

The Combination of Smith's Egoism and Social Public Interest --Taking the Constraint on Egoism as a Perspective

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Abstract. The combination of egoism and the social public interest is one of the topics that have been widely discussed in Adam Smith's two books, *The Theory of Moral Sentiments* and *The Wealth of Nations*. Based on the long-standing research on this topic in China, this paper selects the constraints on "egoism" common to both works to clarify the connection of "egoism" and the social public interest. Then it is conducive to understand more clearly the intention of this philosopher and economist, and to alleviate the long-standing ambiguity about the contradiction between the two views.

Keywords: The Theory of Moral Sentiments; The Wealth of Nations; Adam Smith; Egoism

1. Introduction

The rational broker assumption is a basic and significant assumption in Western economics, that is, individuals always focus on their own interest and can obtain the maximum utility at the minimum cost via rational judgment. In the famous work *The Wealth of Nations*, Adam Smith emphasized the importance of "egoism" in economic life, believing that in all economic behavior, people participate in all stages of production, circulation, distribution and consumption based on their own interests. As he said, "The food and drink we need every day do not come from the bounty of the butcher but from their egoism." The participants of economic activities do not easily give in based on sympathy, but such egoism behavior can ultimately contribute to the prosperity of society as a whole, and the accumulation of individual interests can gear up the accumulation of social public interests. Accordingly, Smith used the result to deduce the rationality, believing that "egoism" can coordinate with the social interest to promote economic progress and social welfare.

Obviously, Smith's study of the relationship between "egoism" and "social public interest" is not limited to his times, but is of great importance to present economic life and the formation of social customs, which should be received sufficient attention and analysis.

2. Literature Review

There are plenty of research on Smith's works and theories in China, among which the research on the combination of egoism and public interest is focused on the following two aspects:

Discussions derived from Smith's paradox. In addition to *The Wealth of Nations*, Smith's early masterpiece of Western emotional ethics, *The Theory of Moral Sentiments*, is an important work that established Smith's position in the history of human civilization. In this book, however, Smith pointed out that the crucial force that drives economic and social prosperity is "sympathy" and it should be the foundation of human nature. In the mid-19th century, Brentano, a representative of the German historical school, proposed the concept of "Smith's paradox", declaring that there was a fundamental value opposition between Smith's two major works. Since then, many scholars have explored and discussed the "Smith paradox" along this concept, and the more common views can be summarized as follows: the "Smith paradox" is a misinterpretation of Smith's theory.

Many scholars in China hold this view. Shi Jinmei (2013) explores the original meaning of Smith's egoism theory in terms of the division of labor, transactions, human nature and the

relationship between egoism and altruism, and concludes that the original meaning of egoism contains the basic requirement of altruism as the purpose. Wang Shuguang (2004) researches the issue of moral neutrality and the moral concern of economists from the perspective of value judgment in economics, based on Smith's basic logic of egoism and contemporaneity. From the theoretical origin of Smith's philosophical thought, Zhu Fuqiang (2019) points out that Smith's "egoism" and "altruism" are both based on "self-restraint", i.e., both are derived from the self-control that individuals possess. Ma Xiangrong (2017) directly provides that the broker assumption derived from Smith has its own imperfections, and the traditional assumption does not conform to the reality, arguing that the purpose of the behavior of the broker assumption is not profit-seeking and egoism, but "calm". In the same way, Smith's "sympathy" is only an act of "egoism" to gain inner peace.

The integration of egoism and the public interest is also supported by the analysis of specific arguments in *The Wealth of Nations*. Based on the theory of division of labor, money, and exchange in *The Wealth of Nations*, Yujie He and Mingdong He (2013) point out the economic behavior of individuals based on "egoism" ultimately leads to the efficient allocation of resources and macroeconomic development of society as a whole. The growth of individual economic ability and the result of economic competition among individuals ultimately contribute to the accelerated development of productivity and the enrichment of goods in society. Similarly, Zhao Kun (2015) also quotes extensively from Smith's *Wealth of Nations* in three aspects: division of labor theory, monetary theory, and exchange theory to conclude that egoism can ultimately promote the growth of social public interest. Such models have highly consistent methods and conclusions in the studies of Zhai Mengfei (2015) and Wu Bochao (2011) and others, and will not be repeated here.

This paper does not judge the "Smith paradox" or directly analyze the relationship based on the statements of *The Wealth of Nations*. We focus on the *The Theory of Moral Sentiments*'s influences in a chronological manner, observing its effects on *The Wealth of Nations* through the constraints on "egoism" and exploring the relationship between "egoism" and the public interest.

3. Constraints on "Egoism" Contributes to the Realization of Public Interest

3.1 Become a "Bystander" of Moral Constraint

In *The Theory of Moral Sentiments*, Smith holds a principle that everyone is born to admire noble virtues, but the fact is that people are not born with virtues, but must examine their behavior in the process of interacting with others. Smith also points out that there is an important characteristic of individuals "competitive spirit". Everyone wants to get more appreciation, and this spirit will drive individuals to search for others' moral judgments of themselves, trying to take their own personal examination out of subjective judgments and become an "impartial spectator". Smith does not focus on economic growth as the main object of *The Theory of Moral Sentiments* but rather on the supremacy of morality as a permanent goal. Obviously, it is difficult to argue that the "competitive spirit" is not a "egoism" at all. Thus, *The Theory of Moral Sentiments* already mentions that there is an "egoistic" side to all of us, but there is a moral code of popular approval that binds all men, as it says: "Only the most frivolous and shallow men will be exceedingly happy with praise which they do not deserve. However, even for the exceptionally strong-willed, undeserved accusations will often cause them deep humiliation." The situation in Smith's mind that is most conducive to maximizing the interests of society is undoubtedly one in which every individual can be his or her own "impartial spectator," able to exercise objective prudence over his or her own behavior.

Likewise, Smith did not completely leave the subjective characteristics of individuals to analyze economic society in his *The Wealth of Nations*. "Is it a principle that cannot be further explained? Or is it mostly a necessary consequence of the faculty of reason and speech? This is not the question we want to study", it is obvious that Smith is avoiding the construction of a moral system that he has long insisted on in *The Theory of Moral Sentiments*, but stripping out the original model in

this economic work and discussing the problem only from an economic perspective. In addition, in the section on the division of labor, Smith's exposition of "egoism" also reflects the connection with the public interest, as he writes: "..... If he can encourage them to love themselves for their own goods, and tell them if they do it for him, they are working for themselves". Smith believes an important reason for the division of labor is that a certain contribution to others can eventually be translated into a contribution to oneself, and that everyone can receive a certain gift in the public interest of society. This is reminiscent of the *The Theory of Moral Sentiments* in which each person is linked and supervised by the pursuit of virtue, and the social bond connects individual qualities to promote the progress of society as a whole, linking "egoism" with the social common good.

3.2 Mandatory Constraint under the Code of Conduct

In Smith's discussion of the constraints of "egoism" is not only based on society's pursuit of virtue, but is also reflected in the long-established behavioral practices of society. For example, Smith discusses the role of habit in shaping social norms of behavior and forming constraints on individual behavior: "In different occupations, men are familiar with different objects, which accustom them to very different passions, and naturally form among them very different qualities and modes of behavior." Such a self-formed habitual behavior naturally scrutinizes and corrects individual "egoism". As *The Wealth of Nations* discusses the division of labor, the division of labor has nothing to do with individual intelligence, but simply the necessity to engage in certain types of occupations and participate in the division of labor at a certain time, at a certain age, and under certain economic needs. Individuals unknowingly develop certain unique behavioral characteristics in their occupations or in social practices that they are accustomed to, which in turn regulate their behavior and better meet the welfare needs of society.

In addition, Smith also points out the principle of justice is the "most accurate" and "most sacred" social norm to govern individual behavior, and the principle of justice should be the basic principle that everyone should adhere to. In fact, there are people who steal the concept of justice, blur the boundaries of morality, and engage in misconduct such as cheating, adultery, and theft in order to achieve personal interests. In particular, Smith does not emphasize justice is necessarily present in person's mind and guide the individual's actions, but points out justice is more like a principle that should be observed, and it is uncertain whether it can actually be achieved, arguing that "there is no rule by which we can indeed learn to act prudently, or very mercifully on all occasions." Smith's *The Theory of Moral Sentiments* also never states that the social interest is necessarily promoted by "sympathy", but rather places a high priority on the correction of "egoism".

3.3 Economic Constraints on Wealth Creation

In *The Wealth of Nations*, Smith mentions that "the immediate cause of the increase of capital is thrift, not hard work." He believed that no matter how advanced the economy were, it was impossible to achieve a lasting increase in wealth without thrift. Capitalists have this characteristic. They know how to increase their wealth through thrift, how to use investment for economic benefit, and how to maximize the benefit of society as a whole under the effect of investment, while the workers who work for them receive their desired pay. It is clear that the capitalist, as an economic individual, is motivated by "egoism" to save and invest, but ultimately to achieve the public interest. At the root, the capitalist and the workers' traditional "egoism" can be explained by the view in *The Theory of Moral Sentiments*: "The endearing virtues of purity and simplicity, the admirable virtues of diligence and frugality, come from the slow and persistent practice of self-control. The persistent effort to exercise self-control acquires all the luster of simplicity that accompanies them." In Smith's mind, those who have the ability to be prudent and thrifty will not be confused by immediate temporary gain, but will consider how to maintain their personal standards of virtue in the long run, and those who can maintain this quality in the long run will also be trusted by others, a situation that "bystanders" would like to see and praise. Smith compares capitalists to a group of people who are good at learning from each other, even though they never stop pursuing personal gain, but they

follow the high moral requirement of self-control and are able to resist immediate temptation. It is undeniable that the frugality of capitalists is indeed conducive to the reproduction and economic development of society as a whole, instead of investing their wealth in luxury goods. This pursuit of "egoism" also drives social progress, especially in the continuation and upgrading of reproduction.

At the same time, for the pursuit of personal interests, Smith points out "the pursuit of private interests should come from respect for the general rules which guide such conduct, and not from any passions arising from these objects themselves". Obviously Smith believed that even if there is the pursuit of economic interests, it does not mean that wealth becomes supreme, but remains bound by general norms. Likewise, the construction of the broker assumption in *The Wealth of Nations* does not depart from the general norm, nor does it abandon moral standards for the sake of economic gain. On the contrary, Smith insists on treating economic man as an individual who is born with a code of conduct and who does not act separately from the collective. For capitalists, they participate in economic behavior with a code of conduct, always maintaining the quality of frugality and helping the economy to function, while workers maintain a code of conduct, always maintaining the quality of hard work. When frugality and hard work become social norms, capital investment and high wages in self-interested behavior appear to be in line with the collective interest, and egoism is combined with the social public interest.

4. Conclusion

Since *The Theory of Moral Sentiments* pre-dates *The Wealth of Nations* in chronological order, many of basic principles are still carried over into the framework of *The Wealth of Nations*. As for the deviation from the broker assumption, perhaps it is necessary to clarify the difference between the economic and philosophical perspectives, rather than literally assuming the contradiction between the two. In this paper, we do not start from a macro perspective, but only analyze the common constraint of "egoism" as the entry point. Obviously, the pursuit of individual interests is not a deviation from the moral standards set by Smith, and the collective nature of society never allows any individual to depart from the social morality, codes of conduct and economic behavior. The existence of these constraints limits the individual's activities to a certain framework, which allows "egoism" and the public interest to be self-referential and to promote social progress in both philosophical and economic senses.

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