

Chapter 10: Classical Liberalism, Ethics, and Commerce in the Eighteenth Century

I. Setting the Stage: the Deistic Approach to Nature and Society

The enlightenment of the seventeenth century together with various innovations in printing and shipping had numerous effects on European culture. Censorship diminished somewhat as religious and political controversies came to be seen as part of the manner in which new truths come to be understood. These new truths included ideas that affected the virtues that individuals aspired to accumulate, the openness of political and economic systems, and the accumulation and dissemination of knowledge throughout what became known as the West in future centuries.

Censorship was somewhat less intrusive in the territories focused on in this book, but together with laws against blasphemy and sedition, censorship clearly inhibited development and dissemination of ideas about the good life and good society whenever those ideas challenged

traditional beliefs about religion and government. This is why many of the works discussed in the previous chapter were initially published anonymously, as with the writings of La Court and Locke, and/or at Dutch presses where there was less censorship. As tolerance increased, more critical analyses of religious and political issues could be published in pamphlets and books, and it became more common to acknowledge one's authorship. Regional languages gradually replaced Latin as the most common language for books and pamphlets as literacy increased.

Interest in understanding the laws of nature and society increased during the 17th and 18th centuries which led to the founding of numerous scientific clubs and societies.¹ Their members included academics, but the majority were simply men and women with sufficient resources and interest in nature to participate in the various scholarly and scientific enterprises encouraged by those clubs. The new more analytical and experimental approaches to understanding nature did not reject biblical and classical texts, but tended to reduce their importance as explanations for the real world, as opposed to the spiritual world. Experiments and meetings were often conducted in the homes of fellow natural philosophers. Nearly every claim was open to debate and experimentation.

Many of the members of the new scientific societies adopted theological perspectives analogous to Aristotle's theory of the first mover or

¹For example, the Royal Society of London was founded in 1660 and attracted eminent philosophers and scientists from throughout the English-speaking world, although initially, members were for mostly based in London. Both formal and informal scientific organizations held meetings and published small journals, which allowed critical examination of new results and ideas. Those found useful or interesting would be widely disseminated by members' own research circles. John Locke and Isaac Newton were both members of the Royal

Society in the late seventeenth century, and their membership in the Royal Society doubtless increased the impact of their theories. Benjamin Franklin's famous kite experiment was published by the Royal Society. Other local and national societies, such as the French Academy of Sciences, were founded at about the same time. Benjamin Franklin founded the American Philosophical Society in 1743. The appendices of McClellan (1985) provides a complete list of such societies.

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unmoved mover—he who can place things in motion without himself being in motion. From what would be termed the Deistic perspective, a divine being put the universe in motion and created the natural laws that determine the future course of that motion, rather than actively managing it on a day-to-day basis. This natural law perspective was common among the intelligentsia of Europe and North America, although it was by no means the only theology held by members of scientific clubs. Nor was the Deistic perspective entirely new. It had implicitly used by Grotius when he argued that divine interventions provided natural laws that should bind every person's behavior and could be understood without reference to religious texts. Nonetheless, Deism was a significant shift from mainstream religious views in which miracles were commonplace, prayers might be quickly answered, and divine texts provided all that one needed to know about both natural and moral philosophy.

Deists believed that divine laws were far from obvious but could be discovered through observation, analysis, and experiment.² Galileo's telescope and Van Hooke's microscope had demonstrated that new things could be learned about the universe through careful observation and the use of new instruments. Newton's three laws of motion (1687) provided an early and powerful example of general natural laws that could be discovered and how this could be done. The rise of Protestantism in the seventeenth century and its numerous variations also made it

clear that even theologies grounded in the same texts might reach quite different conclusions about the best route to salvation.

The search for natural laws was not limited to astronomy and physics. It included efforts to discover the laws that explained human life, history, and social relationships. Locke's discussion of the science of ethics is an instance of that approach. Important 17th century developments in ethics, political theory, and economics led to new, broader, and deeper theories in the 18th century, as with Montesquieu's theory of law and politics, Smith's theory of markets, and Smith's, Bentham's, and Kant's contributions to ethical theory.

This chapter focuses on widely read scholars of the eighteenth and early nineteenth centuries who wrote on both economic and ethical theories. Three are among the intellectuals most remembered from that century (Montesquieu, Smith, and Kant). Their ideas were ones that literate persons in that century and the next would be familiar with and take for granted. Two other scholars are men who wrote for popular audiences, although they also led distinguished careers and have not been forgotten (Franklin and Bastiat). Weber considered one of these authors as the man who best epitomized the spirit of capitalism.

All the authors reviewed in this chapter were interested in the foundations of a good life and good society. Most would be regarded to-

²Such a perspective remained common for centuries. For example, Einstein, who is among the most famous of twentieth century scientists, once wrote that "Quantum mechanics is certainly imposing. But an inner voice tells me that it is not yet the real thing. The theory says a lot, but does not really bring us any

closer to the secret of the 'old one.' I, at any rate, am convinced that He does not throw dice." (Letter to Max Born, 4 December 1926). The deistic approach was completely compatible with theologies predicated on omniscience and predestination.

day as classical liberals because of their support for relatively open political and economic systems, although the term “liberal” was rarely used to describe political reform movements during the eighteenth century. All provided significant moral support for the lifestyles and institutions that tend to support a commercial society, although that support was rarely the main motivation for their books, pamphlets, and articles.

As in the previous chapter, there is evidence of shifts in emphasis and a trend toward somewhat broader and deeper support for commerce. Again, the main focus is on influential scholars whose writings were widely read at the time and provide indirectly evidence of increasing support for commerce within the societies in which they were written and read.

Although intellectual progress was evident in the 17th century, economic development and political liberalization did not follow as quickly, although changes were becoming evident. Most of Europe remained under family-based governance—as with Kings, Dukes, Barons, and so forth. Most economic enterprises were also family based, although partnerships were not uncommon. Production of some goods was becoming somewhat more mechanized, and wind and waterpower were being used more extensively in production. Significant censorship remained in many countries, however, and penalties for criticizing the church and state were often severe. Formal punishments were often reinforced by informal ones. Nonetheless, the Netherlands continued to prosper, and the parliament of England had become relatively more influential in the early 18th century than it had in most earlier times. The medieval order was beginning to be replaced.

II. Montesquieu (1689–1755): On Virtue, the State, and Industry

Baron Charles-Louis Secondat obtained the name that he is most associated with through a barony that he inherited from his uncle in 1716, that over the territory of Montesquieu. That inheritance in combination with another barony inherited from his mother allowed him to withdraw from legal practice and devote himself to managing his baronies and to scholarship. Montesquieu was a member of the local scientific society, the Academy of Bordeaux. And, as true of most of the other authors discussed in this book, Montesquieu was relatively liberal by the standards of his time. This, in combination with the breadth and depth of his analysis of the laws and political institutions governing human societies attracted the interest of future liberals, including the founding fathers of American constitutional governance. Montesquieu, rather than Locke, is the most mentioned scholar in the *Federalist Papers* (Lutz 1984).

Montesquieu is best known for his 1748 magnum opus, *the Spirit of the Law*, which includes an analytical history of the emergence of law, a discussion of how climate and culture affect forms of government, and a path-breaking analysis of divided governance. Montesquieu argues that variation in constitutional and civil laws reflect both causal and accidental factors, including climate, geography, culture, and history. The former implies that political institutions are susceptible to a scientific cause-and-effect-based analysis. The latter implies that the results cannot be as precise as those of astronomy or some parts of physics. Historical accidents

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as well as causal forces affect the course of legal and constitutional developments.³

The *Spirit of the Law* includes both positive and normative theories of governance. It begins with a theory of the natural state analogous to those of Hobbes and Locke, but stressed the formation of groups and relationships among groups. What might be called domestic law emerges within groups. International law emerges between groups. He also discussed constitutional designs. His ideal constitution resembled that of England at the time. It included a bicameral parliament and a king. In one of the chambers of parliament, positions were determined by heredity or lifetime appointments and in the other by elections. His support for constitutional monarchy and class-based parliaments was shared by most European liberals in the eighteenth and nineteenth centuries.⁴

The parts of the *Spirit of the Law* that are most relevant for this chapter are his discussions of the role of ethics in political systems and

the effects of markets on ethical dispositions. As part of his positive analysis of governments, he examines the role of virtue in different forms of government. He also discussed positive and negative effects that commerce has on the development of ethical dispositions. Much of this analysis occurs in his discussion of the importance of civic virtues for democratic forms of governance. He argues that the ethical support required for democracies to achieve good results tended to be greater than for other forms of government.

There is no great share of probity necessary to support a monarchical or despotic government. The force of laws in one, and the prince's arm in the other, are sufficient to direct and maintain the whole. But **in a popular state, one spring more is necessary, namely, virtue.** (*The Spirit of Laws*, KL 496–98)

He argues that virtue is more important for democracies than for other kinds of governments because public policy is grounded on popular opinion in that form of government.⁵

³Excerpts are from the 1752 Thomas Nugent translation of the first edition of the *Spirit of the Laws*. There is also a relatively new and very readable translation of the third edition (published in 1758 shortly after Montesquieu's death) by Cohler, Miller, and Stone (Cambridge 1989). Besides being very readable, it includes some material left out of the Nugent translation including Montesquieu's analytical history of the emergence of the state and international relations. The older Nugent version has been more influential. It is also widely available on the Web and avoids copyright issues. The Kindle locations refer to the eBooksLib.com version, which is available from Amazon. Boldface has again been added by the author to draw attention to key phrases and ideas.

⁴Montesquieu's support for constitutional monarchy may have been reinforced by laws against sedition and treason. Open support for republican forms of government could still be punished by treason or sedition laws during this period. Thomas Paine's attack on monarchy, the *Rights of Man*, which was written sev-

eral decades later (1791) caused both him and his publisher to be tried and convicted of sedition in England. Nonetheless, at the time that Montesquieu wrote, constitutional monarchies were clearly among the best governments in Europe, so most supporters were doubtless sincere as well as prudent.

⁵ Montesquieu discusses a wide variety of electoral and representative methods and seems to support broad suffrage but class-based representation, giving greater weights to voters who are better educated or accomplished and/or to the representatives that such groups select. The only republics of note in Montesquieu's time were relatively small countries: the Netherlands, Switzerland, and Venice. None of these had a king, but neither were they particularly democratic, except relative to the rest of the world. Other somewhat more democratic republics existed in ancient history, as in Athens and Sparta, which Montesquieu also refers to as republics. So, a reasonable interpretation of what he terms popular or democratic government is any government in which a variety of interests

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He suggests that equality is the normal foundation for democracy but argues that equality is less necessary for democracy in commercial societies, because commerce reinforces the virtuous dispositions required for democracy.⁶

True is it that **when a democracy is founded on commerce, private people may acquire vast riches without a corruption of morals.** This is because the spirit of commerce is naturally attended with that of **frugality, economy, moderation, labor, prudence, tranquility, order, and rule.** So long as this spirit subsists, the riches it produces have no bad effect.

A democracy based on commerce tends to be more robust than one based on agriculture and equality because of commerce's support for relevant ethical dispositions and also because inequality tends to emerge in the ordinary course of life. Thus, to sustain democracies, it is necessary that the spirit of commerce be broadly shared, especially among its most influential citizens.

The mischief is, when excessive wealth destroys the spirit of commerce, then it is that the inconveniences of inequality begin to be felt.

In order to support this spirit, commerce should be carried on by the principal citizens; this should be their sole aim and study; this the chief object of the laws. (*The Spirit of Laws*, KL 891–97)

are well-represented, rather than ones necessarily grounded in elections or equal representation.

⁶Commerce was limited to cities and large towns at the time that Montesquieu wrote. In effect, commerce in free cities was a substitute for the economic equality required to support it in the countryside.

Montesquieu regards industry and frugality as the civic virtues most necessary to support democratic governance in the long run, because of the need to restrain public expenditures to levels that are compatible with the ability and willingness of voters to pay taxes.

[I]ndeed, **in a well-regulated democracy, where people's expenses should extend only to what is necessary,** everyone ought to have it; for how should their wants be otherwise supplied? (*The Spirit of Laws*, KL 903–05)

As true of Aristotle and La Court, Montesquieu believed that laws can support or undermine virtues such as industry. An example is inheritance laws.⁷

It is an excellent law in a trading republic to make an equal division of the paternal estate among the children. The consequence of this is that however great a fortune the father has made, his children, being not so rich as he, are induced to **avoid luxury, and to work as he has done.** I speak here only of **trading republics;** as to those that have no commerce, the legislator must pursue quite different measures. (*The Spirit of Laws*, KL 898–901)

Although commerce supports the virtues most necessary for democracy, he argues that not all virtues are supported by market activities.

⁷ Another is evidently support for a work ethic. Montesquieu notes that “In [Athens], endeavors were used to inspire them [the people] **with the love of industry and labor. Solon made idleness a crime,** and insisted that each citizen should give an account of his manner of getting a livelihood.”

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Some are and some are not. For example, unfounded prejudices are diminished, but also norms of generosity.

Commerce is a cure for the most destructive prejudices; for it is almost a general rule that wherever we find agreeable manners, there commerce flourishes; and that wherever there is commerce, there we meet with agreeable manners. Let us not be astonished, then, if our manners are now less savage than formerly. Commerce has everywhere diffused a knowledge of the manners of all nations: **these are compared one with another, and from this comparison arise the greatest advantages.** (*The Spirit of Laws*, KL 5120-5123).

If the spirit of commerce unites nations, it does not in the same manner unite individuals. We see that in countries where the people move only by the spirit of commerce, they make a traffic of all the humane, all the moral virtues; the most trifling things, those which humanity would demand, are there done, or there given, only for money. [T]he spirit of trade produces in the mind of a man a certain sense of exact justice, opposite, on the one hand, to robbery, and on the other to those moral virtues which forbid our always adhering rigidly to the rules of private interest, and suffer us to neglect this for the advantage of others. (*The Spirit of Laws*, KL 5127–32)

Nonetheless, although there is some tension between markets and some aspects of morality, Montesquieu concludes that overall industry and wealth are blessings for all nations that can be (and should be) encouraged by appropriate laws and taxes.

The **great state is blessed with industry, manufactures, and arts**, and establishes laws by which those several advantages are procured.

The **effect of wealth in a country is to inspire every heart with ambition**: that of poverty is to give birth to despair. **The former is excited by labor**, the latter is soothed by indolence. (*The Spirit of Laws*, KL 3454–59)

The latter conclusions are similar to La Court's remarks about seventeenth century Netherlands, but in the *Spirit of the Law* they are grounded in a general theory of law and governance, rather than observation and intuition. They are argued to be relevant for all nations, not simply for the Netherlands. Whether one accepts Montesquieu's conclusion or not, it is clear that he believes it to be true for France in the mid-eighteenth century.⁸

Montesquieu's analysis of the political virtues required to support democracies is largely consistent with those of earlier writers with respect to private virtues. What Montesquieu adds is the recognition that societies are social systems linked to their environments. He also argues that the many important civil virtues are system specific and contribute to the stability and success of alternative political economy systems. The virtues most important for successful open societies (republics with competitive markets) differ from those required to support monarchical and aristocratic systems in which commerce is less central to life. Honesty, industry, and frugality are praiseworthy in private life and underpin the politics

⁸Montesquieu's remarks on taxation also parallel and deepen those of La Court: "Of the Public Revenues. The public revenues are a portion that each subject gives of his property, in order to secure or enjoy the remainder. To fix these

revenues in a proper manner, regard should be had both to the necessities of the state and to those of the subject. The real wants of the people ought never to give way to the imaginary wants of the state" (*The Spirit of Laws* KL 3442–45).

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of republics. In less open societies, other virtues are relatively more important: politeness and deference in monarchies and moderation in aristocracies.

His reservations about the extent to which commerce provides support for private virtue provides a window into the beliefs of literate Frenchmen in the mid-eighteenth century. If reservations about the ultimate morality of commerce were greater in eighteenth-century France than in the Netherlands and England, then Parts I and II of this book imply that markets would be more developed in the Netherlands and England than in France at that time, as was evidently the case (Weir 1997).⁹

III. Benjamin Franklin (1706–1790) and the Ethos of Capitalism

The English colonies of North America during the eighteenth century were places where ethics and public policies tended to support commerce and democratic government. Indeed, many of the colonies and the largest cities within the colonies had been founded by private companies or partnerships, as with the Virginia Company (1609), The Dutch West Indies Company (1621), and the Massachusetts Bay Company (1630). Norms supportive of civil society and commerce are evident in many colonial and town charters of the seventeenth century. By the

eighteenth century, several small cities were flourishing, and a cosmopolitan culture had emerged in the Northern and Mid-Atlantic Colonies, with a *mélange* of British, German, and Dutch ideas and customs.

Among the many notable “Americans” of the eighteenth century was a self-made man, printer, scientist, politician, and philosopher by the name of Benjamin Franklin. Benjamin Franklin was the son of an emigrant to Boston. He attended school to the age of 10, learned the printing and newspaper trade from his brother, and taught himself to read, write, and argue well. Franklin read widely as a young man, including works by Aristotle, Plato, Locke, and Mandeville among many others. In his late teens, he moved from Boston to Philadelphia, another major city in the territory that a few decades later became the United States. In Philadelphia, Franklin became a successful printer and publisher, a civic leader and politician, an innovative scientist and inventor, and subsequently, a national statesman. His scientific contributions included demonstrating that lightning was electricity (rather than a miracle), and charting and naming the Gulf Stream of the Atlantic Ocean. Later in life, he served the governor of Pennsylvania, as ambassador to France, and participated in writing the Declaration of Independence and the U.S. Constitution.

What is most relevant for the purposes of this book is his writing. He wrote on a wide variety of topics over his lifetime including politics, science, and ethics. Much of it was written for the literate public as a means of earning a living, as with his newspapers and almanacs. Other

⁹ This in spite of the fact that both the idea and the term “*laissez-faire*” are of French origin. The term’s first known appearance in print was in 1751, a few years after Montesquieu published the first edition of his *The Spirit of the Laws*.

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writings were addressed to narrower scientific and philosophical societies. Still others were simply notes to himself or letters. His writings were widely read in what became the United States and also, to a lesser extent, in Europe. His analysis of connections between virtue and success in life was well known among his readers and it was widely enough known for Max Weber to regard his *The Way to Wealth* (1758) as capturing the essential spirit of capitalism.

Franklin's recommendations for day-to-day ethics provide an excellent window into colonial attitudes toward life, wealth, and markets in the eighteenth-century English colonies. As true of Baxter, he was a source of maxims that influenced many in his own time and continued to do so into the next century and beyond. His advice for the most part concerned life on earth.¹⁰

Franklin's Deism and Self-Training in Ethics

At the age of 15, Franklin became a Deist in a form that included an extreme form of predestination. He concluded that good and evil were empty words, because all that occurred was set in motion by a benevolent God and so must be fundamentally good. In Franklin's mind at

least, Deism had essentially eliminated the possibility of biblical foundations for rules of conduct.¹¹

Nonetheless, in his early twenties, he changed his mind about the practical value of personal ethics and adopted some guidelines for his future behavior. From Franklin's Deistic perspective, there was little that one could do to advance one's likelihood of salvation, but much that one could do to make one's life on earth more pleasant and profitable.¹²

I grew convinced that **truth, sincerity and integrity in dealings between man and man were of the utmost importance to the felicity of life**; and I formed written resolutions, which still remain in my journal book, to practice them ever while I lived.

Revelation had indeed no weight with me, as such; but I entertained an opinion that, though certain actions might not be bad because they were forbidden by it, or good because it commanded them, **yet probably these actions might be forbidden because they were bad for us, or commanded because they were beneficial to us**, in their own natures, all the circumstances of things considered. (*Autobiography of Benjamin Franklin*, KL 829–33)

He suggests, as in Aristotle, that virtuous dispositions are likely to be good for the person developing them. Personal happiness, he argues, is

¹⁰ Franklin's autobiography is still read in high school and college English and history classes in the United States. His autobiography has more than a thousand Google citations. His persona, as in his day, remains better known outside academia, with many more "hits" on Google than on Google Scholar. His face is on the United State's hundred-dollar bill. Biographies of Franklin continue to be written.

¹¹Excerpts are from Franklin's *Autobiography* ([1793] 2012), *The Way to Wealth* ([1753] 2012) and *Memoirs of Benjamin Franklin; Written by Himself* ([1839] 2011), a compendium of his letters and notes. KL again refers to Kindle locations.

¹²Franklin lists 13 virtues that he attempted to perfect during his youngest days: temperance, silence, order, resolution, frugality, industry, sincerity, justice, moderation, cleanliness, tranquility, chastity, and humility. Each was given a practical definition, and he kept track of his success on each virtue in a notebook. He notes that he was not very good at humility, but that false humility seemed to work nearly as well. (Each of these virtues is given his own definition, which makes some of them a bit easier to follow than they might have been if they had been defined by others, as with chastity.)

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ultimately based on “virtuous and self-approving conduct.” He also argues that the same virtues tend to contribute to one’s economic success.

Franklin and the Economic Virtues

Franklin’s invented character “Poor Richard” plays a role in most of his almanacs and maxims. This was probably not a form of anonymity to avoid censorship, which was relatively light in Pennsylvania during this period, but a marketing device to increase his readership. Poor Richard supported a life of hard work, enterprise, and frugality.

ADVICE TO A YOUNG WORKER. **Remember that time is money.** He that can earn ten shillings a day by his labor, and **sits idle one half** of that day, though he spends but sixpence during his diversion ought not to reckon that the only expense; **he has really thrown away five shillings besides...** The **most trifling actions that affect a man’s credit are to be regarded carefully.** The **sound of your hammer at five in the morning or nine at night, heard by a creditor,** makes him easy six months longer. But if he sees you at a billiard table or **hears your voice in a tavern** when you should be at work, he sends for his money the next day. **Creditors are a kind of people that have the sharpest eyes and ears, as well as the best memories of any in the world...**

In short, **the way to wealth,** if you desire it, is as plain as the way to market. It **depends chiefly on two words: industry and frugality.** Waste neither time nor money, but make the best use of both. **He that gets all he can honestly, and saves all he can, will certainly become rich.** (*The Way to Wealth*, KL 184–200)

INDUSTRY. Friends, said [Poor Richard], **the taxes are indeed very heavy, and if those laid on by the government were the only ones we had to pay we might more easily discharge them;** but we have many others, and much more grievous to some of us. **We are taxed twice as much by our idleness, three times as much by our pride, and four**

times as much by our folly; and from these taxes the commissioners cannot ease or deliver us by allowing an abatement.

Most of Franklin’s writing takes for granted that the accumulation of wealth is generally praiseworthy, which implies that this was likely true of his readers as well. On the other hand, he argues that one should not let one’s commercial enterprises rule one’s life. Business is important, but not the only matter of importance. Nor is the accumulation of wealth the only goal that young persons should pursue—heath and wisdom are also important.

Drive thy business, let not that drive thee; and Early to bed, and early to rise, makes a man healthy, wealthy, and wise, Poor Richard says. (*The Way to Wealth*, KL 54–58, 70–71).

He also notes there can be a tension between short-term commercial temptations to be dishonest and long-run profits.

There are a great **many retailers who falsely imagine that being historical (the modern phrase for lying)** is much for their advantage; and some of them have a saying, that it is a pity lying is a sin, it is so useful in trade; If they would examine into **the reason why a number of shopkeepers raise considerable estates,** while others who have set out with better fortunes have become bankrupts, **they would find that the former made up with truth, diligence, and probity,** what they were deficient of in stock; while the latter have been found guilty of imposing on such customers as they found had no skill in the quality of their goods. (“On Truth and Falsehood,” *Memoirs of Benjamin Franklin*, Volume II, KL 704–709)

As demonstrated in Part I, consumers tend to support ethical merchants.

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In these and other writings, Franklin recommends: a virtuous life centered on work, frugality, honesty, prudence, and the accumulation of wealth—what Max Weber writing more than a century later would refer to as the spirit of capitalism.

Franklin on the Confusion about Self-Denial

In other writings, Franklin analyzes scientific and philosophical issues of his day. For example, Franklin argues that many writers during his time were confused about the relationship between virtue and self-denial. Franklin insists that virtue is not about self-denial but rather about developing dispositions to behave in accordance with virtue. Once this is done, virtue does not involve sacrifice.

If to a certain man idle diversions have nothing in them that is tempting, and, therefore, he never relaxes his application to business for their sake, is he not an industrious man? Or has he not the virtue of industry?

I might in like manner instance in all the rest of the virtues; but, to make the thing short, as it is certain that **the more we strive against the temptation to any vice, and practice the contrary virtue, the weaker will that temptation be**, and the stronger will be that habit, till at length the temptation has no force or entirely vanishes.

Does it follow from thence that, in our endeavours to overcome vice, we grow continually less and less virtuous, till at length we have no virtue at all? (“Self-Denial Is Not the Essence of Virtue,” *Memoirs of Benjamin Franklin; Volume II*, KL 401–406)

This gradual elimination of temptations by developing virtuous habits of thought and action, of course, parallels Aristotle’s discussion of self-mastery.

With respect to religion, Franklin evidently remained a Deist, which was fairly common among intellectuals of his day, but he nonetheless believed that virtuous behavior of the sort that he recommends is likely to be rewarded by the deity, which he believes exists, albeit in a somewhat inactive form and not necessarily as revealed in religious texts.

This **my little book had for its motto** these lines from Addison’s Cato: “Here will I hold. **If there’s a power above us** (and that there is all nature cries aloud through all her works), **He must delight in virtue; and that which He delights in must be happy.**” (*The Way to Wealth*, KL 262–64).

The Ethos of Franklin’s America

As with the previous authors reviewed, Franklin is of interest partly for what he says and partly because his writing provides a window into his society at the time that he wrote. The maxims of Poor Richard all take wealth, reputation, and wisdom to be obvious central aims of life, rather than salvation or self-denial. There is very little in the way of references to biblical texts in his writings, although also very little criticism of the religious views of others. His focus is on life on earth, rather than an afterlife.

Within Franklin’s social circles and readership (both of which were very broad), religion had become less central to life and less important for understanding day-to-day events on earth. Lightning was a natural event, not evidence of divine displeasure. Damage from lightning could be better reduced with a lightning rod than prayer. There was an order to nature because of God’s will, but the natural order was the product of natural law rather than day-to-day divine interventions. Franklin’s

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support for virtuous conduct is mostly oriented toward life on earth, with a central role reserved for values that tend to be rewarded by markets and positive relationships among people.

His personal success and reflection provided him with direct evidence about how virtue could enhance one's prospects in life. These, together with his genius, allowed him to succeed in a very broad career, although not always on his first try. Although the *Way to Wealth* plays an important role in Franklin's popular writings, it should also be noted that Franklin did not devote his entire life to accumulating wealth. After making his fortune in printing, he turned to public works, science, and politics for the last third of his life—where the same rules of conduct evidently also served him well.

IV. Adam Smith (1723–90), the Moral Sentiments and the Wealth of Nations

We next turn to Adam Smith, an academic who grew up in Scotland, attended university at Glasgow and Oxford, and for most of his academic career taught at the University of Edinburgh. He is most known for his influential of the early analysts of economic activity. His *Inquiry into the Nature and Causes of the Wealth of Nations* (1776) is arguably the most influential book written in economics, because of its clear charac-

terizations of the returns to specialization, the invisible hand, the advantages of trade, and the price system. Many of his observations had been made before but without a clear, consistent narrative. It is, however, his book on ethical dispositions, *The Theory of Moral Sentiments* (1759), that is most relevant for this book, although the combination of the two books is more relevant still. That book provides a new foundation for ethics grounded in sociology and psychology.

Smith's importance for the purposes of this book is partly that he stood at the end of the period termed the Enlightenment and at the beginning of the period sometimes termed the Modern Period. His thinking on economics, ethics, and public policy integrated and extended many ideas "in the air" during the mid-eighteenth century and his excellent expression of them attracted many readers. When people speak of "classical liberalism," it is often Smith's work that they have in mind.¹³

In *The Theory of Moral Sentiments*, Smith develops a psychological explanation for ethics and ethical theorizing. He argues that people are not born with ethical knowledge or intuitions, but that each person has a predisposition to learn virtuous rules of conduct because of their natural desire for praise and their ability to feel (imagine) the fortunes and misfortunes of others. Their interest in praise induces individuals to try to imagine whether their own behavior is likely to elicit approval or disapproval from others. Thus, ethical behavior according to Smith is in one's

¹³James Buchanan once told me that he invented the term "classical liberalism" to reduce confusion in North America about the term "liberal." In the rest of the world, "liberal" continues to mean support for open politics and markets, as it did in the nineteenth century. In the United States, it refers to a moderate

form of social democracy. The latter is often consistent with liberalism, but it is a left of center version that tends to stress redistribution and fairness, rather than rule of law, constitutional governments, and open markets.

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self-interest, not because it improves one's character, but because humans value the approval of their family, friends, and strangers.

The idea that virtue is praiseworthy was, of course, not new. It is mentioned in both Aristotle's and Locke's discussion of virtue.¹⁴ What is new is the central role given to it and to individual efforts to imagine how praise can be obtained. Smith's approach provides both a new analytical device for discovering ethical rules and a window into what many of his contemporaries would have regarded to be obvious instances of praiseworthy behavior.¹⁵ His analysis thus provides a useful window into the behavioral norms of Scotland and England during the mid-eighteenth century. Smith uses a variety of illustrations from daily life and fiction to support his reasoning and conclusions.

Fellow Feeling and the Pursuit of Praise

Smith's analysis of the origins of moral sentiments begins with the observation that members of society are connected to one another, rather than completely independent of one another. Individuals can imagine the pains and happiness of others, and the happiness of others contributes to their own.

How selfish soever man may be supposed, there are evidently **some principles in his nature, which interest him in the fortune of others, and render their happiness necessary**

¹⁴Locke (1690) argues that “[O]ne of the rules made use of in the world for a ground or measure of a moral relation is that **esteem and reputation** which several sorts of actions find variously in the several societies of men, **according to which they are there called virtues or vices.**” (*An Essay Concerning Human Understanding*. From the *The John Locke Collection: 6 Classic Works*, KL 5602–604).

to him, though he derives nothing from it except the pleasure of seeing it. (*Moral Sentiments*, KL 12–13).

Mankind, though naturally sympathetic, never conceive for what has befallen another that degree of passion which naturally animates the person principally concerned. That **imaginary change of situation**, upon which their sympathy is founded, is but momentary. (*Moral Sentiments*, KL 256–57).

This empathic connection among men and women (sympathy or fellow feeling) is the reason that we care about the happiness of others and their opinions about us. Individuals are partly for this reason also interested in receiving the approval and avoiding the disapproval of others. Our own happiness, according to Smith, is substantially caused by the assessments of others in the community.¹⁶

Smith argues that this connection is the foundation of our “moral sentiments.” The same ability that allows one to imagine the mental states of others can be used to understand how one's own behavior affects others and their assessment of us.

We suppose ourselves the spectators of our own behavior, and endeavor to imagine what effect it would, in this light, produce upon us. This is the only looking-glass by which we can, in some measure, **with the eyes of other people, scrutinize the propriety of our own conduct....**

When I endeavor to examine my own conduct, when I endeavor to pass sentence upon it, and either to approve or condemn it, it is evident that, in all such cases, **I divide myself,**

¹⁵In his widely read piece on “Adam Smith and Laissez Faire,” Viner (1927) makes the same point but as a criticism of the *Moral Sentiments*.

¹⁶Excerpts are taken from digitized versions of *The Theory of Moral Sentiments* (1759) and *The Wealth of Nations* (1776). KL again refers to Kindle locations. Some very modest changes to facilitate reading have been adopted, as with the use of contemporary spelling and punctuation conventions of the United States.

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as it were, into two persons; and that I, **the examiner and judge**, represent a different character from that **other I**, the person whose conduct is examined into and judged of. The **first is the spectator**, whose sentiments with regard to my own conduct I endeavor to enter into, by placing myself in his situation, and by considering how it would appear to me, when seen from that particular point of view. **The second is the agent, the person whom I properly call myself.** (*Theory of Moral Sentiments*, KL 1890–1900).

This two-level characterization of human psychology provides an alternative rationale for the virtue and vice payoffs used in Parts I and II to characterize how internalized norms affect and individual's subjective rewards or net benefits associated with alternative actions. Sympathy has systematic effects on human behavior because people are naturally motivated to seek praise and avoid blame. The most reliable way to attract praise is act in a manner that is praiseworthy.

[Mankind] **desires, not only praise, but praiseworthiness; or to be that thing which, though it should be praised** by nobody, is, however, the natural and proper object of praise. He dreads, not only blame, but blame-worthiness; or to be that thing which, though it should be blamed by nobody, is, however, the natural and proper object of blame. (*Theory of Moral Sentiments*, KL 1911–13)

Praiseworthiness differs somewhat from praise and requires a different level of abstraction to appreciate. One is praiseworthy when not

only one's friends approve of one's behavior but when disinterested strangers also approve of it. Moreover, one can deserve praise even if one never receives it from others.

We are pleased to think that we have rendered ourselves the natural objects of approbation, though no approbation should ever actually be bestowed upon us....

When he views [his behavior] in the light in which the impartial spectator would view it, he thoroughly enters into all the motives which influenced it. He looks back upon every part of it with pleasure and approbation, and though mankind should never be acquainted with what he has done, he regards himself, **not so much according to the light in which they actually regard him, as according to that in which they would regard him if they were better informed.** (*Theory of Moral Sentiments*, KL 1947–54).

Smith argues that people use (and should use) an analytical device, the impartial spectator, to assess the moral worth of both their actions and rules of conduct that they might internalize. The test of the impartial spectator is different from the “golden rule” and also from utilitarianism (which is taken up in the next chapter) in that it focuses on praiseworthiness, which may be context specific and may not directly involve obvious benefits for the persons that provide their approval or admiration.

Smith goes on to discuss two possible measures of praiseworthiness, one that is absolute and the other, relative.¹⁷

¹⁷Some Smith scholars regard the impartial spectator as God, but he clearly states that it is not: “That consolation may be drawn, not only from the complete approbation of the man within the breast [the impartial spectator], but, if possible, from a still nobler and more generous principle, from a firm reliance

upon, and a reverential submission to, that benevolent wisdom which directs all the events of human life” (Adam Smith, [1759] 2013, *The Theory of Moral Sentiments* [Kindle Locations 5115–17]).

[W]hen we are determining the degree of blame or applause which seems due to any action, we very frequently make use of **two different standards**. **The first is the idea of complete propriety and perfection**, which, in those difficult situations, no human conduct ever did, or ever can come, up to; and in comparison with which the actions of all men must forever appear blameable and imperfect.

The second is the idea of that degree of proximity or distance from this complete perfection, which the actions of the greater part of men commonly arrive at. Whatever goes beyond this degree, how far soever it may be removed from absolute perfection, seems to deserve applause; and whatever falls short of it, to deserve blame. (*Theory of Moral Sentiments*, KL 337–42).

These standards have implications about the nature of virtue that differ from Aristotle's theory of virtue. According to Smith, perfect virtue is an unobtainable perfection, a sublime extreme, rather than an entirely feasible intermediate type of behavior. Nonetheless, Smith believes that the pursuit of praise and praiseworthiness tends to produce behavior consistent with the classical ideas of virtuous conduct.¹⁸

Smith and the Virtues

Smith provides a unique psychological theory of virtue, which is surprisingly well-aligned with Aristotle's conceptions of virtue in spite of their differences. Smith, for example, also places high regard on self-mastery, prudence, justice, and benevolence.

The man who acts according to the rules of perfect prudence, of strict justice, and of proper benevolence, may be said to be perfectly virtuous. But the most perfect knowledge of those rules will not alone enable him to act in this manner ...

The most perfect knowledge, if it is not supported by the most perfect self-command, will not always enable him to do his duty. (*Theory of Moral Sentiments*, KL 4131–35).

According to Smith, prudence is the most important of the virtues for life on earth.

The care of the health, of the fortune, of the rank and reputation of the individual, the objects upon which his comfort and happiness in this life are supposed principally to depend, is considered as **the proper business** of that virtue which is commonly called **Prudence**. (*Theory of Moral Sentiments*. (KL 3670–71).

Smith's notion of prudence is a complex virtue that combines aspects of the Aristotelian virtues of truthfulness, meekness, and self-mastery.

The prudent man always studies seriously and earnestly to understand whatever he professes to understand, and not merely to persuade other people that he understands it; and though his talents may not always be very brilliant, they are always perfectly genuine....

He is not ostentatious even of the abilities which he really possesses. His conversation is simple and modest ... But though always sincere, he is not always frank and open; and though he **never tells anything but the truth**, he does not always think himself bound, when not properly called upon, to tell the whole truth.

¹⁸ Smith spends considerable time contrasting his ideas with those of Aristotle, mentioning Aristotle 16 times. In this he is unique among the authors reviewed

in Part III, although he is clearly not the only scholar familiar with Aristotle's work.

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As he is cautious in his actions, so he is reserved in his speech; and never rashly or unnecessarily obtrudes his opinion (*The Theory of Moral Sentiments*, KL 3677–90).

Smith suggests, as did Franklin, that virtue tends to attract an appropriate reward within one's rules codes of conduct.

If we consider the general rules by which external prosperity and adversity are commonly distributed in this life, we shall find, that notwithstanding the disorder in which all things appear to be in this world, yet even here **every virtue naturally meets with its proper reward, with the recompense which is most fit to encourage and promote it;** and this too so surely, that it requires a very extraordinary concurrence of circumstances entirely to disappoint it.

What is the reward most proper for encouraging industry, prudence, and circumspection? Success in every sort of business. (*The Theory of Moral Sentiments*, KL 2818–22)

Our rank and credit among our equals, too, **depend very much upon what 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. (*Theory of Moral Sentiments*, KL 3668–69)

A broad array of virtues are rewarded on earth, partly, as in Franklin, through effects on one's personal prosperity and self-esteem, but also by eliciting the esteem of others. Note that industriousness is on Smith's list as it is on most others in this period, although it was not on Aristotle's list.

With respect to appropriate competitive behavior in markets and politics, Smith argues that the moral sentiments imply that there are both appropriate and inappropriate methods for seeking wealth, honors, and other rewards.

In the race for wealth, and honors, and preferments, he may run as hard as he can, and strain every nerve and every muscle, in order to outstrip all his competitors . **But if he should jostle, or throw down any of them,** the indulgence of the spectators is entirely at an end. **It is the violation of fair play, which they cannot accept.** (*The Theory of Moral Sentiments*, 1331–34).

Smith notes, as does Franklin, that hard work contributes to the receipt of praise and approbation, although part of that work consists in making others aware of one's excellence.

He **must cultivate** these therefore: he **must acquire superior knowledge in his profession, and superior industry in the exercise of it.** He must be patient in labor, resolute in danger, and firm in distress.

These talents he must bring into public view, by the difficulty, importance, and, at the same time, good judgment of his undertakings, and **by the severe and unrelenting application** with which he pursues them. **Probity and prudence, generosity and frankness, must characterize his behavior** upon all ordinary occasions. (*Theory of Moral Sentiments*, KL 883–87).

These and similar paragraphs indirectly characterize the norms used by others in Smith's time and place. Smith does not argue that some patterns of behavior should attract praise but that they actually do attract praise when put into practice.

Virtue and Life in Society

In a manner consistent with Part I of this book, Smith argues that virtuous conduct makes life in society both more pleasant and more sustainable.

If there is any society among robbers and murderers, they must at least, according to the trite observation, abstain from robbing and murdering one another. Beneficence, therefore, is less essential to the existence of society than justice. **Society may subsist, though not in the most comfortable state, without beneficence; but the prevalence of injustice must utterly destroy it.** (*The Theory of Moral Sentiments*, KL 1377–84)

Societies do not require benevolent relationships among people, but they do require just ones. Perhaps surprisingly, he argues that respect for private property is more important than sympathy or benevolence for life in society. Two decades later, he applies this idea to markets with phrasing that is among the most memorable in the *Wealth of Nations* (1776):

It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their advantages. **Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens.** [*Wealth of Nations* (pp. 7–8)]

Virtuous behavior is commonplace in most societies because virtuous behavior is promoted by the pursuit of praise and avoidance of blame and its associated feelings of guilt. In the absence of that tendency, the result would be very similar to that postulated by Hobbes.

Nature has implanted in the human breast that consciousness of ill-desert, those terrors of merited punishment which attend upon its violation, as the great safeguards of the association of mankind, to protect the weak, to curb the violent, and to chastise the guilty....

[I]f this principle did not stand up within them in [an individual's] defense, and overawe them into a respect for his innocence, they would, like wild beasts, be at all times ready to fly upon him; and a man would enter an assembly of men as he enters a den of lions. (*Theory of Moral Sentiments*, KL 1390–96).

The Pursuit of Praise and Economic Development

The desire for praise from one's fellow men and women also plays a role in the accumulation of wealth and for “bettering our condition,” indeed it largely defines what “betterment” means.

From whence, then, arises that emulation which runs through all the different ranks of men, and what are the advantages which we propose by that great purpose of human life which we call bettering our condition? To be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation, are all the advantages which we can propose to derive from it. (*Theory of Moral Sentiments*, KL 794–96).

Smith considers opulence (wealth) to be a good and praiseworthy worthy end—a sign of progress—as in Franklin and La Court.

[C]apital has been silently and gradually accumulated by the **private frugality and good conduct of individuals**, by their **universal, continual, and uninterrupted effort to better their own condition.**

It is this effort, protected by law, and allowed by liberty to exert itself in the manner that is most advantageous, **which has maintained the progress of England towards opulence and improvement in almost all former times**, and which, it is to be hoped, will do so in all future times. (*The Wealth of Nations*, KL 5178–82).

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Indeed, the accumulation of capital, the quest for profits, and extension of markets that result from frugality, good conduct, and industry is the invisible explanation for economic growth and opulence, both meritorious goals when achieved through praiseworthy means.

[B]y directing that industry in such a manner as its produce may be of the greatest value, [an individual] intends only his own gain, and **he is in this, as in many other cases, led by an invisible hand to promote an end** which was no part of his intention. (*The Wealth of Nations*: KL 6709)

[Prosperity] is the necessary, though **very slow and gradual, consequence of a certain propensity in human nature**, which has in view no such extensive utility; **the propensity to truck, barter, and exchange one thing for another**. (*The Wealth of Nations*, KL 180)

Nor is it generally worse for society that benevolence is not the main motivation for an individual's industry and frugality.

By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it. (*The Wealth of Nations*: KL 6709).

Although not himself a “wealth maximizer,” it is clear that Smith's readers, like those of Franklin and La Court, take prosperity and the pursuit of personal wealth to be praiseworthy ends. Smith thus regards most of the individual activities that promote general prosperity to be praiseworthy—although they are not the only virtuous activities and not every manner of accumulating wealth is virtuous.

Markets also directly reward a subset of virtues.

[Managerial] **wages properly express the value** of this labor of inspection and direction. Though in settling them some regard is had commonly, **not only to his labor and skill, but to the trust which is reposed in him**. (*The Wealth of Nations* (KL 716–17)

It seldom happens, however, that great fortunes are made, even in great towns, by any one regular, established, and well-known branch of business, **but in consequence of a long life of industry, frugality, and attention**. (*The Wealth of Nations* , KL 1717–19)

Nonetheless, as with Montesquieu and Aristotle, Smith notes that commerce can undermine other virtues. Greed can induce men to abandon virtue.

To attain to this envied situation, **the candidates for fortune too frequently abandon the paths of virtue; for unhappily, the road which leads to the one, and that which leads to the other, lie sometimes in very opposite directions**. (*Theory of Moral Sentiments*, KL 1027–29).

In this he disagrees with Franklin, who argued that in the long run there is no tension between virtuous conduct and wealth accumulation.

The Good Life and Good Society

Smith does not believe, however, that wealth and power are the main sources of happiness or praiseworthiness.

Power and riches appear then to be, what they are, enormous and operose machines contrived to **produce a few trifling conveniencies to the body** ... They keep off the summer shower, not the winter storm, **but leave him always as**

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much, and sometimes more exposed than before, to anxiety, to fear, and to sorrow; to diseases, to danger, and to death. (*Theory of Moral Sentiments*, KL 3132–38)

Regarding governments and efforts to improve society, Smith, like La Court, regards governments and policy makers to be potential sources of problems. This is partly because they fail to take proper account of human nature and partly because they tend to overestimate their ability as policy makers.

The man of system, on the contrary... is often so enamored with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it. He goes on to establish it completely and in all its parts, without any regard either to the great interests, or to the strong prejudices which may oppose it. **He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them;** but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might choose to impress upon it. **If those two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously,** and is very likely to be happy and successful. **If they are opposite or different, the game will go on miserably, and the society must be at all times**

in the highest degree of disorder. (*The Theory of Moral Sentiments* KL 4065–73)

Smith does not argue that all systems of policy are doomed to failure, only those which fail to take account of the motivations of the individual members of society. Smith argues that the “system of natural liberty” is consistent with human nature and accounts for much of England’s economic success. The system of natural liberty works well because the pursuit of praise induces virtuous behavior and produces prosperity when it is recognized that markets are largely self-regulating.¹⁹

For Smith, market activities are for the most part morally neutral, motivated by self-interest, rather than a source or test of virtue. Some aspects of commerce are motivated by the same impulse that produces ethical conduct, namely the pursuit of praise and praiseworthiness, but others simply reflect predispositions to “truck and barter.” Nonetheless, the accumulation of material comforts generated by specialization, the accumulation of capital, and trade can add to the quality of life and so is broadly praiseworthy.

V. Immanuel Kant (1724–1804): Duty and Universal Law

In the decades after Smith wrote the *Moral Sentiments*, several other philosophers proposed other grounding principles for ethics. Two of these have had profound influence on philosophy and also arguably

¹⁹Smith also argues that the system of natural liberty is relatively simple to implement: “All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws

of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men,” (*The Wealth of Nations*, KL 10486).

on internalized codes of conduct by literate men and women, Immanuel Kant and Jeremy Bentham. Again, the roots of these theories can be found in earlier writers, including Aristotle. Like Adam Smith, these thoughtful men attempted to create new theories of morality and public policy grounded in one or two overarching principles or mechanisms, an approach that might be considered the Newtonian approach to ethics. Both also had something to say about the role of commerce in a moral life and good society. We first review Kant's theory and conclusions. Bentham and utilitarianism are taken up in the next chapter.

Kant was raised in a middle-class religious family and showing much talent went off to university. Kant, like Smith, became a lifelong academic. He spent essentially his entire career at the University of Königsberg in what was then north-western Prussia, a leading kingdom in the Holy Roman Empire. Kant's philosophical interests were broader and more abstract than those of Smith, and had impacts across contemporary philosophy, most of which are neglected in this short overview of his theory of moral action. Our main focus on is again on the intersection of ethics and commerce.

Kantian Morality

There is a sense in which Kant returns to pre-enlightenment religious view of ethics in that he argues that moral actions are grounded in duty rather than self-interest, and that duty is grounded in universal law. Religious deontologists such as Baxter stress obligations to follow rules based on divine texts and obvious natural laws. Secular deontologists require other methods for determining duties, because one's moral obligations are not always obvious.²⁰

According to Kant, universal law is based partly on moral intuitions similar to Grotius' natural law and also, as in Grotius, partly on reason. Kant argues that the rules we have a duty to follow cannot be known perfectly, but that reason helps us to identify such rules and to eliminate others. Moral rules have to be universal in the sense that that if everyone followed them, the results would be good, satisfactory, or appropriate, although he does not himself characterize the best norm for assessing acceptable results. This universality principle he terms the "categorical imperative" (*kategorischer imperativ*).

The **categorical imperative** only expresses generally what constitutes **obligation**. It may be rendered by the following formula: '**Act according to a maxim which can be adopted at the same time as a universal law.**' ... the test, by calling

²⁰Excerpts from a digitized collection of translations of Kant's major books are used in this section. The collection used is *The Immanuel Kant Collection: 8 Classic Works* (2013), Waxkeep Publishing (Kindle Edition). Titles of the individual works are included for those familiar with his work. KL again refers to Kindle locations. As true of other major works from German, a variety of translations are available for Kant's books. The above collection is used because of its convenience and ready availability, not because it includes exceptional translations.

For the purposes of this chapter, it is only the essential features of his theory of morality that is relevant, rather than subtle aspects of the argument that one or another translator might have best captured. (A German philosopher once told me that Kant makes a lot more sense in English than in German, because of the efforts of the individual translators.)

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upon the agent to think of himself in connection with it as at the same time laying down a universal law, and **to consider whether his action is so qualified as to be fit for entering into such a universal legislation.** (*Introduction to the Metaphysics of Morals*, KL 1098–1103).

The **supreme principle** of the science of morals accordingly is this: “Act according to a maxim which can likewise be valid as a universal law.” Every maxim which is not qualified according to this condition is contrary to morality. (*Introduction to the Metaphysics of Morals*, KL 1117–18).

Moral principles must be universal, feasible, and lead to good outcomes. Together, these allow rules that one has a duty to follow to be identified and others to be rejected. It is arguably a better rule for eliminating possible moral maxims than for identifying them. Like Aristotle, but not Smith, he argues that one’s moral duties can be satisfied.

[M]orality is in itself practical, being **the totality of unconditionally mandatory laws according to which we ought to act.** It would obviously be absurd, after granting authority to the concept of duty, to pretend that we cannot do our duty. (*Perpetual Peace*. KL 519–21)

Kant, in contrast to Smith and Aristotle, makes a sharp distinction between actions motivated by self-interest and those based on duty.²¹ In his view, self-interested actions cannot be moral, although they are not necessarily immoral and can be praiseworthy without being moral. Only actions taken because of duties to follow universal laws can be moral. In this respect, the Kantian perspective clearly differs from that of Aristotle,

Smith, and Bentham, for whom there is no fundamental conflict between self-interest and ethics or ethical conduct.

The **direct opposite of the principle of morality is, when the principle of private happiness** is made the determining principle of the will. (*Critique of Practical Reason*, KL 10528–29). [A]ll the morality of actions may be placed in the **necessity of acting from duty** and from respect for the [universal] law, not from love and inclination for that which the actions are to produce. (*Critique of Practical Reason*, KL 11273–74)⁷

In Kant’s view the natural purpose and aim of reason is the improvement of one’s will. One improves one’s will (character) by dispatching one’s duty, as in Aristotle’s and Smith’s theories of virtue. Perfecting one’s will is a consequence of, rather than the purpose of, moral action, which is to perform one’s duties. Nonetheless, he argues that perfecting one’s will requires no deeper philosophy than the categorical imperative.

I do not, therefore, need any far-reaching penetration to discern what I have to do in order that my will may be morally good. Inexperienced in the course of the world, incapable of being prepared for all its contingencies, I only ask myself: **Canst thou also will that thy maxim should be a universal law? If not, then it must be rejected,** and that not because of a disadvantage accruing from it to myself or even to others, but **because it cannot enter as a principle into a possible universal legislation,** and reason extorts from me immediate respect for such legislation.

I do not indeed as yet discern on what this respect [for the categorical imperative] is based (this the philosopher may inquire), but at least I understand this, that **it is an estimation**

²¹This is likely to have been a challenge to utilitarian ideas that were taking shape during this period.

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of the worth which far outweighs all worth of what is recommended by inclination [self-interest], and that **the necessity of acting from pure respect for the practical law is what constitutes duty**, to which every other motive must give place, because **it is the condition of a will being good in itself**. (*Fundamental Principle of the Metaphysics of Morals* [KL 13182–89])

Again, as in other theories of ethics, much of his reasoning is empirical in nature. Whether a rule or maxim is suitable as universal law is partly a matter of deduction and imagination and partly how it works in practice. Nonetheless, the essence of Kantian morality is dutiful rule-following conduct, rather than the consequences of an individual's own conduct.

Ethics, Law, and Markets

Although every universal maxim could be incorporated into law, in practice, the domains of law and ethics are different. There are differences in motivation and in the process through which moral maxims and legislation are adopted. Moral maxims, by definition, all satisfy the categorical imperative. Moral actions are motivated internally by an individual's sense of duty. Lawful actions, in contrast, are motivated by external penalties and rewards.

Ethical duties often go beyond those required by law. For example, Kant argues that one's moral duty may demand the fulfillment of contracts that external law does not.

From what has been said, it is evident that **all duties, merely because they are duties, belong to ethics**; and yet the legislation upon which they [legal duties] are founded is not on

that account in all cases contained in ethics. On the contrary, the law of many of them lies outside of ethics.

Thus ethics commands that I must fulfill a promise entered into by contract, although the other party might not be able to compel me to do so. [The legislature] adopts the law (*pacta sunt servanda*) and the duty corresponding to it, from jurisprudence or **the science of right**, by which they are established. It is not in ethics, therefore, but in jurisprudence, that the principle of the legislation lies. (*Introduction to the Metaphysics of Morals*, KL 12753–58)

Kant also suggests that the duty of fairness may induce businesspeople to treat their customers better than required by law. However, such behavior may also be motivated by profits, rather than duty and so are not always genuine moral actions.

For example, **it is always a matter of duty that a dealer should not over charge an inexperienced purchaser**; and **wherever there is much commerce the prudent tradesman does not overcharge**, but **keeps a fixed price for everyone**, so that a child buys of him as well as any other. **Men are thus honestly served**; but **this is not enough** to make us believe that the tradesman has so acted from duty and from principles of honesty. (*Fundamental Principles of the Metaphysic of Morals*, KL 13082–85)

This choice setting illustrates the Kantian difference between conduct and duty. The same conduct may be motivated by duty or self-interest. For Kantians, it is not the conduct, but the motivation of the conduct that makes it moral or not. Moral action is dutifully following universal laws. One may be honest or fair with one's customers either because it is a moral duty or because it increases profits. Although the universality of a maxim is based on its consequences, moral action is dutiful

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rule-following behavior. A particular action may thus be moral regardless of the consequences of one's own actions or the written laws of the polity in which one lives.

It also bears noting that for Kant the domain of action is not simply divided between moral and immoral actions. There are actions that are neither moral nor immoral. For example, there are actions that are motivated by interest that are praiseworthy but which are neither moral nor immoral as in the bargaining example above whenever the merchant's behavior is motivated by profits rather than internalized duties. When interest rather than duties motivates conduct, that conduct is outside the domain of moral choice, and would be morally relevant only if the actions violated some universal law. In such cases, acting in accord with one's interest would imply that one's behavior is immoral because it is not in accord with one's moral duties.

Market activities are thus largely outside the domain of Kantian morality because they are largely consequences of self-interest rather than duty.²²

[I]n such a case **an action of this kind, however proper, however amiable it may be, has nevertheless no true moral worth**, but is on a level with other inclinations, e.g., the inclination to honor, which, if it is happily directed to that which is in fact of public utility and accordant with duty and consequently honorable, **deserves praise and encouragement**, but not esteem. For **the maxim lacks the moral import, namely, that such actions be done from duty**, not

from inclination. (*Fundamental Principles of the Metaphysics of Morals*, KL 13095–98)

Kant notes several positive effects of markets, including contributions to world peace, but regards these desirable consequences to be outside the domain of morality. He is not a utilitarian.

The spirit of commerce, which is incompatible with war, sooner or later gains the upper hand in every state. As the power of money is perhaps the most dependable of all the powers (means) included under the state power, **states see themselves forced, without any moral urge, to promote honorable peace.** [*Perpetual Peace*. (KL 440–42)]

Market activities can produce good results for reasons that are independent of morality. Moreover market activities are immoral only when they conflict with duties associated with one's understanding of universal law.

Overview

Kant created another analytical device for discovering moral rules is an alternative to both Smith's impartial spectator and Bentham's aggregate utility-increasing principle, which were the chief rivals at his time. That Kant's theories continue to be taught in virtually every philosophy department in the world suggests that the categorical imperative has been broadly accepted as a useful method for evaluating ethical propositions. Indeed, parents often chide their children with comments of the "what if everyone did that" variety.

²²The use of the terms praise and public utility above suggests that Kant regards both Smith's and Bentham's and Smith's theories of moral conduct to be too

encompassing. There are praiseworthy and utility increasing activities that have nothing to do with morality or moral sentiments.

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Kant's categorical imperative implies that only rules that could be simultaneously adopted by all to good effect necessarily create moral duties. Although universality requires some consideration of the consequences of a rule, duty does not. It simply requires following universal rules. One may mistakenly believe a maxim to be universal, but actions undertaken to dutifully follow such maxims are nonetheless moral—if mistaken.

Kant evidently regarded such universal maxims to be self-evident, because he does not provide a systematic way of choosing among universal laws that conflict with each other. Duties mentioned by Kant include promise keeping, honesty, abiding by contracts, and honesty. Such norms had long existed, of course, but were given new justifications in Kant's theory. They satisfied the categorical imperative. According to Kant, morality is inherently universal and moral obligations do not differ by class or region. The categorical imperative clearly allows a variety of maxims to be rejected as mutually inconsistent, as with special privileges in law and rules of conduct that lead to absurd results when applied to all, as with sumptuary codes.

Kant, like Aristotle, is not particularly interested in economics, but he uses market transactions to illustrate moral issues. Market activities may be motivated by internalized duties, as with duties to abide by contracts and to be fair toward the less informed, in which case the associated behavior is moral. However, Kant argues that commercial actions and consequences are often praiseworthy, but insofar as they are motivated by profits or gains from trade rather than duty, they are largely outside the domain of moral action.

It bears noting that Smith's and Kant's theories reveal that a subtle shift in the focus of ethical theory is taking place in the mid-to-late eighteenth century. First, ethics begins to look far more like Newtonian mechanics in which a few principles are used to both account for and to deduce rules for ethical behavior. Second, the justification for virtuous rules of conduct has shifted; no long are they adopted to improve oneself, as in Aristotle or Franklin, or to obtain divine approval as in theological theories of ethical conduct. Rather the rules of conduct should yield good results for all (satisfy the categorical imperative) or be approved of by all (generate universal praise, approbation, and esteem).

This is not to say that self-improvement does not occur; only that it is no longer central to ethics. In both Smith and Kant, dutiful behavior contributes to perfecting one's will (or character), although that is not the main purpose of virtuous or rule-following behavior. In Smith's theory, one's habits become praiseworthy by systematically engaging in praiseworthy conduct, but the approval of the impartial spectator is the ultimate indicator of virtue, rather than its contribution to character. In Kant's theory, developing the capacity to recognize and follow universal laws tends to perfect the will, which in turn produces moral actions, but it is the dutiful foundation of behavior that make an action moral, rather than its effect on character per se.

The work of deontologist philosophers such as Kant who stress duties rather than consequences is relevant for the purposes of this book because dutiful behavior often supports market activities. Many of the duties that individuals internalize involve the conduct of day-to-day life,

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both in their private lives and in their occupations. Many of these duties—such as obligations to be honest, keep promises, work with diligence, and follow appropriate rule—tend to increase the productivity of economic organizations and reduce risks associated with market transactions.

Indeed, the words “job” and “duty” are often used in the same sense. “That’s not my job” means “that is not my duty”; I have no moral obligation to engage in that activity. Such internalized duties tend to extend the possibilities for specialization and extent of trading networks, as developed in part I of the book.

VI. Claude F. Bastiat (1801–50): Markets as Ethical Systems

The chapter concludes with an overview of Claude Bastiat’s writings. Bastiat wrote in the nineteenth century, but his writings are all in the spirit of classical liberalism. It is for this reason that he is covered in this chapter rather than the next. Bastiat, like Montesquieu, was from a relatively wealthy French family and inherited great wealth at an early age, although not a noble title. This allowed him to devote himself to writing and politics. Bastiat exemplifies the politically active liberal of the nineteenth century. He was not an academic but rather a businessman and politician who served in local and national offices for much of his life. He was elected to local political offices in the 1830s and to the French National Assembly in 1848. His writing was largely a persuasive exercise aimed to increase his support from French voters and so provides a useful window into French liberalism during the mid-nineteenth century.

His political economy is largely a synthesis of elements from Locke, Rousseau, Saint-Simon, Say, and Smith. However, as a popularizer and politician, he sharpens and extends their arguments in much the same manner that Thomas Paine’s widely read pamphlets published at the time of the American and French revolutions did for Locke. Many present day students of economics find his analysis of economic relationships to be clearer and more persuasive than that provided by most textbooks.

Most of Bastiat’s writings are short pieces written for magazines and newspapers, which were subsequently collected together and turned into books. So, although this section refers to books, they are actually collections of essays, rather than book-length analyses of particular issues. Nonetheless, because they tend to be tightly written essays that make a single point, it turns out that longer quotes from his writing are necessary to get his ideas across than for any of the other writers in part III.

His writings remain of interest to economists because they are laced with clear, early insights on the workings of an open economy. They are important for this book because his analysis often takes account of the effects that commerce has on morals and morality on commerce and because his stories provide a useful window into the life and ideas of persons in France during the mid-nineteenth century. In general, Bastiat argues that commercial systems tend to be a moral because of their beneficial effects on everyone that makes use of them. Under a proper civil law, there is a broad harmony of economic and moral interests.

On the Benefits of Commerce and Specialization

Bastiat is among the first to point out the principle of consumer sovereignty: that markets attempt to please consumers rather than elites, and that this tends to advance general interests.

[W]e now proceed to consider **the immediate interest of the consumer, we shall find that it is in perfect harmony with the general interest, with all that the welfare of society calls for.** When the purchaser goes to market, he desires to find it well stocked. Let the seasons be propitious for all harvests; let inventions, more and more marvelous, bring within reach a greater and greater number of products and enjoyments.

[L]et time and labor be saved; let distances be effaced by the perfection and rapidity of transit; let the spirit of justice and of peace allow of a diminished weight of taxation; **let barriers of every kind be removed—in all this the interest of the consumer runs parallel with the public interest.** (*Economic Sophisms*, pp. 180–81)

Bastiat often uses parables to get his ideas across to readers, as with the following story illustrating the benefits of specialization. In this short story, Bastiat reminds his readers that commerce has greatly increased the material comforts and services available to people throughout society, including that of ordinary workmen such as cabinet makers.

Let us take, by way of illustration, a man in the humble walks of life—a village carpenter, for instance—and observe the various services he renders to society, and receives from it; we shall not fail to be struck with the enormous disproportion that is apparent. This man employs his day's labor in planning boards, and making tables and chests of drawers. **He complains of his condition; yet in truth what does he receive from society in exchange for his work?**

First of all, on getting up in the morning, he dresses himself; and he has himself personally made none of the numerous articles of which his clothing consists. Now, in order to put at his disposal this clothing, simple as it is, an enormous amount of labor, industry, and locomotion, and many ingenious inventions, must have been employed. Americans must have produced cotton, Indians indigo, Frenchmen wool and flax, Brazilians hides; and all these materials must have been transported to various towns where they have been worked up, spun, woven, dyed, etc.

Then he breakfasts. In order to procure him the bread he eats every morning, land must have been cleared, enclosed, labored, manured, sown; the fruits of the soil must have been preserved with care from pillage, and security must have reigned among an innumerable multitude of people. The wheat must have been cut down, ground into flour, kneaded, and prepared; iron, steel, wood, stone, must have been converted by industry into instruments of labor; some men must have employed animal force, others water power, etc.; all matters of which each, taken singly, presupposes a mass of labor, whether we have regard to space or time, of incalculable amount.

In the course of the day this man will have occasion to use sugar, oil, and various other materials and utensils. He sends his son to school, there to receive an education, which, although limited, nevertheless implies anterior study and research, and an extent of knowledge that startles the imagination.

He goes out. He finds the street paved and lighted. A neighbor sues him. He finds advocates to plead his cause, judges to maintain his rights, officers of justice to put the sentence in execution; all which implies acquired knowledge, and, consequently, intelligence and means of subsistence.

He goes to church. It is a stupendous monument, and the book he carries thither is a monument, perhaps still more stupendous, of human intelligence. He is taught morals, he has his mind enlightened, his soul elevated; and in order to do this we must suppose that another man had previously frequented schools and libraries, consulted all the sources of human

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learning, and while so employed had been able to live without occupying himself directly with the wants of the body.

If our artisan undertakes a journey, he finds that, in order to save him time and exertion, other men have removed and leveled the soil, filled up valleys, hewed down mountains, united the banks of rivers, diminished friction, placed wheeled carriages on blocks of sandstone or bands of iron, and brought the force of animals and the power of steam into subjection to human wants.

It is impossible not to be struck with the measureless disproportion between the enjoyments which this man derives from society and what he could obtain by his own unassisted exertions. **I venture to say that in a single day he consumes more than he could himself produce in ten centuries.**

What renders the phenomenon still more strange is that **all other men are in the same situation.** Every individual member of society has absorbed millions of times more than he could himself produce; yet there is no mutual robbery.

And, if we regard things more nearly, we perceive that the carpenter has paid, in services, for all the services others have rendered to him.

If we bring the matter to a strict reckoning, we shall be convinced that he has received nothing he has not paid for by means of his modest industry; and that everyone who, at whatever interval of time or space, has been employed in his service, has received, or will receive, his remuneration.

The social mechanism, then, must be very ingenious and very powerful, since it leads to this singular result, that **each man, even he whose lot is cast in the humblest condition, has more enjoyment in one day than he could himself produce in many ages.** (*Harmonies of Political Economy*, pp. 452–54)

According to Bastiat, well-functioning markets advance a broad range of interests, and so there is little or no reason for public policies to do anything beyond defending individual rights against intrusions (attacks) by others.

Virtue and Markets

Bastiat also argues that virtues support commerce and that commerce support virtues, as with the following story showing the value of prudence.²³

Mondor and his brother Aristus, after dividing the parental inheritance, have each an income of 50,000 francs.

Mondor practices the fashionable philanthropy. **He is what is called a squanderer of money. He renews his furniture several times a year; changes his carriages every month.** People talk of his ingenious contrivances to bring them sooner to an end: in short, he surpasses the extravagant lives of Balzac and Alexander Dumas.

Aristus has adopted a very different plan of life. If he is not an egotist, he is, at any rate, an individualist, for **he considers expense, seeks only moderate and reasonable enjoyments, thinks of his children's prospects, and, in fact, he economizes.**

But things have been so admirably arranged by the Divine inventor of social order that **in this, as in everything else, political economy and morality, far from clashing, agree.**

The wisdom of Aristus is not only more dignified, but still more profitable, than the folly of Mondor. And when I say profitable, **I do not mean only profitable to Aristus, or**

²³Excerpts are taken from a digitized collection of translations of Bastiat's writings assembled by the Ludwig von Mises Institute (*The Bastiat Collec-*

tion [2011], Ludwig von Mises Institute [Kindle Edition]). Several translations were consulted, but these seem to be clearer and less bombastic than most others.

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even to society in general, but more profitable to the workmen themselves—to the trade of the time. To prove it, it is only necessary to turn the mind's eye to those **hidden consequences of human actions**, which the bodily eye does not see. (*That Which is Seen, and That Which is Not Seen*, pp. 42–43)

Bastiat goes on to show that Aristus produces more income for more persons over a longer time in his community than does Mondor. Note that Bastiat assumes without hesitation that material comforts, job opportunities, and profits are all praiseworthy consequences of Aristus's approach to life. By the mid-nineteenth century, this perspective could largely be taken for granted in France.

Bastiat also repeatedly argues that there is no tension between markets and morality. In effect, Bastiat argues that the invisible hand is broader than acknowledged by Adam Smith. Markets reward virtuous behavior at the same time that they provide material comforts, and often do so in a manner that is not directly visible. One has to be alert to the invisible benefits of markets and costs of public policies.

However, this natural harmony is not associated with all possible civil laws or public policies. For example, laws protecting private property are important for this harmony of interests.

The French civil code has a chapter entitled, “On the manner of transmitting property.” When a man by his labor has made some useful things—in other words, when he has created a value—it **can only pass into the hands of another by one of the following modes**: as a gift, by the right of inheritance, by exchange, loan, or theft....

A gift needs no definition. It is essentially voluntary and spontaneous. It depends exclusively upon the giver, and the

receiver cannot be said to have any right to it. Without a doubt, morality and religion make it a duty for men, especially the rich, to deprive themselves voluntarily of that which they possess in favor of their less fortunate brethren. But this is an entirely moral obligation. **If it were to be asserted on principle, admitted in practice, sanctioned by law, that every man has a right to the property of another, the gift would have no merit**—charity and gratitude would be no longer virtues.

Besides, **such a doctrine would suddenly and universally arrest labor and production**, as severe cold congeals water and suspends animation; for **who would work if there was no longer to be any connection between labor and the satisfying of our wants?** (*Harmonies of Political Economy*, pp. 141–42)

Changes in civil law or policies that force transfers of wealth from the rich to the poor can undermine private virtues and reduce the extent of commerce. His conclusions are similar to ones Aristotle made with respect to moral choice and Locke with respect to religious choice and Smith with respect to good public policies. Morality cannot be forced, and good public policies have to be compatible with human nature.

Although he strongly argues in favor of open markets, he acknowledges that efforts to accumulate wealth can be good or evil. Whether the accumulations of wealth is good or not depends partly upon how one goes about it, as in Smith's analysis.

I willingly grant that **when wealth is acquired by means that are immoral, it has an immoral influence**, as among the Romans. I also allow that when it is developed in a very unequal manner, creating a great gulf between classes, it has an immoral influence, and gives rise to revolutionary passions.

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But does the same thing hold when wealth is the fruit of honest industry and free transactions, and is uniformly distributed over all classes? That would be a doctrine impossible to maintain. (*Harmonies of Political Economy*, p. 627)

In a commercial society, wealth is accumulated through honesty, hard work, frugality, and efforts to please consumers, all which tend to be a praiseworthy methods for accumulating wealth.

Bastiat and the Morality of Public Policy

Bastiat repeatedly argues that both private and public interests are advanced through limited government and open markets, an opinion that was not clearly articulated by eighteenth-century philosophers such as Kant and Smith, although both favored such governments. Bastiat suggests that a state that confines itself to ensuring public safety (broadly interpreted) will produce better results than one that undertakes more general responsibilities. This is a perspective shared among “doctrinaire liberals” of the mid-nineteenth century throughout Europe and the United States.

[U]nder such an administration, everyone would feel that he possessed all the fullness, as well as all the responsibility of his existence. **So long as personal safety was ensured, so long as labor was free, and the fruits of labor secured against all unjust attacks, no one would have any difficulties to contend with in the State.** (*The Law*, p. 51)

With respect to other duties that a government may undertake, Bastiat tirelessly reminds his readers to consider both what is seen and what is not seen. The costs of government actions are often less obvious,

although no less real, than their benefits. For example, with respect to a proposal to spend 60,000 francs on a new theater in Paris he notes:

Yes, it is to the workmen of the theaters that a part, at least, of these 60,000 francs will go; a few bribes, perhaps, may be abstracted on the way. Perhaps, if we were to look a little more closely into the matter, we might find that the cake had gone another way, and that those workmen were fortunate who had come in for a few crumbs. But I will allow, for the sake of argument, that the entire sum does go to the painters, decorators, etc.

But whence does it come? This is the other side of the question, and quite as important as the former. Where do these 60,000 francs spring from?

[I]t is clear that the taxpayer, who has contributed one franc, will no longer have this franc at his own disposal. It is clear that he will be deprived of some gratification to the amount of one franc; and that the workman, whoever he may be, who would have received it from him, will be deprived of a benefit to that amount.

Let us not, therefore, be led by a childish illusion into believing that the vote of the 60,000 francs may add anything whatever to the well-being of the country, and to national labor. It displaces enjoyments, it **transposes** wages—that is all.

Will it be said that for one kind of gratification, and one kind of labor, it substitutes more urgent, more moral, more reasonable gratifications and labor? I might dispute this; I might say, by taking 60,000 francs from the taxpayers, you diminish the wages of laborers, drainers, carpenters, blacksmiths, and increase in proportion those of the singers. (*That Which is Seen, and That Which is Not Seen*, p. 15)

Bastiat’s Normative Framework

Bastiat’s moral or normative assessments rely on “general interests,” but in a form that emphasizes material conveniences, what economists would later refer to as goods and services, rather than advancement

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of private virtue, praiseworthiness, duty, salvation, aggregate utility, or the grandeur of the state. In this his policy analysis continues the shift in emphasis from private virtue to civic virtue that began in Locke's analysis and continued through Smith, Kant, and Bentham (who is covered in the next chapter). He mentions morals and justice as separate categories but ones that are not disadvantaged by markets under appropriate civil law.

The benefits of specialization and exchange are nearly all expressed in narrow self-interest terms, as would be done in a contemporary microeconomics class. There are mutual gains from exchange. Markets allow a person to “enjoy more in one day than he could himself produce in many ages.” The good life in this economic account is material rather than spiritual, social, or ethical, a common conclusion among economists from Smith's *Wealth of Nations* onward.

Bastiat notes that commerce is not a threat, but a means of obtaining the good life. Moreover, it is a means that has gained enormously in its productivity in the period from 1700–1850, as ships became larger and safer, canal and road systems expanded, railroads introduced, and mass production was gradually adopted for more and more products. He argues, as did other liberals in France and elsewhere in the mid-nineteenth century, that commerce should be allowed to continue to play an increasing role in life in France and elsewhere.

[O]ne can scarcely conceive anything more easily reduced to practice than this—to **allow men to labor, to exchange, to learn, to associate, to act and react on each other**—for, according to the laws of Providence, **nothing can result from their intelligent spontaneity but order, harmony, progress, good, and better still; better ad infinitum.** (*Harmonies of Political Economy*, p. 442)

Bastiat's Intended Audience

As a political activist, rather than an academic philosopher, Bastiat employs arguments that he believes will persuade the intended readers of his pieces to evaluate market outcomes and public policies in the manner he supports. His intended audience consists largely of French liberals rather than conservatives or socialists. The simplicity of Bastiat's arguments relative to Smith and Kant and their excited presentation partly reflects his aim to excite as well as persuade his audience. His stories also reflect advances in economics and the increased material welfare of his readers. These allow relatively simple clear expressions of sophisticated arguments.

It also bears keeping in mind that policy proponents and politicians must persuade a broad audience that their interests can be advanced by the same policies. Readers are more likely to agree about their material interests than about ethical or spiritual ones even in Catholic France. Although Bastiat often demonstrates that material interests are advanced through trade and specialization, he does not rely entirely on self-interest-based arguments.

Bastiat is essentially unconcerned about tensions between commerce and the good life, instead he argues that commerce promotes the good life both materially and morally. He also relies heavily on general interests as a norm, a term that he uses in its pre-utilitarian sense, of common interests. He does not assume that it is possible to add up human happiness but rather suggests that a broad range of persons benefit from

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commerce. “General interest” is not an aggregate, as it would be for a utilitarian, rather it reflects shared or common interests. Indeed, he uses the word utility in its older sense of usefulness (or at least his translator does).

That Bastiat was elected to public office while espousing these ideas implies that in his part of France support for markets (and other liberal principles) had deepened since the time of Montesquieu. Both his arguments and election to parliament suggest that the arguments of anti-market conservatives of that period had lost the debate with more optimistic assessments of markets espoused by most liberals of that period. Commerce was no longer an impediment to a good life and good society, but an important part of both.

The New Opponents of Liberalism

Bastiat’s arguments also imply that his opponents are no longer cultural conservatives—defenders of the medieval order, as had been the case for the previous generation of liberals. The new opponents have greater affinity to More’s Utopia than to medieval theology, familial privilege, and the divine right of kings.²⁴

Bastiat is the first of the authors covered in this volume to address arguments made by mid- to late nineteenth century political advocates of socialism, or communalism, which gradually replace defenders of the medieval order as the main opponents of doctrinaire liberals in policy debates. The change in political opponents induced Bastiat to change the kinds of normative arguments made in support of commerce.

[T]hose who tell us that capital is by nature unproductive, ought to know that they are provoking a terrible and immediate struggle.

If, on the contrary, the interest of capital is natural, lawful, consistent with the general good, as favorable to the borrower as to the lender, the economists who deny it, the writers who grieve over this pretended social wound, are leading the workmen into a senseless and unjust effort which can have no other issue than the misfortune of all.

I am convinced [that my argument has awakened] doubts in your minds, and scruples in your conscience. You say to yourselves sometimes: “But **to assert that capital ought not to produce interest is to say that he who has created tools, or materials, or provisions of any kind, ought to yield them up without compensation. Is that just?**” (*Capital and Interest*, p. 139–41)

The rise of proponents of socialists, communists, and more moderate opponents to doctrinaire liberalism that I refer to as left liberals had

²⁴I refer to Thomas More rather than Karl Marx or other nineteenth century socialists as the benchmark for arguments from the far left for several reasons. Although Marx had some contact with French intellectuals in the 1840s, his most famous essay, the *Communist Manifesto*, was published in 1848 in German and would not have had a broad impact in France before the time of Bastiat’s death in 1850. Marx himself had spent time in France during the 1840s, but

partly to study earlier French socialists and communists. Pre-Marxist views of ideal communal societies had been produced by French intellectuals well before Marx, as with Saint-Simon, Fourier, and Proudhon. Many of their ideas arguably were presaged by Catholic theories of ideal monastic societies that would go back at least as far as More’s clear statement (in Latin) in his *Utopia*. More’s vision of the good society was discussed above in chapter 3.

significant political effects. Debates over policy shifted and the modes of argument shifted. However, for the most part, mainstream mid-nineteenth century policy debates within nations with governments grounded on elections were mainly among liberals—both doctrinaire and left liberals—who agreed about the merits of an open society, but disagreed about the proper scope of government services and regulation. That debate tended to focus on relatively narrow policy issues such as tariffs, public education, infrastructure, regulation, and suffrage. However, new arguments made by the far left and right were not ignored.

VII. Conclusions: Eighteenth Century Innovations in Ethics, Economics, and Political Science

The eighteenth century was a period of progress in our understanding of social systems, the roles that ethics play in them and in theoretical explanations for the existence and nature of ethical dispositions. Innovations in economic and ethical theory deepened both our understanding of economic and ethical systems. The advantages of trade and specialization became better understood, which tended to provide consequentialist support for commerce. Smith's and Bastiat's economics provided a more subtle and integrated understanding of the effects of specialization and competition than previous generations had, in part because markets were becoming more extensive and competitive. The logic of the invisible hand overturned centuries of mercantilist arguments that markets needed active regulation to flourish. Montesquieu, Smith, and Bastiat noted that a nation's laws can simultaneously encourage commercial and ethical development. Prosperity had become a goal worthy of

support rather than a temptation to avoid. This was not to say that all pursuits of wealth were considered ethical or admirable, but many—indeed most—were. The combination of deeper understanding of economics, increased interest in material comfort, and support for lives in commerce affected public policies in Western Europe in a manner that helped accelerate economics development.

More general principle-based explanations for the nature of ethical behavior were also introduced. With respect to character development, more stress was placed on virtues that were market supporting. Industry, frugality, prudence, honesty, and dutiful rule-following were given greater prominence in discussions of virtues than bravery, honor, or liberality. Commerce was argued to support important virtues, as in Montesquieu, Franklin, and Bastiat. Material comfort was increasingly used as an index of general welfare, as in Montesquieu, Smith, and Bastiat. Careers in commerce were more broadly considered part of a good life that also contributed to the general welfare as well as character development (Montesquieu, Franklin, Bastiat), or at a minimum morally neutral as in Smith and Kant.

Interdependencies between ethics and commerce were better understood and generalized. The recognition that a subset of ethical dispositions are promoted by commerce was noted by both academic theorists (Montesquieu, Smith) and practical men (Franklin, Bastiat). This conclusion, in turn, provided additional support for public policies that reduced legal restrictions on careers in commerce and supported the expansion of commerce. Commerce was increasingly considered to be a virtuous activ-

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ity, rather than a distraction or temptation to be resisted. A career in business could be undertaken in a manner completely consistent with virtue. And although there were temptations to avoid, material comforts were regarded to be important for a good life and a useful index for ranking societies. Moreover, commerce was increasingly accepted to be an important component of a good society. Prosperity and the accumulation of wealth contributed to a nation's stature and power. International trade contributed to both international and domestic peace.

Of course, as the previous chapters should have made clear, these conclusions were not entirely new, but eighteenth-century assessments were more deeply grounded in economics, political science, and human psychology than previous arguments had been. And, although the new theories were largely secular, they were developed by religious men, who regarded their argument and conclusions to be consistent with their theological beliefs, if not directly grounded in divine texts. The overall result of eighteenth-century developments was a broader deeper support for commercial development based on a better understanding of economics, market supporting policies, and increased ethical support for innovation, careers in commerce and policies that were generally supportive of economic growth. The great acceleration had not yet taken off, but economic growth in the West was generally faster in 1800 than it had been in 1700 or 1600.

Together the various intellectual developments were generating the concept of a "social system." Political, economic, and ethical systems were increasingly considered to be interdependent phenomena, with eth-

ics affecting politics (Montesquieu), public policy affecting ethics (Montesquieu, Bastiat), ethics affecting economics (Montesquieu, Franklin, Bastiat), and economics affecting ethics and politics (Montesquieu, Smith, Bastiat), and political choices of public policies affecting rates of economic development (Montesquieu, Smith, Bastiat).

Paradoxically, at the same time that these interdependencies were being noted and analysed, separate fields of research were beginning to emerge based on the types of choices analyzed. Scholarly books tended to focus on moral and immoral choices, or choices affecting production and prices, or choices regarding high officials and their policies, rather than all three simultaneously. Ethics, economics, and political science were becoming distinct fields of analysis and writing. Ethics, Economics, and Political Science did become entirely separate areas of research for another century, but a trend toward greater specialization had emerged, because as knowledge accumulated, intellectual pursuits also benefited from specialization.

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