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# APPROBATION AND THE DESIRE TO BETTER ONE'S CONDITION IN ADAM SMITH

## WHEN THE DESIRE TO BETTER ONE'S CONDITION DOES NOT BETTER ONE'S CONDITION AND SOCIETY'S CONDITION . . . .

BY

MARIA PIA PAGANELLI

Adam Smith, and his *Wealth of Nations* (WN) in particular, are often associated with the idea that the desire to better one's condition makes an individual better off and also, unintentionally, makes society better off. This paper proposes that in Smith there are circumstances under which the desire for bettering one's condition may *not always* bring prosperity to an individual, and may be destabilizing for a society. The presence of significant wealth may generate perverse incentives misaligning the betterment of the individual and of society, either because the individual may be worse off while society is better off, or because the individual is better off while society is worse off.

For Smith, the desire to better one's condition derives from the innate desire to receive the approbation of others. The better one's condition is, the more riches this person is able to parade; and the more riches one parades, the more approbation one receives and the higher his social status will be. Where a lack of commerce brings forth little wealth, there are few riches to parade. The desire for approbation, bounded by the relative poverty of a society, generally has positive results. It motivates individuals to work hard and produce more and better goods to show off. Individuals are better off. Society, unintentionally, is better off as well. This is the story that is most commonly looked at. But in Smith there is more.

When a commercial society generates large amounts of new wealth, the objects of desire become almost unbounded. Large amounts of commercial wealth generate strong incentives to parade more, to *grab* more of that wealth and flaunt it, and to

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jump off the moral knife edge on which individual and societal progress depend<sup>1</sup> in order to improve one's status. When Smith describes societies with commercial wealth, the consequences of the natural desire for approbation—at the base of the efforts to better one's condition—include not only the betterment of the individual and of his society, but also the possible worsening of some individuals, such as feudal lords and the clergy, as well as some socially disastrous policies, such as mercantilism.

The analysis of approbation that Smith offers in *The Theory of Moral Sentiments* (TMS) is the means to understanding the role of approbation and the desire to better one's condition in WN. This interpretation builds on and integrates at least three sets of readings of Smith already present in the literature. First, it inserts itself into the literature that reads TMS and WN as two volumes of an incomplete trilogy (the third volume of the trilogy could have been something whose flavor may be found in the *Lectures on Jurisprudence*).<sup>2</sup> Individuals seek approbation from others both in WN and in TMS. Approbation is gained from having material possessions and from what others see as propriety of behavior in both TMS and WN. Second, this paper expands upon the literature that reads Smith as showing how societal improvements are the unintentional results of individuals' desires to better their condition by bringing to light some conditions under which this may not be the case.<sup>3</sup> Third, it contributes to the literature that shows the extent to which Smith is concerned about the socially detrimental presence of what today we call rent-seeking in mercantile systems.<sup>4</sup> Without contrasting these interpretations of Smith, the view proposed here builds on them. By narrowing and moving the focus, this paper is meant to complement them. With the analysis of all the circumstances under which our desire to better our condition operates (not just the ones that generate positive results), by analyzing its effects both at the individual and at the social level (not just the social consequences), and by analyzing the possible causes of the lack of positive results (not just acknowledgment of their presence), a more complete picture is proposed.

This reading, therefore, may help us see Smith as an even more articulated thinker than he is usually presented, as one who is able to see not only the benefits but also the costs and risks associated with the development and growth of commercial societies. The interpretation of the big picture that Smith describes here has its shadows as well as its lights.<sup>5</sup> Without diminishing any of the benefits, it may help us see some of the potential risks associated with the presence of large amounts of wealth. Smith may be warning us that individuals may fall, and not always recover, in their race for parading wealth. He may also be warning us of some temptations bred

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<sup>1</sup>I am deeply thankful to an anonymous referee for suggesting such an image.

<sup>2</sup>For a recent treatment see Otteson (2002), Fleischacker (2004), and Evensky (2005). Cf. much of the literature emerging from late 19th century German scholarship which presents WN and TMS as in contradiction with each other, or at least as two disjointed and unrelated books. For a recent and well-documented literature review see Montes (2004). See also Peters-Fransen (2000).

<sup>3</sup>See in particular, among the many, Rosenberg (1968, 1990). Thanks to the referee who pointed this out to me.

<sup>4</sup>See in particular Evensky (2005) and Paganelli (2008).

<sup>5</sup>For other analyses of the complexity of some of Smith's positions see also Viner (1927) and West (1996). Thanks to the referee who pointed this out to me.

by an abundance of wealth. The benefits generated in a commercial society may be threatened by rent-seekers who are willing to better their conditions at the expense of everybody else. The message may be relevant for both today's commercial societies and transitional and developing economies.<sup>6</sup> That said, whether Smith is actually right or wrong is left to a different analysis.

The paper develops as follows. The first section describes how humans are hardwired to desire the approbation of others and the tools humans have to gain it—appropriate moral conduct and parading of wealth. The second section illustrates the threat to individual and social stability deriving from a desire to better one's condition that unbounds morally disapprovable actions. A prosperous commercial society incubates the seeds of the potential destruction not only of some of its prosperous individuals but also of the prosperous society itself. Some land owners and clergymen ruin themselves, rather than bettering their condition, in the vain attempt to gain the approbation of others. Some merchants may ruin society, rather than bettering it, in an attempt to gain the vast wealth that comes from protections and monopolies. Some men engage in factions to gain the approbation of their peers at the expense of social stability. The third section elaborates an example Smith uses in TMS to describe how from the desire to be approved, where both moral behavior and the parade of riches generate approbation, one can better one's own condition and society's condition. Concluding remarks end the paper.

## I. THE ROLE OF APPROBATION IN HUMAN CONDUCT

For Smith, approbation is derived from both appropriate moral conduct and the social status associated with the possession of wealth. An increase in wealth generates more approbation than its absence, as we tend to admire the rich and the great and despise the people of poor and mean conditions (TMS I.iii.3, pp. 61-66). In this paper, the focus is narrowed down and limited to the effects of the possession of wealth—a topic covered in both TMS and WN. A brief description of the effects of moral development is presented for the sake of clarity, but the attention will remain limited to the consequences of gaining approbation through the parade of material fortune.

Smith claims that the “original desire to please and an original aversion to offend his brethren” (TMS III.2.6, p. 116) can generate moral conduct. To please our “brethren” we have to behave as we think they would behave if they were in our place, given that “nothing pleases us more than to observe in other men a fellow-feeling with all the emotions of our own breast” (TMS I.i.2.1, p. 13) and “the want of it [is] a cause of pain” (TMS I.i.2.2, p. 13). We accomplish this task by using our imagination to place ourselves in the shoes of the other person. This process is by nature imperfect.<sup>7</sup> We experience the situation directly, while the other simply imagines himself in our place.<sup>8</sup> Our reaction is stronger than the other's because we are closer to the situation than the other is. To receive the approbation of others, therefore, we must control our egocentric desires and “adjust the pitch” of our

<sup>6</sup>See for example Zweynert and Goldschmidt (2006).

<sup>7</sup>On the inverse relation between sympathy and distance see, among others, Cropsey ([1957] 2001), Levy (1995), Otteson (2002), and Forman-Barzilai (2006).

<sup>8</sup>Here and subsequently we follow Smith's sexist language.

passions to what we think their expectations are (TMS I.ii, pp. 27-43). In TMS III.i-iii (pp. 109-156), Smith explains that we develop the habit to behave properly and virtuously by interacting with others and having to gain their approbation. This process is reinforced by the natural instinct to desire to be praiseworthy, and not just to be praised by others. Being worthy of approbation means to gain the approbation of “the man within”—the “voice of our conscience.” The embodiment of the behaviors that gain the approbation of others, whether the man within or the man without, is what ultimately generates moral rules that allow society to function harmoniously.

The desire to be approved of is also fulfilled by the visible accumulation of wealth. And indeed, men accumulate wealth to receive the approbation of others. Smith is explicit about it. He explains that

It is because mankind are disposed to sympathize more entirely with our joy than with our sorrow, that we make parade of our riches, and conceal our poverty . . . [ I]t is chiefly from this regard to the sentiments of mankind, that we pursue riches and avoid poverty . . . From whence, then, arises . . . 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. It is the vanity, not the ease or the pleasure, which interest us . . . Vanity is always founded upon the belief of our being the object of attention and approbation. The rich man glories in his riches, because he feels that they naturally draw upon him the attention of the world . . . The poor man, on the contrary, is ashamed of his poverty. He feels that it either places him out of the sight of mankind, or, that if they take any notice of him, they have, however, scarce any fellow-feeling with the misery and distress which he suffers (TMS I.iii.2.1, pp. 50–51).

WN has similar descriptions of this desire for wealth accumulation. For example, Smith explains that a silver boiler is better than a tin one, and a golden one would be even better than a silver one. The reason being that “[w]ith the greater part of rich people, the chief enjoyment of riches consists in the parade of riches, which in their eyes is never so complete as when they appear to possess those decisive marks of opulence which nobody can possess but themselves” (WN I.xi.c.31, p. 190).

The desire to gain approbation generally has positive consequences. But it may also have ambiguous consequences if the approbation deriving from moral conduct is lacking, while the approbation deriving from the parading of wealth is strong. The approbation from parading material possessions may outweigh the disapprobation generated by the morally questionable methods used to achieve what one shows off. It is when disapprovable means are used to satisfy our desire to better our condition that either individual or society may be made worse off. And the temptations to engage in morally reproachable behaviors seem to increase with society’s wealth.

## II. APPROBATION AND THE LACK OF BETTERMENT OF ONE’S AND SOCIETY’S CONDITIONS

The amount of admiration offered to the very rich may induce individuals to engage in despicable behaviors to be able to parade large amounts of material possessions.

By parading their wealth, the rich gain approbation while their misbehaviors are indulgently ignored. Indeed, the approbation offered to the rich, simply because of their wealth, is usually large enough to shadow many otherwise disapprovable actions. When a society is poor, the opportunity to show off is limited and available to few people. The incentives to better one's conditions are usually aligned with the unintended consequences of bettering society's condition. On the other hand, the opportunities to outshine others multiply for a larger number of individuals as societies become wealthier. Behaviors that would generate large disapprobation may have very large material payoffs if there are enough riches. But they may also have unfavorable consequences for the individual or for society itself.

In TMS I.iii.3 (pp. 61–66), a chapter titled “Of the corruption of our moral sentiments, which is occasioned by this disposition to admire the rich and the great, and to despise or neglect the persons of poor and mean condition” and written after the completion of WN, Smith tells us that “The candidates for fortune too frequently abandon the paths of virtues . . . . They often endeavour, therefore, not only by fraud and falsehood, the ordinary and vulgar arts of intrigue and cabal; but sometimes by the perpetration of the most enormous crimes, by murder and by assassination, by rebellion and civil war, to supplant and destroy those who oppose or stand in the way of their greatness” (TMS I.iii.3.8, pp. 64–65). Why would people abandon the “paths of virtues” when these behaviors are so disapprovable? Smith explains that for an individual the gain from grossly disapprovable actions may be enormous admiration. It is more difficult to see virtues than the shining and glittery ostentatious wealth. So people pursue wealth, when there is wealth to pursue, even at the cost of virtue. Smith indeed tells us that

We frequently see the respectful attentions of the world more strongly directed towards the rich and the great, than towards the wise and virtuous. We see frequently the vices and follies of the powerful much less despised than the poverty and weakness of the innocent . . . . Two different roads are presented to us, equally leading to the attainment of this so much desired object [respect and admiration of mankind]; the one, by the study of wisdom and the practice of virtue; the other, by the acquisition of wealth and greatness. Two different characters are presented to our emulation; the one, of proud ambition and ostentations avidity; the other, of humble modesty and equitable justice. Two different models, two different pictures, are held out to us, according to which we may fashion our own character and behaviour; the one more gaudy and *glittering* in its colouring; the other more correct and more exquisitely beautiful in its outline: the one forcing itself upon the *notice of every wandering eye*; the other, attracting the attention of scarce any body but the most studious and careful observer . . . . The great mob of mankind are the admirers and worshippers, and, what may seem more extraordinary, most frequently the disinterested admirers and worshippers, of wealth and greatness” (TMS I.iii.3.2, p. 62. Emphasis added).

In part VI of TMS, Smith repeats the same claim: the great mob of mankind is more fascinated by the greatness of the rich than by the wise and virtuous, because the glitter of wealth is more visible and more easily recognizable. “[Our] fascination of greatness . . . is so powerful, that the rich and the great are too often preferred to the wise and the virtuous . . . . The undistinguishing eye of the great mob of mankind can

well enough perceive the [plain and palpable difference of birth and fortune]: it is with difficulty that the nice discernment of the wise and the virtuous can sometimes distinguish the [invisible and often uncertain difference of wisdom and virtue] (TMS VI.ii.1.20, p 226).

Smith claims that “the same principle” that makes “the great mob of mankind . . . look up . . . with a wondering . . . and foolish admiration” at “wealth and greatness” makes us admire the success of great conquerors. We do not distinguish between “such splendid characters as those of a Caesar or an Alexander, [. . . and] that of the most brutal and savage barbarians, of an Attila, a Gengis, or a Tamerlane” because they are all successful (TMS VI.iii.30, p. 253). Yet, the glimmers of wealth overwhelm not only the many kinds of misconducts but also the possible virtue of great political leaders. “The external graces, the frivolous accomplishments of that impertinent and foolish thing called a man of fashion, are commonly more admired than the solid and masculine virtues of a warrior, a statesman, a philosopher, or a legislator. All the great and awful virtues, all the virtues which can fit, either for the council, the senate, of the field, are by the insolent and insignificant flatterers, who commonly figure the most in such corrupted societies, held in the utmost contempt and derision” (TMS I.iii.3.6, p. 63).

Indeed, of the “great conquerors,” virtuous or not, there is no trace in WN, while the frivolous and foolish, yet the wealthy “man of fashion” shows his elegant presence in WN much as he does in TMS. In WN the “folly” of the “capricious man of fashion” is described not only in WN IV.ii.41 (p. 469), where he prefers “foreign wares, merely because they are foreign, to cheaper and better goods of the same kind that were made at home,” but also in WN V.i.g.10 (p. 794). Here Smith tells us that the same action which is “regarded with the utmost abhorrence and detestation” if performed by poor “common people” is “generally treated with a good deal of indulgence, and . . . easily either excused or pardoned altogether” when coming from rich “men of fashion.” This is because “[i]n every *civilized society*, in every society where the distinction of ranks has once been *completely established*, there have been always two different schemes or system of morality current at the same time; of which one may be called the strict or austere; the other the liberal, or, if you will, the loose system” (emphasis added). In civilized societies, the rich are judged with a “loose” moral system because they are rich, while the poor by an “austere” system, because they are not rich.

The sparkles of wealth blind the disapprobation associated with the lack of virtue of the means to achieve it. The more wealth there is in society, the stronger is the incentive to gain the chance to increase one’s material status enough to receive more approbation than what is lost by the means used to achieve it.<sup>9</sup> More people will be tempted. Commerce and manufactures produce a lot of wealth, a lot of wealth for many, and a lot of wealth that glitters. “The man of fashion” is a product of wealthy commercial societies. He is not a lonely man. He lives in the fashionable circles with the people of his rank. He distinguishes himself from others by having curious

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<sup>9</sup>See the analysis of wage determination in book 1 chapter 10. Large changes in wealth are able to change a person’s rank and the social approbation that comes with it. People are therefore willing to take large and costly gambles, such as attempting to succeed in some very competitive professions, to try to improve their status (see Levy 1999).

trinkets such as “a tooth-pick, an ear-picker, or a machine for cutting nails” (TMS IV.i.8, p. 182) or a “diamond buckle,” or a “foreign ware.” Trinkets and baubles give more glamour to one person than sheep or retainers. They also give more incentives to engage in morally questionable actions.

I will provide examples in which, because of the increase in wealth generated by commercial societies, the desire to gain approbation induces disapprovable conduct that may lead to potentially deleterious consequences for either the individual or for society. The first example deals with how individuals (the feudal lords and the high clergy) lose their status, rather than improve it, in the attempt to show off their wealth, while society is still, unintentionally, better off. The second deals with the potential ruin of society, while the individual (merchants and manufacturers, and men of factions) is better off.

The sparkles of commercial wealth ignite revolutions that no army or wisdom are able to start. Smith claims that “all the violence of the feudal institutions could never have effected, the silent and insensible operation of foreign commerce and manufacturers gradually brought about” (WN III.iv.10, p. 418). Similarly, “[t]hat immense and well-built fabric [of the feudal system of the church of Rome], which all the wisdom and virtue of man could never have shaken, much less have overturned, was . . . first weakened, and afterwards in part destroyed, and is now likely, in the course of a few centuries more, perhaps, to crumble into ruins altogether. The gradual improvements of arts, manufacturers, and commerce, the same causes which destroyed the power of the great barons, destroyed in the same manner, through the great part of Europe, the whole temporal power of the clergy” (WN V.i.g. 24-25, p. 803).

Here is how Smith explains the situation. “The desire of food is limited in every man by the narrow capacity of the human stomach; but the desire of the conveniences and ornaments of building, dress, equipage, and household furniture, seems to have no limit or certain boundary” (WN I.i.c.7, p. 181). This means that in the relative poverty of non-commercial societies, even if one wishes otherwise, there is not much on which to spend one's fortune. “In a country which has neither foreign commerce, nor any of the finer manufactures, a great proprietor, having nothing for which he can exchange the greater part of the produce of his lands which is over and above the maintenance of the cultivators, consumes the whole in rustic hospitality at home” (WN III.iv.5, p. 413). So it follows that “[i]n countries where a rich man can spend his revenue in no other way than by maintaining as many people as it can maintain, he is not apt to run out, and his benevolence it seems is seldom so violent as to attempt to maintain more than he can afford” (WN III.iv.16, p. 422). In non-commercial societies, the desire to achieve approbation by showing off wealth is limited by the scarcity of material goods.

On the other hand, when foreign commerce and manufactures are introduced, “publick opulence” grows (WN, II.iii.42, p. 349).<sup>10</sup> There are now plenty of things to show off and on which to spend one's fortune. The wealth and the riches of commerce and manufactures bring along frivolous trinkets, the consumption of which has no limits because “where [a person] can spend the greatest revenue upon his own

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<sup>10</sup>See Rosenberg (1968).



person, he frequently has no bounds to his expense, because he frequently has no bounds to his vanity, or to his affection for his own person" (WN III.iv.16, p. 422).

The introduction of the luxury trinkets produced by the wealth of commerce and manufactures introduces stronger incentives for the individual to behave in a way that seems to deserve the disapprobation of others. "All of ourselves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the master of mankind. As soon, therefore, as [the great barons] could find a method of consuming the whole value of their rents themselves, they had no disposition to share them with any other persons" (WN III.iv.10, p. 418). Similarly, in the analysis of the decline of the temporal power of the church Smith claims that "[i]n the produce of arts, manufacturers, and commerce, the clergy, like the great barons, found something for which they could exchange their rude produce, and thereby discovered the means of spending their whole revenues upon their own person" (WN V.i.g.25, p. 803). Members of the clergy start to spend on themselves what was destined to charity and to the poor—unlikely an approvable behavior. Also, the language Smith uses to describe the behavior of the feudal lords is not the language that he uses to describe the praiseworthy and very much approvable "prudent man" of WN and TMS. Here the barons are characterized by their "*most childish, the meanest and the most sordid of all vanities*" which hopelessly attract them to the glitter of a "pair of diamond buckles perhaps, or . . . something as *frivolous and useless*" (WN III.iv.10, pp. 418–419, emphasis added). Not satisfied with these accusations, Smith repeats the point five paragraphs later. The lords run after "trinkets and baubles, *fitter to be the play-things of children* than the serious pursuit of men" (WN III.iv.15, p. 421). This language does not seem full of approbation; rather, it indicates a behavior one may disapprove of.

Under these circumstances, the morally reproachable behavior does not seem to lead to the wished-for increased approbation due to the ostentation of material possession, at least in the long run. For these "trinkets and baubles" the great proprietors—barons or clergy—are willing to sell their great authority. "[Foreign commerce and manufactures] gradually furnished the great proprietors with something for which they could exchange . . . the maintenance, or what is the same thing, the price of the maintenance of a thousand men for a year, and with it the whole weight and authority which it could give them." By this exchange, "they gradually bartered their whole power and authority" (WN III.iv.10, pp. 418–419). Again, "[h]aving sold their birth-right . . . they became as *insignificant* as any substantial burgher or tradesman in a city" (WN III.iv.15, p. 421). Who is going to look up and admire an insignificant man?

Additionally, unfortunately for the clergy and for the barons, the loss of power and authority is exacerbated by further losses. The clergy lose temporal power, spiritual power, and even the approbation that usually goes with the parade of wealth. Not only "the temporal power of the clergy, the absolute command which they once had over the great body of the people, was very much decayed [. . . but even] the spiritual authority was much weakened . . . The inferior ranks of people no longer looked upon that order, as they had done before . . . they were provoked and *disgusted* by the vanity, luxury, and expence of the richer clergy, who appeared to spend upon their own pleasures what had always before been regarded as the patrimony of the poor" (WN V.i.g.25, p. 804. Emphasis added).

The barons lose not only political power and their birthrights, but also the estate and property that had belonged to their family for centuries and centuries. Smith tells us that “in commercial countries . . . riches, in spite of the most violent regulations of law to prevent their *dissipation*, very seldom remain long in the same family” (WN III.iv.16, p. 422. Emphasis added). Proprietors change relatively frequently in commercial societies. Indeed “very old families, such as have possessed some considerable estate from father to son for many successive generations, are very rare in commercial countries” (WN III.iv.16, p. 421). This is the case because old proprietors sometimes “have generally consumed so great a quantity of goods . . . that they find it necessary to borrow at interest in order to pay the debt” (WN II.iv.3 p. 350). These country gentlemen “borrow upon mortgage” and are *not* expected “to make any profitable use of [the stock lent to them . . . because] what they borrow, one may say, is commonly spent before they borrow.” They will eventually have to sell their birthright and their estate, which rich merchants are more than happy to buy.

According to Smith, therefore, the “folly” of gratifying “the most childish vanity” wipes away the lands, the titles, and the riches steadily belonging to one family for generations and generations, as well as the authority and good reputation of the clergy. Despite their desire to do so, the members of those families and the clergy may not have bettered their condition, at least in the long run. Yet, Smith tells us even if the desire to better their condition may not better the barons’ and the clergy’s condition, it does better, unintentionally, society’s condition. The morally questionable childish dissipation of power, family wealth, and of what was supposed to go to help the poor, on frivolous trinkets, unintentionally, not only causes the dismantling of feudal institutions, but it also gives incentives to improve the cultivation of the land.<sup>11</sup> We are told that indeed “merchants are commonly ambitious of becoming country gentlemen, and when they do, they are generally the best of all improvers” (WN III.iv.3, p. 411). The merchants, when retire as newly made country gentlemen, are often responsible for those important agricultural improvements, because as merchants they carry that bold spirit of undertaker, which the “old” proprietors lack (ibid).<sup>12</sup>

Smith also analyzes how the same changes brought about by the wealth of commerce are faced by the sovereign. Because the sovereign embodies both a private and public role, the consequences of his action are somehow more intricate. Smith explains that “[t]he ignorance of the times [among nations to whom commerce and manufactures are little known] affords but few of the trinkets in which that finery consists . . . . In a commercial country abounding with every sort of expensive luxury, the sovereign, in the same manner as almost all the great proprietors in his dominions, naturally spends a great part of his revenue in purchasing those luxuries. His own and the neighbouring countries supply him abundantly with all the costly trinkets which compose the splendid, but insignificant pageantry of a court” (WN V.iii.2-3, p. 908). And since the sovereign will spend his revenue on frivolous trinkets during times of peace, when war comes, debt will be incurred. But unfortunately, “[t]he progress of the enormous debts which at present oppress, and will in the long run probably ruin,

<sup>11</sup>I am indebted to an anonymous referee for the details of this analysis.

<sup>12</sup>See Rosenberg (1968) with thanks to the referee who pointed this out to me.

all the great nations of Europe, has been pretty uniform” (WN V.iii.10, p. 911). Even if Smith is not preoccupied by the presence of public debt, because “if [commerce] commonly brings along with it the necessity of borrowing, it likewise brings along with it the facility of doing so” (WN V.iii.5-6, p. 910), the possibilities created by commerce include the vain and frivolous spending of the sovereign and the possible ruin of that society.<sup>13</sup>

Another example in which the desire to better one’s condition motivates morally disapprovable actions which in their turn misalign the actual betterment of the individual and of society is linked to the presence of rapacious merchants and manufacturers in commercial societies.

Smith tells us that the introduction of commerce and manufactures brings along “order and good government, and with them, the liberty and security of individuals . . . This, though it has been the least observed, is by far the most important of all their effect” (WN III.iv.4, p. 412).<sup>14</sup> The “regular administration of justice” is generated by commerce and is the foundation of commercial prosperity. But it is also threatened by its very sources. The system of justice that commerce generates can become a system of brute injustice. We are indeed told in TMS that “[s]ometimes the interest of particular orders of men who tyrannize the government, warp the positive law of the country from what natural justice would prescribe” (TMS VII.iv.36, pp. 340–341), and in WN that “[t]o hurt in any degree the interest of any one order of citizens, for no other purpose but to promote that of some other, is evidently contrary to that justice and equality of treatment which the sovereign owes to all the different orders of his subjects” (WN IV.viii.30, p. 654). This is exactly what some great merchants and manufacturers do when there are large profit opportunities generated by government granted monopolies. Merchants and manufacturers become a threat to that system of justice—mercantilist laws are far from just. They are, rather, so unjust that “the cruellest of our revenue laws, I will venture to affirm, are mild and gentle, in comparison of some of those which the clamour of our merchants and manufacturers has extorted from the legislature, for the support of their own absurd and oppressive monopolies” (WN IV.viii.17, p. 648).

Merchants and manufacturers, in their desire to improve their image in the eyes of others, in a rich commercial society have opportunities to do so in a grand, yet disapprovable, manner. The wealth generated by commerce is unprecedented and can be concentrated in their hands if the government grants them monopolies. Merchants and manufacturers are willing to jump off the moral knife edge—to use the same image used in the introduction. By doing so, they increase their fortune and status at the expense of the rest of society. They are willing to ignore the morality of their behaviors because, with monopoly power, they will accumulate great wealth with which to improve their status and their position in the eyes of others. Their great material gain makes us forgive and forget the objectionable means used to win it.

Mercantilist policies, meant to grant monopolies to rapaciously ambitious merchants and manufacturers, are not in the best interest of society. They impoverish society instead (WN IV.viii.c.43, p. 604). Merchants and manufacturers are, in fact,

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<sup>13</sup>For a recent analysis of Smith’s position on public debt see Paganelli (2006).

<sup>14</sup>See Rosenberg (1990) and Rasmussen (2005) for the details of this point.

“an order of men whose interest is never exactly the same with the public, who generally have an interest to deceive and even oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it” (WN I.xi.p.10, p. 267). “Their interest is, in this respect, directly opposite to that of the great body of the people” (WN IV.iii.c.9-10, pp. 493–494). Where there are enough wealth and opportunities to gain a lot, individuals have incentives to engage in morally disapprovable ways to parade those incredibly large amounts of wealth which are now available. The benefits for the individual merchant and manufacturer are very large. But the costs to society are large as well.

The counterweight against these social threats seems to be commerce itself (WN IV.vii.c.47-54, pp. 607–610) and our weak civic spirit (TMS IV.1.11, pp. 184–187).<sup>15</sup> But both are patches, not cures, for the problem. Our civil spirit is too weak, and rent-seekers permanently mutilate commerce. Even if commerce seems to provide large enough benefits to compensate for its downsides, the damages of rent-seeking are going to last. Once privileges are granted, they will not be taken away. Indeed Smith is convinced that “[t]o expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the publick, but *what is much more unconquerable, the private interests of many individuals, irresistibly oppose it*” (WN IV.ii.43, p. 471. *Emphasis added*).<sup>16</sup> The damage great merchants and manufacturers inflict upon society is permanent.

The analysis of factions is similar, yet not identical, to the one under consideration here.

Men join factions in civil and religious wars for the sake of vain glory and immediate approbation (TMS III.3.42, pp. 154–155), and not necessarily for bettering their material conditions. Yet, their example can be illustrative of the problem of how a large gain may tempt people to use immoral tools. Smith condemns factions as “the [greatest] corrupters of moral sentiments” (TMS III.3.43, p. 156). Indeed, if man has an “original desire to please and an original aversion to offend his brethren” (TMS III.2.6, p.116) and if our “brethrens” are involved in violent political factions, we would join the faction to which we feel closer, perpetuating and exacerbating the atrocities. A group can become a self-referential source of moral code, at the potential expense of social peace and harmony, and at the risk of many deaths (TMS III.3.43, p. 155).<sup>17</sup> For the individual, the benefits of receiving the approbation of the members of one’s faction are much larger than the cost of using despicable methods to promote one’s faction’s victory.

<sup>15</sup>For a recent treatment see Evensky (2005) and Hanley and Paganelli forthcoming.

<sup>16</sup>For a recent formal treatment see Tullock (1975).

<sup>17</sup>Just as the desire to better our condition can, depending on the circumstances, yield either social benefit or harm, so also with the pursuit of approbation through faction. The inevitable “civil discord” of contending factions is, according to Smith, one of “the two situations which afford the most splendid opportunities for the display of public spirit”(TMS VI.ii.2.13, p. 232). If the leader of “the successful party” is able “to prevail upon his own friends to act with proper temper and moderation, . . . [h]e may re-establish and improve the constitution,” and thereby “secure the internal tranquility and happiness of his fellow citizens for many succeeding generations” (TMS VI.ii.2.14, p. 232).

### III. APPROBATION AND THE BETTERMENT OF ONE'S AND SOCIETY'S CONDITIONS

If the approbation deriving from possessing fortunes is not in line with the approbation deriving from the morality of one's conduct, either individual or social material betterment may not be present. On the other hand, when the approbation deriving from possessing fortunes is in line with the approbation deriving from the morality of one's conduct, both individual and society tend to be better off. WN is renowned, and for good reasons, for the idea that pursuing one's interest would generate individual prosperity as well as social prosperity. There is no need to restate those arguments here.<sup>18</sup> When the analysis of WN is grounded in TMS, the arguments tend to be even stronger.<sup>19</sup>

The approbation one wants is a combination of the approbation deriving from parading material fortunes and the approbation deriving from moral conduct. The approbation deriving from moral conduct is generated in various ways, one of which is the behavior associated with the methods of accumulation of material fortune. So in TMS, Smith describes a poor man's son, cursed with ambition, who wants to pursue "wealth and greatness." In a short period of time he endures "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 . . . with the most unrelenting industry he labours night and day . . . he serves those whom he hates, and is obsequious to those whom he despises" (TMS IV.i.8, p. 181). Yet, at the end, it is reasonable to think that the poor man's son, now rich, has gained "that eminent esteem with which all men naturally regard a steady perseverance in the practice of frugality, industry, and application, though directed to no other purpose than the acquisition of fortune. The resolute firmness of the person who . . . endures the greatest labour both of mind and body, commands our approbation. We not only approve, therefore, but in some measure admire his conduct, and think it worthy of a considerable degree of applause. It is the consciousness of this merited approbation and esteem which alone is capable of supporting the agent in this tenour of conduct" (TMS IV.2.8, pp. 189-190).

"In the last dregs of his life" the poor man's son, now wealthy, may realize that he is no happier than "the beggar who suns himself by the side of the highway," as happiness for Smith is a function of that tranquility which is burnt away by the desire to better our condition.<sup>20</sup> Yet, the poor man's son has bettered his condition, and has done it in a morally appropriate way. He has gained not only material comfort and the approbation derived from it, but also the approbation derived from the righteous effort through which he has achieved his wealth. And in bettering his condition, he has dragged along the betterment of society as well. Smith claims indeed:

The pleasures of wealth and greatness, when considered in this complex view, strike the imagination as something grand and beautiful and noble, of which the attainment is well worth all the toil and anxiety which we are so apt to bestow upon it . . . It is

<sup>18</sup>On the diffusion of the idea that the individual drive to better his condition generates positive social consequences see among the large literature Samuels (2007).

<sup>19</sup>See for example Rosenberg (1968, 1990).

<sup>20</sup>On the difference between happiness, material comfort and approbation see Rasmussen (2005).

this which first prompted them [mankind] to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life; which have entirely changed the whole face of the globe, have turned the rude forests of nature into agreeable and fertile plains, and made the trackless and barren ocean a new fund of subsistence, and the great high road of communication to the different nations of the earth. The earth by these labours of mankind has been obliged to redouble her natural fertility, and to maintain a greater multitude of inhabitants (TMS, IV.1.9-10, pp. 183-4).

For Smith, it seems, as long as the people “whom heaven in its anger has visited with ambition” walk on the moral path, individual and society tend to both be better off.

#### IV. CONCLUSIONS

The same desire to better one's condition to gain the approbation of others motivates the man of TMS and the man of WN. While the desire for approbation does make the individual and society better off under most circumstances, it may also generate individual and social disruption. Approbation derives both from appropriate moral conduct and from wealth. But enough wealth can trump moral conduct and generate individual misery and social malfunctions. If society is prosperous enough, there are enough incentives to rely on wealth to receive approbation, and to risk that individuals would actually worsen their or society's condition in an attempt to better themselves in the eyes of others. Mercantilist policies and the ruin of feudal lords can therefore be explained as a consequence of the natural desire for bettering one's condition by parading wealth to gain approbation. If enough wealth is present, the desire to better one's conditions to gain the approbation of others may not always have beneficial consequences for the individual or for society. For Smith, commerce and wealth are the positive consequences of our desire for approbation and the cause of the betterment of an individual and the society in which he lives. But they also potentially cause their destruction by offering those temptations often too difficult to resist.

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