

Persuasion Endogenizes Preferences in Adam Smith's Work

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December 27, 2019

The plan and system which Nature has sketched out for our conduct, seems to be altogether different from that of the Stoical philosophy (p. 292)

That the Stoical philosophy had very great influence upon the character and conduct of its followers, cannot be doubted; and that though it might sometimes incite them to unnecessary violence, its general tendency was to animate them to actions of the most heroic magnanimity and most extensive benevolence (p. 293)

Theory of Moral Sentiments

I. Introduction

We argue that aspects of Adam Smith's argument viewed as problematic under the supposition that he takes preferences to be exogenously determined become less so when we suppose that he takes preferences to be determined endogenously. The question is one of knowledge: what is important for choice is the knowledge that is embodied in our mind. In a nutshell our argument is what is real or true is exogenous but what is believed might be endogenous. If we were only to believe what is what is real there would be no endogeneity problem. This we argue is not the case. The central focus is on persuasion; sometimes persuasion is face to face but perhaps persuasion by systems of thought is more important. We attempt to explain how one author could write both sentences we quote as epigraph.

We begin with the very familiar, Smith's instinct to truck and barter, and work our way to Smith's avowed generalization of George Berkeley's doctrine that we must learn to interpret distance. Berkeley demonstrated that the real distance between physical objects does not motivate us; we are motivated by our perceptions (Berkeley 1911; Levy 2001, pp. 268-88). By expressing Berkeley's doctrine in this manner, after simple reformulation, it seems that Berkeley, perhaps unknowingly, put forward a substantial theory that exemplifies Stoic formalism. The ancient Stoics are important – this might be what attracted Smith to them – because they gave a systematic account of movement both of the physical world and of the creatures in the world. It was their considered opinion that only what was corporal could cause movement. "Body moves body" they said. What is not corporal? For all things: time, place and the void. For humans there is another incorporeal, a term usually translated as "sayable" or what is true. What is corporal, and what does have motivational force, is what we believe, what the Stoics called "truth," propositions embodied in our mind. We will consider in the appendix how Smith's puts in the name of the Stoics an argument central to understanding the Providential order

of the world. In the inference what is real, what is true, has no motivational consequence.¹ In the editions of TMS that precede WN, there is a footnote cautioning the reader about judging Stoic arguments on the basis of English language texts:

Some of these expressions sound a little awkward in the English language: they are literal translations of technical terms of the Stoics.²

This suggests that Smith will read the Stoics very technically and warns to readers to do likewise.

A famous moment in WN come when Smith explains trade from which the division of labor flows by an instinct that seems to have nothing to with a foresight of goal attainment. The phrase “instinct to truck and barter” is well-known but perhaps the importance of the argument can be best appreciated if juxtaposed with the teachings of the Stoics in controversy with their contemporaries. The question discussed is whether foresight of pleasure is the impulse or whether understanding the pleasure follows from an instinctive beginning. The causal issue is there in the Greek texts in Smith’s library.

Second, what endogenizes preferences for Smith is persuasion. We focus in this section on the narrow issue of economic transactions. We have laid out this portion of the argument in somewhat greater detail in a chapter in press when we examined George Stigler’s argument that Smith’s account of public policy in WN let go of his usual rational choice principles to adopt a fundamentally paternalistic view (Stigler 1971; Levy and Peart 2020). Stigler is very important to us because he was so careful; everything he quoted was fairly characterized. What he missed, we argue, was the line of argument, beginning in LJ and continuing into WN that people needed to be persuaded that a transition is in their interest. Stigler saw an aspect of this line of argument in WN when he noted it in

¹ Our interpretation suggest it was important that Smith was reading Berkeley at the same time he was reading the Stoics. It was only midway through the twentieth century that Berkeley’s linkage of perception to the foundations of mathematics was appreciated (Robinson 1974, pp. 280-81).

² The editorial help is provided at TMS, p. 273. The footnote is not in the extract found in the widely-used *British Moralists* (Selby-Bigge 1897).

class, adding with some regret that we've learned something in 190 years (Levy 1992). But that's where the endogeneity comes into play. In LJ the persuasion is truthful – in an English language sense – a supposition dropped in WN where Smith credits the intellectual dexterity of the masters – a familiar trope in WN that credits the productivity enhancement of the division of labor by learning by doing – that comes from their more frequent consideration of their interests than that of other classes.

Third, we widen the argument to include TMS, a text Stigler thought simply a professional work in psychology which like all psychology in that era was independent of economics proper (Stigler 1960). We address the inconsistency between TMS and WN alleged by Jacob Viner in his influential, and in many aspects definitive, “Adam Smith and laissez faire” (Viner 1927). Like his student, Viner is enormously careful, only working on a much larger canvas than Stigler dared. It is important to notice how Viner separates himself from an older scholarship. Viner simply dismisses out of hand the all-too-common view that in TMS supposed benevolent motivation with the correct assertion that this is, as a matter of fact, not what Smith argues (Viner 1927, p. 206). Viner's argument is rather there is in TMS an appeal to a harmony of interests that obviates even the best directed government activity. By contrast in WN conflict of interest obviates any appeal to laissez faire. Along with the literature, we take Viner's reading of WN as conclusive. We ask whether Smith took harmony as real or only a belief.

Fourth, we address the question of how such careful, competent readers of Smith could be in error. If we view interpretation as akin to estimation there will be bias when we do not correct for endogeneity. Stigler was explicit about interpretation as estimation when he proposed an out of sample test for an interpretation of David Ricardo's work. He said if you understand Ricardo's distribution theory you can write his chapters on taxation knowing only the chapter titles (Stigler 1969; Levy 1976) In TMS we find Smith's structural model of the human who needs to learn how to perceive what is important. In passages that are not as well-known as they might be, Smith explicitly compares learning how to compare one's well-being to others with Berkeley's account of learning how to perceive physical distance. The Berkeley identification problem is that a large object at great distance has the

same signal as a small object nearby. Heuristic arises through which one can separate the two signals. Smith's response is subtle as he explains how "systems" of thought allow us to collapse distant events. We can be easily persuaded by systems of events with which we have no immediate experience but when systems attempt to explain events with which we have experience then we are less likely to be fooled. This allows us to challenge Stigler's interpretation. Viner did not appreciate Smith's account in TMS how moral systems helped attenuate social conflict by attempting to persuade people to widen their circle of concern, he did not cite Berkeley (Viner 1927). Systems are crude instruments. Smith is aware of this as he makes exceptions to his own system of "natural liberty" if the majority were to be harmed (Levy and Peart 2013).

Between Viner's work and Stigler's, the importance of persuasion in Smith's argument was noted by A. N. Prior who pointed out, with no little sense of alarm, that in TMS Smith works with belief not with truth (Prior 1949, pp. 66-67, Levy 1992, pp. 50-61). Prior's reading of TMS was published in his *Logic and the Basis of Ethics*, a work that preceded his studies of Stoic logic (Prior 1955).³ What Smith's employment of Berkeley's insight allows is to separate the demonstration that there is a *true* harmony of interests from a conclusion about how people act.

We add an appendix with Smith's report of a wonderfully interesting example of a conditional argument that Smith puts in the name of the Stoics. What is ultimately real has no motivational force.

³ Prior relied upon the *British Moralists* extracts which does not contain Smith's warning about the serious technical issues hidden in literal translations. We considerate it unfortunate for Smith scholarship that Prior never returned to a study of TMS because there was so much about Smith's systematic discussion of the Stoic technical philosophy that he was uniquely qualified to explain (Levy and Peart 2008, 2013). Of course, we would not view this as a mistake on his part for reasons we sketch in footnote I5.

2. The Instinct to Truck and Barter

WN, Book I, Chapter I begins with an account of the productive powers of the division of labor. In Chapter 2 Smith asks whether division of labor comes from foresight. He makes it completely clear that it does not come from foresight:

This division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It 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. (WN p. 25)

Smith waves foundational questions, arguing only for human uniqueness:

Whether this propensity be one of those original principles in human nature, of which no further account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to enquire. (WN, p 25)

Smith seems to suggest that we do not know our goals when we engage in trade. To appreciate this line of argument, we look at Diogenes Laertius' reports of the teaching of contending schools of the ancient world. First, he gives the Stoics' teaching who explain action on the basis of impulse.

They [the Stoics] say that an animal has self-preservation as the object of its first impulse, since nature from the beginning appropriates it, as Chrysippus says in his *On ends* book I. The first thing appropriate to every animal, he says, is its own constitution and the consciousness of this. For nature was not likely either to alienate the animal itself, or to make it and then neither alienate it nor appropriate it. So it remains to say that in constituting the animal, nature

appropriated it to itself. This is why the animal rejects what is harmful and accepts what is appropriate.⁴

Smith quotes a kindred passage from Cicero and Diogenes Laertius.⁵ Second, what the Stoics opposed, action motivated by the foresight of pleasure:

They hold it false to say, as some people do, that pleasure is the object of animals' first impulse. Pleasure is something resulting when ends and means are well-connected. This is true of plants and animals. For pleasure, they say, if it does occur, is a by product which arises only when nature all by itself has searched out and adopted the proper requirements for a creature's constitution, just as animals [then] frolic and plants bloom. Nature, they say, is no different in regard to plants and animals at the time when it directs animals as well as plants without impulse and sensation, and in us certain processes of a vegetative kind take place. But since animals have the additional faculty of impulse, through the use of which they go in search of what is appropriate to them, what is natural for them is to be administered in accordance with their impulse.

Rational beings can supplement impulse with reason:

⁴ Diogenes Laertius 7:85-86 translated by Long and Sedley (1987, 1:346). We trim out the numbers in the text. Adam Smith's library contained two volumes of Diogenes Laertius (Mizuta 2000, p. 76). The 1692 edition Smith owned is discussed by Dorandi (2013, pp. 12-13). The first modern "critical" edition would wait until 1850 (Dorandi 2013, p. 14).

⁵ "According to Zeno, the founder of the Stoical doctrine, every animal was by nature recommended to its own care, and was endowed with the principle of self-love, that it might endeavour to preserve, not only its existence, but all the different parts of its nature, in the best and most perfect state of which they were capable." (TMS, p. 272)

And since reason, by way of a more perfect management, has been bestowed on rational beings, to live correctly in accordance with reason comes to be natural for them. For reason supervenes as the craftsman of impulse.

Thus, there is a school of philosophy about which Smith wrote a great deal (Vivenza 2000) in which initial choice is not explained by appeal to known ends. Of course, as the Stoics say, one learns from experience.

3. George Stigler

When Stigler collected his papers on economic regulation he offered his considered view on the problem of policy mistakes – “To say that such policies are mistaken is to say that one cannot explain them” (Stigler 1975, p. x). This is the same problem he worried about in a textual context: when we find a “mistake” in the classical authors, is it their fault or is it ours? Concern that the fault might be ours explains Stigler’s concerns both for psychological barriers in standard editions that stand in the way of assigning blame to “mistakes” and the importance of reading how an author responded to those near in time and place. (Levy and Peart 2020)

Stigler’s eventual paper for the Glasgow celebration —“Adam Smith’s Travels on the Ship of State”— considered many instances in which Smith’s explanations do not fit neatly within a paradigm of self-interested choice.⁶ Of Stigler’s many examples, the most relevant to our discussion is the failure of an actor to predict the consequences of the choice, instances when the means selected do not attain the ends desired. It seems unproblematic to describe this action as a “mistake.” In this instance, Stigler

⁶ His first proposed paper was “Adam Smith’s use of empirical evidence to support theoretical positions.” Levy and Peart 2020.

reads Smith as offering a paternalistic view of economic policy.⁷ Contrary to Stigler's reading, we suggested that Smith *did* offer a model consistent with his general approach in which a mistaken choice is to be distinguished from a successful choice.⁸ What Stigler saw in *TMS* as foreign to the economics he taught late in the twentieth century is central to our reconstruction.

Where does the disconnect between chosen means and desired ends enter into the discussion of policy? First, Smith explains the role of system in economic policy in *TMS*. Next, in his lectures he explains that trade is rooted in persuasion. In the lectures, there is no reason to doubt that the persuasion is truthful and the trade is indeed beneficial. Then in WN Smith argues that persuasion about public policy is rooted in deceit.

For Smith, the role of system in public policy speaks directly to the confusion of ends and means. Smith writes about system in the first (1759) edition of *TMS*:

The same principle, the same love of system, the same regard to the beauty of order, of art and contrivance, frequently serves to recommend those institutions which tend to promote the public welfare. When a patriot exerts himself for the improvement of any part of the public police, his conduct does not always arise from pure sympathy with the happiness of those who are to reap the benefit of it. . . . The perfection of police, the extension of trade and manufactures, are noble magnificent objects. The contemplation of them pleases us, and we are interested in whatever can tend to advance them. They make part of the great system of government, and the wheels of the political machine seem to move with more harmony and ease by means of them. We take pleasure in beholding the perfection of so beautiful and grand

⁷ Stigler (1971, p. 272): "In general, however, Smith's attitude toward political behavior was not dissimilar to that of a parent toward a child: the child was often mistaken and sometimes perverse, but normally it would improve in conduct if properly instructed."

⁸ Stigler (1971, p. 277): "No principle is apparent by which one can distinguish these failures from the many decisions which effectively advance these various persons' self-interests: . . ."

a system, and we are uneasy till we remove any obstruction that can in the least disturb or encumber the regularity of its motions. (TMS, p. 185)

System is, in Smith's formulation, a heuristic to interpret distant objects, whether it be planetary bodies or policy guides. Smith's celebrated words on the dangers of the man of system would need to wait until the final (1790) edition but the confounding of ends and means is there in the beginning:

All constitutions of government, however, are valued only in proportion as they tend to promote the happiness of those who live under them. This is their sole use and end. From a certain spirit of system, however, from a certain love of art and contrivance, we sometimes seem to value the means more than the end, and to be eager to promote the happiness of our fellow-creatures, rather from a view to perfect and improve a certain beautiful and orderly system, than from any immediate sense or feeling of what they either suffer or enjoy. (TMS, p. 185)

As noted above, Smith's lectured during the time between *TMS* and *WN*. From the surviving students's notes we know that he addressed what he later referred to as the "instinct" to "truck and barter" in *WN*. In the lectures it is clear that trade is rooted in persuasion. The role of persuasion is to make the case that it is to the trading partner's interest to make the exchange. Unlike his neoclassical heirs, Smith does not assume that traders know how to obtain their interest. Thus, language is important:

If we should enquire into the principle in the human mind on which this disposition of trucking is founded, it is clearly the naturall inclination every one has to persuade. *The offering of a shilling, which to us appears 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.* Men always endeavour to persuade others to be of their opinion even when the matter is of no consequence to them. . . . In this manner they acquire a certain dexterity and adress in managing their affairs, or in other words in managing of men; and this is altogether the practise of every man in the most ordinary affairs.--This being the constant employment or trade of every man, in the same

manner as the artizans invent simple methods of doing their work, so will each one here endeavors to do this work in the simplest manner. That is bartering, by which they address themselves to the self interest of the person and seldom fail immediately to gain their end. The brutes have no notion of this; the dogs, as I mentiond, by having the same object in their view sometimes unite their labours, but never from contract. (LJ, p. 352, emphasis added)

For Smith, persuasion is an occupation common to all humans. One of the central themes in his account of the productivity-enhancement of the division of labor is that by practice one acquires greater dexterity. He stressed relative dexterity in the critical example of policy “failure” in *WN*.⁹ Here, unlike the passage in his lectures, persuasion is for the purpose of deceit:

It is by this superior knowledge of their own interest that they have frequently imposed upon his generosity, and persuaded him to give up both his own interest and that of the publick, from a very simple but honest conviction, that their interest, and not his, was the interest of the publick. (WN, p. 267)

Stigler knew very well the kindred *WN* passage in which persuasion seems to drive trade. Indeed, he used it in class (1966) to make the point that for Smith language drives trade. With a note of regret, he

⁹ “Merchants and master manufacturers are, in this order, the two classes of people who commonly employ the largest capitals, and who by their wealth draw to themselves the greatest share of the publick consideration. As during their whole lives they are engaged in plans and projects, they have frequently more acuteness of understanding than the greater part of country gentlemen.

As their thoughts, however, are commonly exercised rather about the interest of their own particular branch of business, than about that of the society, their judgment, even when given with the greatest candour (which it has not been upon every occasion) is much more to be depended upon with regard to the former of those two objects, than with regard to the latter. Their superiority over the country gentleman is, not so much in their knowledge of the publick interest, as in their having a better knowledge of their own interest than he has of his. (WN, pp. 266-267)

added that economists had learned something in 190 years. Smith here is wrong, he said; agents with well-defined preferences in an Edgeworth box trade without language. That, of course, was before the discovery that humans are not the only agents with well-formed preferences. Rats have them too and, although experimentalists have found Giffen segments, they cannot demonstrate that rats trade (Battalio, Kagel and Kogut 1991). By the time this was clear (Levy 1992), Stigler had passed away.

4. Viner's harmonious reading of TMS

Providentialism, which Viner studied throughout his illustrious career, is in Smith's account a Stoic doctrine.¹⁰ The Stoic, in Smith's account, pursues his duty letting the Gods of the world determine the outcome. Here is where an endogeneity arises since Smith argues that a stoic attitude, an attitude the Stoics shared with the other schools of thought of that time and place, resulted from the most ghastly episodes of disharmony that Smith would describe. Their belief comes from a world of factional violence and civil war, in which one lived with the reasonable expectation of being engulfed in a war of extermination and enslavement.¹¹ It will be important to notice that for Smith death might

¹⁰ "If I am going to sail, says Epictetus, I chuse the best ship and the best pilot, and I wait for the fairest weather that my circumstances and duty will allow. Prudence and propriety, the principles which the Gods have given me for the direction of my conduct, require this of me; but they require no more: and if, notwithstanding, a storm arises, which neither the strength of the vessel nor the skill of the pilot are likely to withstand, I give myself no trouble about the consequence. All that I had to do is done already. The directors of my conduct never command me to be miserable, to be anxious, desponding, or afraid. Whether we are to be drowned, or to come to a harbour, is the business of Jupiter, not mine. I leave it entirely to his determination, nor ever break my rest with considering which way he is likely to decide it, but receive whatever comes with equal indifference and security." (TMS, p. 276-277)

¹¹ To answer the question of whether Smith is a member of the Stoic family on grounds Smith uses to explain Stoic ethics, perhaps one needs to first ask whether he thought their world was his world. Or

well be preferred to the fate suffered by the humans whose enslavement reduced them to cattle. What mattered was something that could not be taken away and in that savage world there was nothing as fleeting as happiness.¹² What all the contending sects offered their followers was the consolation of suicide. We shall return to this in some technical material in the appendix. Perhaps, J S Mill saw this

perhaps a better question is whether their world was a possible world close enough to his world for him to worry. As to that possible world of factional violence and wars of extermination, there is a reference to the Battle of Culloden in WN (pp. 416-417): “It not thirty years ago since Mr. Cameron of Lochiel, a gentleman of Lochabar in Scotland . . . carried five hundred of his own people into the rebellion with him.” One suspects a contemporary Scottish reader would not need to be told the death toll. Culloden is now described as the final attempt at ethnic cleansing in Great Britain.

¹² “During the age in which flourished the founders of all the principal sects of ancient philosophy; during the Peloponnesian war and for many years after its conclusion, all the different republics of Greece were, at home, almost always distracted by the most furious factions; and abroad, involved in the most sanguinary wars, in which each sought, not merely superiority or dominion, but either completely to extirpate all its enemies, or, what was not less cruel, to reduce them into the vilest of all states, that of domestic slavery, and to sell them, man, woman, and child, like so many herds of cattle, to the highest bidder in the market. The smallness of the greater part of those states, too, rendered it, to each of them, no very improbable event, that it might itself fall into that very calamity which it had so frequently, either, perhaps, actually inflicted, or at least attempted to inflict upon some of its neighbours. In this disorderly state of things, the most perfect innocence, joined to both the highest rank and the greatest public services, could give no security to any man that, even at home and among his own relations and fellow citizens, he was not, at some time or another, from the prevalence of some hostile and furious faction, to be condemned to the most cruel and ignominious punishment. . . .

(TMS, p. 281-282)

best when he wrote that the Stoics denial of the importance of happiness was, in their ghastly world, perhaps their best chance for happiness. By proving in their systematic way that that happiness did not matter, they might persuade themselves.¹³

Factional violence is central to one of Smith's most systematic arguments in TMS, the diffusion of imperative to behave justly. Unlike the argument advanced by David Hume in which people can infer that behaving justly is to their own separate interest, Smith acknowledges a principle-agent problem since we behave justly because of the teaching of religion (Levy and Peart 2013). To understand this argument is it helpful to consider the passage Prior singled out in which Smith explains belief by what we approve:

To approve of another man's opinions is to adopt those opinions, and to adopt them is to approve of them. If the same arguments which convince you convince me likewise, I necessarily approve of your conviction; and if they do not, I necessarily disapprove of it: neither can I possibly conceive that I should do the one without the other. To approve or disapprove, therefore, of the opinions of others is acknowledged, by every body, to mean no more than to

¹³ Mill (1969, p. 218) "I will add, that in this condition of the world, paradoxical as the assertion may be, the conscious ability to do without happiness gives the best prospect of realizing such happiness as is attainable. For nothing except that consciousness can raise a person above the chances of life, by making him feel that, let fate and fortune do their worst, they have not power to subdue him: which, once felt, frees him from excess of anxiety concerning the evils of life, and enables him, like many a Stoic in the worst times of the Roman Empire, to cultivate in tranquillity the sources of satisfaction accessible to him, without concerning himself about the uncertainty of their duration, any more than about their inevitable end."

observe their agreement or disagreement with our own. But this is equally the case with regard to our approbation or disapprobation of the sentiments or passions of others. (TMS, p. 17)

We are persuaded to behave justly because, first, the imperative is seen as the commands of the Gods, and then, because is inculcated by the Their representatives on earth. First, Smith explains what helps persuade us. Religious figures, we believe, have taken upon themselves an additional motivation to the common incentives of praise and praiseworthiness: they will face a day on which they shall be called into account:

It is in this manner that religion enforces the natural sense of duty: and hence it is, that mankind are generally disposed to place great confidence in the probity of those who seem deeply impressed with religious sentiments. Such persons, they imagine, act under an additional tie, besides those which regulate the conduct of other men. The regard to the propriety of action, as well as to reputation, the regard to the applause of his own breast, as well as to that of others, are motives which they suppose have the same influence over the religious man, as over the man of the world. But the former lies under another restraint, and never acts deliberately but as in the presence of that Great Superior who is finally to recompense him according to his deeds. A greater trust is reposed, upon this account, in the regularity and exactness of his conduct. (TMS, p. 170)

Then comes a sentence we have described as serpentine, something one might not expect from such a famed advocate of the plain style:

And wherever the natural principles of religion are not corrupted by the factious and party zeal of some worthless cabal; wherever the first duty which it requires, is to fulfil all the obligations of morality; wherever men are not taught to regard frivolous observances, as more immediate duties of religion, than acts of justice and beneficence; and to imagine, that by sacrifices, and ceremonies, and vain supplications, they can bargain with the Deity for fraud,

and perfidy, and violence, the world undoubtedly judges right in this respect, and justly places a double confidence in the rectitude of the religious man's behaviour. (TMS, p. 170)

So should we trust the religious man's pronouncements? The answer to that question will have to wait until WN where it is answered in the affirmative under conditions of competitive equilibrium in religious. Here and only here will we find pure rational religion, freed some fraud and imposture, being taught. (Levy and Peart 2013)

5 Distance in Berkeley and Smith

We start with a passage not as famous as it might be, Smith's avowed generalization of Berkeley's theory of vision. We quote in full until we come to thought experiment that everyone knows:

As to the eye of the body, objects appear great or small, not so much according to their real dimensions, as according to the nearness or distance of their situation; so do they likewise to what may be called the natural eye of the mind: and we remedy the defects of both these organs pretty much in the same manner. In my present situation an immense landscape of lawns, and woods, and distant mountains, seems to do no more than cover the little window which I write by, I and to be out of all proportion less than the chamber in which I am sitting. I can form a just comparison between those great objects and the little objects around me, in no other way, than by transporting myself, at least in fancy, to a different station, from whence I can survey both at nearly equal distances, and thereby form some judgment of their real proportions. Habit and experience have taught me to do this so easily and so readily, that I am scarce sensible that I do it; and a man must be, in some measure, acquainted with the philosophy of vision, before he can be thoroughly convinced, how little those distant objects would appear to the eye, if the imagination, from a knowledge of their real magnitudes, did not swell and dilate them. In the same manner, to the selfish and original passions of human nature, the loss or gain of a very small interest of our own, appears to be of vastly more importance,

excites a much more passionate joy or sorrow, a much more ardent desire or aversion, than the greatest concern of another with whom we have no particular connexion. His interests, as long as they are surveyed from this station, can never be put into the balance with our own, can never restrain us from doing whatever may tend to promote our own, how ruinous soever to him. Before we can make any proper comparison of those opposite interests, we must change our position. We must view them, neither from our own place nor yet from his, neither with our own eyes nor yet with his, but from the place and with the eyes of a third person, who has no particular connexion with either, and who judges with impartiality between us. Here, too, habit and experience have taught us to do this so easily and so readily, that we are scarce sensible that we do it; and it requires, in this case too, some degree of reflection, and even of philosophy, to convince us, how little interest we should take in the greatest concerns of our neighbour, how little we should be affected by whatever relates to him, if the sense of propriety and justice did not correct the otherwise natural inequality of our sentiments. Let us suppose that the great empire of China, . . . (TMS, pp. 134-135)

Distance in Smith's generalization of Berkeley covers many cases other than self and other. An example, which has obtained some attention, is known as the "poor man's son." We quote a length noting the *distance* that separates the young man's present status from where he imagines himself to be. He does not act on what is true – Smith uses the word "real" – but what he believes:

The poor man's son, whom heaven in its anger has visited with ambition, when he begins to look around him, admires the condition of the rich. He finds the cottage of his father too small for his accommodation, and fancies he should be lodged more at his ease in a palace. He is displeased with being obliged to walk a-foot, or to endure the fatigue of riding on horseback. He sees his superiors carried about in machines, and imagines that in one of these he could travel with less inconveniency. He feels himself naturally indolent, and willing to serve himself with his own hands as little as possible; and judges, that a numerous retinue of servants would save him from a great deal of trouble. He thinks if he had attained all these, he wouldc

sit still contentedly, and be quiet, enjoying himself in the thought of the happiness and tranquillity of his situation. He is enchanted with the *distant* idea of this felicity. It appears in his fancy like the life of some superior rank of beings, and, in order to arrive at it, he devotes himself for ever to the pursuit of wealth and greatness. To obtain the conveniencies which these afford, he submits in the first year, nay in the first month of his application, to more fatigue of body and more uneasiness of mind than he could have suffered through the whole of his life from the want of them. He studies to distinguish himself in some laborious profession. With the most unrelenting industry he labours night and day to acquire talents superior to all his competitors. He endeavours next to bring those talents into public view, and with equal assiduity solicits every opportunity of employment. For this purpose he makes his court to all mankind; he serves those whom he hates, and is obsequious to those whom he despises. Through the whole of his life he pursues the idea of a certain artificial and elegant repose which he may never arrive at, for which he sacrifices a real tranquillity that is at all times in his power, and which, if in the extremity of old age he should at last attain to it, he will find to be in no respect preferable to that humble security and contentment which he had abandoned for it. It is then, in the last dregs of life, his body wasted with toil and diseases, his mind galled and ruffled by the memory of a thousand injuries and disappointments which he imagines he has met with from the injustice of his enemies, or from the perfidy and ingratitude of his friends, that he begins at last to find that wealth and greatness are mere trinkets of frivolous utility, no more adapted for procuring ease of body or tranquillity of mind than the tweezer-cases of the lover of toys; and like them too, more troublesome to the person who carries them about with him than all the advantages they can afford him are commodious. There is no other *real* difference between them, except that the conveniencies of the one are somewhat more observable (TMS, p. 181 emphasis added)

Distance is also central to Smith's account of whether we can be fooled by systems. He starts with why Mandeville's system was so plausible:

Such is the system of Dr. Mandeville, which once made so much noise in the world, and which, though, perhaps, it never gave occasion to more vice than what would have been without it, at least taught that vice, which arose from other causes, to appear with more effrontery, and to avow the corruption of its motives with a profligate audaciousness which had never been heard of before. But how destructive soever this system may appear, it could never have imposed upon so great a number of persons, nor have occasioned so general an alarm among those who are the friends of better principles, had it not in some respects bordered upon the truth. (TMS, p. 313)

Smith compares systems explaining distant events with those explaining what is near at hand:

A system of natural philosophy may appear very plausible, and be for a long time very generally received in the world, and yet have no foundation in nature, nor any sort of resemblance to the truth. The vortices of Des Cartes were regarded by a very ingenious nation, for near a century together, as a most satisfactory account of the revolutions of the heavenly bodies. Yet it has been demonstrated, to the conviction of all mankind, that these pretended causes of those wonderful effects, not only do not actually exist, but are utterly impossible, and if they did exist, could produce no such effects as are ascribed to them. But it is otherwise with systems of moral philosophy, and an author who pretends to account for the origin of our moral sentiments, cannot deceive us so grossly, nor depart so very far from all resemblance to the truth. When a traveller gives an account of some distant country, he may impose upon our credulity the most groundless and absurd fictions as the most certain matters of fact. But when a person pretends to inform us of what passes in our neighbourhood, and of the affairs of the very parish which we live in, though here too, if we are so careless as not to examine things with our own eye, he may deceive us in many respects, yet the greatest falsehoods which he imposes upon us must bear some resemblance to the truth, and must even have a considerable mixture of truth in them. An author who treats of natural philosophy, and pretends to assign the causes of the great phaenomena of the universe, pretends to give an account of the affairs of

a very distant country, concerning which he may tell us what he pleases, and as long as his narration keeps within the bounds of seeming possibility, he need not despair of gaining our belief. But when he proposes to explain the origin of our desires and affections, of our sentiments of approbation and disapprobation, he pretends to give an account, not only of the affairs of the very parish that we live in, but of our own domestic concerns. Though here too, like indolent masters who put their trust in a steward who deceives them, we are very liable to be imposed upon, yet we are incapable of passing any account which does not preserve some little regard to the truth. Some of the articles, at least, must be just, and even those which are most overcharged must have had some foundation, otherwise the fraud would be detected even by that careless inspection which we are disposed to give. The author who should assign, as the cause of any natural sentiment, some principle which neither had any connexion with it, nor resembled any other principle which had some such connexion, would appear absurd and ridiculous to the most injudicious and unexperienced reader. (TMS, pp. 313-4)

6. Conclusion

The case we made is that for Smith people need to be persuaded as to what is their interest. If the persuasion is truthful – in our sense not the Stoics’s – there may be little harm in taking preferences for Smith as exogenous. Everything takes real time so why not this too? But when the persuasion is for another’s interests then the endogeneity issue needs to be addressed if we are to offer an unbiased interpretation of Smith. In light of the passages selected as epigraph the endogeneity needs to be addressed if we are to explain Smith’s account of “unnatural” choices.

7. Appendix

We noted in passing that in the earlier editions of TMS how Smith called attention to how English translations make Stoic technical terms strange. Their distinction between “true” and “truth” was indeed a strange one for that interesting subset of English speakers of the mid 20th century who were both Greek scholars and professional logicians (Levy and Peart 2008). If we have the history

right, this distinction between a truth – which is corporal and thus motivating – and true – which is neither – was first recovered by Benson Mates in his celebrated 1953 *Stoic Logic* (Mates 1953, p. 35; Levy and Peart 2008).¹⁴ Through the unkindness of history Stoic technical work comes to us only as theorems. To vary a famous joke from that world, we must find the proofs. Seemingly by accident, Berkeley found a proof in 1709. Real distance, that which is true, does not impinge upon our senses and so cannot have motivational impact. Real distance needs to be interpreted to do so. Sometimes the interpretation is trivial; what concerns Smith are the non-trivial aspects.

What caused far more discussion than the technical distinction between true and truth was Mates's recovery of the Stoic controversy over of conditional implication. This created a great stir because this allowed scholars to appreciate how this ancient discussion foreshadowed the most current controversy over conditional implication. C. I. Lewis's revival of modal logic was formulated in terms of systems of "strict implication" as generalization of the older systems of "material implication" with binary truth states.¹⁵

Smith puts in the name of the Stoics a conditionality that shows the irrelevance of the real. We noticed the consolation of suicide; now we consider the proof itself. What exactly do the Gods of the world give us? In Smith's account only a guarantee that this world is no worse than the alternative. The reality of another world is irrelevant:

¹⁴ The issue is the logical status of "sayables." Long and Sedley (1987, I:195-202) offer a magisterial account of the original texts bearing on this issue.

¹⁵ Lewis and Langford (1932). In his review of Prior's 1955 article Benson Mates wrote that Prior was the first person in two thousand years to give a sensible account of a central problem of Stoic logic when he recovered from the ancient world a modal system then thought to be weakly between Lewis's S4 and S5 (Mates 1956). From Prior it is easy to trace E. J. Lemmon's and Saul Kripke's improvements.

But while those ancient philosophers endeavoured in this manner to suggest every consideration which could, as Milton says, arm the obdured breast with stubborn patience, as with triple steel; they, at the same time, laboured above all to convince their followers that there neither was nor could be any evil in death; and that, if their situation became at any time too hard for their constancy to support, the remedy was at hand, the door was open, and they might, without fear, walk out when they pleased. If there was no world beyond the present, death, they said, could be no evil; and if there was another world, the Gods must likewise be in that other, and a just man could fear no evil while under their protection. Those philosophers, in short, prepared a death-song, if I may say so, which the Grecian patriots and heroes might make use of upon the proper occasions; and, of all the different sects, the Stoics, I think it must be acknowledged, had prepared by far the most animated and spirited song. (TMS 282)

We notice the emphasis on persuasion. Whether another world is real is no matter.

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