Adam Smith and the Culture of Enterprise

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Abstract: In this article, the author considers Adam Smith's contributions to our idea of what constitutes a proper culture of enterprise. The author argues that Smith anticipated many later critiques of how markets and the division of labor alter the nature of life in modern society. The author also suggests that many of Smith's concerns stem from the tension between man's moral need for sympathy, which requires the presence of imitative practices, and commercial society's need for constant innovation in cultural and technological practice. The author concludes with a brief discussion of lingering difficulties that stem from Smith's attempt to resolve these tensions.

Keywords: culture, enterprise, Adam Smith, sympathy

My subject is Adam Smith and his ideas about what makes for a culture of enterprise. If he enters our heads at all, today most people think of Smith as the founder of modern free-market economics. Yet those who read him know that labels do not easily capture the essence of his writings. Above all, Smith desired to foster the creation of a decent commercial society, and throughout his works, improvement of people's material existence appears alongside a deep concern for their moral, intellectual, and cultural lives. His political economy always remained driven by and inextricably tied to these imperatives.

In suggesting that commerce might strengthen society, Smith opposed generations of civic republican thinking suffused with the conviction that commerce could only weaken the sources of national greatness and strength.[1] Focusing as it does on the cultivation of active citizens with high virtues, this tradition abhorred Smith's suggestion that allowing men to follow their own desires would result in a better society than one where political authorities consciously direct the populace and work to repress unhealthy passions. More recent thinkers follow this deeply republican objection to self-interest, highlighting the way Smith seemingly places economic considerations on the same plane with, or at a higher level than, the community's political life. For Hannah Arendt, the central tenet of Smith's theory came from the assumption that "man, insofar as he is an active being, acts exclusively from self-interest and is driven by only one desire, the desire for acquisition" (1998, 42n35). Contemporary French political philosopher Pierre Manent echoes Arendt in lamenting the way Smith brings us "to the edge of the abyss that conceals the thinnest of all beings, *homo oeconomicus*" (Manent 1998, 88, italics in the original). Although these authors develop sophisticated arguments to support their claims, they both unfairly characterize Smith as a significant contributor to the demise of well-ordered political life.

Most of Smith's readers fail to recognize the way in which his social and economic theory rests on a series of claims about human psychology. In his *Theory of Moral Sentiments*, Smith writes that no matter how selfish we suppose man, "there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it" (1984, 9). Far more than any material comforts or vast property, we desire one another's sympathetic approval; we wish "not only to be loved, but to be lovely; or that thing which is the natural and proper object of love" (Smith 1984, 113; Lamb 1974, 675). Rather than primarily attempting to define

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virtue, Smith tries to show how our emotions engage our moral judgments and how our habits in society affect our ethical reasoning. He hopes to explain how men actually behave without falling into the thoroughgoing self-interestedness of Thomas Hobbes or Bernard Mandeville, and does so by exploring why we act and how society might best harness these inclinations.[2]

According to Smith's *Theory*, we first learn how to behave morally through observing others. The models that society sets before us as children become our guides in navigating the world, and the constant process through which we observe people distribute praise and blame to each other shapes our sense of the rightness and wrongness of action. He argues we do this not simply by apprehending some ethical standard, but through an act of sympathetic imagination where we attempt to see our own actions as others do: "Our continual observations upon the conduct of others, insensibly lead us to form to ourselves certain general rules concerning what is fit and proper either to be done or to be avoided" (Smith 1984, 159). The practice of spectatorship and action begins in childhood and slowly expands each person's range of imagination, eventually growing into the "impartial spectator" of a developed conscience that governs us even when no one else is looking. This means that, according to Smith, we judge others by how well they concur with our understanding of how we might act under similar circumstances (Smith 1984, 16–23; Kalyvas and Katznelson 2001, 558). Because it is through recognizing similarity that we develop sympathy, he also argues that men generally see a greater moral obligation to those with whom they share the greatest contact and ties, and a lesser one to those far away or personally unknown to us. Distance and difference erode this fellow feeling because both undercut the basis for sympathetic imagination and the ability it confers on us to move outside of ourselves (Smith 1984, 219–23; Nieli 1986, 619–23).

If our capacity for moral judgment emerges only as an imitative habit most easily employed in relation to those like us, the culture and practices of life that society imposes on those who live within it become enormously important. Smith cites the example of a common street porter and a philosopher. Both begin as equals but by the end of their education the philosopher's vanity renders him unable to see much resemblance or sometimes even common humanity between them (Smith 1981, 28–29). Smith sees a political consequence in this trifling example because, for most of human history, he thinks that men all too often see themselves as different because of their class or upbringing. By habituating their people to notions of caste distinction, racial difference, or cultural superiority, most societies in human history erode the ground of sympathetic imagination (Smith 1984, 204–5; Clark 1992, 190–91). Although in some places people acquire habits of living conducive to recognizing one another as having rights to life and property, these norms remain tenuous and persist only so long as communities find a way to pass them on. Smith's example of the porter and philosopher highlights the way our intellectual vanity and proneness to break into small, elite circles often makes this difficult. Civilization's moral habits always form a very thin veneer over our barbaric roots.[3]

Therefore, from the very beginning Smith ties man's psychological need for recognition to his material desires in the market. When he published *The Wealth of Nations* in 1776, Smith sought to explain the necessity of rejecting the trappings of mercantilism and the centuries-old system of guild-monopoly and apprenticeship. He emphasized the benefits that would accrue for nations that transitioned to a newer, and to his thinking, more natural mode of economic organization. This novel system would foster an extensive division of labor, allow employment to be guided not by arbitrary restrictions but the incentives of the market, and eventually diffuse wealth throughout society. Production would increase through the division of labor because under its discipline workers specialize in one or a handful of particular operations, a move that enhances their efficiency and fosters technical innovations (Smith 1981, 17). However, Smith roots the reasons for this shift in our emotional life, not merely material need.

Smith saw economic freedom as natural because all of us share a deeply engrained "propensity to truck, barter, and exchange one thing for another" (Smith 1981, 25). He places this desire in parallel with men's wish to "persuade others to be of their opinion even when the matter is of no consequence to them" (Smith 1982a, 352). Our emotional needs and material insufficiency come together in the conduct of trade, rendering it an integral component of human existence where we constantly draw each other into our lives. For Smith, the market creates another space for negotiation and conversation, with trade and barter becoming another form of rhetorical persuasion necessary to the maintenance of human life. He suggests that if

> we should enquire into the principle in the human mind on which this disposition of trucking is founded, it is clearly the naturall [*sic*] inclination every one has to persuade. The offering of a schilling, which appears to us to have so plain and simple a meaning, is in reality offering an argument to persuade one to do so and so as it is for his interest. (Smith 1982a, 351)

The wealth that results from mutually beneficial trade serves as another path to personal recognition and greater means to engage others in one's life; in Smith's understanding, the market forms a sort of civil society all its own (1984, 182).[4]

But although simple trade exists everywhere, an extensive division of labor creates special benefits for those who can live within a regime that fosters such complex interaction. The incentives provided by the market show men the most useful way to employ their time and efforts without the need for leaders to undertake any conscious efforts to direct them. Within such a setting, residents of a commercial society

> are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of society, and afford means to the multiplication of the species. (Smith 1984, 184–85)

Realizing this unexplored potential required recognizing the latent, slowly developed norms already present in British life and shedding the mercantilist policies preferred by entrenched interests. When this unintentional shift occurred, he suggests that incredible advances in living became possible.[5]

In addition to the material changes brought about through the division of labor, Smith also notes a wide variety of cultural effects, many of which trouble him greatly. We must understand that for Smith the transition from the mercantilist system to a truly commercial one would complete the move from an agrarian society based on and built to support the power of landed aristocracy to one increasingly driven by the fluctuations of the market and those people with capital and the knowledge of how to use wealth with the aim of constant improvement and growth. The aristocratic order fostered the stifling system of apprenticeships, which taught crafts in a slow, imitative process of learning where the pupil practiced the whole of the art for years under a master before being allowed his freedom and personal profit. Under such conditions, free labor could not exist because of the exclusive monopolies town corporations and guilds held over training (Smith 1982a, 84).

Smith knows humanity benefits from the advance of commerce driven by a division of labor. However, he presents, with sobriety and even a cynicism that can seem a bit jarring, an account of the costs this movement brings (Winch 1978, 70–71). He hoped the apprentice system would break completely and knew from his research that free trade undermined and weakened the authority of the landed aristocracy in the country. He thought the whole system had more to do with maintaining the poverty-ridden—but politically useful—status quo than improving life. He claimed that the old order undermined all incentive to innovation (Smith 1982a, 191–92). Smith argues that the free laborer "who works by the piece is likely to be industrious, because he derives a benefit from every exertion of his industry," whereas the "apprentice is likely to be idle, and almost always is so, because he has no immediate interest to be otherwise" (Smith 1981, 139). For these reasons, Smith lauds the innovative, bold character of town merchants instead of the timidity and merely imitative aspect of those who work in the country (Smith 1981, 411). Young men who have no incentive to work because their masters earn all the profits and who are trained to think in terms of repeating patterns that came before find little incentive to experiment with novel modes of production, let alone foster genuinely new ideas.

Here a difficulty begins to emerge: although Smith desired that men embrace innovation and improvement to foster the advance of commerce, as I noted earlier, decency in our moral life rests on the maintenance of imitative habits. But if patterns of thought in our work carry over into the rest of life, can this persist? To take one example Smith discusses, consider the moral virtue of prudence. Prudence serves as what we might call a "balancing" ideal, one that dictates we find the mean between extremes, while maintaining a sort of propriety, an attentiveness to the thought of those who judge the act (Smith 1984, 215–16). As such, this disposition comports better with aristocracy far more than commercial society.

Smith observes that the ancients thought prudence was a preeminently political virtue usually seen only in those freed from labor (Smith 1982a, 229–32). Leisure fosters reflection, stability, and higher, more imitative arts like poetry; the division of labor and the market make men more innovative but also more prosaic, averse to high art, and scornful of the value generated by mere imitation (Smith 1985, 137; Smith 2006, 27–29). Indeed, Smith suggests that even in viewing high art our understanding of greatness should be linked to novelty and innovation. This represents an important shift in taste from aristocratic times (Smith 1982b, 176). We can see its political importance because in liberal order as a whole—and Smith's thought in particular—expectations diminish.

Accordingly, Smith aspires to somewhat less than greatness for commercial men. The tenor of *The Wealth of Nations* would suggest that Smith's hope rests with the development not of an aristocratic "superior prudence" that men carry to "the highest degree of perfection," but rather a simpler one "directed merely to the care of the health, of the fortune, and of the rank and reputation of the individual" (Smith 1984, 216). In light of his discussion of what the division of labor does to men, even this becomes problematic because the very habits fostered by our innovations in commercial life undercut the stable chain of imitation required for maintaining our moral imagination.

For Smith, habits of action and settled patterns of thought hold enormous influence over men, shaping the whole of their character. A society with an extensive division of labor does not simply create an implicit agreement about how to share work. Instead, such people create separate classes defined not by some family bond or caste distinction, but by their type of employment. Every rank and profession tacitly develops manners and mores slightly different from others (Smith 1984, 201). The very efficiency of the division of labor rests in the way workers confine their activity to a handful of repetitive actions. This poses a real danger. To quote Smith at length:

> The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life. (Smith 1981, 782)

Absent some external assistance that might drag laborers out of this fate, Smith fears that this bleak prophecy might come true. Recall again his example of the philosopher and the street porter. Through it, he suggests the beginnings of a real social divide, not between the upper and lower classes, but between those who enjoy the luxury of thought

and constant innovation in their work and those who do not (Smith 1981, 28–29).

If we presuppose that habits of imitation and observation slowly form men's conscience, whatever patterns of moral interaction society places before its young will reproduce over time. Decent moral sentiments require the presence of family, friends, and neighbors who share an interest in one another's lives; lacking examples to observe, man alone can become nothing but a beast (Smith 1984, 13–16). Whereas in his old village a laborer's "conduct may be attended to, and he may be obliged to attend to it himself," the very mobility of commercial society often leaves ordinary people "in obscurity and darkness" apart from any community that cares for them. In the city, Smith claims, they may lose their old moral character (Smith 1981, 795). Although new friends and colleagues militate against the worst of this, strangers cannot substitute for the sympathetic reinforcement of family and the old, familiar bonds of home. This applies not just to the laborer, however; Smith insists that any time adults send their young away as the wealthy often do, this leaves them without the most important of "domestic education" in morals: the habitual contact with family (Smith 1984, 221–22). In Smith's moral psychology, isolation fosters moral hazard.

Absent some effort to militate these perils, Smith notes that they reinforce one another in striking ways. Although the old mode of holistic laboring tended to make men slothful, the artisan who carried his product through every operation to its completion allowed variation enough to enliven the imagination. By contrast, the ordinary laborer is left to work on one small section of the whole, and his "dexterity at his own particular trade seems . . . to be acquired at the expense of his intellectual, social, and martial virtues." For Smith, the crucial element men must develop in moral and intellectual life is the practice of judgment in light of a well-understood social standard. The laborer loses a large measure of that and, as a result, his role as a citizen falls into question: "Of the great and extensive interests of his country, he is altogether incapable of judging; and unless very particular pains have been taken to render him otherwise, he is equally incapable of defending his country in war" (Smith 1981, 782; Kalyvas and Katznelson 2001, 576). His description of the unrefined worker bears a striking resemblance to the characteristics he attributes to "rude and barbarous" people; if we take no steps to correct its dangers, Smith implies the division of labor might actually uncivilize men (Smith 1984, 204–11).

Although Smith insists on the naturalness of economic freedom, he nevertheless observes that this liberty brings about some decidedly unnatural consequences. To tie some of these threads of reasoning together, Smith saw the division of labor as undermining the basis for citizenship by eroding ordinary men's intellectual and moral judgment. The rapid changes in life's patterns work against the stability men require for cultivating their sympathetic imagination. Their work dulls their senses; the constant movement of free labor unmoors them from the friends and family that reinforce their moral sense. Without good judgment, ordinary citizens cannot play their part in governing society as a whole, and the demise of a landed aristocracy whose sole business rests in politics leaves that realm open to capture by commercial men.

Smith deploys some of his harshest rhetoric against businessmen who exploit the political vacuum created by the division of labor and attempt to turn politics to their own ends. Although he lauds their many useful characteristics, he knows that "[p]eople of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick, or in some contrivance to raise prices" (Smith 1981, 145; Winch 1978, 98–99; Smith 2006, 39–40). When commercial men involve themselves in affairs of politics, the citizenry must take care because the "interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the publick." For this reason, laws or policies they propose should face deep scrutiny (Smith 1981, 267). Ultimately, Smith turns to the British East India Company as his principle example of the dangerous mixing of business and politics, because that venture proved his point that "a company of merchants are, it seems, incapable of considering themselves as sovereigns, even after they have become such." Once handed power, entrepreneurs often still act as private men, "and by a strange absurdity, regard the character of the sovereign as but an appendix to that of the merchant" (Smith 1981, 637). When the spheres of business and politics mix, Smith regards the result as poisonous for the whole of society.

However, Smith remained hopeful in his conviction that a decent commercial society could foster a political life and culture suitable enough to face these challenges. Although he recognizes they never permanently "fix" the situation, he proposes a few general remedies—ones that proved surprisingly successful not long after.[6] Smith thought the best sort of state largely remained out of its people's lives, and suggested that it should restrict its activity to maintaining a national defense, establishing public order and justice, and building advantageous public institutions and works that private industry has insufficient incentive to undertake (Smith 1981, 723). Smith knows the state's limits in fostering cultural change; individual people must do much for themselves.

Smith recognizes the necessity of allowing for spaces where dislocated families and friends might come together, renewing their bonds and maintaining their habits of sympathetic interaction. He certainly does not think the state can create these relationships, much less substitute for them. Once the state enacts fair public justice, political stability, and religious freedom, it can do little more to directly build civil society. He assumes that people living in stable times without fear of death or extreme deprivation caused by men can divert more of their attention away from merely making a living toward consciously renewing their civic bonds; even if their work tends to dull their minds, the "general security" of such times will work to help keep manners and habits from degenerating too much (Smith 1984, 204–5). Although comfortable living does not necessarily result in a better civic life, Smith insists men must

satisfy their own basic material necessities before thinking of anything more.

Smith further suggests that, more than any other form of human community outside the family, churches raise men out of their isolation. Having migrated alone to a city, the worker "never emerges so effectually from his obscurity, his conduct never excites so much attention of any respectable society, as by his becoming the member of a small religious sect" (Smith 1981, 795). Small churches and parishes provide a little community inside the larger one, which reminds men of their moral duties and keeps their manners and morals decent, granting men the sole "effectual comfort" to their troubled lives (Smith 1984, 120–21). Religious freedom allows for the healthy proliferation of small, manageable religious communities—a wide spectrum of possible belief makes it all the more likely citizens will find one fitting their inclinations. Smith also thought this carried with it the added benefit of leaving no single religious authority powerful enough to inject itself into political life (Smith 1981, 792–93). In a sense, state-sanctioned religious pluralism becomes the best guarantee against the creation of another theologically driven politics.

Smith further suggests another partial remedy in expanding education to a wider section of the public. To combat the intellectual stultification labor brings about, Smith suggests that public education could militate against the worst of it by teaching all children reading, writing, and math at a young age, at least allowing for the possibility of self-improvement and mental development over the course of one's life, which would take the place of the regress he supposes repetitive labor forces them to endure (Smith 1981, 785). Not entirely abandoning the teachings of the civic republican tradition, he further argues that the state could improve the ordinary people's capacities for citizenship and judgment by assigning them regular militia duties. This training would benefit them—even if the state never intended to use them for military duty—by periodically taking them out of their ordinary employments for a short time and placing them in a very different situation (Smith 1981, 786–88). Although both of these ideas might incur some state expense, he considered the long-term benefits far more valuable. This line of argument highlights Smith's greater concern with politics as the fundamental grounding condition for economic life.

Through these methods, Smith thought the worst effects of labor might be mitigated, allowing for further innovation while still respecting the need to maintain an imitative moral life. He hopes for a society where men moderate their self-interest by constant, sympathetic imitation and observation of those near and dear to them, reminding themselves of their moral limits. This society would simultaneously continue to advance in myriad ways, improving the material lives of its citizens. Throughout, the socially "contagious effects" of man's moral life would diffuse moderation rather than profligacy, producing a people of limited but real prudence (Smith 1984, 224).

Smith wrote at the beginning of an era of unprecedented social and economic change. Yet in light of the difficulties he suggests that the division of labor creates, his attempts to remedy them seem more than a little inadequate. Smith implies that some combination of enlightened statesmen and men of letters might help lead the populace through this difficult transition (Smith 2006, 41–42). Although he feared the role of a "man of system"—an ideologue who thinks only in terms of "his own ideal plan of government"—he nevertheless betrays an even greater distrust of the ordinary man's ability to muddle through his conditions and emerge to lead society. This is not to say that Smith distrusted the private judgment of men to find their own interest, only that in matters of general social importance he far preferred the "superior wisdom of the good and knowing man" to the unsteady hands of those new to power (Smith 1984, 234; Smith 1982a, 338; Smith 1981, 143–44).

Whereas Smith knew government should avoid doing many things we now take for granted, he had little conception of a civil society that could mediate between the ground occupied by business and the state. Like his friend and contemporary Edmund Burke, Smith wrote at the end of an age of aristocracy. Without a modern example of a decent commercial republic to draw on, how could he have developed a full-bodied notion of self-sustaining and powerful civil society that could serve as the main bulwark against both commercial and governmental excess? For an account of how self-organized communities might step in and defend freedom, we must look instead to Smith's greatest inheritor, Alexis de Tocqueville.

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NOTES

1. For an account of the subtle way Smith reconfigures his contemporaries' arguments about the need to repress the passions into a new understanding where the economic order harnesses their passions to beneficial effect, see Hirschman.

2. On Smith's relationship to the purely egoistic arguments of Hobbes and Mandeville, see Kalyvas and Katznelson 2001, 550–54; Clark 1992, 188–89; Levy 1978, 667–69; and Manent 1998, 87–88.

3. Smith endorsed the theory propounded by many thinkers in the Scottish Enlightenment that societies pass through four stages of development—hunting, shepherding, agriculture, and commerce—each with its own unique consciousness and modes of thought. Marx would later add a far greater amount of determinism to this vision. See Smith 1982a, 14–17, and Berry 1997, 93–99.

4. On this, see Smith 1982a, 493–94; Kalyvas and Katznelson 2001, 553, 556–59; Lamb 1974, 678–80; Cohen 1989, 61–62; and Smith 2006, 31–32.

5. On the role of unintended consequences and the way Smith and others demote purposely constructed rational systems, see Berry 1997, 39–47.

6. On the growth of education provided by workers' associations and enactment of Smith's other proposals, see Rose 2001.