morrow 1927, pp. 330–31). And second, Morrow attributes, as does Viner, a leading role to the apparent theological background of Smith’s ethical, social, and economic views, extending the role of sympathy as a “necessary presupposition of the doctrine of the natural order expounded in the *Wealth of Nations*” (1927, p. 341). It seems to me that the first point needs no more explanation (self-interest as a motivating force and sympathy as a regulating force), but that the second deserves some attention.

For example, in his iconoclastic paper, Viner relies heavily on a controversial, though highly influential account of *The Theory of Moral Sentiments*’s harmonious order as guided by God.³³ He is probably following Stephen, who considered

³² Hasbach in his *Untersuchungen über Adam Smith und die Entwicklung der Politischen Ökonomie* (*An Analysis of Adam Smith and the Development of Political Economy*, 1891) anticipating Viner’s famous remark, maintains that Smith’s sixth edition of *The Theory of Moral Sentiments* contains “among a number of outstanding points much senile, sentimental garrulousness” (quoted in Eckstein 1926, p. 26).

³³ Viner was consistent in underlining the role of theological elements in understanding Smith’s legacy, especially in his 1966 Jayne Lectures *The Role of Providence in Social Order* (Viner 1972), but he was also aware that “it is hard for some people today to believe that Smith’s optimistic deism was completely sincere” (Viner 1968, p. 114). Recently, Hill (2001), following Viner, has defended the importance of theology for Smith.

Smith a “thorough representative of that optimistic deism ... the doctrine of final causes as essential part of his system ... human nature as a mechanism skillfully contrived to carry out the divine purposes” (Stephen 1876, vol. 2, p. 71). Morrow also emphasizes the role of natural order, writing: “Nature, spelt with capital N, equals God” (Morrow 1927, p. 334), which is very similar to Stephen’s account of Smith’s word Nature being “the polite term for God” (Stephen 1876, vol. 2, p. 72). The relationship between Nature and God was very complex during the eighteenth century, but it can be argued that if in the context of the influence of Newton’s spectacular discoveries nature was deified, it does not necessarily entail that God was naturalized.

The role of natural order, as optimistic deism, certainly shapes the development of society and tends to the happiness of mankind in *The Theory of Moral Sentiments*. But in my personal view, its relevance must not be overstated, and it has to be understood in the context of the Stoic tradition. It is clear that in *The Wealth of Nations* there is no reliance on Nature (except *WN*, V.ii.k, p. 870), or any other metaphor (except the elusive invisible hand) with a theological or deistic connotation, whereas *The Theory of Moral Sentiments* is full of them.³⁴ However, if one omits these references, widely used at the time, the structure and content of *The Theory of Moral Sentiments* remain unaltered. Whether Smith merely drew on the widely used deistic language, or whether his use of this language was deeply felt, will probably remain a subject of controversy. On the one hand, those arguing for the former would say that the explanation for their appearance is simply that they form part of Smith’s lectures aimed mainly at young men destined to follow an ecclesiastical career. Therefore the interpreters, following Stephen (1876) or Viner (1926, and *passim*), who have maintained the thesis that Smith’s religious beliefs are fundamental to his philosophical system, would be merely exaggerating this simple fact. On the other hand, it could be argued that within the social context of his time, Smith was too cautious and mindful of public opinion to ignore the use of deistic rhetoric.³⁵

This, in a nutshell, is the background to *Das Adam Smith Problem*. Oncken (1898, 1897), in reaction to the German Historical School, presents a solution based mainly on facts. Stephen (1876) and Lange (1865) view sympathy as a regulative force. Morrow (1923, 1927) tackles the issue of self-interest as an inferior virtue, which falls under the umbrella of prudence, which in turn leads to an understanding of *The Theory of Moral Sentiments* as a regulating basis for economic behavior. He also highlights the fact that Smith’s recurrent idea of self-interest as a precursor of liberalism “merely means that Smith was preaching,

³⁴ In *The Theory of Moral Sentiments*, Nature with capital “N” appears 53 times, God with capital “G” 25, Deity with capital “D” 20, Divine Being 8, Providence 5, and among other: All-powerful Being, Supreme Being, Infinite Wisdom, Infinite Power, Creator, Great Superior, the Lord our God, all-wise Being, Great Director of the Universe, Great conductor of the Universe, Great Superintendent of the universe, Being of infinite power, The great Director of nature, the Author of nature, divine benevolence, all-seeing Judge of the world, that all-wise Author of Nature, all-powerful Being, great Judge of the world, great Judge of the Universe.

³⁵ Dunn (1983, p. 119), by labeling Smith as a “practical atheist,” has made a characterization which is, in my view, worth bearing in mind.

in the economic world, the same gospel of individual rights and individual liberty which in one form or another was the burden of eighteenth-century social thought" (Morrow 1927, p. 331). With different nuances, these accounts have dominated most subsequent interpretations. However, Viner's view of the irreconcilability of *The Theory of Moral Sentiments* and *The Wealth of Nations* remains influential. But if the controversy was rich in content, for almost the next fifty years the "Smith Problem" remained relatively dormant until its revival after the bicentenary of the publication of *The Wealth of Nations*.³⁶ Today, the subject continues to generate further discussion, so that it is worth analyzing current positions.

IV. A REVIEW AND ASSESSMENT OF THE CURRENT DEBATE

For the bicentenary of the publication of *The Wealth of Nations*, Oxford University Press published *The Wealth of Nations* and *The Theory of Moral Sentiments* as the first part of their project, *The Glasgow Edition of the Works and Correspondence of Adam Smith*. The tremendous effort made by the editors in introducing and reviewing the original texts proved to be a valuable basis for further academic research on Smith. The most recent review of Smith in the *Journal of Economic Literature* acknowledges that "since the *Wealth of Nations*' bicentenary celebrations in 1976, the rate at which commentary on the work of Adam Smith appears has quickened" (Tribe 1999, p. 609).³⁷

Analyzing the so-called *Das Adam Smith Problem*, the editors of the 1976 *The Theory of Moral Sentiments*, Raphael and Macfie (Smith 1759), not only followed Oncken's line of defense, rebutting Buckle and Skarżyński, but they dismissed it as a "pseudo-problem based on ignorance and misunderstanding" (*TMS*, intr. 20). The editors' argument that sympathy should not be confused with benevolence relies upon the intuition already developed by Eckstein (1926, pp. 33–39), summarized in his assertion that "it must above all be said that Smith never equates 'sympathy' with 'benevolence'" (1926, p. 36). Soon after the Oxford University Press published the *Glasgow Edition* of *The Theory of Moral Sentiments*, Hutchison (1976), taking the same line as the editors, considered the *Problem* "as exaggerated or even imaginary" (1926, p. 482). Among others, one of the editors of *The Wealth of Nations*, A. S. Skinner, a proponent of Smith's system-building approach, also supported the point of view that the "Smith Problem" is based on a "misunderstanding of sympathy and self-interest" (Skinner 1976, p. 112). This generally accepted position was clearly reflected in

³⁶ Yet the consistency issue was still alive. For example Schumpeter thought that "both the *Moral Sentiments* and the *Wealth of Nations* are blocks cut out from a larger systematic whole" (1994, p. 141). Macfie in his "Adam Smith's *Moral Sentiments* as Foundation for his *Wealth of Nations*" (1967) and Lamb (1974) also persuasively defended the consistency of both works. One exception, to my knowledge, is Anspach (1972), who thought, as did Viner, that "the controversy aroused by the two conflicting images of Smith has however been by no means resolved" (p. 176).

³⁷ The previous review in the *Journal of Economic Literature* reads, "a kind of Smith *renaissance* seems to be in process" (Recktenwald 1978, p. 56).

a review in the *Journal of Economic Literature*, celebrating *The Wealth of Nations*'s bicentenary. This briefly stated that "it is now conventional wisdom that the so-called 'Adam Smith Problem' . . . is *passé*" (Recktenwald 1978, p. 66). Again, Donald Winch's view coincides with "what most scholars accept, that there is no Adam Smith problem" (Winch 1978, p. 10),³⁸ and Haakonssen, taking the same position, deems as "futile to take any more rides on that old hobby-horse 'sympathy v. self-interest' in Smith" (Haakonssen 1981, p. 197, note 19). Thus suddenly scholars' attention to the *Problem* seemed to have dwindled, as was reflected in Heilbroner's reference to the "once-heated, now largely quiescent problem" (Heilbroner 1982, p. 427). In general, all these accounts represent the first stage of the debate, considering the "Smith Problem" as basically surmounted. The message was very clear: there is no need to delve into meaningless controversy.

However, the subject had not yet been fully exhausted. A second stage in the debate, also defending the consistency position, argues that the *Problem* must not be overlooked. For example, Teichgraeber (1981) attempts to draw attention to the *Problem's* humanistic normative assumptions in order to understand *The Theory of Moral Sentiments* and consequently the "Smith Problem" as "a document in the history of early modern humanist thought" (1981, p. 122). His assumption is that the treatment of the *Problem* has been "perfunctory" (1981, p. 108). But, in the same task of recovering the importance of the "Smith Problem," Dickey (1986), challenging the view that the sixth edition of *The Theory of Moral Sentiments* is basically an extension of the first, considers that the problem "is still very much alive today" (1986, p. 609). Both authors agree that to ignore the *Problem* would constitute an oversight for Smith scholarship, and both would also encourage a reappraisal of *Das Adam Smith Problem* as a natural inheritor of the civic humanistic tradition. Soon after, successive approaches acknowledged some kind of a solution, and therefore presupposed, explicitly or implicitly, the importance of the *Problem*. I shall now undertake a concise review and critical assessment of the relevant literature on this issue.

Nieli (1986), after briefly reviewing the history of the "Smith Problem," calls our attention to what he labels the "spheres of intimacy." According to the author, we treat those within our sphere of intimacy differently than those outside it, in a manner that is right and just. Within this framework, Smith's ethical views do not conflict with his political economy, as the latter, represented by self-interested acquisitiveness, applies to economic relations with people outside our sphere of intimacy. Therefore the market is regulated by self-interest in its pursuit of prosperity, with the necessary and important virtues of prudence, economy, and industry, but "the higher virtues of love and benevolence, Smith believed, are regularly practiced only between people who have some intimate "connexion" with one another" (1986, p. 624). This is an interesting insight, especially if we take into account the influence of the "famous sect" (*TMS*, Adv.), i.e., the Stoics. It is possible that the Stoic idea of *oikeiosis* is embedded

³⁸ It is noteworthy that later Winch briefly refers to the "Smith Problem" as "the problem of establishing consonance, *if it exists*" (1996, p. 35, emphasis added).

in Smith, and Hierocles's famous account of the "concentric circles" constitutes reasonable evidence for this perception.³⁹ However, Nieli's solution presupposes benevolence as underlying *The Theory of Moral Sentiments*, practically ignoring the sympathetic process.

Subsequently, the *Problem* has been tackled at a hermeneutic level, leading to some novel approaches. For example, Evensky convincingly argues that *The Theory of Moral Sentiments* is dominated by the voice of the moral philosopher, and *The Wealth of Nations* by a practical-prescriptive voice. Therefore the confusion "lies not in the pen of Adam Smith, but in the eyes of those who profess to see an Adam Smith Problem" (1987, p. 464). More recently, Griswold (1999) has praised the "protreptic we" of *The Theory of Moral Sentiments* (1999, pp. 48–52), also emphasizing the narrative aspects of the spectator-actor interplay. In general, these hermeneutic views, although original and refined, are an extension of the fact that his book on moral philosophy originates more directly from his lectures on the subject, and thus they have a narrative structure quite different to that of his more elaborate work on political economy.

Dupuy exploits the reflective nature of sympathy in the relationship between spectator and actor and attempts to show that for Smith, self-love is simply a reflection of sympathy. He follows Thomas Reid and Lange-Stephen in considering that "self-love is in reality the reflexive modality of sympathy" (Dupuy 1990, p. 116; see also 1993, p. 56). His thrust is to prove an alternative approach to the consistency issue, not as the "generally admitted ... 'specialisation' of domains," as "in the sphere of moral sentiments, sympathy reigns supreme; in that of the economy, selfishness has the field to itself" (Dupuy 1990, p. 116). However, he makes the mistake of considering "*une logique de l'autoréférence indirecte*" (Dupuy 1987, p. 336), a redoubling of sympathy that contains envy as a dominant principle. Dupuy elaborates a sort of deconstruction of sympathy towards economics, in which envy is also governed by the principle of sympathy. Furthermore, he claims to have shown that "Smith ended up, despite himself, with a system which is essentially the same as Mandeville's: a mixture of self-love and envy produces public prosperity" (Dupuy 1990, p. 118; see also Dupuy 1987, p. 337). Certainly there is a misinterpretation of the sympathetic process at this point, and Dupuy's theory is flawed where he views "sympathy as utilitarian to the end" (Dupuy 1987, p. 331; see also 1993, p. 55).

³⁹ Hierocles, according to Stobaeus, stated:

Each one of us is as it were entirely encompassed by many circles ... the first and closest circle is the one which a person has drawn as though around the center, his own mind ... Next ... contains parents, siblings, wife, and children. The third one has in it uncles and aunts, grandparents, nephews, nieces, and cousins ... The next circle includes other relatives, and this is followed by the circle of local residents, then the circle of fellow-tribesmen, next that of fellow-citizens, and the in the same way the circle of people from neighbouring towns, and the circle of fellow-country men. The outermost and largest circle, which encompasses all the rest, is that of the whole human race ... it is the task of a well tempered man ... to draw the circles together somehow towards the center" (Long and Sedley 1999, vol. 1, p. 349).

I must add that Smith probably knew this piece of doxography quite well (Mizuta 1967, p. 143). I am much indebted to an anonymous referee for pointing out that Viner's concept of "social distance" (Viner 1972, pp. 80–81) follows a similar idea.

Patricia Werhane (1991) introduces her book by acknowledging that “the question of how to read *The Theory of Moral Sentiments* and *The Wealth of Nations* as consistent texts remains a serious issue in Smithian scholarship” (1991, p. 10). Her analysis, breaking down the selfish, unsocial, and social passions in Smith, is developed to rebut all interpretations of Smith as expounding an egoistic theory of human nature, or as propounding any kind of methodological individualism. She reveals the nature of self-interest, which is present in both works, and in assuming that *The Theory of Moral Sentiments* lays the ground for *The Wealth of Nations*, she concludes that they are “not contradictory works” as “Adam Smith is consistent in his use of *self-interest* throughout the two texts” (1991, p. 108).

Geoff Harcourt, in a brief suggestive essay on Smith and his relevance for modern economists, also defends the significance of *The Theory of Moral Sentiments* as a framework for developing a market economy by saying that “the thrust of the argument of *The Theory of Moral Sentiments* is the need to design institutions which allow altruism, or “sympathy,” to prevail” (1994, p. 230). However, whether or not this conclusion is correct (and I believe it is), it is inaccurate to conflate altruism with sympathy. More recently Amos Witzum (1998) has suggested that attempts to solve the *Problem* have been misled by method. Stating three different ways in which Smith might have tackled the issue of understanding the nature of human character, he proposes a “particular indirect method” which, as a synthesis of the other two flawed methods of description, would help to explain the own-regarding/other-regarding dichotomy. Unfortunately, this process misleads him into concluding that “Smith presented sympathy and utility as substitutes” (1998, p. 511).

Finally, what I have defined as the third, most recent and still nascent stage of the debate in the literature proposes either that the *Problem* has only partial resolutions or simply that no solution has been found, tacitly fostering more research on this issue. Vivienne Brown attempts to transform the question of the “Smith Problem” from “how could Smith have *written* two such works,” to “how are those works to be *read*” (1994, p. 24). She advances the thesis that *The Theory of Moral Sentiments* should be understood as a dialogical text and *The Wealth of Nations* as monological, owing to the difference in subject matter, recasting the *Problem* through a radical twist that underlines the role of self-command and benevolence in the former, and the public virtues of justice and prudence in the latter.⁴⁰ Pack (1997), analyzing the role of justice and prudence, shows that *The Theory of Moral Sentiments* presents an ethical defense of the acquisitive commercial society, but concludes that this approach constitutes only a partial resolution of the *Das Adam Smith Problem*. He even suggests that Smith might not have wanted to complete his promised system, and in his view “the Adam Smith Problem will always remain, or rather it can be only partially resolved” (1997, pp. 137–38). One recent contribution to the debate contends that there is a real *Das Adam Smith Problem*, and tries to show that the few

⁴⁰ Strictly speaking, Brown (1994) transcends the traditional *Das Adam Smith Problem* by arguing that Smith’s account of virtues makes it impossible to read his works as a unified intellectual program. Indeed, the new *Problem* for Brown would be *how* to read Adam Smith.

attempts to solve it “are unsatisfactory” (Otteson 2000, p. 53). Although Otteson’s account of the literature on the issue is not exhaustive, his conclusion that “there is a problem worth addressing, and that much of the current scholarly consensus rests on insufficient grounds” (2000, p. 70) deserves consideration, as we shall see in the next part of this essay.

Not only does it seem that “unlike old soldiers, old Adam Smith problems neither die nor fade away,” but also that the *Problem* remains “a worthy enterprise” (Young 1997, p. 203). An implication of this brief review is that the “Smith Problem” *per se* and its diversity of interpretations has presented a rich source for novel approaches that shed light upon an old issue, although many of these current interpretations are a reshaping of some early reactions. One reason for this interest is that the *Problem* is quite contingent, as it entails the relationship between individual and society and, more specifically, the interdependence of ethics and economics. Not surprisingly, Haakonssen, for whom *Das Adam Smith Problem* had been “that old hobby-horse,” now thinks that it “is still good for another round” (Smith 1759, p. xxiv).

Das Adam Smith Problem has not been fully exhausted, and probably never will be. Any attempt to defend the concordance of *The Theory of Moral Sentiments* and *The Wealth of Nations* will, finally depend on a broader understanding of sympathy, and an appropriate one of self-interest. There is general consensus on the latter, but as far as the former is concerned, it seems to me that the argument of the editors of *The Theory of Moral Sentiments*, Raphael and Macfie, underpinning the so-called “misunderstanding” on sympathy, has added a new problem in trying to dismiss the old “Smith Problem.” In my view, to restrict the concept of sympathy to moral judgment alone distorts Smith’s position. I shall attempt a reassessment of this issue.

V. SYMPATHY AND MORAL APPROBATION

The editors of *The Theory of Moral Sentiments*, Raphael and Macfie, have rightly and strongly defended the thesis that *The Theory of Moral Sentiments* and *The Wealth of Nations* complement each other. But after dismissing the “Smith Problem” as “a pseudo-problem based on ignorance and misunderstanding” (*TMS*, intr., p. 20), they deal with Skańczyński and Buckle. Rebutting the latter they argue, “He [Buckle] cannot have ‘studied’ *The Theory of Moral Sentiments* if he thinks that it ‘ascribes our actions to sympathy.’ Sympathy is the core of Smith’s explanation of moral *judgement*. The motive to action is an entirely different matter” (*TMS* intr., pp. 21–22).

Later Raphael not only maintains, but also develops this position by stating that “the role of sympathy in his book [*TMS*] is to explain the origin and the nature of moral judgement, of approval and disapproval” (1985, p. 29). My argument is that Smith’s sympathy not only explains “the origin and nature of moral judgement,” but also that of morality itself. Even though Raphael stresses the fact that “sympathy in Adam Smith’s sense is a socializing agent” (1985, p. 31), he is adamant in defending the nature of sympathy only in terms of approbation. This view of sympathy, as just a criterion for approbation, follows

the rebuttal of Buckle's position, whereas sympathy ought not be considered as a natural motivation in human conduct. In this setting, the explanation avoids the issues that the German Historical School had pinpointed by too readily dismissing the cause of *Das Adam Smith Problem*. But as Elias Khalil (1990) has, in my view, correctly argued, confining sympathy to being a criterion of approbation and not a motive for conduct is like "throwing out the baby with the bathwater" (1990, p. 255).⁴¹

Certainly, it is right to say that sympathy is not an altruistic or benevolent motive for action, as had been already maintained by Walther Eckstein (1926), in what is the traditional view for dismissing Buckle's account. However, in my view it is a mistake to confine the broader sense of Smithian sympathy to moral judgment alone. Raphael insists, paraphrasing Hume, that sympathy "is the cement of society" (1985, pp. 5, 93) but persists in confining sympathy to being a source of moral approbation or disapprobation. Curiously, he states that sympathy in its vernacular sense, meaning "when one feels compassion for the sorrow or the need of other" (1985, p. 31) *is* a motive for action. If sympathy in this narrow sense (as compassion) is a motive for action, why in its broader "circumstantial" or "situational" Smithian sense is it not? If sympathy is a disposition and capacity inherent in human nature that requires an imaginative leap and leads society to form some general rules for behavior, why is it not a motive for action? Sympathy, understood within the framework of Smith's broader sympathetic process, is also a motive for action. Let me briefly elaborate.

An understanding of sympathy in terms of moral judgment implicitly assumes an ex-post view of the sympathetic process. Moral approval requires actions or situations already exercised to be judged, and sympathy, if it were restricted to the realm of moral approval, would play no part in the generating process *per se*. But sympathy as a principle in human nature is not only a capacity, but also a disposition, and therefore it pertains to both the origin of moral judgment and to the process of attaining it. Regarding the latter, one caveat applies: this view would appear more consequentialist than broadly teleological, as it presupposes the beneficial (or non-beneficial) outcome of mutual sympathy. Indeed, this feature of the sympathetic process, as directed towards a concordance of sentiments, does not tell the whole story as a final cause to which all efficient causes tend. The fact that there is a natural tendency towards mutual sympathy does not necessarily mean that the sympathetic process will only take place when considering the future pleasure that the concordance of sentiments will produce. Human beings exercise sympathy not only when foreseeing pleasure or any outcome as an end (to avoid a utilitarian or hedonistic connotation). The final cause of the sympathetic process is a *télos* understood in the Aristotelian sense, not as a simple attainment of an end, but as "contributing to it," for its own sake. It is in this grand sense that the sympathetic process is actually teleological.

In fact, it is incorrect to attach a concept of means-to-ends to sympathy, as the process is not merely instrumentally related to the concordance (or non-

⁴¹ Khalil (1990), taking Smith's account of the nature of virtues, defends an "interactionist" against a "functionalist" approach, giving a convincing (yet insufficient, in my view) argument against the idea that sympathy is not a motive to action.

concordance) of sentiments,⁴² and therefore it is not simply reducible to moral approval (or disapproval). Sympathy entails a motivational force that is shaped by a continuous process of transformation inherent in human interaction, and a pleasurable end does not exclusively determine it.

To assume that sympathy is not related to moral motivation invalidates the sympathetic process in its broad sense. Sympathy, narrowly understood as the exercise of moral judgment, would in practice render the individual devoid of any moral autonomy. For Smith, moral judgment is socially embedded since moral codes emerge from social interaction. But the ethical role of moral autonomy, represented by the “supposed impartial spectator,” is fundamental to Smith’s ethical system. *The Theory of Moral Sentiments* not only concentrates on the consequences of our behavior that allow moral judgment, but also, and more importantly in my view, on the motives that trigger our conduct. Propriety, in contrast with merit, morally works as a motive for action (see *TMS* I.i.3.5, p. 18; *TMS* II.i.intro.2, p. 67). For Smith, in a proto-Kantian insight, morality also evolves at an *ad intra* level of consciousness.⁴³ The Smithian distinctive meta-virtue of self-command, that “is not only a great virtue, but from it all the other virtues seem to derive their principal lustre” (*TMS* VI.iii.11, p. 241), is the paradigmatic example of propriety in this sense. Indeed, self-command is related to propriety, since “the effects are too often but too little regarded” (*TMS* VI.concl.7, p. 264). The philosophical meaning of propriety, underpinned by the virtue of self-command, and the role of conscience introduced by the supposed impartial spectator, situates the sympathetic process within a philosophical tradition that looks closer to Kant than to utilitarianism. Indeed, for Smith moral actions are not simply determined as such by their outcomes, but also by the motives for which they were undertaken. In this sense, sympathy grants moral autonomy to the individual.

The assumption of sympathy as merely associated with moral judgment has been common in the literature, perhaps as a consequence of *The Theory of Moral Sentiments* editors’ emphasis on jettisoning the “Smith Problem.” For Werhane “sympathy and self-interest are different kinds of phenomena. Self-interest is a motivating force. Sympathy . . . is the means through which we understand (but do not feel) the passions of others and ourselves. Therefore, sympathy has no role in motivation” (1991, p. 97). Young (1997), quoting Raphael and Macfie’s remark, thinks that this is a valid explanation of the difference between self-interest and sympathy, implying that the former is a motive to action, and the latter is not. For him, also, this is one important reason for explaining the “Smith Problem,” and once again *The Theory of Moral Sentiments* editors “effectively deal with this” (1997, p. 24). Even Otteson (2000), the most radical contemporary interpreter of *Das Adam Smith Problem*, agrees, stating that “Raphael is right to point out that Smithian sympathy is not a motive to action

⁴² This teleological bias that presupposes sympathy as a vehicle leading to concordance, or to the utility of mutual sympathy, which though always pleasurable, is not an end, also leads Witztum (1998) incorrectly to conflate sympathy and utility.

⁴³ I believe that Raphael’s distinction between propriety as related to right and wrong, and merit as related to praise and blame (Raphael 1985, pp. 29–30) is correct as propriety is firmly linked to moral autonomy, and merit to moral judgment.

at all; rather, Smith means by “sympathy” a harmony or concordance between the sentiments of an actor and of an observer” (2000, p. 64).

The “sympathy problem” needs reassessment since we cannot reduce the sympathetic process exclusively to moral approval. Fortunately, Haakonssen, in his introduction to the new Cambridge edition of *The Theory of Moral Sentiments*, has briefly tackled the issue of sympathy and moral autonomy. He sees sympathy as “practical imagination,” asserting that:

We spontaneously see people as purposeful and this is the central act of practical imagination [sympathy] ... We cannot get to the stage of either approving or disapproving of a standpoint until we see it *is* a standpoint. Sympathy in the most important Smithian usage is this latter process which is preparatory to any assessment of people, it is not assessment itself ... he [Smith] often uses sympathy in both the traditional sense of “approval” and in the more original sense explained here (Smith 1759, p.xiv).

The sympathetic process precedes and directs our behavior, relying not only on its consequences or effects, but also on the antecedent causes that trigger our conduct. Smith’s ethical account also implies a deontological stance in which conscience plays a leading role.⁴⁴ As I have attempted to argue, the fact that this view has been practically ignored is, ironically, a consequence of *Das Adam Smith Problem*. Its major implication is that the role of moral autonomy in Smith’s *The Theory of Moral Sentiments* has been relatively neglected.

VI. CONCLUSIONS

Das Adam Smith Problem continues to be a source of debate. Ironically, its history and the variety of interpretations shed light not only on an issue that is still pervasive, but also on our understanding of sympathy. The traditional interpretation of the *Problem* as a misunderstanding of the meanings of self-interest and sympathy has led some scholars to consider the latter not as a motive for action, but simply as entailing moral judgment. After an analysis of the sources and the debate, it has been argued that this instrumental position narrows Smith’s concept of sympathy. *The Theory of Moral Sentiments* presupposes sympathy as a principle in human nature that fosters a continuous relationship between spectators and agents, a natural interdependence among social beings. Sympathy, for Smith, not only accounts for an *a posteriori* moral

⁴⁴To avoid confusion, let me explain what I understand here by deontology. Based on the Greek *to deón*, that which is binding, right and even needful, implying not only a sense of moral obligation, but also one of being in want, Bentham coined the word deontology in 1814. Moreover, he wrote his *Deontology* between that year and 1831. However Bentham’s deontology is based on duties towards an end, as act-consequentialism. But in the case of Smith’s deontology, it would be agent-relative. It implies duty, not determined by the consequences, but motivated within the agent, by the supposed impartial spectator. The fact that Bentham’s *Deontology* is focused towards ends, does not mean he did not regard motives. Indeed, Bentham was very aware of the importance of motivation, as shown by his *A Table of the Springs of Actions* (1817). But motives to action are determined by a desire for pleasure and an aversion to pain. Certainly Smith would react against the idea of pleasure and pain as the sole motivational determinants.

judgment, but more importantly, perhaps, it influences human behavior *a priori*. The emphasis on propriety, on what is “praiseworthy,” distances Smith from his successors, especially from the utilitarian tradition. His moral system also involves a process of self-transformation within the *praxis* of interaction through the moral autonomy of the “supposed impartial spectator.”

However, the process of sympathizing is also part of a complex social phenomenon in which human beings take part in a continuous reciprocal interplay. In this natural process of human beings within society, the individual is even led to form “certain general rules concerning what is fit and proper either to be done or to be avoided” (*TMS* III.4.7, p. 159). Morality depends on social experience, as *The Theory of Moral Sentiments* “looks upon the individual not as an absolute and irreducible entity existing prior to social experience, but as a product of his social environment” (Morrow 1927, p. 179).⁴⁵ Propriety for Smith, in contrast with the effects or consequences that relate to merit, not only entails an innate human faculty, but it is also the result of social psychology. Smith’s ethical view of human nature is mainly social and may be expressed by paraphrasing Kant’s celebrated metaphor that “society without agents is empty, but agency without society is blind” (Kant 1990, p. 93).

The famous and frequently quoted passage of “the butcher, the brewer, or the baker” (*WN*, I.ii.2, pp. 26–27) as a dominating force in exchange, together with the well-known passages about the invisible hand, have given rise to a narrow and biased perception of Smith’s thought within neo-classical economics, either distorting or simply ignoring his moral views. It is not negligible that Smith wrote: “those general rules of conduct, when they have been fixed in our mind by habitual reflection, are of great use in correcting the misrepresentations of self-love concerning what is *fit and proper* to be done in our particular situation” (*TMS* III.4.12, p. 160, emphasis added). He knew the power of self-love, especially in the economic realm, but he was also aware that “general rules” ought to guide us as to what is *fit and proper*. Self-interest, and virtues in general, cannot be detached from the social implications underlying the concept of sympathy.

For the 1990 bicentenary of Smith’s death, ten Nobel laureates either presented or prepared papers in order to commemorate their debt to “the father of the science.” Their contribution was published as *Adam Smith’s Legacy: His Place in the Development of Modern Economics* (Fry 1992). Surprisingly, or perhaps not so surprisingly, there is not a single reference to *The Theory of Moral Sentiments* among the ten essays. But earlier, the 1998 Nobel laureate Amartya Sen,⁴⁶—a healthy exception among economists—well aware of Smith’s philo-

⁴⁵ Morrow was probably the first to notice an agency-structure dichotomy in Smith. He suggests that in *The Theory of Moral Sentiments* society determines the ethical man, but that in *The Wealth of Nations* it is the individual’s self-interest that determines the economic structure (1927, pp. 335–36). More recently Werhane (1991, pp. 114–15) has developed this line of inquiry, but criticizing Morrow’s approach. Lamb (1974) explicitly tackles the relationship between the individual and society in Smith. Dupuy (1987, p. 329) also sees that in *The Theory of Moral Sentiments* “*Smith apparaît beaucoup plus en effet comme le précurseur du Durkheim,*” as society determines human behavior.

⁴⁶ Vivienne Walsh (2000, p. 22) suggests there has been a second stage revival of classical theory, represented especially by Amartya Sen, who not only has campaigned against “the vulgar (and interested) misunderstanding of what Smith meant by ‘self-interest’” but also has fostered a renewed “second wave.”

sophy, had rightly affirmed: “Indeed, it is precisely the narrowing of the broad Smithian view of human beings, in modern economies, that can be seen as one of the major deficiencies of contemporary economic theory” (Sen 1987, p. 28). A promising sign in our discipline is that, during the last two decades, interest in the whole of Adam Smith has been growing rapidly. Indeed, it can now be said to be flourishing.

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