

From Sin to Solution

*The Role of Self-Interest in Relation to Public Welfare
in 17th and 18th Century Thought*

Bachelor thesis International Bachelor Economics and Business Economics

Author: Willem Cornelis de Vries (303255)
wilcodevries@gmail.com

Institution: Erasmus University Rotterdam
Erasmus school of Economics
Department of Economics

Supervisor: dr. R. Verburg

Co-assessor: prof. dr. J. Veenman

*When the Stranger says: "What is the meaning of this city ?
Do you huddle close together because you love each other?"
What will you answer? "We all dwell together
To make money from each other"? or "This is a community"?
(...) They constantly try to escape
From the darkness outside and within
By dreaming of systems so perfect that no one will need to be good.*

T.S. Elliot, Choruses from the Rock¹

Preface

Three years ago, when I started studying Economics and Business Economics (IBEB) on the Erasmus University, my first courses were micro-economics and mathematics. Two courses which are representative for the practise of modern neo-classical economics. Micro-economics taught me “that the individual pursuit of self-interest is often not only *consistent* with broader social objectives, but actually even *required* by them” (Frank, 2006: 17). Mathematics on the other hand learned me to apply ‘objective’ arithmetic to a complex social reality. During my study, I began to question the economic principle of the invisible hand who regulates self-interest to social optimal outcomes. I began to wonder whether self-interest really contributed to public welfare. Moreover, how do you define public welfare then? Is that ‘community’ or ‘making money from each other’? Is the recommendation of following your self-interest nothing more than a system ‘so perfect that no one will need to be good’?

And then there was the credit crisis. Neo-classical economics shook on his foundations. In the media ‘old’ questions, about morality and what the foundations of a society should be, were raised again. Is self-interest alone sufficient to secure a society or is a Stranger necessary who teaches us to ‘love each other as we love ourselves’? This public discussion and my interest in the foundations of economics have resulted in this thesis.

At the end of this preface I would like to thank dr. Verburg. Working with me was an attack on his patience, but his enduring contribution to the project helped me a lot. I learned especially from his manner to structure a topic. Furthermore I would like to thank prof. Veenman who supervised me in the first stage and co-assessed at the end. Last but not least, I would like to thank my father dr. Wim de Vries and my brother drs. Dick de Vries. Dad and Dick, your comments and advice were invaluable. Thanks a lot!

¹ I owe this reference to dr. Buijs (2008). the poem can be found at:
http://insidework.net/static/downloads/products/choruses_from_the_rock.pdf

Table of content

Preface	2
1. Introduction	4
2. Thomas Hobbes (1588-1679)	7
Historical Background	7
Biography	8
Political Philosophy	9
Evaluation	10
3. The third earl of Shaftesbury (1671-1713)	11
Historical Background	11
Biography	12
Moral Philosophy	12
Evaluation	14
4. Bernard Mandeville (1670-1733)	15
Historical Background	15
Biography	17
Moral and Political Philosophy	17
Evaluation	21
5. Francis Hutcheson (1694-1746) and David Hume (1711-1776)	22
Background	22
Biography of Francis Hutcheson and David Hume	23
Hutcheson's Moral Sense Theory	24
Hume's Moral and Political Philosophy	26
Evaluation	28
6. Adam Smith (1723-1790)	29
Historical Background	29
Biography	29
Moral Philosophy and Economic Theory	29
Evaluation	33
7. Evaluation	35
Development of the idea that self-interested behaviour is beneficial to society	35
Conditions under which self-interested behaviour is beneficial to society	36
Lessons of 17 th and 18 th century philosophers for economic life	37
References	40

1. Introduction

After the cold war Francis Fukayama (1989) wrote an article called 'the end of History'. In it he argued that: "The century that began full of self-confidence in the ultimate triumph of Western liberal democracy seems at its close to be returning full circle to where it started: not to (...) a convergence between capitalism and socialism (...) but to an unabashed victory of economic and political liberalism. (...) What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of postwar history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government."²

20 years after Fukayama's article the credit crisis shakes the foundations of free market capitalism. Excessive risk taking by means of complex securities, shareholders focused on short-term profits, and managers more eager to obtain excessive bonuses in the short run, and thereby sacrificing long-run growth, changed the unabashed victory of economic liberalism into a defeat. The ideological world of economic liberalism where the invisible hand coordinates self-interest into ways beneficial to society, stands in sharp contrast with the real world where the 'invisible hand' led to a visible bill of 12 trillion dollar.³ In the real world self-interested behaviour seems to be a problem and not a solution.

However, this statement that self-interested behaviour is a problem, strikes at the heart of modern neo-classical economics. According to Frank (2006: 17): "One of the most important insights of economic analysis is that the individual pursuit of self-interest is often not only *consistent* with broader social objectives, but actually even *required* by them." After all did not Adam Smith in the Wealth of Nations, characterized by Noble prize winner George Stigler as "a stupendous palace erected upon the granite of self interest"⁴, argue that: "it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard of their own interest. We address ourselves not to their humanity, but to their self love, and never talk to them of our necessities, but of their advantage (Smith, 1981: 26-27)? And what about that other 'mastermind' (Hayek) of the 18th century, Bernard Mandeville, with his disturbing claim '*private vices, public benefit*'? Were they wrong in emphasizing the role self-interest fulfils in the functioning of society? Prof. dr. Lambregtse, concluded nicely that the credit crisis: "sets the ironic paradox of Mandeville in a doubtful

² Fukuyama (1989: 3)

³ Reformatorisch Dagblad, 'IMF: Crisis kost 12 biljoen dollar':
<http://www.refdag.nl/artikel/1425671/IMF+Crisis+kost+12+biljoen+dollar.html>

⁴ Force (2003: 1)

light: the private vices of many insurers, directors and managers did not lead to visible public benefits. Avarice and egoism did not lead to the promised prosperity of society.”⁵ However, this is at odds with the economic story that markets are good for society and that self-interested behaviour on the market would bring a positive contribution to society as a whole.

It is therefore relevant to ask where that economic story came from. It seems so naïve today to believe that self-interest spontaneously harmonises with public welfare. For this reason I will explore in this thesis the historical development of ideas with respect to self-interest in relation to society from Thomas Hobbes (1588-1679) to Adam Smith (1723-1790). This investigation should give us an answer on the following questions:

1. *How did in the 17th and 18th century the idea arise that self-interested behaviour can bring a positive contribution to society?*
2. *To what extent were 17th and 18th century philosophers naïve in believing that self-interest harmonises spontaneously with public welfare?*
3. *What lessons can we learn from these 17th and 18th century philosophers?*

I start my historical investigation with Thomas Hobbes (1588-1679). Hobbes was the first philosopher in modern history who developed a political philosophy where self-interest was both the obstacle as well as the solution to establish a society. We end our research with the ‘father’ of modern economics: Adam Smith (1723-1790), where the relation of self-interest and public welfare definitely transferred to the field of economics.

Hobbes describes man as a rational animal who pursues his own interest. This description of man was critiqued and challenged by his contemporaries in several ways. Meyers (1983) distinguishes three ‘types’ of critiques to the ‘Hobbes challenge’⁶. First he distinguishes the psychological category. In this category self interest is perceived as only one of the different passions which motivate man. This moderate self-interest is not destructive but constructive for society. The second category is what Meyers calls the physical category. A category influenced by Newtonian physics. Where in Newton’s physics gravitation attracts and coordinates planetary bodies, self-interest on the other hand, attracts and coordinates individuals in society. The third and last category is the division of labour. Workers differing in their abilities and interests, differentiate themselves from one another and become more

⁵Prof. dr. Lambregtse, rector magnificus of the Erasmus University, introduction speech of the 14th Mandeville lecture (my translation): <http://www.eur.nl/mandeville/lezingen/14/inleiding/>. “Deze ontwikkelingen zetten de ironische paradox van Mandeville in een twijfelachtig daglicht: de private vices van vele topverzekeraars, topdirecteuren en topmanagers leiden aantoonbaar niet tot public benefits. Hebzucht en egoïsme leiden niet tot de beloofde maatschappelijke vooruitgang.”

⁶ (Perlman, McCann, 1998).

productive to society. The interest for profits is the aim of the division for the individual, but the specialization of labour results in an enlarged productivity which is beneficial to society.

The content of this thesis is as follows: I first describe the political philosophy of Thomas Hobbes in more detail. I then discuss the answers to the ‘Hobbes challenge’, using the categories of Meyers, (1981), of respectively Lord Shaftesbury in chapter 3, Bernard Mandeville in chapter 4, Francis Hutcheson and David Hume in chapter 5 and then finally turn to what Meyers (1981) calls the ‘economic answer’ of Adam Smith in chapter 6. The thesis ends with an evaluation related to the three research questions (Chapter 7).

2. Thomas Hobbes (1588-1679)

Historical Background

Up to the 17th and 18th century, the main philosophical and religious traditions in Western history assumed that virtue is required for a well functioning society. Greek philosophers like Plato and Aristotle, despite their difference in philosophy, insisted that man was a social animal and that virtue was required for eudemonia, the ‘good life’. Christianity always believed that self-denial of our evil self, and faith in Christ were necessary to live a life pleasing to God. Jesus himself, said that we have to love our neighbour as we love ourselves (Matthew 22:39). Alternatives to these traditions were formulated during the 17th and 18th century. One of them was the social contract theory of Thomas Hobbes (1588-1679) who saw self-interest, corrected by the government, as the medium which binds society.

Before we start our inquiry with Hobbes we first have to describe two historical trends in order to understand his view on man and society. The first development was the sharpened conflict between faith and reason, illustrated by the condemnation of Galileo by the Catholic church in 1633. The second development were the civil wars which tormented Europe during Hobbes’ life. Although being the third volume of his trilogy ‘*The Elements of Philosophy*’, Hobbes published the ‘*De Cive*’ first as a response to the civil war which tore England apart (Rogers, 1999).

The first development, the sharpened conflict between faith and reason, can be traced to Thomas Aquinas. Impressed by Aristotle, Aquinas made a distinction between faith and reason. Some things can be seen by reason, like the proofs of God, others have to be believed. However with this distinction between faith and reason Aquinas “introduced the theoretical possibility of a conflict between the authority of Revelation and the authority of reason (in fact: between faith and science)” (van de Brink, 2000: 165, my translation).⁷ This conflict became painfully visible when the Catholic church condemned the ‘heretical science’ of Galileo in 1633. Gradually science was not longer used in service of the Bible, but became secular. Hobbes joined this development and based his view of mankind and society on a materialistic philosophy, which made him an atheist in the eyes of his contemporaries.

In describing the second development, the civil wars which tormented Europe during Hobbes’ life, several political processes can be identified which led to the religious and civil

⁷ Met de introductie van de genoemde onderscheiding (...) ontstond (...) de theoretische mogelijkheid van een *conflict* tussen het gezag van de openbaring en dat van de rede (dus in feite: tussen geloof en wetenschap). Van den Brink, Oriëntatie in de Filosofie, page 165

wars of the 16th and 17th century. The growing power of kings and their inclination towards central government conflicted with lower governments like the electors in the Holy Roman Empire (Germany). Additionally, powerful European nations were searching for ways to distort the power concentrations of their enemies (Paas, 2007). When the Reformation took place at the beginning of the 16th century, Europe exploded. Religion was used as a element which unites a country. When for example, the reformation led to a protestant church in the Netherlands, the king of Spain saw it as a threat to the stability of his empire and started the Eighty Years War.⁸

The civil wars made philosophers doubt about the binding element of religion. Moreover, the scientific discoveries of Copernicus and Galileo promised a rational basis of knowledge on which every one could agree and where, as it seems, the subjectivity of faith could be avoided. It was the contribution of Thomas Hobbes (1588-1679) to deliver a ‘scientific’ political philosophy in which the legitimacy of the sovereign was derived from its citizens, without any authorization of God (Kenny, 2008).

Biography

Hobbes was born on April 5, 1588. The story went that his mother went into labour too early because of her fright of the Spanish armada arrival. Commenting on this story in his autobiography, Hobbes says that his mother “brought twins to birth, myself and fear at the same time”⁹. Unfortunately for Hobbes, Hobbes and fear would remain twins for the rest of his life. Hobbes expressed his ideas about the nature of men and the basis on which men becomes a sociable creature in several works: *‘The Elements of Law’* (1640) which favors monarchal rule and caused him to flee to France; *‘De Cive’* (1642), published in response to England’s political situation; and *‘Leviathan’* (1651) in which he gives his fullest treatment of man and society, which caused him to flee back to England. Hobbes died on the exceptionally old age of 91, which is surprising because he was many times in danger. According to Meyers: “Hobbes was born with fear, he fled to France, from fear, and he was forced to retreat to England because of his fear of French authorities.” (Meyers, 1981: 30). It is most likely that his fear influenced his view on man and with that, his political philosophy.

⁸ That the reasons for war were often more political than spiritual demonstrates the fact that with respect to the civil war in Germany, the Lutheran electors were supported by the catholic France king Henry II. For this and other examples cf. Paas, *‘Vrede Stichten’*, page 359-362.

⁹ Hobbes biography translated by Benjamin Farrington, *The Rationalist Annual* (1958) quoted from Rogow, Thomas Hobbes, *Radical in the Service of Reaction* (1986), page 17

Political Philosophy

In his Political Philosophy, Hobbes used the 'resolutive-compositive' method based on Galileo. The 'resolutive-compositive' method is a method where everything is investigated on its basic parts to see how it functions and afterwards reconstructed again (Roberts and Such, 2006). This means with respect to society, that Hobbes first investigates the psychological make-up of individual man and the condition of mankind without institutions, the so called 'state of nature'. Based on these parts he created a theory of government.

Hobbes' materialistic metaphysics is clear from the beginning of the introduction of the Leviathan. Man is a machine, 'a motion of limbs' (Hobbes, 1966: ix), devoid of spirit or soul. This 'machine' is driven by an Endeavour for self-preservation and satisfaction of our desires, which Hobbes calls appetite. The negative opposite of appetite, aversion, should be avoided at all costs. For Hobbes, morality is based on this appetite, aversion distinction: "but whatsoever is the object of any man's appetite or desire, that is it which he for his part calleth *good*: and the object of his hate and aversion, *evil*;" (Hobbes, 1966: 41).

In chapter 13 Hobbes spells out the 'state of nature'. 'Nature hath made men so equal' that everyone is an opponent of one another in their Endeavour for appetite. Without government there is no law and consequently, man has a right to do everything, because there is no one who can prevent him from taking things and no right or wrong who can condemn him. This, of course, leads to conflict; Hobbes identifies three causes of quarrel between men: competition, diffidence and glory: "The first, maketh men invade for gain; the second, for safety; and the third, for reputation. The first use violence, to make themselves masters of other men's persons, wives, children, and cattle; the second, to defend them; the third, for trifles, as a word, a smile, a different opinion, and any other sign of undervalue (...). Hereby it is manifest, that during the time men live without a common power to keep them all in awe, they are in that condition which is called war (...) In such a condition, there is no place for industry; because the fruit thereof is uncertain: and consequently no culture of the earth; (...) no arts, no letters, no society; and which is worst of all, continual fear, and danger of violent death; and the life of man, solitary, poor, nasty, brutish and short". (Hobbes, 1966: 112-113).

Self-interest is for Hobbes both the problem as well as the solution. The continual fear and danger of a violent death inclines men to peace as they begin to realize that it is in their own interest to stop the war. This insight obtained by reason leads to a contractual solution: every man makes a contract with every man which consist of renouncing his natural right of 'the preservation of his own nature' to the sovereign: "For by this authority, given him by every particular man in the commonwealth, he hath the use of so much power and strength

conferred on him, that by terror thereof, he is enabled to perform the wills of them all, to peace at home, and mutual aid against their enemies abroad”. (Hobbes, 1966: 158)

Although the sovereign is given absolute power in matters of law and religion for the sake of peace, there remains a possibility of civil disobedience when the principle of self-preservation is threatened: “If a man be interrogated by the sovereign, or his authority, concerning a crime done by himself, he is not bound, without assurance of pardon, to confess it; because no man (...) can be obliged by covenant to accuse himself.” (Hobbes, 1966: 204).

Evaluation

Hobbes derived his view of man as a self-interested creature from his materialistic metaphysics, which was a result of the new scientific discoveries in the 16th and 17th century. In the conflict between Christian faith and science, Hobbes wholeheartedly choose for the latter. Inordinate self-interest, earlier on seen as a sin, was for him part of the state of nature. In this state of nature self-interest works destructive. Competition, diffidence and glory causes war among man and consequently life is ‘nasty, brutish and short’. In this state of war, the awareness among men arises that it is in their mutual interest to subdue their interest to the sovereign, who, by the given power, can maintain peace and security. As a conclusion, we may say that according to Hobbes self-interest was both the problem as well as part of the solution for the functioning of society.

The main part of Hobbes’ solution to harmonize self-interest with public interest is the government who should guide man’s self-interest in such a way that it coincides with public interest. The means by which private and public interest harmonizes is through the threat of punishment, as expressed in his famous phrase: “covenants without the swords are just words”. Man being in a constant fear of death will forgo his self-interest if his life is threatened by the government.

Hobbes philosophy was challenged by church authorities, philosophers like the Cambridge Platonists and a line of thought sometimes described as neo-stoic.¹⁰ In the next chapter we will turn to ‘the greatest stoic of modern times’ (Benjamin Rand), the third earl of Shaftesbury.

¹⁰ However, it should be noted that Neo-stoicism as a school of thought like Platonism never existed. Long (2003: 366): “despite the Stoic traces in Descartes, Spinoza, Leibniz, Rousseau, Grotius, Shaftesbury, Adam Smith, Kant (traces that modern scholars are increasingly detecting), Neo-stoicism scarcely had an identifiable life comparable to Medieval Aristotelianism, Renaissance and later Scepticism, seventeenth-century Epicureanism, or Renaissance Platonism and the Cambridge Platonists. It was not determinate enough to mark a whole period or intellectual movement.”

3. The third earl of Shaftesbury (1671-1713)

Historical Background

The Newtonian revolution

Newton is famous for his theory of gravitation, which he explained in his *'Philosophiae Naturalis Principia Mathematica'* (1687). While the apple never fell on his head, Newton's theory fell as a bomb on the head of his contemporaries. It was believed that every secret of the universe was now unlocked. Alexander Pope (1688-1744) articulated their enthusiasm in his *'An Essay on Man'* (Fraser, 1978: 1):

Nature, and Nature's Laws, lay hid in Night.
God said, Let Newton be! and All was light,

A consequence of Newton's theory was the popularization of "the already existing idea that the universe was governed by natural laws" (Grant and Brue, 2007: 45). If nature, despite their destructive elements, is nevertheless structured by natural laws, one can raise the question: are those destructive elements really that bad if we look to the whole? Moreover, when we apply the question to mankind, is the destructiveness of man really a sin and incompatible with a good functioning society? Gradually a new anthropology arose which emphasized the goodness of man and his sociability.

The rediscovery of Stoicism

This above mentioned new anthropology could easily borrow elements of Stoic moral philosophy, who perceived a relation between natural law and man's moral behaviour.¹¹ The Stoics believed that the cosmos was an harmonious whole, ordered by natural laws (van den Brink, 2000). A virtuous life is a life in accordance with nature, which results in happiness. Principles derived from living in accordance with nature are, among others, the principle of self-preservation and to take care for one's offspring.

One of the philosophers who elaborated on stoic philosophy was Anthony Ashley Cooper, third Earl of Shaftesbury. According to him, a virtuous life was a life in harmony with the natural laws, a life which should strike a balance between the egoistic as well as the social passions of man. Consequently, the position of Hobbes where self-interest should be

¹¹ This rediscovery of Stoic philosophy was a consequence of the Ottoman invasion of Constantinople in 1453. The invasion meant the end of the Eastern Roman Empire. A stream of refugees fled towards Christian Europe; among them were where scientists who brought ancient manuscripts of sceptics, stoics, and epicureans with them. Many manuscripts were formerly unknown in Europe. Through translation and distribution by the new invention of the printing press, these manuscripts influenced the European intelligentsia.

restrained by the sovereign was an inadequate one, because man from nature is a sociable creature who is not only concerned with his self-interest.

Biography

Anthony Ashley Cooper, third Earl of Shaftesbury was born on 26 February 1671. His grandfather, the first earl, cared for the upbringing and education of Shaftesbury and put John Locke in charge as his tutor. Through his education Shaftesbury became acquainted with the Latin and Greek languages and it is said that, when being eleven years old, he spoke and read those languages fluently. Shaftesbury served in Parliament, but retired due to asthma. He went several times to Holland where he especially studied the ancients and became conversant with the ‘master sceptic’¹² Pierre Bayle. Shaftesbury wrote his work at the end of his life (he died in 1713), between 1705-1710, and collected them in three volumes with the name: ‘*Characteristics of Men, Manners, Opinion, Times*’ (1711)¹³. Harvard professor Benjamin Rand said of him: “it may be said, we believe, with perfect truth that there has been no such strong expression of stoicism since the days of Epictetus and Marcus Aurelius as that contained in the Philosophical Regimen of Shaftesbury. The Greek slave, the Roman emperor, and the English nobleman must abide the three great exponents of stoical philosophy.” (Rand, 1900: xii)¹⁴.

Moral Philosophy

Although he sees self-interest as a characteristic of man, Shaftesbury does not agree on Hobbes’ by reducing everything to self-interest. According to Shaftesbury the mind contains “passion, humour, caprice, zeal, faction, and a thousand other springs which are counter to self-interest”¹⁵. Shaftesbury’s view of human nature was both observation-based and teleological (Gill, 2006: 3). Through observation “we know that every creature has a private good and interest of his own; which nature has compelled him to seek (...) being therefore in every creature a certain *interest* or *good*; there must be also a certain END to which every thing in his constitution must *naturally* refer. (Shaftesbury, 1968: 15). Moreover, as the

¹² Popkin (1999: 404)

¹³ I used the edition of 1714 [1711], republished in 1968. For reader friendliness I sometimes changed the words in modern English. The use of italics and of capital letters is of Shaftesbury.

¹⁴ Rand makes this comment about a posthumous published book of Shaftesbury, “*The Life, Unpublished Letters and Philosophical Regimen of Anthony, Earl of Shaftesbury*” (1900). However, in my opinion the comment holds for the *Characteristics* as well.

¹⁵ Shaftesbury, *Characteristics of Men, Manners, Opinion, Times*, ed. John M. Robertson, 2 vols. in 1 (1964, I: 77), quoted from Meyers (1983: 54)

second part of the quote indicates, that ‘certain interest’ is placed within a teleological framework. Man is made with a purpose and that purpose is virtue, which entails happiness. Influenced by the Stoics, Shaftesbury believed that everything was part of a larger order. Where the earth stands in relation with the solar system, even so a creature, be it an animal or a man, stands in relation with his other species. Based on this belief, Shaftesbury asserts that a creature is good when it contributes to the system from which it is part of. For example, a good rabbit is a rabbit who contributes to the rabbit species as a whole.¹⁶

Accordingly one is inclined to think that for Shaftesbury a good man is a man who contributes to mankind as a whole. However, this would be a simplification. Shaftesbury makes a distinction between goodness and virtue, where the latter is only within reach for mankind. This is due to some moral sense, which distinguishes right from wrong. In order to explain the moral sense Shaftesbury makes a distinction between first-order affections and second-order affections. It is the role of the latter to correct the former. I will try to illustrate this mechanism with an example: imagine a child is drowning in the river. When we see this happening, we feel pity with the child. This pity is a first-order affection. However, fear is also part of our first-order affections, since by rescuing the child we can drown ourselves. At this moment our second-order affections, which is the moral sense, comes into force. It disagrees with the fear of the first-order affection and corrects us and motivates us to rescue the child. Accordingly it is through moral reflection that man contributes to mankind as a whole.

Summing up: the teleological goal of man is to be virtuous, which is only possible through the moral sense. If a man acts virtuous it contributes to mankind as a whole. However, this does not mean that a virtuous man has to be wholly altruistic without regard of his own interest: “to be well affected towards the *Public Interest* and one’s own, is not only consistent, but inseparable” (Shaftesbury, 1968: 81)¹⁷ Or as Shaftesbury explains in the beginning of the second volume of the characteristics: “if by the natural Constitution of any rational Creature, the same Irregularities of Appetite which make him ill to *Others*, make him ill also to *Himself*; and if the same Regularity of Affections, which causes him to be good in *one* sense, causes him to be good also in *the other*; then is that Goodness by which he is thus useful to others, a real Good and Advantage to himself. And thus *Virtue* and *Interest* may be found at last to agree.” (Shaftesbury, 1968: 16).

¹⁶ This example is inspired by McGill (2006)

¹⁷ Cf. Characteristics II: 161, where Shaftesbury argues: “These affections [like love of life, praise and honour], as Self-interesting as they are, can often, we see, become contrary to our real Interest.”

Evaluation

The main arguments of Shaftesbury's moral philosophy are the following: 1) The purpose of man is virtue; 2) Man has a certain self-interest but is related to mankind as whole 3) The moral sense should regulate our behaviour and channel our passions towards care for both the public and for ourselves; 4) This care for the public and our self is the way of virtue and happiness. In terms of the categories of Meyers, the critique of Shaftesbury to Hobbes description of man, can best be placed in the psychological category, because he insisted that there are many other affections beside self-interest.¹⁸ A virtuous life in accordance with nature, is a life where the social and the egoistic passions should be balanced. This harmonious balance can be acquired by means of moral sense.

Shaftesbury was one of the most popular philosophers during his age. As a result his conception of self-interest as a relational category placed the 'interest problem' in the midst of philosophical discussions. "The problem was no longer buried in the repellent thought of Hobbes (...) it became the common property of many." (Meyers, 1983: 57). Due to the popularity of his ideas, Shaftesbury became an ideal target for the next philosopher in our research, Bernard Mandeville. By opposing his own theory against Shaftesbury, Mandeville positioned his own theory of men and his supposed sociality in the midst of social and philosophical discussion (Hundert, 1994).

¹⁸ Meyers places Shaftesbury only in the psychological category. However, in my opinion Shaftesbury has also some affinity with the arguments of the physical category: 1) almost everyone at the beginning of the 18th century knew and was influenced by Newton's theory. 2) There is a direct link from Newton to Locke the tutor of Shaftesbury. 3) Both Newton and Shaftesbury believe in design. Shaftesbury theory could gain credibility among his contemporaries by making it in agreement with the scientific findings of Newton.

4. Bernard Mandeville (1670-1733)

Bernard Mandeville is most famous for the subtitle of the *'Fable of the Bees'*, namely *'private vices, public benefits'*. An important interlocker for understanding Mandeville's subtitle is the definition of virtue Mandeville adopts in this satirical work. He defines virtue as: 'every Performance, by which Man, contrary to the impulse of Nature, should endeavour the Benefit of others, or the Conquest of his own Passions out of a Rational Ambition of being good' (I, 1924: 48-49).

Historical Background

The Augustine revival: virtue is 'contrary to the impulse of nature'

When Mandeville defines virtue as 'a performance contrary to nature' he refers to the definition of virtue known to every European in the 18th century. Although the Catholic church always taught that self-denial was necessary to be virtuous, the common belief was that God only has to cooperate with man. So a man of good will, helped by the grace of God can do good. The Reformation at the beginning of the 16th century radically broke with this line of thought. Men's will is wholly corrupt and so are his good works. True virtue can only be worked by the grace of God, which involves self-denial, because our fallen nature stands in rebellion with God. With this doctrine the Reformation returned to the teachings of the 'church father' Saint Augustine (354-430).

Another group who returned to the teachings of Saint Augustine, but remained in the Catholic church, were the Jansenists. A small religious group named after Cornelius Jansen, who defended the Augustinian notions of original sin and human depravity. The most famous Jansenist was the brilliant mathematician and philosopher Blaise Pascal. His posthumous published work *'Penseés'*, consists of several notes written with the intention to publish an apology of the christian faith. According to Pascal the best possible explanation of man's paradoxical nature is the fact of the Fall. Man can be an angel and a monster, however, the moment he tries to play the angel he becomes a monster. This paradox between man's greatness and wretchedness is a tragic consequence of the Fall which disrupted our union with God and made us self-interested in a wrong sense.

Pascal's description of man influenced many thinkers in France. One of them was La Rochefoucauld who declared that "our virtues are usually nothing but vices in disguise".¹⁹ Voltaire later on complained in the *Encyclopédie*: "Pascal himself, the great Pascal, meant to view as an imperfection this love of ourselves that God gave us (...) La Rochefoucauld's book, and Pascal's, which were in everybody's hands have gradually accustomed the French public to take the word self-love always in a bad sense. It is only recently that a small number of men have begun to dissociate it from the ideas of vice, pride, etc." (Voltaire, 1751-1772 [17 vols.])²⁰. As we shall see this dissociation of self-interest from vice is stimulated through the work of Mandeville.

The sceptical influence

Mandeville's description of man and society is furthermore based on a sceptic tradition known as pyrrhonism (Hundert, 1994). Exploration travels, the scientific revolution, the reformation, and the translation of the ancient and most influential sceptic work 'sextus empiricus' generated a feeling of scepticism among Europeans. Which religion is true? Is religion necessary for morality? Is man important when the earth is not the centre of the universe? Is reason capable of discovering the truth?

One of the most famous sceptics was Pierre Bayle. Bayle is famous for his *Dictionnaire historique et critique* [Historical and critical dictionary], in which he tried to show "the inadequacy of human reason to deal with questions about the nature of humanity, reality, religion, or history". (Popkin, 1999: 406). According to Popkin: "Bayle was the most important sceptic of the seventeenth century. His work provided what was latter called "the Arsenal of the Enlightenment." (...) in arguing that a society of atheists could be more moral than a society of Christians, Bayle played an important role in separating ethics and morality from religious beliefs." (Popkin, 1999: 407-408). The ideas of Bayle had a major influence on Mandeville.

The rational tradition, the practice of virtue should be done 'out of a rational ambition of being good'

With his 'cogito ergo sum' argument, Descartes (1596-1650) tried to dismantle the sceptical crisis. Even when I doubt, I can not doubt that I am thinking. Reason is the epistemological guarantee of reliable knowledge. This rationalist attitude permeates the whole of Descartes'

¹⁹ Quoted from Force (2003:

²⁰ Quoted from Force (2003: 88)

work. In his psychology, Descartes says that virtuous men “are naturally led to do great deeds, and at the same time not to undertake anything of which they do not feel themselves capable. And because they esteem nothing more highly than doing good to others and disregarding their own self-interest, they are always perfectly courteous, gracious and obliging to everyone. Moreover, they have complete command over their passions. In particular they have mastery over their desires, and over jealousy and envy,”.²¹ Although accepting reason in his definition of virtue, Mandeville ridicules the position of Descartes and other rationalists who think they can control their passions.

Biography

Bernard Mandeville was born in Rotterdam on November 15, 1670. He studied philosophy and obtained a medical degree at the university of Leiden. Although historians are not certain why he moved to England and established himself as a doctor in London, it is assumed that his involvement in a riot in Rotterdam caused the move (Dekker, 1992). During his stay in England, Mandeville published several satirical poems and other writings. The most famous is his satirical poem *‘The Grumbling Hive: or, Knaves Turned Honest’* (1705) , which was included in 1714 in *‘The Fable of the Bees: or, Private Vices, Public Benefit’*, an enlarged volume where Mandeville explains the poem by remarks and an accompanying essay.²² The breakthrough of the book was the, again enlarged, publication of 1723.²³ From now on Mandeville had to defend his principles against his critics, which he did in among others *‘The Fable of the Bees II’* (1728) and *‘A letter to Dion’* (1732). Mandeville died in 1733 at the age of 63.

Moral and Political Philosophy

The evolutionary development of man’s self-interest

In the ‘Search into the Nature of Society’, an accompanying essay of the 1723 edition of the *Fable of the Bees*, Mandeville’s satirizes the ideas of Shaftesbury: “The attentive reader (...) will soon perceive that two Systems cannot be more opposite than his Lordship’s

²¹ Quoted from Kenny (2008): 253

²² An Enquiry into the Origin of Moral Virtue’

²³ The volume contained enlarged remarks and another two essays were added: ‘An Essay on Charity and Charity-Schools’ and ‘A Search into the Nature of Society’. The latter is the argument against Shaftesbury.

[Shaftesbury] and mine. His notions I confess are generous and refined: They are a high Compliment to Human-kind (...) What Pity it is that they are not true.” (I, 1924: 324).

If we compare ‘both systems’ there is indeed a great difference, but this is not directly clear if we take Mandeville’s work at face value. In his work Mandeville’s pays lip-service to a Christian ethic, while positioning his own theory. When he contrasts himself with Shaftesbury he postulates that Shaftesbury definition of virtue lacks self denial, which is “a vast Inlet to Hypocrisy.” (I, 1924: 331). The main difference between Shaftesbury and Mandeville, however, is that where Shaftesbury believes that man from nature is sociable and can be virtuous through the moral sense, Mandeville believes that “what we call Evil in this world, Moral as well as Natural, is the grand Principle that makes us sociable Creatures” (I, 1924: 369). Shaftesbury description of man condemns vices as luxury,²⁴ which are in Mandeville’s opinion beneficial to society. For Mandeville self-interest is the medium which forms and unites society.

Although, Mandeville’s position is close to the one of Hobbes, he differs in some aspects from Hobbes anthropology. Mandeville also starts with a state of nature. However, his sceptical philosophy which devalues reason, precludes the reasonable solution of Hobbes social contract.²⁵ For Mandeville, man is “a compound of various passions, that (...) govern him by turns, whether he will or no.” Consequently, “it is impossible by Force alone to make him tractable, and receive the Improvements he is capable of.” (I, 1924: 39; 42).

According to Mandeville, modern society is a consequence of an evolutionary development of man’s self-interest. In the first stage of society, the “state of simplicity”, man comes together to defend themselves against animals. However, man who is full of ambition and pride “would do every thing he has in his mind to do, without regard to the Consequence it would be of to others” (II, 1924: 271). Accordingly, the second stage is to secure oneself of the threat of other men. The final stage is the invention of letters, which result in the establishment of laws, which secure property and safety. One of the features of society is the division of labour, a mechanism where everyone specialises in some profession. This specialisation is driven by self-interest, because man specialises in order to be rich. However, the outcome in material terms is beneficial to society.

In Mandeville’s eyes self-interested behaviour, through an evolutionary development, is the foundation of society. In this development, institutions like the government arise which secure property and safety through laws. Another aspect in this institutional development is

²⁴ Cf. Characteristics II: 140

²⁵ Cf. den Uyl (1987): 386-391

the invention of morality. Here, Mandeville's distinction between self-love and self-liking is important. Self-love comes close to the self-preservation of Hobbes, while self-liking is an instinct "by which every individual values itself above its own Worth." (II, 1924: 178)²⁶. Man from nature will not indulge his appetites when there is not some reward as compensation. When establishing society, skilful politicians, thoroughly acquainted with man's nature, knew that the best way to compensate the loss of appetite was by flattery. Every man wants others to like himself, so if man is flattered by others they are inclined to forgo the appetite. The mechanism of self-liking functions through the notions of honour and shame, because honour brings respect of other people and shame disrespect. In order to create public spiritedness the politicians instructed man that self-denial with regard to the public good brings honour and respect from other people. The 'moral' of this story is that morality is just an artificial invention of man based on his pride to like himself, or in Mandeville's words: "the nearer we search into human Nature, the more we shall be convinced, that the Moral Virtues are the Political Offspring which Flattery begot upon Pride." (Mandeville, 1924, I: 51).

With this explanation of morality, Mandeville ridicules Christians and rationalists, by arguing that morality is an artificial invention. Nonetheless, he still argues from their position and tries to show that what they call vices contributes to public welfare.

The grumbling Hive: 'Private vices, publick benefit'

After the Restoration in 1660 "England turned her attention to economic reconstruction" (Horne, 1978: 52). The increasing exports and imports from colonies brought economic prosperity. However, the commercial revolution also brought the problem of luxury. From a Christian perspective the pursuit of luxury was seen as vicious and from a conservative perspective the pursuit of luxury undermined the common good. With respect to the latter the Netherlands were seen as the example were "parsimonious people (...) had built a thriving economy by shunning luxuries and profiting from the prodigality of their neighbors" (Bick, 2008: 94). Mandeville, being a Dutchman, tried to debunk these ideas by his poem '*the grumbling Hive*' which gave rise to the *Fable of the Bees*. In the poem Mandeville describes a bee hive where

Millions endeavouring to supply

Each other's Lust and Vanity

Despite the vices the bee hive is very prosperous, because vice results in employment:

The Root of Evil, Avarice,

²⁶ Quoted by Verburg (1991): 110

That damned ill-natured baneful Vice,
Was Slave to Prodigality
That noble Sin; whilst Luxury
Employed a Million of the Poor
And odious Pride a Million more

But after a while the bees want to be rid of fraud and ask the gods for honesty. The god personified in 'Jove' grants the bees honesty, but the moment the bees become virtuous, disaster occurs. The jobs normally employed through vice are not necessary anymore. Many bees leave the hive and the hive becomes poor. The moral of the poem is clear:

Fools only strive
To make a Great and Honest Hive
T' enjoy the World's Conveniencies
Be famed in War, yet live in Ease
Without great Vices, is a vain
Eutopia seated in the Brain.
Fraud, Luxury and Pride must live,
While we the Benefits receive.

What Mandeville is trying to say to his contemporaries is that what they regard as vices, such as fraud, luxury, and pride, are necessary for a commercial society. He delivers his message under a christian-rational cloak which explains the subtitle 'private vices, public benefits'. The private sphere is judged by Mandeville's subverted Christian ethic (private vices), while the public sphere is judged by utilitarian criteria: what is beneficial to society is good (public benefit). For a well functioning commercial society, vices as fraud, luxury, and pride are necessary to employ 'millions'. Mandeville thus redirects the problem of self-interest to the economic sphere embedded in a political context. Through the interplay of self-interested behaviour and institutions, self-interest can contribute to the economy. This is nicely summarized by Morrow who concludes "The moving principle in the new era of material prosperity was self-assertion, not self-denial; and this implied an open break with the previous system of ethical standards. Mandeville, in his *Fable of the Bees*, set forth most strikingly this break with the ethics of the past involved in the new era of public prosperity based on individual initiative. Stripped of satire and affected paradox the central point of his contention was that if the material prosperity of England was the end desired, then the way to it was not the medieval paths of self-denial – which he perversely persisted in making the whole of virtue – but through the activity of self-interest, in its various forms of pride, vanity,

selfishness, luxury and the like. These ‘vices’ were responsible for all the comforts of life which modern industry had provided.” (Morrow, 1921:46)²⁷.

Evaluation

Hobbes believed that man is a self-interested creature who can only be corrected by the force of an all powerful government. For Shaftesbury this was not a solution because man is not only self-interested, because there are numerous passions which are at odds with self-interest. Through the functioning of the moral sense there is not necessarily a conflict between private and public interest. This optimistic view of man is not shared by Mandeville. It is not the moral sense which reconcile self-interest with public welfare, but self-interest itself makes us sociable creatures. Based on a speculative evolutionary history, Mandeville asserted that “social benefits are produced by the interplay between government and man’s self-motivated passions and interest within an evolving framework of social rules and institutions.” (Verburg, 2009: 8). To conclude: Mandeville does not assert that self-interest spontaneously transforms into public benefits. Institutions as the government, arisen from the evolutionary development of mankind, are needed to transform private interests into social benefits. Moreover, it is the government who should punish vices who turned into crimes.

The purpose of Mandeville’s work is to show to his contemporaries that what they call vices is in reality necessary and beneficial for a flourishing society. The critique of Mandeville to Hobbes can best be placed in Meyers category of the ‘division of labour’. Mandeville does not believe that self-interest is necessarily destructive without a government. In the evolutionary development of society, the division of labour is invented, a mechanism where everyone pursues his own interest while contributing to the welfare of society.

With the following comment of Buijs (2008) we turn to the next chapter: “The Fable caused a scandal, not because it was nonsense, but because it turned out so very hard to refute. Much of the intellectual energy of the 18th century philosophers, especially Scottish thinkers, was invested in saving the moral stature of social life in general (against Hobbes) and economic life in particular (against De Mandeville). Hutcheson, Hume and Smith faced the task of coming up with an anthropology and a ‘political economy’ that on the one hand no longer was explicitly Christian but that had to avoid the purely selfish creatures of De Mandeville. (...) As a response to this challenge, they embark on the momentous task of what I would call the ‘naturalization of goodness’.” (Buijs, 2008:9).

²⁷ Quoted from Verburg (1991: 122)

5. Francis Hutcheson (1694-1746) and David Hume (1711-1776)

Background

Influence of Newton's method of induction

Francis Hutcheson and David Hume have in common that they both opposed the idea of Mandeville that man is a purely selfish creature, whose vices such as pride, vanity, selfishness, luxury, etc. lead to the comforts of life. Especially David Hume has been influenced by Newton's method of induction, where careful observation of natural phenomena could lead by means of induction to generalised principles. His theory of gravitation was according to Newton not derived from a priori hypotheses,²⁸ but was just the best explanation of reality. Newton hinted that the method might also be applied to moral philosophy.²⁹ In his *Opticks* Newton declared: "if natural Philosophy and all its Parts, by pursuing this Method, shall at length be perfected, the bounds of Moral Philosophy will also be enlarged."³⁰ As we shall see in some respect Francis Hutcheson, but especially David Hume, took this comment seriously.

Hutcheson's hostility towards Mandeville

Francis Hutcheson disagreed wholeheartedly with Mandeville. According to Kaye "Mandeville was an obsession with Hutcheson. He could hardly write a book without devoting much of it to attacking the *Fable*. And the concepts which he was most aroused were (...) the egoism of man and the advantage to society of this egoism." (Kaye, 1924: cxli). The first attack was launched in three letters to the *Dublin Journal*.³¹ According to Hutcheson man has some necessary desires, like hunger, thirst, and freedom from bodily pain, which have to be fulfilled before they can be happy. However, "The World is so well provided for the support of Mankind, that scarce any Person in good Health need be strained in bare Necessaries". (Stafford, 1997: 390) Since man is capable of many desires, there are also desires which go beyond the necessities of life. Universal gratification of these desires is impossible and universal suppressing is a vain attempt. The real option is regulation of our

²⁸ This is also clear from his famous slogan: 'Hypotheses non fingo', I frame no hypotheses. Newton's method to find out how things worked and why they were as they were contrasted with the existing views of Descartes and Aristotle, who tried to find the substance of things and answer the why question.

²⁹ Reality seems sometimes more harsh. In one of the greatest financial catastrophes in British history, Newton lost 20,000 pounds, which made him remark: "I can calculate the motions of the heavenly bodies, but not the madness of people" (Reed, 1999: 6)

³⁰ Quoted from Montes (2006): 106

³¹ Quotations refer to the 'contemporary reception of Bernard Mandeville' (Stafford ed.), in which the letters are included in chapter 8 "*Francis Hutcheson: Letters to the Dublin Journal*": 389-407.

desires by forming correct opinions of their real value and ‘their real Moment to our Happiness’. Although these desires beyond the necessities of life are not necessary they can increase our enjoyment of life and his pleasures. Hutcheson critiques Mandeville: “Now if any own that the Increase of Trade promotes the present Happiness of human Life in the whole, and yet maintain that it is vicious; the Debate will turn upon the idea of Vice.” Even the heathen moralist agreed “that Virtue consists in Love, Gratitude and Submission to the Deity, and in kind Affections towards our Fellows, and study of their greatest good.” (Stafford, 1997: 394) .

Hume’s objections to Mandeville

David Hume was another critical opponent of Mandeville. He argues against the selfish hypothesis of Hobbes and Mandeville and contains against the latter: “Is it not very inconsistent for an author to assert in one page, that moral distinctions are inventions of politicians for public interest; and in the next page maintain that vice is advantageous to the public? And indeed it seems, upon any system of morality, little less than a contradiction in terms, to talk of a vice which is general beneficial to society.” (Stafford, 1997: 625). However, what we shall see is that what Mandeville calls vices turn into virtues by Hume. In his moral and political philosophy Hume came close to Mandeville with respect to the institutional development of society based on self-interest.

Biography of Francis Hutcheson and David Hume

Francis Hutcheson

The father of the Scottish Enlightenment, Francis Hutcheson was born in Ireland, in a place called Drumalig. He studied at the university of Glasgow and obtained a license of Divine minister, which enabled him to preach within the Presbyterian church of Scotland. Due to his liberal theological opinions he decided to return to Ireland and opened a private academy where he taught for 10 years. During these years he wrote and published his works for which he earned his reputation. In 1725 he defended the principles of Shaftesbury, against ‘the author of the Fable of the Bees’. He explained his moral philosophy in the *Inquiry concerning Moral Good and Evil*. In 1726 he collected a philosophical tract against Hobbes with some letters written to the Dublin Journal against Mandeville in a book called *Reflections upon Laughter and Remarks on the Fable of the Bees* (1726). As a result from a letter correspondence with Gilbert Burnet, he published in 1728 *An Essay on the Nature and*

Conduct of the Passions and Affections and Illustrations upon the Moral Sense. In 1729 he was elected as professor of Moral Philosophy at the university of Glasgow. Hutcheson died in 1746.

David Hume

David Hume (1711-1776) was born in 1711. He studied literature and philosophy at the university of Edinburgh. After he graduated he had a short career as a merchant, but he found “an insurmountable Aversion to anything but the pursuits of Philosophy and General Learning” (Kenny, 2008: 80). His pursuit also bore fruit in the publication of *Treatise of Human Nature* written during a stay in France from 1734-1737. It did not receive a warm reception, and reflecting later on the publication Hume wrote that “it felt dead-born from the press”. Hume, like Kierkegaard, was a philosopher who would achieve fame after his death. Nowadays he is regarded as one of the most influential philosophers in the history of western philosophy, not in the least because he would awake Immanuel Kant (1724-1804) from his ‘dogmatic slumbers’.

Hutcheson’s Moral Sense Theory

Defining virtue as ‘kind affections towards our fellows’ and asserting that ‘trade promotes the present happiness of human life in the whole’, Hutcheson concludes that trade can be virtuous. Hutcheson bases the virtuousness of trade upon the ethical criterion which he formulated in the *‘Enquiry concerning Moral Good and Evil’*: “that action is best, which procures the *greatest happiness* for the *greatest numbers*.” (Raphael, 1969: 284). This criterion is based on the moral sense theory which he borrowed from Shaftesbury. Hutcheson takes the moral sense literally and argues that it is a real sense, just as our eyes and ears, with the only difference that it is mental and not physical. Hutcheson describes the moral sense as “a determination of our minds to receive the simple ideas of approbation or condemnation, from actions observed, antecedent to any opinions of advantage or loss to redound to ourselves from them;” (Raphael, 1969: 269). What he tried to say is that we approve someone who acted virtuous and disapprove someone who acted vicious. The second part of the sentence, where Hutcheson states that approbation or condemnation are antecedent to ‘any opinions of advantage’, means that the moral sense judges an action apart from one’s own interest (Hutcheson calls this ‘disinterestedness’).

Where in the case of Mandeville morality is founded and practiced on the basis of self-interest, Hutcheson argues that we first judge the action through the moral sense and afterwards interested considerations take place. The interested considerations are the feelings of pleasure and pain based on the judgment of the moral sense.³² While we disinterestedly approve a virtuous action of others or ourselves, pleasure derives from this approbation: “So that while we are only intending the good of others, we undesignedly promote our own greatest private good.” Consequently in deciding which action to choose, man has to evaluate the consequences of his action by means of the utilitarian criteria: “*that action is best, which procures the greatest happiness for the greatest numbers.*” A little illustration will hopefully make things more clear: imagine a girl helping an older woman to cross the street. Our moral sense perceives this action and, apart of our own interest, will approve it. As a consequence of the approbation we feel pleasure that the girl helps the older woman. To conclude: we approve first, independent of our own interest, and receive pleasure afterwards.

The disagreement between Mandeville and Hutcheson becomes also apparent when it comes to the appreciation of luxury. Where Mandeville defines this as a vice Hutcheson redefines it with one’s social station in life: “There is no sort of Food, Architecture, Dress, Furniture, the Use of which can be called Evil of it self. Intemperance and Luxury are plainly Terms Relative to the Bodily Constitution and Wealth of the Person.” (Stafford 1997: 396). The evil of luxury is “using more Curious and Expensive Habitation, Dress, Table, Equipage, than the Person’s Wealth will bear, so as to discharge his duty to his family, his friends, his country, or the indigent” (Stafford 1997: 395)

Due to his moral sense theory, where the happiness of others and oneself are the goal of virtue,³³ Hutcheson could say that only ‘a small part of our consumptions are owing to vices’. Goldsmith concludes: “All actions beneficial to oneself to others, or to society became lawful; those which were benevolent were virtuous. So Hutcheson could approve apparently self-interested industry as well as the institutions of property, money-lending, and the division of labor while preferring actions aimed at the public good and institutions consciously aimed at communal virtue” (Goldsmith, 1988: 600)

³² Here, Hutcheson generalises Locke’s pleasure-pain experience towards the moral sense (Turco, 2003). John Locke (1632-1704) stated that many of our observations are accompanied by pleasure and pain and that this is related to good and evil. “Pleasure in us, is that we call good, and what is apt to produce pain in us, we call evil” (McMahon, 2004: 14).

³³ It should be noted that Hutcheson restricts the pursuit of one’s own happiness to the extent we commit ourselves to the Deity and others. Benevolence plays a crucial role in his moral philosophy.

Hume's Moral and Political Philosophy

Treatise of Human Nature

Hume's political Philosophy is partly included in his *Treatise of Human Nature*, divided in three volumes, respectively 'Of the Understanding' and 'Of the Passion' published in 1739, and 'Of Morals', published in 1740. "The aim of the work was stated in the subtitle of the first edition, *An Attempt to introduce the experimental method of reasoning into Moral Subjects*, Hume saw himself doing for psychology what Newton had done for physics, by applying the experimental method to moral subjects. He set out to provide an account of the relationships between ideas which would be a counterpart of the gravitational attraction between bodies." (Kenny, 2008: 81).

As a consequence of his experimental method Hume had to explain Mandeville's observations, because they were either wrongly observed or wrongly interpreted. For Hume it was a combination of both. As we observe the world and see the tenderness man shows for his offspring, we cannot reduce everything to self-interest. The hypothesis that man besides self-love has some disinterested benevolence is a much better explanation. Consequently, "for Hume the condition of humankind in the absence of organized society (...) is a hypothetical condition in which we would care for our friends and cooperate with them, but in which self-interest and preference for friends over strangers would make any wider cooperation impossible." (Cohon, 2004:3).

The need for creating social rules and conventions

According to Hume, the principle which makes society possible is the 'artificial' virtue of justice,³⁴ which can be best explained as a process of creating social rules on convention. Man in his 'wild uncultivated state' is endowed with 'numberless wants and necessities', which can be better gratified in society. The problem, however, is that the selfishness and confined generosity of man makes him only willing to contribute to the close circle of family and friends. Outside these circles, conventions are required in order to provide cooperation. Hume distinguishes three of them:

1. Property rights. In the uncultivated state, property can be taken from each other, which hinders the way to the 'infinite advantages' of society. Through experience, an awareness between man arises which recognises

³⁴ Without going in too much detail Hume makes a distinction between natural and artificial virtue. According to Hume natural virtues as greatness of mind, goodness and prudence can be found without society. Artificial virtues are necessary for cooperation outside the family circle. (Cohon, 2004).

that it is in their mutual advantage to establish a convention which guarantees the ‘stability of possessions’.

2. Transference by consent. To make trade possible men has to agree on the terms of trade in order to make the transfer mutually advantageous.
3. Obligation of promises. In order to overcome the selfishness of man, promises should be made on which one can held each other accountable.

This whole institutional process is based on “the selfishness and confined generosity of man, along with the scanty provision nature had made for his wants”,³⁵ but enables man to profit from the ‘infinite advantages’ of society.

*The uniting function of industry, commerce and arts*³⁶

According to Hume, the establishment of conventions can be done without active guidance of the government. However, as man is ‘subject to weakness’ and may act against the conventions, the government is necessary to punish man. While the government plays a minor role in Hume’s political thought, social cohesion plays a major part. “According to Hume, in order to shape a civilised society, it was not sufficient for people just to uphold property, markets, and money. Something else was required.” (Wennerlint, 2006: 50). This ‘something else’ was the uniting function of industry, commerce, and arts. In them Hume saw the possibility to transform self-interest towards public welfare in correspondence with a more civilised society. Hume believed that when man accustoms himself to a life of industry it will prevent revolution and allows for social order. Hume gives the example of labour which functions as ‘wealth producer and mechanism for social control’. Labour is a mechanism for social control because during his work man has no time for idleness and rebellion, since he works under authority.

One of the social benefits of commerce is that it provides for a shared cultural experience. Hume optimistically believed that if man encounters more sophisticated behaviour on their commercial travels, they would imitate it. That would prevent “abstract ideas, such as religion and politics, from triggering hostility and ultimately from igniting armed conflict.” (Wennerlind, 2006: 52). Commerce even avoids war. Where formerly the desire of a nation to become great and powerful was expressed through war, nowadays the desire of greatness could be channelled through commerce. In case war is at hand, the nation becomes more tight because the people’s ‘own prosperity and liberty will be at stake’.

³⁵ (Raphael, 1969: 38),

³⁶ For this section I am indebted to Carl Wennerlind (2006), ‘David Hume as a *political economist*’.

The last civilizing force Hume distinguishes is the improvement of the arts.³⁷ Besides wealth enhancing effects, arts contributes in a positive way to society because it “will banish ignorance, improve people’s capacity for reason and makes them more sociable.” (ibid. : 54).

Evaluation

In terms of the categories of Meyers, the critique of Hutcheson and Hume to the ideas of Hobbes and Mandeville fall in the psychological category. They disagree with Hobbes and Mandeville that man is purely self-interested and come up with a different explanation with regard to man’s behaviour.

Hutcheson’s attempt to discard the Hobbes-Mandeville position is based on his moral sense theory. The moral sense approves actions which promote our own good when these actions make ourselves ‘more capable of serving God, or doing good to mankind’. However, Hutcheson did not believe that self-interest spontaneously harmonizes with public welfare. The moral sense should correct viciousness and encourage virtuousness. With respect to the latter, the ethical criterion of ‘the greatest happiness for the greatest number’ approves certain commerce.

According to Hume, man is self-interested but does have some confined generosity which makes cooperation with family and friends possible but hinders cooperation with the outer circle. Man endowed with numerous desires realises that society provides an opportunity to enlarge the gratification of his desires. Through this awareness certain conventions are founded which enable the establishment of a commercial society. Again, there is no spontaneous harmonisation of self-interest with public welfare by Hume. An institutional development of conventions in correspondence with social cohesion is necessary to let the fabric of society work. With respect to the social cohesion, Hume sees an important role for industry, commerce and arts, which instruct man in authority, avoid war and banish ignorance.

Being taught by Hutcheson and befriended with Hume, Smith was familiar with the solutions which Hutcheson and Hume provided between the relation of self-interest and public welfare. In the next chapter we thus finally turn to the ‘father of modern economics’, in order to see his own theory about self-interest and public welfare.

³⁷ With the arts Hume meant “a broad category that included knowledge, inventiveness, skill, technique, and technology.” (Wennerlind, 2006: 53).

6. Adam Smith (1723-1790)³⁸

Historical Background

The position of Hume that commerce could be beneficial to society was widely held by many during his days and is identified by Hirschman (1977) as the *Doux commerce* thesis. This thesis was based on the countervailing passion principle: a passion can only be overcome by another passion. Self-interested commerce was an ‘innocent’ passion that could overcome a violent passion as, for example, anger. However, up to Adam Smith the emphasis was on the political consequences of the pursuit of self-interest. It was thought that the sovereign and the citizens were interdependent on each other through commerce. According to Hirschman this emphasis on the political aspects of commerce ended with Adam Smith: “The main impact of *The Wealth of Nations* was to establish a powerful *economic* justification for the untrammelled pursuit of individual self-interest, whereas in the earlier literature (...) the stress was on the *political* effects of this pursuit.” (Hirschman, 1977: 100).

Biography

Adam Smith was born in 1723, the year of the enlarged publication of Mandeville’s *Fable*. As a fourteen year old student, he applied at the university of Glasgow, where he became educated by Francis Hutcheson. After three years, Smith received a scholarship at the university of Oxford. In 1751, after his university studies, Smith became professor of logic at the University of Glasgow. A year later he moved to the chair of his former teacher, Francis Hutcheson, and became professor of Moral Philosophy. In 1759, based on his college tracts, Smith published ‘*The Theory of Moral Sentiments*’ (henceforth TMS). The work for which he is best known today, ‘*the Wealth of Nations*’ (henceforth WN), was published in 1776, the year in which his best friend Hume died. Smith died fourteen years later in 1790.

Moral Philosophy and Economic Theory

Smith’s metaphysical view

As is the case for Hume, Smith was influenced by Newton’s method of induction.³⁹ In the ‘*Essays on Philosophical Subjects*’ Smith declares that Newton: “made the most happy, and,

³⁸ For this chapter I particularly profited from Force (2003), Horne (1981), Hurtado Prieto (2004), Macfie (1961), McCloskey (2008), Rosenberg (1960) and Verburg (1991).

as we may now say, the greatest and most admirable improvement that was ever made in philosophy.”⁴⁰ Smith follows Newton in his empiricist method of induction. Through observation and induction we discover principles from which we can explain other phenomena.

Smith was a Deist (Goudzwaard, 1978), who talks about God as “that divine Being, whose benevolence and wisdom have, from all eternity, contrived and conducted the immense machine of the universe” (Smith, 1982: 236). The Deist believed that after the creation of the world and the establishment of the natural laws, God did not intervene in earthly affairs. Smith’s Deism and Newtonian influence could be perfectly combined with Stoicism.⁴¹ As God regulated the world with natural laws and allotted the business of man’s affairs to himself, every man is then “as the Stoics used to say, (...) first and principally recommended to his own care.” This is a good thing because “every man is certainly, in every respect, fitter and able to take care of himself than of any other person. Every man feels his own pleasures and his own pains more sensibly than those of other people.” (Smith, 1982: 219).⁴²

Smith’s Moral Philosophy

Although, for Smith, man is first recommended to his own care it does not mean that man is not a social creature. He starts the TMS with the following quote: “How selfish soever man may be supposed, there are evidently some principles in his nature, which interests 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. Of this kind is pity or compassion, the emotion which we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner.” (Smith, 1982: 9)

Pity and compassion are words which denote our fellow feeling with others. We place ourselves in the situation of others and think what we should feel if we were in their situation. Smith extend this sympathetic identification with others to the whole of his moral philosophy. We place ourselves in the one who performed the act and feel sympathy if we approve the motive. In evaluating our own behaviour Smith faces two problems: first, how can we judge our own behaviour if we can only judge from an outsider perspective? and secondly, what are

³⁹ Cf. Montes (2006): 102-116

⁴⁰ Montes (2008): 569

⁴¹ Cf. Clarke (2000): “Adam Smith, Stoicism and religion in the 18th century”.

⁴² Cf. Smiths explanation about the Stoics “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 VII.ii.I.15, page 272).

the moral criteria to judge our own behaviour? Limited by his empiricism, Smith cannot fall back on some innate morality given by man's birth. The solution to these problems is the concept of the impartial spectator. According to Smith "Nature when she formed man for society, endowed him with an original desire to please, and an original aversion to offend his brethren. (...) She rendered their approbation most flattering and most agreeable to him for its own sake; and their disapprobation most mortifying and most offensive" (Smith, 1982: 116). Man wants to please others and through experience he learns what is approved and what is disapproved. Out of this experience an 'objective' and impartial spectator is created which can judge behaviour from a perspective of approbation or disapprobation.

This need for approbation of others is the source of what Smith calls 'the desire to better our condition': "From whence, then, arises that emulation which runs through all the different ranks of men, and what are the advantages which we propose by that great purpose of human life which we call bettering our condition? To be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation, are all the advantages which we can propose to derive from it. It is the vanity, not the ease, of pleasure, which interests us." (Smith, 1982: 50). According to Smith, the general bulk of mankind is driven by love of praise: "the desire of obtaining the favourable sentiments of our brethren." (Smith, 1982: 126). One of the ways to obtain the favourable sentiments of our brethren is through commerce, because if one becomes rich, his fellow man will admire him, since there is a natural disposition in man to admire and imitate the rich.

Smith's economic theory

The fundamental cornerstone of Smith's economic theory is the division of labour. He illustrates this mechanism with the famous example of a pin-maker. A pin-maker on its own would probably make one pin, but with the division of labour, specialization occurs which generate more output. The principle which gives occasion to the division of labour is the desire for sympathy,⁴³ which is normally based on vanity.⁴⁴ Despite the fact that it is vicious,

⁴³ For this finding I am indebted to Force (2003), who skilfully combines the position of the WN with the '*Lectures on Jurisprudence*' (henceforth LJ) and TMS. In the WN Smith asserts that the origin of the division of labour seems to lie in "the propensity to truck, barter, and exchange one thing for another." (Smith, 1981: 25), which is based on the faculties of reason and speech. In the LJ, however Smith asserts that the foundation of the division of labour is the "principle to persuade which so much prevails in human nature." (Force:2003: 129). Force sees in the TMS an interlocker in order to understand the principle which gives occasion to the division of labour: "The desire of being believed, the desire of persuading, of leading and directing other people, seems to be one of the strongest of all our natural desires. It is, perhaps, the instinct upon which is founded the faculty of speech, the characteristic faculty of human nature." (Smith, 1982: 336). Combining these quotations together we can say that for Smith we persuade others in commercial transactions in order to obtain their sympathy. An persuasion strategy is appealing on the self-love of the one involved in the transaction: "man has almost constant

vanity can grow into true virtue: “Regard to our own private happiness and interest appear (...) upon many occasions very laudable principles of action. The habits of economy, industry, discretion, attention and application of thought are generally supposed to be cultivated from self-interested motives, and at the same time are apprehended to be very praiseworthy qualities which deserve the esteem and approbation of everybody.” (Smith, 1982: 304).⁴⁵

Seen from a more abstract point of view, vanity can even contribute to the public good. The rich who are only occupied with their own ‘vain and insatiable desires’ employ thousands and ‘divide with the poor the produce of all their improvement’, in this “they 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 the society, and afford means to the multiplication of the species.” (Smith, 1982: 184-185).⁴⁶

The invisible hand, combined with the desire to better our condition renders government intervention to a certain extent obsolete: “The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so

occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. *He will be more likely to prevail if he can interest their self-love in his favour*, and shew them that it is for their own advantage to do for him what he requires of them.” (Smith, 1981: 26, italics mine)

⁴⁴ According to Smith vanity is very close to true virtue but is an attempt to prematurely usurp the deserved glory before it is due: “The desire of the esteem and admiration of other people, when for qualities and talents which are the natural and proper objects of esteem and admiration, is the real love of true glory; a passion, which, if not the very best passion of human nature, is certainly one of the best. Vanity is very frequently no more than an attempt prematurely to usurp that glory before it is due.” (Smith, 1982: 259).

⁴⁵ The solution to the so-called Adam Smith problem lies in my opinion here. The Adam Smith problem is known in economic literature as a perceived problem between TMS and WN. According to this hypothesis if we compare the TMS with the WN Smith uses different principles for explaining human behaviour. In the first book he would use sympathy and in the second book selfishness. This reading of Smith is incorrect, because first of all sympathy is not altruism, but the mechanism of moral judgement. Secondly, for Smith there are two ways in order ‘to be taken notice of with sympathy’: “one, by the study of wisdom and the practice of virtue; the other, by the acquisition of wealth and greatness.” (Smith, 1982: 62). The love of virtue, is the love of well grounded fame and reputation, which deserves praiseworthiness. One is praiseworthy if seen from the eyes of the impartial spectator that one “desires virtue for its own sake, and is most indifferent about what actually are the opinions of mankind with regard to him.” (Smith, 1982: 310-311). The pursuit of virtue does not exclude commerce, since “in the steadiness of his industry and frugality (...) the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator. (Smith, 1982: 215). However, must man do not follow the way of virtue, but follow vanity and try to obtain the sympathy of others through commerce and ‘usurp (...) glory before it is due’. To sum up for Smith most people are driven by vanity to obtain the sympathy of their fellow man. The right way is the way of virtue which he describes in the TMS. Virtue, however, does not exclude commerce. In conclusion I would say that there is no real contradiction between the principles used in the TMS and the WN and that for Smith they are supplementary to each other.

⁴⁶ This principle also works in the economic sphere: “Every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it (...) he intends only his own gain, and he is (...) led by an invisible hand to promote an end which was no part of his intention. (...) By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.” (Smith, 1981: 456)

powerful a principle, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often incumbers its operations.” (Smith, 1981: 540) The role left for the government is threefold: first, it should provide defence from foreign attacks, second it should provide justice by administering just laws and third it should provide public works and institutions.

However, Smith does not believe that the Wealth of Nations comes about only through the desire to better our condition and the invisible hand. It was the contribution of Nathan Rosenberg (1960) to show that Smith was also concerned with a proper institutional context to harmonise self-interest with public welfare. According to Rosenberg: “the ideal institutional order for Smith is one which places the individual under just the proper amount of psychic tension. The individual applies himself with maximum industry and efficiency when the reward for effort is neither too low (slaves, apprentices) nor too great (monopolists, large landowners).” (Rosenberg, 1960: 559). Talking about the ‘institutions for the education of the youth’, Smith gives the example of a scholar being dependent for his salary on his students. Under the condition of competition, this scholar would exert more effort in order to stay at his job. The whole purpose of the institutional context is to provide incentives to change man’s behaviour so that he contributes more efficient to the public welfare of society. This is why Smith has so little confidence in that ‘crafty animal, vulgarly called a politician’: “with the proper institutional mechanisms, the self-interested actions of *individuals* can be harnessed toward the public good. However, it is very difficult to imagine a similar scheme for kings or legislators”⁴⁷ because they have the power to enrich themselves at the costs of society.

Evaluation

The economic answer of Smith to the Hobbes problem can be summarized as follows: Man from nature desires to be observed through others, which is the purpose of the desire to better our condition. According to Smith man has a natural disposition to admire and imitate the rich. One of the ways to be observed through others is the way of commerce which works on the division of labour. We specializes in a certain profession and persuades others to exchange with us. Although commerce is often not virtuous, the invisible hand regulates the vices into public welfare. This does not mean that Smith believes that self-interest spontaneously

⁴⁷ (Force, 2003: 240)

harmonizes with public interest. The desire to better our condition and the invisible hand argument are a frame that only work in an institutional context. The government should provide for defence, a law system and public works in order to enable commerce. Moreover, proper institutional arrangements are necessary to transform and correct self-interest in a better way into the Wealth of Nations.

7. Evaluation

This thesis investigated the historical development from Thomas Hobbes (1588-1679) to Adam Smith (1723-1790) with respect to the relation of self-interest with society. This last section is an attempt to answer the questions posed in the introduction. I will relate the answers to the present day credit crisis, followed by an evaluation of the ideas of the various philosophers from a Christian viewpoint.

Development of the idea that self-interested behaviour is beneficial to society

This section focuses on answering the first research question: *“How did in the 17th and 18th century the idea arise that self-interested behaviour can bring a positive contribution to society?”*.

Until the sixteenth century self-interest was seen as a vice through the eyes of the mainstream philosophical and religious traditions in Western history. Alternatives to these traditions were presented during the 17th and 18th century, influenced by the ideas of Thomas Hobbes. Hobbes described man as a rational animal who pursues his own interest. Man self-interested behaviour leads to conflict with one another. The solution for Hobbes is a powerful sovereign, who by the given power can maintain peace and security. Although criticized and adapted in various ways, the central idea of Hobbes that self-interest, corrected by institutes such as the government, is beneficial for society gained more and more acceptance in the 17th and 18th century due to various philosophers.

The critique of Shaftesbury to Hobbes' description of man is that he saw self interest as only one of the different passions which motivate man. There are many other affections and social passions which are at odds with self-interest. Shaftesbury's description of man is thus more optimistic than Hobbes. By nature, man is social and the moral sense should regulate his behaviour in such a way that the social and the egoistic passions are balanced. The combined care for our self and for others is the way of virtue and happiness. Through the functioning of the moral sense there is not necessarily a conflict between private and public interest.

The influential sceptic Mandeville both satirized the optimistic view of man by Shaftesbury as well as the Christian view of seeing an inordinate concern with one's own interest as a vice. According to Mandeville, it is not the moral sense which reconciles self-

interest with public welfare, but self-interest itself makes us sociable creatures and forms society. Through self-love men unite with each other and because of self-liking they commit themselves to the public good. Modern society is a consequence of an evolutionary development of man's self-interest, resulting in the establishment of laws which secure property and safety. Based on his 'utilitarian' view point, he can say that traditional vices as luxury are in fact good because they are beneficial to public welfare.

Hutcheson and Hume critiqued Hobbes' and Mandeville's position that every action is done from self-interest. Hutcheson's own view on mankind is relatively close to Shaftesbury. According to Hutcheson, man has a moral sense by which we can judge our fellow man and ourselves whether we acted virtuous or not. Assisted by the ethical criterion that that action is best which procures the greatest happiness for the greatest numbers, the moral sense can approve of self-interested behaviour with regard to the Deity or fellow man. Trade done with the happiness of others in view is not vicious. The critique of Hume on Mandeville is that we cannot reduce everything to self-interest. According to him man has besides self-love some confined generosity, specifically to his offspring. This confined generosity makes cooperation with family and friends possible but hinders cooperation with the outer circle. Man endowed with numberless desires realises that society provides an opportunity to enlarge the gratification of his desires. In order to enable a commercial society certain conventions are founded. This self-interested institutional development is not vicious as by Mandeville, but is based on the artificial virtue of justice.

For Adam Smith, the father of modern economics it is clear that every man is more able to take care of himself than any other person. In man there is a psychological drive to better his condition, which is based on his desire that others approve him. Combined with another psychological disposition, namely to admire and imitate the rich, the desire to better our condition leads to commerce. As every man is more able to take care of himself than others, the government should only provide an institutional framework in order to enable commerce.

Conditions under which self-interested behaviour is beneficial to society

This section focuses on an evaluation of the second question: *"To what extent were 17th and 18th century philosophers naïve in believing that self-interest harmonises spontaneously with public welfare?"*

The above given overview already hinted that the philosophers discussed in this thesis did not believe in a spontaneous harmonization of self-interest with public welfare. According to Hobbes, self-interest is a problem in the ‘state of nature’, because without a government there are no laws and without laws everyone can do what is good in his own eyes. It is the function of the government to correct the self-interest of man and enable society.

Mandeville is close to Hobbes’ position with his reductionism of the psychology of man to self-interest. However, for Mandeville there is no necessity of an all powerful government to enable society. Mandeville believes that self-love and self-liking work in an interplay with institutions and social rules. The government is necessary to correct vices who turn into crimes.

Although Hume critiques Mandeville’s reductionism, his moral and political philosophy came close to Mandeville. He also believes in an evolutionary institutional development of society based on self-interest. To enable commerce, conventions as property rights and terms of trade are necessary. Furthermore, Hume sees a need for social cohesion. Through Industry, commerce and arts more social cohesion is created which better transforms self-interest into public welfare.

Also the so called ‘champion of free-market economics’, Adam Smith, sees a need for institutions. Although, every man is more able to take care of himself than of any other person, a certain institutional framework is necessary to channel self-interest more optimal towards public welfare.

Lessons of 17th and 18th century philosophers for economic life

In this section I will attempt to answer the final question: “*What lessons can we learn from the 17th and 18th century philosophers?*”. First, the need for institutions is evaluated, followed by the impact of the absence of such institutions on the present credit crises and finally, a concise attempt is made to confront the idea of needed institutions with a personal Christian viewpoint on society.

The self-interest of men implies the need for institutions

We saw in this thesis that Hobbes, Mandeville, Hume and Smith stress the need of institutions to regulate the self-interest of man. Especially the need for institutions in Smith’s work surprises because it is widely held that with Smith the triumph of free-market capitalism began. Returning to the present credit crisis, I would say that we can learn from the

philosophers who argued that self-interest does not spontaneously harmonize with public welfare. Only under certain conditions can self-interest transform into public welfare. It is a weakness in modern economic thought that the free market will transform self-interest into public welfare. Before the eyes of the whole world Alan Greenspan, former chairman of the Federal Reserve (FED), was questioned by a commission of the house of representatives during the height days of the credit crisis. Greenspan was asked whether his ideology of free market capitalism was flawed. Greenspan admitted that there was “*a flaw in the model in which I perceived was the critical functioning structure which defines how the world works.*”⁴⁸ In these days where the question ‘where to go from now?’ is asked, it would be wise to remember the lessons of earlier philosophers and learn that an institutional framework is necessary to transform self-interest into public welfare.

A Christian viewpoint on the relation between self-interest and public welfare

From a Christian perspective, the institutional solutions of Mandeville, Hume and Smith to correct men’s selfishness are only partly correct. Although institutions, such as the government may help to correct the self-interest of man, it does not solve his inward egoism. This is clear from the only moral problems left in neo-classical economics, namely the free-rider problem⁴⁹ and the moral hazard problem.⁵⁰ The neo-classical solution is to give the right incentives to people so that they do not choose for free-riding or moral hazard. However, as we saw with the credit crisis, the moment man sees an opportunity to enrich himself, he is tempted to take it, since a set of incentives do not cure his inward egoism. ‘

From a christian viewpoint more than different incentives is required. The destructive aspects of inordinate self-interest is a result of the Fall. Created after the image of the Triune God, mankind finds fulfilment through relationships with God and his fellow man. However, through the fall sin entered the world and made man self-interested in an inordinate, sinful sense. The sinfulness of mankind implies that there is a need for institutions, such as the government, to restrain man from evil. Notwithstanding the necessity of institutions, God’s solution to man’s egoism goes further. The relational God who created the world and redeemed the world through the cross and resurrection of Jesus Christ, calls men to repentance, because only in loving relationships with God, his fellow man and his

⁴⁸ Quoted from Youtube: <http://www.youtube.com/watch?v=BvjA-S4sp-w>

⁴⁹ Illustration: the free-rider problem can arise in a group situation. If all members are working, one can do nothing, free-ride, and lift on the team achievement.

⁵⁰ Illustration: someone hires a car and is totally insured against all costs he might make during his hiring period. The moral hazard problem then is that people drive less securely then when they were themselves exposed to the risk of reparation costs.

environment, mankind flourishes. As a consequence a Christian viewpoint on the relation between self-interest and public welfare is that love for God and others is required in order to let society flourish. The modern neo-classical solution of providing different incentives is inadequate, as is the solution to restrict free-riding behaviour through laws, because “according to some modern choice theory, rules increase rather than control asocial behaviour.” (Horne, 1981: 558). In the end self-interest is not the cement for a well-functioning society, because the contribution of people to the public good stops the moment when it is not in their own interest. Love that goes beyond the calculations of self-interest is necessary to unite society.

References

- Bick, Alexander. 2008. Bernard Mandeville and the 'economy' of the Dutch. *Erasmus Journal for Philosophy and Economics*, 1 (1): 87-106.
- Buijs, Govert. 2008. "Civil society and the sovereignty of the economic sphere: some preliminary reflections." Delivered at Princeton University Conference 'Civil Society and Sphere Sovereignty'. New Jersey, 17th – 19th April 2008.
- Brink, van den, G. 2002 [2000]. *Oriëntatie in de filosofie*. Zoetermeer: Boekencentrum.
- Clarke, P.H. 2000. Adam Smith, Stoicism and religion in the 18th century. *History of the Human Sciences*, 13 (4): 49-72.
- Cohon, Rachel. 2004. Hume's moral philosophy,
<http://plato.stanford.edu/entries/hume-moral/>, (last visited at 12-08-2009).
- Dekker, Rudolf. 1992. 'Private vices, public virtues revisited': the Dutch background of Bernard Mandeville. *History of European Ideas*, 14 (4): 481-498.
- Force, Pierre. 2003. *Self-interest before Adam Smith, A Genealogy of Economic Science*. Cambridge: Cambridge University Press.
- Francis, Hutcheson. 1997 [1726]. Letters to the Dublin Journal in Stafford, Martin (ed). *Private vices, publick benefits? The Contemporary Reception of Bernard Mandeville*. Solihull, West Midlands: Ismeron.
- Frank, Robert H. 2006 sixth edition [1991]. *Microeconomics and behaviour*. New York: McGrawHill/Irwin
- Fraser, George S. 1978. *Alexander Pope*. London, Henley, and Boston: Routledge.
- Fukayama, Francis. 1989. The end of History?, *The National Interest*, Summer 1989, pp. 3-18, published online at <http://www.wesjones.com/eoh.htm> (last visited at 17-07-2009).
- Gill, Michael. B. 2006. Lord Shaftesbury [Anthony Ashley Cooper, 3rd Earl of Shaftesbury],
<http://plato.stanford.edu/entries/shaftesbury/>, (last visited at 08-08-2009).
- Goldsmith, M. M. 1988. Regulating Anew the Moral and Political Sentiments of Mankind: Bernard Mandeville and the Scottish Enlightenment. *Journal of the History of Ideas*. 49 (4): 587-606.
- Goudzwaard, Bob. 1978 [1976]. *Kapitalisme en vooruitgang. Een eigentijds maatschappijkritiek*. Assen: van Gorcum.
- Grant, Stanley, Grant, Randy. 2007. *The History of Economic Thought*. Mason: Thomson South-Western.

- Hirschman, Albert O. 1977. *The Passions and the Interests, Political Arguments for Capitalism before Its Triumph*. New Jersey: Princeton University Press.
- Hobbes, Thomas. 1666. *Leviathan, or the Matter, Form, and Power, of a Commonwealth Ecclesiastical and Civil*, volume iii collected and edited by Sir William Molesworth. Darmstadt: Scientia Verlag Aalen.
- Horne, Thomas. 1978. *The social thought of Bernard Mandeville, Virtue and Commerce in Early Eighteenth-Century England*. New York: Columbia University Press.
- Horne, Thomas. 1981. Envy and Commercial Society, Mandeville and Smith on “Private Vices, Public Benefits”. *Political Theory*, 9: 551-569.
- Hundert, E. J. 1994. *The Enlightenment Fable: Bernard Mandeville and the discovery of society*. Cambridge: Cambridge University Press.
- Hurtado Prieto, Jimena. 2004. Bernard Mandeville’s heir: Adam Smith or Jean Jacques Rousseau on the possibility of economic analysis. *History of Economic Thought*, 11:1-31.
- Keller, Timothy. 2008. *The Reason for God, belief in an age of Scepticism*. New York: Dutton
- Kenny, Anthony. 2008 [2006]. *A new history of Western Philosophy, the rise of Modern Philosophy*. Oxford: Clarendon Press.
- Long, A.A. 2003. Stoicism in the Philosophical Tradition: Spinoza, Lipsius, Butler, in Inwood, Brad (ed.), *The Cambridge Companion to the Stoics*. Cambridge: Cambridge University Press.
- Macfie, A. L. 1961. Adam Smith’s Moral Sentiments as Foundation for his Wealth of Nations. *Scottish Journal of Political Economy*, 8: 12-27.
- Mandeville, Bernard. 1929 [1714-32]. *The fable of the bees, or private vices, publick benefits*. 2 Vols., ed. F. B. Kaye. Oxford: Oxford University Press.
- McCloskey, Deirdre. 2008. Adam Smith, the Last of the Former Virtue Ethicists. *History of Political Economy*, 40 (1):43-71.
- McMahon, Darrin M. 2004. From the happiness of virtue to the virtue of happiness 400 B.C.-A.D. 1780. *Daedalus*. 133 (2): 5-17.
- Meyers, Milton L. 1983. *The soul of modern economic man*. Chicago: The University of Chicago Press.
- Montes, Leonidas. 2006. Adam Smith: real Newtonian in Dow, Alexander, Dow, Shiela (ed.), *A History of Scottisch Economic Thought*. Abingdon: Routledge.
- Montes, Leonidas. 2008. Newton’s real influence on Adam Smith and its context. *Cambridge Journal of Economics*, 32: 555-576.

- Paas, Stefan. 2007. *Vrede stichten, Politieke meditaties*. Zoetermeer: Boekencentrum.
- Perlman, Mark, McCann, Charles R. 1998. *Pillars of Economic Understanding, Ideas and Traditions*. Ann Arbor: The University of Michigan Press.
- Popkin, Richard. 1999. Pierre Bayle and Bishop Huet, the master sceptics, in Richard Popkin (ed.), *the Columbia History of Western Philosophy*. New York: Columbia University Press.
- Rand, Benjamin. 1900. *The Life, Unpublished Letters and Philosophical Regimen of Anthony, Earl of Shaftesbury, Benjamin Rand*. New York: Swan Sonnenschein.
- Raphael, D.D. 1969. *British moralists 1650-1800, vol. 1: Hobbes to Gay, vol. 2: Hume-Bentham*. Oxford: Clarendon Press.
- Reed, Christopher. 1999. "The Damn'd South Sea", Britain's greatest financial speculation and its unhappy ending, documented in a rich Harvard collection. *Harvard Magazine*, may-june 1999
- Roberts, Peri; Sutch, Peter. 2006. *An Introduction to Political Thought*. Edinburgh: Edinburgh University Press Ltd.
- Rogers, G. A. J. 1999. Thomas Hobbes, in Popkin. Richard (ed.), *the Columbia History of Western Philosophy*. New York: Columbia University Press.
- Rogow, Arnold a. 1986. *Thomas Hobbes, Radical in the Service of Reaction*. London: W.W. Norton & Company.
- Rosenberg, Nathan. 1960. Some institutional aspects of the *Wealth of Nations*, *Journal of Political Economy*, 68: 557-570.
- Shaftesbury, Anthony. 1968 republication of the 1714 edition [1711]. *Characteristics of Men, Manners, Opinions, Times, volume II*. Westmead: Gregg international publishers.
- Smith, Adam. 1981 [1976, 1776]. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Edited by Campbell, R.H., Skinner, A.S., Todd, W.B., Indianapolis: LibertyClassics.
- Smith, Adam. 1982 [1976, 1759]. *The Theory of Moral Sentiments*. Edited by Raphael, D.D., MacFie, A.L., Indianapolis: LibertyClassics.
- Stafford, Martin J. (ed.). 1997. *Private Vices, Publick Benefits? The Contemporary Reception of Bernard Mandeville*. Solihull: Ismeron.
- Turco, Luigi. 2003. Moral sense and the foundations or morals, in Broadie, Alexander (ed.), *the Cambridge companion to the Scottish Enlightenment*. Cambridge: Cambridge University Press.
- Uyl, den, Douglas J. 1987. Passion, State, and Progress: Spinoza and Mandeville on the Nature of Human Association. *Journal of the History of Philosophy*, 25 (3): 369-395.

- Verburg, R. M. 1991. The Two Faces of Interest, the problem of order and the origins of political economy and sociology as distinctive fields of inquiry in the Scottish Enlightenment. Ph.D. dissertation, Erasmus University.
- Verburg, R. M. 2009. Wealth or Virtue: Mandeville's Inquiry into Commercial Society. Manuscript in preparation.
- Wennerlind, Karl. 2006. David Hume as a *political* economist in Dow, Alexander, Dow, Shiela (ed.), *A History of Scottish Economic Thought*. Abingdon: Routledge.