David Hume's Invisible Hand in *The Wealth of Nations*: The Public Choice of Moral Information

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DAVID HUME'S INVISIBLE HAND IN THE WEALTH OF NATIONS
THE PUBLIC CHOICE OF MORAL INFORMATION

Introduction

The thesis I shall defend is that there are systematic aspects of Adam Smith's economics which make little sense when read in isolation from a literature in which David Hume provides the signal contributions. Consequently, parts of Hume's own work are stripped of meaning, isolated as they are from later developments.

The puzzles about Smith's analysis which I find illuminated by Hume's are the following:

1. Why does Smith both defend the importance of economic growth for the material of well-being of the working class and claim that property originates as spoil, impoverishing the working class? After all, in the classical system the existence of property is one requisite for economic growth.[1]
2. Why does Smith exalt the assumption of self-interested behavior in private activity but claim that irrationality dominates the political process?[2]
3. Why does Smith deny the importance of benevolence in Wealth of Nations and insist on the importance of morality in Theory of Moral Sentiments?[3]

The three questions have a common feature: they are related to the question of how public goods are provided. The particular public good in question is the institution of private property. As with all true

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public goods, society considered as a whole benefits from having such an institution, but each individual considered separately can gain by anti-social behavior.[4] Public goods provide a considerable difficulty for any social institution; neither competition in the market nor gcvernment requests that individuals reveal how much they wish to be taxed *are* certain to be efficient.[5] There are aspects of the classical economic analysis which stress the importance of moral information as a partial solution to the public goods problem. By "moral information" I only require that the theory is employed as a guide and that if an individual acts contrary to the theory, this choice is not cited as "falsifying" the theory. Rather, something is said to be "wrong" or "wicked" about the choice.[6] Much of modern economic analysis assumes that individuals have perfect information; this postulate rules out any significant role for moral information in the provision of the public goods. To avoid assuming away such a role for morality, we will drop the perfect information assumption and then examine if we can make sense of the classics' attack on the public goods problem. Of course, the specification that individuals see their own interests very poorly is consistent with Smith's general approach.[7]

The technique employed below is to look at the issue which Hume and Smith addressed as a problem in modern economics. The key difficulty is to determine under what conditions moral information could guide individuals with very imperfect perceptions to maximize their utility. In particular, suppose we find that moral guidance tells an individual how efficiently to produce. Is this morality self-enforcing or are resources required to persuade people to act in accord with these teachings? If resources are required, we will not pay much attention to just how this persuasion

is provided, e.g., whether we tell people that theft is "evil" or whether we hang a few thieves, General production theory tells us we probably will do both, but this is a separate issue. The argument to be advanced is that moral information has self-enforcement properties in private activities but these properties are missing in public activities. In this account, then, real resources will be required for implementing the morality.

This consideration in turn raises an interesting issue. If the government expends these resources, what reason is there to believe that they will be provided to serve the public interest and not the interest of the government? Is it possible that the government can prosper by keeping people ignorant or by giving them advice which does not create social efficiency? Hume's answer is it certainly can. Finally, we can look at the texts to see whether the solution to this modern problem sheds light on the past theory.[8]

Before we turn to the construction details, I should address the question of why after 200 years of textual exegesis there remain gaps in our understanding of Hume and Smith. To give my thesis a good 18th century flavor, I propose that these gaps are due to scholarly specialization. One characteristic of this division of labor, as Smith taught us, is the withdrawal of incentives to diligence outside of a narrow field, resulting in loss of competence outside that speciality.' Needless to say, modern students of Smith are in the main economists and modern students of Hume in the main are not. We who are not specialists in most things Hume and Smith wrote about simply do not understand the import of their arguments in the fine detail requisite for technical work. What is at issue is an instance of a general thesis advanced by W.V.

Quine and Hilary Putnam that the meaning of words is defined in the whole of language.[10] If modern specialists do not give us the benefit of their critical encounters with seemingly obscure episodes of their discipline, who will? How else would we know that Bishop Berkeley's attack on the mathematical thinking of his time was precisely correct and that the defects he exposed were not faults floating on the surface of a literature with firm foundations.[11]

Moral Guidance and Public Goods

Let us suppose that moral codes as devices to provide guidance to individuals in the pursuit of their interests are inputs into production. We have, of course, the authority of Hume that this is so.[12] How much guidance do individuals require? Will moral codes enforce themselves? Is there anything which allows us to predict when moral information will be self-enforcing and when it will not? In fact, there is reason to believe that moral guides will be self-enforcing in private activity but not in public matters. This result can explain, I believe, Hume's and Smith's elaborate discussions of the interrelations of religion, morality and political order.

The problem at issue is something which we may consider as common to all people in their social organization. Because we focus on the common elements of individuals' choices, it is convenient to make our technical argument in the context of an approach to economic theory which posits that at bottom people are all the same. This is certainly consistent with the classical approach to explaining how people act; after all, Smith claimed that until the age of six or eight, future porters and future philosophers are the same.[13]

Consequently, we shall assume that there are unobservable basic goods which all people value for their own sake. Observable goods are useful only to the extent that they can produce these basic goods. The process by which observable goods are transformed to basic goods are household production functions. Thus, an individual attempts to produce a basic good z out of observable goods x_1 and x_2 with the production technology at his disposal. Out of corn meal and water we produce, for example, the basic good health. It is only the latter two goods which can be directly observed. This approach to economic theory is often referred to as household production theory. [14]

We consider the informational aspects of moral codes in terms of household production theory. Household production theory turns the consumer's problem of maximizing utility over the space of observable goods into a problem of minimizing the cost of production of unobservable basic goods. In this context, then, moral information may help reduce the cost of producing basic goods. The assumption that individuals ultimately desire the same things, combined with the specification that there is a stable difficulty for social organization to overcome, gives us reason to expect that there will be constant features to moral information. As Hume says, there is reason to believe that the rules of justice will not be arbitrary.

We specify that the individual has a budget constraint which tells him the limits to what he can produce. This he perceives quite precisely. To deal with the issue of limited perceptions, we only allow him very imperfect knowledge of the production technology, represented by isoquants, in Figure 1. Isoquants are an economist's device for writing down what combinations of inputs can produce a given amount

of output. What combinations of x_1 and x_2 will produce equal quantities of Z?

In Figure 1 we start the individual beneath the budget constraint (at a point j) deciding what combination of x_1 and x_2 will maximize production of Z subject to the budget constraint or, what is the same thing, minimize the cost of producing a given amount of Z. We denote levels of production of Z by subscripts; thus, z_2 z_1, etc. If the individual could perceive the isoquants correctly he would move directly to combination a which minimizes the cost of production but because of misperception, he believes that b and c both allow more Z to be produced.

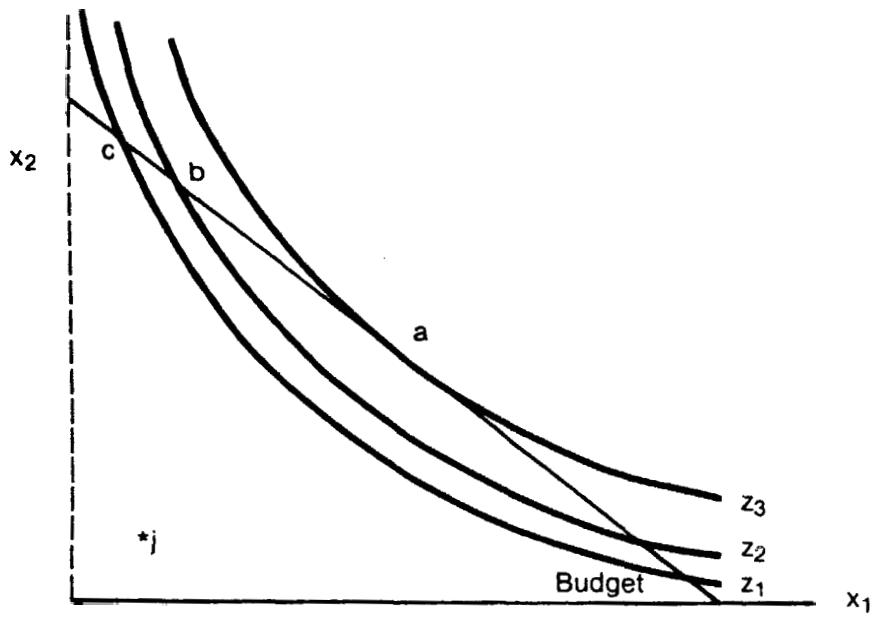

Figure 1. Convex Production Surfaces

The isoquants in Figure 1 are drawn in textbook fashion: that is, they are convex. This specification is of vital concern for what follows. Let us make two suppositions: i) the individual can perceive the budget constraint without error and ii) the individual can perceive without error those parts of space within an infinitesimal distance of his current location. What

is remarkable about convex production surfaces is that the trivial information conveyed by i) and ii) is sufficient to enable an individual to grope towards efficiency.[15] The slopes of the budget constraints and the isoquants contain sufficient information for the individual to move in the correct direction and recognize when to stop. In this case all that morality has to do is to provide information which starts the individual closer to final equilibrium than he would otherwise be. His perceptions, even when limited to axioms i) and ii) will enforce the morality, At each point on the budget constraint, as an individual moves toward the minimum cost method of producing, he discovers that he is producing with ever lower costs.

To see how this works, we overlay in Figure 2 a moral code which says "nothing in excess," and gives some details on what is "excessive" and what is not, on the production and budget information in Figure 1. A cone is formed. Consumption inside this cone is "right" and that outside is "wrong."[16]

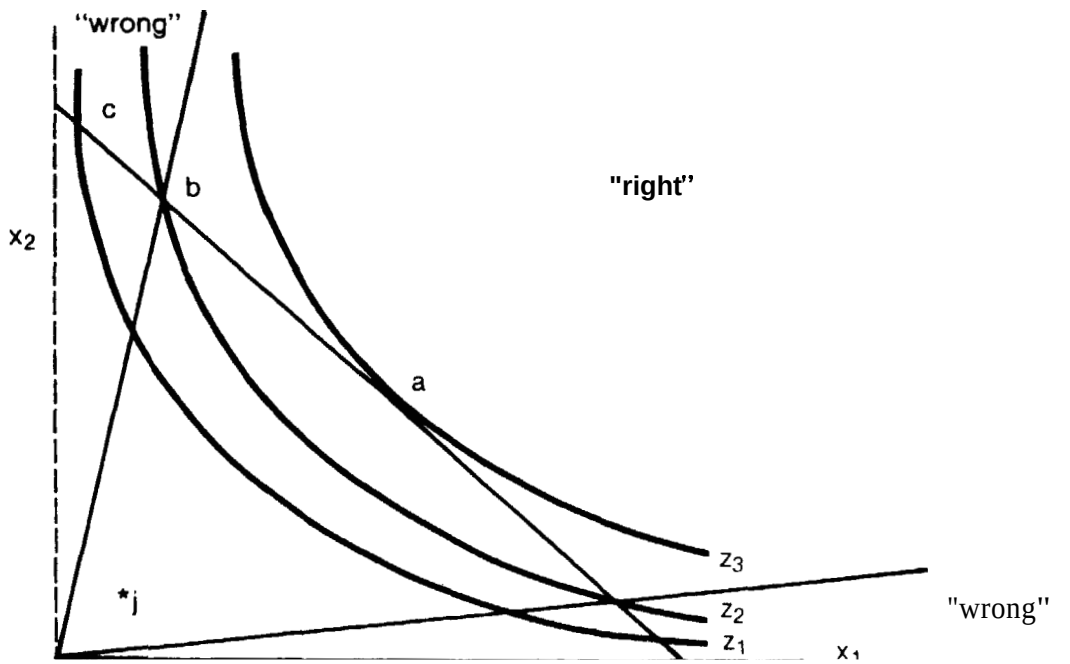

Figure 2. Convex Production Surfaces with a **Moral Overlay**

Let us suppose that an individual who would without moral guidance move from j to c moves to b instead; b is drawn at the edge of the moral cone. While b is not the optimum, the individual can perceive that he is closer to the optimum than he would be at c. Moreover, the adjustments he makes will take him inside the "rightful" cone; it is apparent from the local curvature properties, which is all assumptions i) and ii) guarantee that he can perceive, that the optimum is to be found by first moving to the interior of the cone.

Convexity is a very special mathematical case. What happens if we keep perceptions limited but drop the convexity assumption? In Figure 3 we draw a typical non-convex case where if the individual starts at b, and perceives only local information, i.e., slopes of the budget constraint and the isoquants. This does not suffice to attain the cost minimizing method of production because local information would tell him that c is a minimum, whereas c is not in fact a global minimum.

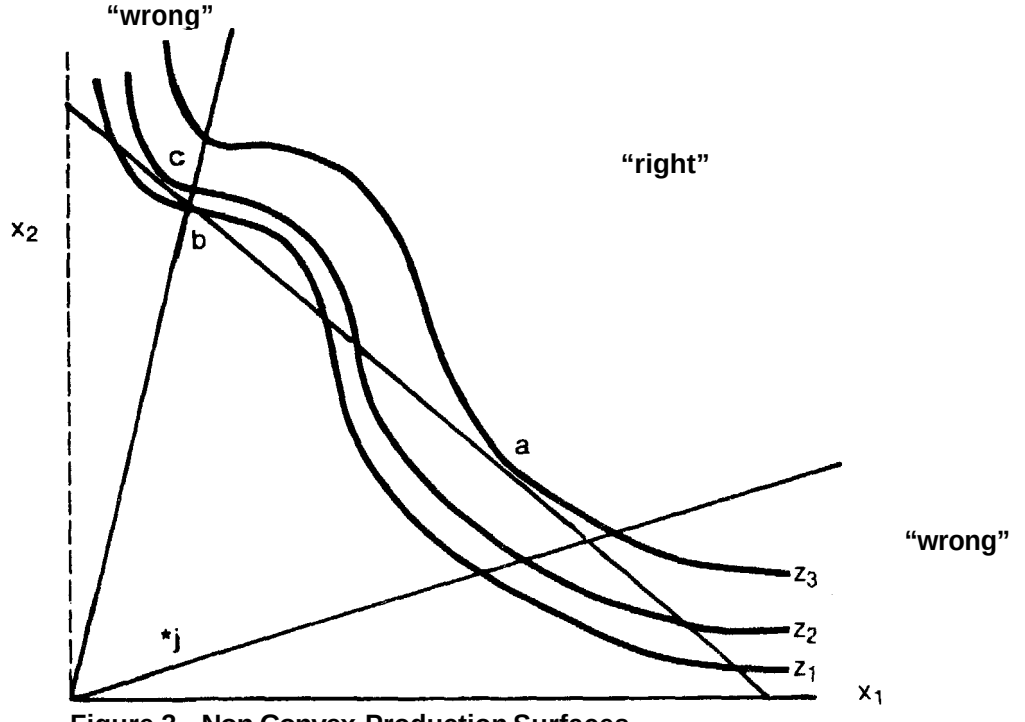

Figure 3. Non-Convex Production Surfaces

Hence, even when the moral code provides correct information about tke location of the cost minimizing output -- a is indeed in the interior of the cone -- this information flies in the face of the local curvature properties for an individual who starts at b. Looking out an infinitesimal distance in all directions from b, it is apparent that he can do better, produce more for the same resources, by moving outside the cone to c. Morality in non-convex conditions is not self-enforcing in the sense which it is when production is convex. Here, the information provided by moral codes is not ratified by the evidence of our immediate perceptions.

what makes this exercise germane to our understanding of Hume is the fact, well-known to generations of economists, that convexity of production is a characteristic of private goods and non-convexity of production is a characteristic of public goods.[17] Convexity and continuity are intimately related as non-convexity of production will result from indivisibilities.[18] Of course, the indivisibility to which economists pay the most attention is the provision of public goods.[19] There is one system of property rights and court system: these are key indivisibilities in a social order. From the technical exercise conducted above, we have reason to believe that moral information will not have the same self-enforcement properties that it does in private conduct.

In summary, what we have established is that the mathematical properties of production which are conducive to government activity can also be characterized by moral difficulties; that is, even when moral codes give correct guidance to individual choice, there is no reason to believe that they will be self-enforcing. If morality is to be efficiency-enhancing in public activity, resources may be required to

convince people to distrust the evidence of their senses. Given that people desire the same things and are faced with the same sorts of productive difficulties, it is reasonable to expect that moral guidance across societies will exhibit considerable stability. Both these implications -- i) the moral information requisite for the provision of public goods requires resources and ii) moral information has a certain stability, are, I shall argue, matters which Hume discussed in considerable detail.

In The Beginning The World was...

To exploit the analysis in the previous section, we should look again at Hume's explanation of why private self-interest was not sufficient to allow either a peaceful creation of property or the associated legal order guaranteeing the stability of property. We will take for granted the proposition that the institution of private property is productivity-enhancing and so can be considered a public good.

We begin our analysis in the Treatise with Hume's consideration of John Locke's theory of property. Locke's argument purports to show that property rights are self-enforcing; that is, even if the world were initially common, universal consent for the formation of property would be rational. I have shown elsewhere that Hume exposes an inconsistency in Locke's theory of property; that is, the conditions which are requisite to justify property on Locke's account are sufficient to show that property will not exist.[20] Objections to my reconstruction argue that Hume's attack does not come to grips with Locke's stress on the importance of economic growth. In this interpretation Locke can justify property even under

conditions of scarcity because economic growth will enhance the productivity of land and thus make more available for everyone.[21] However, it is easy to show, that regardless of what Locke may have thought, such an argument really does not work for reasons which were quite cogently spelled out by Hume.

Let us begin by reminding ourselves what Hume found objectionable in Locke's account of the origin of property: under the conditions which allow us easy justification -- where everyone gains by its creation -- there is no reason for it to arise. Easy justification of property requires a state without scarcity; that is, there is as much remaining to be taken from the common stock after appropriation as before. Under this condition the early appropriation does not harm the right of those who come later. Hume accepts as fact the moral claim that each individual has an equal right to the common stock.[22]

But, if there is no scarcity, what reason is there for property? After all, air and water -- goods without scarcity in Hume's account -- are not property. If we can have all we want, why would we bother with creating property? [23]

To deepen our grasp of Hume's argument, let us see how easily he blocks Locke's attempt to justify property by an appeal to economic growth. Economic growth is simply a public good aspect of private property. The problem is always: who is going to pay for the public good? Consider two people A and B at time 0. A seizes common resources, which by the hypothesis of scarcity, makes B worse off; B has been stripped of a valuable claim. Somewhat later, time 1, the superior productivity engendered by private property asserts itself *so* that <u>both</u> individuals are richer at time 1 than they were at time 0. Giving Locke's argument the benefit of the doubt, let us

assume that both A and B know this: would B give consent for the seizure?

So stated, the argument is almost ludicrous. Why would not B propose to A -- "Look, I'll seize the commons and by and by you will be better off." Showing that everyone will be eventually better off with property does not settle the question of whether a rightful claimant to the common stock will give up such a claim voluntarily.

Let us make the argument more modest. Cannot we at least use the device John Rawls made famous to extract rightful consent from the worst off because individual B would be eventually better off with property?[24] Let us put A and B behind a veil of ignorance, who judge two possible trajectories, one for a communal system, another for a system of private property. By assumption, A and B do not know who they will be in either social state; they regard physical identity as the random component in the process and they know the strong will seize the commons in a system of private property. In a state of common resources A and B will have equal goods to consume and be equally well off in periods 0 and 1. We assume there is no income growth under a communal system. Under a state of private property, relative to the state of common resources, B is worse off at time 0, better off at 1. Behind this veil of ignorance, the two who might become B consider the good and the bad. To say whether B is on net benefited, we need a rate of time discounting as well as information about the size of the loss, the size of the gain and the amount of real time periods 0 and 1 encompass. Without detailed information about these numbers, expecting anyone to judge B better off, and thus give rational consent to the system of private property, is absurd. If period 0 lasts a lifetime minus a minute, it is unlikely that any rational

individual, regardless of how much the gain will be, would consent. It is even more unlikely if period 0 lasts 10 lifetimes.[25]

Here we can appreciate the importance of positive time preference on which Hume places such stress. The higher the time preference, the less weight eventual benefits have in present considerations. In view of Locke's writings on the subject of positive time preference, he is hardly at liberty to dispute the fact at issue. Although he may still hope for a religious reform to bring down time preference, this is far too late to save an argument which starts "In the beginning...."[26]

What this shows is that private self-interest will not guarantee universal consent to the existence of private property when the property is created by the strong grabbing what is rightfully everyone's. If everyone were to agree, it would be reasonable to expect a system of private property to be self-enforcing.

If Locke's model is not satisfactory, how can we explain how private property comes into being? In Hume's account in the Treatise property starts when hostilities cease, when those who have are allowed to hold.[27] "Justice" is a word which is inapplicable to the time before the stability of property. Moral codes, per se, will not suffice; therefore, government arises to mend the "defect" in human nature of preferring the present to the future. People cannot change their natures, but they can change the incentives they confront.[28]

We are now in a position to answer the first of our puzzles which was posed at the beginning. How is Smith's support of the division of labor consistent with his belief that property originates in spoil? Smith's spoils theory is simply evidence of his

acceptance of Hume's analysis. Smith is clear about how economic growth benefits the working classes.[29] Nonetheless, recognizing that private property overcomes some temptations to anti-social behavior associated with common ownership of resources, does not commit one to the belief that property originated in a manner that we would approve.[30]

Utility Enhancing Constraints When Morality Is Not Self-Enforcing

We have seen that moral codes which pertain to public goods are unlikely to be self-enforcing. If production surfaces were convex, there is no reason why public goods would exist. And, as we have seen, convexity is the only case where we can guarantee self-enforcing moral codes. We can use the theoretical work above to aid our consideration of a modern version of the "prisoner's dilemma" problem which Thomas Hobbes posed. We can exploit our previous discussion of moral codes and show that we cannot simply draw upon the local information provided in the prisoner's dilemma problem to give us sufficient information to move to an efficient state.

Let us consider a textbook sample of non-cooperative behavior. Again, our society is composed of A and B. They are now faced with the problem of whether to keep their contracts and restrain from attempting to steal the other's property. It is to the advantage of society if both individuals refrain from looting; fewer resources will *go* into defense and predation. In the payoff matrix described in Matrix 1 below, both individuals will receive an income of 15 when they do not try to loot; both will receive 10 when they do. A's income is given by the first element in the ordered pair; B's income is given by the second element. Thus, when individual A loots and B does not,

the resulting social income, (20,5), is divided 20 units for A and 5 units for B.

		A	
		Loot	Not-Loot
B	LOOt	10,10	5,20
	Not-Loot	20,5	15,15

Matrix 1. The Prisoner's Dilemma: The Payoff From Looting

What makes Matrix 1 so important for economists is that each individual has an interest to start looting regardless of where he finds himself. Let us suppose that we start with both individuals respecting the other's property; consequently, both individuals receive 15. If either individual grabs the other's property, then his income increases to 20 while the neighbor's plunges to 5. If we started at a state where both loot, then either individual moving to the non-looting cell would worsen his condition; his income would fall from 10 to 5. This characteristic of the game shows that simply improving individual's perceptions will not suffice to keep society from falling into looting. This is an even nastier sort of issue that we considered with the isoquants above. There, if an individual were to find himself at the global cost minimum, he would stay there.

The argument allows perfect information in one sense: both parties know the whole matrix. However, the individuals do not know how the other will react. In the illustration above we have assumed each individual believes he can isolate his behavior from the other.

If the prisoner's dilemma game is a true model for social issues, it is certainly troubling. Individuals pursuing their own ends do not result in social efficiency. Perhaps an answer to the problem lies in some sort of cooperative arrangement, but what institution can make individuals realize that their interests are tied up with others in society?[31] For example, what if individuals could be convinced to act out of joint concern, to consider themselves members of a social unit where the sum of income is the object to be maximized. Then the matrix would appear as:

		A	
		Loot	Not-Loot
B	Loot	10+10	5+20
	Not-Loot	20+5	15+15

Matrix 2. A Benevolent Solution to the Prisoner's Dilemma

It is obvious that individuals maximizing their own well-being and individuals maximizing social well-being are different. A and B who desired to maximize social income would, of course, choose not to loot since 15+15 exceeds the value in all other cells. As we shall discover, this answer was, in fact, offered to Hobbes' problem by Francis Hutcheson. Further, we shall discover the reason that it was rejected.

Another answer, which is also of interest for our concerns, is accepting general rules of conduct which tell individuals that it is in their interest to cooperate with other members of the society. Consider one rule of conduct which is at the center of a number of important ethical systems, "Do unto others as you would be done by." Translated into game-theoretical

terms, this Golden Rule ethical system implies that it is "right" to loot as long a5 you expect others to do the same. Conversely, if you do not expect the other individual to loot it is "wrong" to do so yourself. This allows us to give a moral overlay on the payoff matrix in Matrix 3 below.

		A	
		Loot	Not-Loot
B	Loot	"Right"	"Wrong"
	Not-Loot	"Wrong"	"Right"

Matrix 3. A Moral Overlay on the Prisoner's Dilemma

Now, suppose that individuals are constrained to do what is "right" and so are precluded from what is "wrong." Since morality would preclude some of the cells in the matrix, what would face moral gamers is as modeled in Matrix 4:

		A	
		Loot	Not-Loot
B	Loot	10,10	--
	Not-Loot	--	15,15

Matrix 4. The Payoff From Looting Under Moral Constraints

Now, what is the rational individual to do? The choice is simply between a state of affairs producing income of 15 and one producing income of 10. The choice is obvious, and society finds efficiency. It should be noted that the moral activity is not self-enforcing in the sense used above; there is always

a gain for an individual who correctly believes he can get away with looting. On the other hand, there is a gain to society from acting morally so that some of the gain could be used to invest in moral persuasion. In this sense, the activity might be considered socially self-enforcing. Above, we employed the concept of individual self-enforcing. Obviously, these are related concepts, but they are not the same.[32]

There are two points which are worth noting about this Golden Rule of morality, 1) We do not require that individuals care one whit about others. Morality is productive of social well-being if it constrains our conduct in certain destructive games; it does not require that individuals act out of social concern. 2) The "tit for tat" strategy which is receiving much attention in the modern game-theoretic literature is consistent with this moral code.[33] If you kill, I kill; if *you* honor your promise, I honor mine. "I shall reply in kind" is a piece of game-theoretic wisdom as well known to the ancient Israeli strategists as to their modern counterparts.

This Golden Rule morality is central in Smith's work:

> As every man doth, so shall it be done to him, and retaliation seems to be the great law which is dictated to us by Nature.[34]

Moreover, the role of morality in increasing social happiness is of obvious importance in Smith's account.[35]

But all this raises another question: how do the morals get disseminated? Having discovered a "defect" in the market and the government which is "cured" by the creation and dissemination of moral codes, what is to guarantee that the moral codes do what they "ought" to do?

The Public Provision of Morality

Hume claims in the Treatise that the moral imperative to act justly, respecting other people's property, is an important element in the maintenance of social order.[36] If "acting justly" is not self-enforcing, we are led to ask: how does regard for justice get disseminated? Hume says very little about the details of this issue in the Treatise; however, he says a great deal about it in his History of England. Indeed, there are several important, and related, public choice themes in the work which bear on how morality is produced. The general public choice question is: even if government or religion is instituted to aid individuals, what keeps those who control these institutions from helping themselves to the wealth of the people?[37] Under what conditions does the government serve the interests of the people and not its own interests?[38]

In Hume's account the maintenance of social order requires knowledge -- knowledge which we have seen may well have a normative component.[39] Although moral guidance is an input into public order, governments can serve their own interest by fostering the ignorance and superstition of the public. Sometimes by keeping individuals literally in the dark, the government can increase its revenue at the expense of its subjects.[40]

Government as a public good is disconnected from the immediate concerns of the people; thus knowledge is required to trace through remote consequences. Ignorance may loosen the control which citizens have over their government; consequently, an intellectual monopoly may allow the ignorance which maximizes government wealth to persist,[41] Monopoly power may also allow income extraction by *the* straight-

forward method of going on strike.[42] It is important to note that one of the claims in the Wealth of Nations is that ignorance can be exploited in the political process, e.g., Smith explains the ability of merchants to use the political process by their superior knowledge of their own interests.[43]

Hume has many variations on this theme. One twist is the idea that people judge the merit of ideas by the personal morality of the proponents of these ideas.[44] Ideological entrepreneurs who succeed live lives of stern rectitude; reformers who believe that they are exempt from their own pronouncements are less likely to be successful. If they are caught, their cause suffers.[45]

Hume develops an interesting natural monopoly argument with respect to the dissemination of morality and the provision of order. His thesis is that when morality and order are provided by two independent agents, competition breaks out which leads to a reduction in the cost imposed upon violators of the law. The church gains revenue by discounting the punishment meted out below the social optimum.[46]

Information of various sorts is obviously important for evaluation of government policy; citizens must know how ends link up to means to make informed judgments about policy. But, if the government can control the production and dissemination of ideas, perhaps it can increase its revenue. If the government can profit from a monopoly of ideas, we have very little reason to assume this opportunity is never realized as we do when we assume that there is always competitive equilibrium in the production and dissemination of ideas. Under competitive conditions, if social policy were supported by a fraud, an ideological entrepreneur might be able to profit by bringing this to the attention of the people. Without

this competition the fraud may persist. Consequently, we do not have much reason tc believe that individuals will possess the requisite theoretical information to effectively evaluate government policy. It may not be in the interest of the government to allow them the information.

Smith has a wonderful statement of this issue. Religion, he argues, is the carrier of moral information; consequently, religion itself can be a gross corruptor of morals:

> It is in this manner that religion enforces the natural sense of duty: and hence it is, that mankind are generally disposed to place great confidence in the probity of those who seem deeply impressed with religious sentiments.... And wherever the natural principles of religion are not corrupted by the factious and party zeal of some worthless cabal ... whenever men are not taught to regard frivolous observances, as more immediate duties of religion, than acts of justice and beneficence; and to imagine, that by sacrifices, and ceremonies, and vain supplications, they can bargain with the Deity for fraud and perfidy, and violence, the world undoubtedly judges right in this respect.... [47]

This gives us some insight into the second puzzle with which we began: why does Smith think there is more irrationality in the political process than in the market? First, moral persuasion may be more important in the provision of public goods for the reason that moral codes are not self-enforcing for the provision of public goods in the same sense they are in the provision of private goods. Second, it may be in the interest of the providers of public goods to generate ignorance and superstition. If so, there is indeed reason to believe that there will be more

irrationality observed in the political process than in the market.

Hume's Theorem of Property, Scarcity and Benevolence

We have given two possible moral informational answers to the prisoner's dilemma. Is there any reason to expect one rather than another to be observed? In fact, Hume found compelling reasons to expect not to observe benevolence. However, even a philosopher as creative as Hume cannot be cut off from the background against which he wrote without jeopardizing our understanding of the meaning of his constructions. Recent discussions of the Scottish tradition emphasize Hutcheson's early identification of benevolence and morality[48] while ignoring the reason why the Scottish school, Hutcheson included, came to deny the importance of benevolence towards strangers as a motive for choices. The main Scottish result which will concern us here is that benevolence is too weak a motive to hold society together, whereas rules of conduct constraining individuals to act justly are of sufficient strength. We have demonstrated that moral information which tells individuals how to provide public goods is not self-enforcing. As was noted above, it is not our intention to determine just how these moral constraints were made effective: what was the mix of lectures and public execution? Nonetheless, as indication of the contemporary importance of this result, Immanuel Kant's phrase, "the stronger law of duty and the weaker law of benevolence,"[49] shows his acceptance of this empirical finding of the Scottish school.

The Scots conduct very sophisticated empirical research by exploiting the hypothetical-deductive method. They show that if general benevolence exists,

then private property will not, And, finding private property does exist, they give a compelling reason to conclude that general benevolence does not. This device does not allow them to reject the importance of the imperative of duty.

The discussion above of the prisoner's dilemma is directly related to the issue because a great deal of the 18th century Scottish discussion responds to Hobbes' use of the prisoner's dilemma to make a case for a government of awful powers. The first Scottish response to Hobbes, that of Hutcheson, employed the idea that benevolence could obviate the prisoner's dilemma. In 1725 Hutcheson pointed out how conduct conducive to social advantage is *so* often judged **good:**

> It is true indeed, that the Actions we approve in others, are generally imagin'd to tend to the natural Good of Mankind, or that of some Parts of it. But whence this secret Chain between each Person and Mankind? How is my Interest connected with the most distant Parts of it?[50]

verbally and mathematically, he defines benevolence and [self] interest as mutually exclusive terms.[51] The "perfection of virtue" occurs when interest is zero.[52]

As an intelligent reader of Bernard Mandeville, Hutcheson would hardly claim that men are paradigms of the virtue they profess. But he **does** insist that both benevolent and selfish motives influence human conduct;[53] indeed, he recognizes that a statistical procedure may be required to identify the independent influence of the two. Hutcheson, in fact, makes relatively modest claims about human nature:

> Our passionate Actions, as we shew'd above, are not generally Self-interested; ...And I see no harm in supposing, that Men are naturally dispos'd to Virtue, ...[54]

The modesty of the claim results from his recognition that such a "natural disposition" is frequently sidetracked:

> The ordinary Springs of Vice among Men, must then be suppos'd to be a mistaken Self-love, made too violent, so as to overcome Benevolence; or Affections arising from false and rashly form'd Opinions of Mankind, which we run into thro the weakness of our Benevolence.[55]

In 1728 Hutcheson modifies his position in a subtle but far-reaching manner. Defining virtue as conduct approved by our moral sense[56] means that the relation between benevolence and virtue is not definitional but factual:

> Benevolence may denote only "the Desire of another's Happiness;" ... abstractly from any Approbation or Condemnation by our Moral Sense.[57]

This shift has no substantial impact on his immediate argument. He still claims that benevolence may nearly balance our selfishness:

> Were we to strike a Medium of the several Passions and Affections ... we should perhaps find the Medium of the public Affections not very far from a sufficient Counter-ballance to the Medium of the Selfish;....[58]

Thus, benevolence in Hutcheson's work prior to Hume's Treatise of Human Nature is taken very seriously as a motive to conduct. However, in Hume's Treatise two important results are established which shatter a complacent identification of virtue and benevolence. First, if there were either general benevolence or absence of scarcity there would be no property, Second, strict justice, i.e., respect for the property of others, in the absence of either plenty or general benevolence can hold society together.

> ...when there is such a plenty of any thing as satisfies all the desires of men: In which case the distinction of property is entirely lost, and every

> thing remains in common. This we may observe with regard to air and water, tho' the most valuable of all external objects; and may easily conclude, that if men were supplied with every thing in the same abundance, or if every one had the same affection and tender regard for every one as for himself; justice and injustice would be equally unknown among mankind.[59]

Hence, the existence of general benevolence is contrary to an equivalent of common observation. Needless to say, this makes alternative explanations more attractive.

Lord Kames uses Hume's results specifically to criticize Hutcheson's Beauty and Virtue. First, he claims Hutcheson neglects the importance of justice and thus the role of duty:

> ...[he] founds the morality of actions on a certain quality of actions, which procures approbation and love to the agent. But this account of morality is imperfect, because it excludes justice, and every thing which may be strictly called Duty. The man who, confining himself to strict duty, is true to his word, and avoids harming others, is a just and moral man;[60]

second, Hutcheson fails to attend to the consequence of a scarcity theory of property when general benevolence does not prevail:

> The surface of this globe does scarce yield spontaneously food for the greatest savages; ... that man should labour for himself and his family ... before he thinks of serving others.[61]

Kames suggests that even if benevolence towards strangers is not observed, abstract concepts are effective restraints on choice:

> Arriving at that point, where benevolence would vanish by the distance of the object, nature has an admirable artifice for reviving its force; by directing it on the abstract idea of a Public and a Whole.,..[62]

Hutcheson's posthumous System of Moral Philosophy fully incorporates Hume's and Kames' criticism, as we observe in the discussion of Plato's and More's communism. Benevolence, Hutcheson concludes, is too weak a motive to replace the incentives provided by a system of private property:

> Tho' men are naturally active, yet their activity would rather turn toward the lighter and pleasanter exercises, than the slow, constant, and intense labours requisite to procure the necessaries and conveniences of life, unless strong motives are presented to engage them to these severe labours.[63]
>
> If they are not thus secured, one has no other motive to labour than the general affection to his kind, which is commonly much weaker than the narrower affections to our friends and relations, not to mention the opposition which in this case would be given by most of the selfish ones.
>
> Nay the most extensive affections could scarce engage a wise man to industry, if no property ensued upon it. He must see that universal diligence is necessary. Diligence will never be universal, unless men's own necessities, and the love of families and friends, excite them. Such as are capable of labour, and yet decline it, should find no support in the labours of others. If the goods procured, or improved by the industrious lye in common for the use of all, the worst of men have the generous and industrious for their slaves. The most benevolent temper must decline supporting the slothful in idleness.[64]

Hutcheson extends Hume's "no scarcity, no property" theory of property formation by demonstrating the existence of what the 20th century would call public goods.

> The **origin** of property above explained, shews the reason why such things as are inexhaustible and answer the purposes

> of all, and need no labour to make them useful, should remain in common to all, as the air, the water of rivers, and the ocean.... Where the use is inexhaustible, but some expense is required to secure it, this may be a just reason for obliging all who share in it to contribute in an equitable manner to the necessary expence, such as that of light-houses, or ships of force to secure the sea from pyrates.[65]

Although Hutcheson accepts that benevolence is a weak motive, he abandons neither sympathy nor disinterestedness as the basis of morality. Indeed, he extends the sympathetic principles to the problem of cruelty to animals.[66] The sympathetic principle, with no fixed class to operate upon, may very well cross species lines.

The constructive conclusion of the Scottish tradition is that men and women are bound, in part, by abstractions. People who act with regard to others need not themselves be benevolent. Rather, they act out of respect for duty; whereas, the well-being of others plays an inconsequential role in an individual's concerns. This, of course, is Smith's answer:

> It is not the soft power of humanity, it is not that feeble spark of benevolence which Nature has lighted up in the human heart, that is thus capable of counteracting the strongest impulses of self-love. It is a stronger power, a more forcible motive, which exerts itself upon such occasions. It is reason, principle, conscience.... It is not the love of our neighbour, it is not the love of mankind, which upon many occasions prompts us to the practice of those divine virtues. It is a stronger love, a more powerful affection ... the love of what is honourable and noble, of the grandeur, and dignity and superiority of our own characters.[67]

We can now answer the last problem with which we started. General benevolence is not empirically

relevant as a motive to choice: its existence conflicts with property. Nonetheless, rules of justice are observel to be important although such rules may be enforced by both dictates of conscience and the public hangman: justice is a moral code which is not necessarily self-enforcing.

Conclusion

We have asked under what condition moral infornation will be self-enforcing. The answer is in the case of private goods but not in the case of public goods. If moral information itself is provided by the gcvernmcnt, there is reason to believe that the government will have an interest in the inculcation of teachings which will assist the government and not the public. We have provided some reason to think that David Hume and Adam Smith were very much aware of the same sort of public goods issues which trouble us today.

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1. Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, ed. W.B. Todd (oxford, 1976), p. 65: "In that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another."

   Ibid., p. 67: "As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural

produce. The wood of the forest, the grass of the field, and all the natural fruits of the earth, which, when land was in common, cost the labourer only the trouble of gathering them, come, even to him, to have an additional price fixed upon them. He must then pay for the licence to gather them; and must give up to the landlord a portion of what his labour either collects or produces."

2. An inconsistency between Smith's view of political activity and the private process is stressed by George Stigler, "Smith's Travels on the Ship of State," Essays on Adam Smith, edited by Andrew S. Skinner and Thomas Wilson (Oxford, 1975).

3. An inconsistency between Theory of Moral Sentiments and Wealth of Nations was long claimed by Jacob Viner, "Adam Smith and Laissez Faire," J.M. Clark, et al., Adam Smith 1776-1926 (Chicago, 1928); Guide to John Rae's Life of Adam Smith, John Rae, Life of Adam Smith [1895], (Fairfield, Ct., 1977); The Role of Providence in the Social Order, (Philadelphia, 1972).

4. The critical importance of the potential of anti-social behavior for the economic theory of the political process is stressed in Dennis C. Mueller, "Public Choice: A Survey," The Theory of Public Choice -- 11, eds. James M. Buchanan and Robert D. Tollison (Ann Arbor, 1984), pp. 23-67.

5. Paul Samuelson, "The Pure Theory of Public Expenditure," Collected Scientific Papers, ed. Joseph Stiglitz (Cambridge, 1966), pp. 1223-1225.

6. David Levy, "Towards a Neoaristotelean Theory of Politics: A Positive Account of 'Fairness'," Public Choice 42 (1984): 39-54.

7. Smith, Wealth of Nations, p. 124: "The overweening conceit which the greater part of men have of their own abilities, is an antient evil remarked by the philosophers and moralists of all ages. Their absurd presumption in their own good fortune, has been less taken notice of. It is, however, if possible, still more universal."

8. Rudolf Carnap, Logical Foundations of Probability, (Chicago, 1950), p. 576 and George J. Stigler, "Does Economics Have a Useful Past?" History of Political Economy 1 (1969): 217-30 provide statements of an analytical approach to the history of science that I find compelling.

9. Smith, Wealth of Nations, p. 759: "In every profession, the exertion of the greater part of those who exercise it, is always in proportion to the necessity they are under of making that exertion. This necessity is greatest with those to whom the emoluments of their profession are the only source from which they expect their fortune..."

10. W.V. Quine, Word and Object (Cambridge, 1960) and Hilary Putnam, "Meaning and Reference," Naming, Necessity, and Natural Kinds, ed. Stephen P. Schwartz (Ithaca and London, 1977), p. 125: "The features that are generally thought to be present in connection with a general name -- necessary and sufficient conditions for membership in the extension, ways of recognizing whether something is in the extension, etc. -- are all present in the linguistic community considered *as* a collective body; but that collective body divides the 'labor' or knowing and employing these various parts of the 'meaning' of [a word]."

11. Abraham Robinson, "History of the Calculus," Non-Standard Analysis (Amsterdam, revised edition: 1974), pp. 280-1: "The vigorous attack directed by Berkeley against the foundations of the Calculus in the forms then proposed is, in the first place, a brilliant exposure of their logical inconsistencies.... As the Calculus continued to develop and thrive, the logical and philosophical weaknesses of the system were overlooked for a period."

12. David Hume, Treatise of Human Nature, ed. L.A. Selby-Bigge (Oxford: second edition, 1978), p. 484: "Mankind is an inventive species; and where an invention is obvious and absolutely necessary, it may as properly be said to be natural as any thing that proceeds immediately from original principles, without the intervention of thought or reflexion. Tho' the rules of justice be artificial, they are not arbitrary."

13. Smith, Wealth of Nations, p. 29: "When they came into the world, and for the first six or eight years of their existence, they were, perhaps, very much alike, and neither their parents nor play-fellows could perceive any remarkable difference."

14. The basic references to household production thaory are Gary S. Becker, "A Theory of the Allocation of Time" in G.S. Becker, The Economic Approach to Human Behavior (Chicago, 1976), Becker

and Robert T. Michael, "On the New Theory of Consumer Behavior" in Becker, Economic Approach and George J. Stigler and Becker, "De Gustibus Non Est Disputandum," American Economic Review 67 (1977): 76-90. A demonstration of the usefulness of this approach in historical reconstruction of the classical economists is found in David Levy, "Diamonds, Water and Z Goods: An Account of the Paradox of Value," History of Political Economy 14 (1982): **312-22.**

15. The details are worked out and placed in the contexts of discussions by Aristotle and Smith in David Levy, "Utility Enhancing Consumption Constraints: Live Economics from the Dead Past," presented at the Southern Economic Association, Atlanta, **1904.**

16. The quotation marks indicate that we need make no commitment to the existence of right and wrong; all that is required for the empirical purposes of describing how people behave is the words people use.

17. The popularity of convex sets as an analytical tool in modern economics is due to the rigor and elegance attained in Gerald Debreu, Theory of Value (New Haven, **1975).**

18. Kenneth J. Arrow and F.H. Hahn, General Competitive Analysis (San Francisco, 1971), pp. **59-62,** 169-82.

19. Paul Samuelson, "Aspects of Public Expenditure Theories," Collected Scientific Papers, p. 1237: "With constant returns we could both get what we want, or at least what we deserve. But with initial indivisibilities or other forms of increasing returns, what I get will depend upon what you get."

20. David Levy, "Rational Choice and Morality: Economics and Classical Philosophy." History of Political Economy 14 (1982): 1-36.

21. The oft-cited texts are John Locke, The Second Treatise, Two Treatises of Government, ed. Peter Laslett (Cambridge, UK: second edition, 1970), p. 312 (Section 37): "To which let me add, that he who appropriates land to himself **by** his labour, does not lessen but increase the common stock of mankind. For the provisions serving to the support of humane life, produced **by** one acre of inclosed and cultivated land, are ... ten times

more, than those, which are yeilded by an acre of Land, of equal richnesse, lyeing wast in common." Thus, ibid., p. 314 (Section 40): "Nor is it so strange, as perhaps before consideration it may appear, that the Property of labour should be able to over-ballance the Community of Land. For 'tis ~~Labour~~ indeed that puts the difference of value on every thing ... I think it will be but a very modest Computation to say, that of the Products of the Earth useful to the Life of Man 9/10 are the effects of labour.... " The importance of this argument in Locke's model was pressed in conversation and correspondence with me independently by Loren Lomasky and Karen Vaughn.

22. David Hume, The History of England (Indianapolis, Liberty edition, 1983), vol. 2, pp. 289-90: "One John Ball also, a seditious preacher ... inculcated on his audience the principles of the first origin of mankind from one common stock, their equal right to liberty and to all the goods of nature, the tyranny of artificial distinctions.... These doctrines, so agreeable to the populace, and so conformable to the ideas of primitive equality, which are engraven in the hearts of all men, were greedily received by the multitude.... [Note 1] There were two verses at the time in the mouths of all the common people, which, in spite of prejudice, one cannot but regard with some degree of approbation:

When Adam delv'd and Eve span,
Where was then the gentleman?"

Of course, this approbation does not extend to the communism proposed by the Levellers in the New Model Army. David Hume, The History of England (London, new edition: 1763), vol. 7, pp. 112-13. William B. Todd's "Foreword," to the new Liberty Classics edition discusses the complicated textual history of the History and provides ample justification for use of the very rare 1778 edition as copy text. Until the Liberty text is complete, it seems reasonable to use the very common 1763 edition. Further citations will be in the form, History volume: page. The citations to volumes 1 to 4 will be the Liberty edition, those tc volumes 7 and 8 to the 1763 edition.

23. The texts are provided in "Rational Choice" and below, note 59. Smith also accepts the claim that there will be no property when goods are free, Adam Smith, Lectures on Jurisprudence, ed, R.L. Meek, D.D. Raphael and P.G. Stein (Oxford, 1978), p. 25: "One does not form such an attachment to a

thing he has possessed for a short time ... and has acquired by little labour as he does to what he has got by great pains and industry.... Besides those things already mentioned there are many others that are to be considered as common to all, as they can not be lessend or impaired by use, nor can any one be injured by the use of them, Thus the air ... Running water in like manner or the sea are by nature common to all."

24. John Rawls, A Theory of Justice (Cambridge, 1971).

25. What Locke needs to save his argument is a futures market, an institution which can give present value to the term "benefit eventually." Debreu's proof of the efficiency of competitive equilibrium requires that there are markets for all commodities.

26. Locke and Hume's texts on the importance of positive time preference are cited in my "Rational Choice."

27. The same theory is present in History. Hume often emphasizes the importance of making land holdings stable, e.g., History 1:46: "Ina, his successor, inherited the military virtues of Ceodwalla, and added to them the more valuable ones of justice, policy, and prudence ... he treated the vanquished with a humanity, hitherto unknown to the Saxon conquerors. He allowed the proprietors to retain possession of their lands...." Also, ibid.. 1:457-8.

28. Hume, Treatise, p. 537: "men cure their natural weakness, and lay themselves under the necessity of observing the laws of justice and equity, notwithstanding their violent propension to prefer contiguous to remote ... the utmost we can do is to change our circumstances and situation, and render the observance of the laws of justice our nearest interest, and their violation our most remote.... Here then is the origin of civil government and society." There is a wonderful argument in the History that criminal fines paid to the government increased its concern for the administration of justice, 1:175-76: "The magistrate, whose office it was to guard public peace ... conceived himself to be injured by every injury done to any of his people; and beside the compensation to the person who suffered, or to his family, he thought himself entitled to exact a fine.. .. The numerous fines which were levied, augmented that revenue of the king: And the

people were sensible, that he would be more vigilant in interposing with his good offices, when he reaped such immediate advantage from them.. .." Hume defends pecuniary punishment against "a false appearance of lenity" at 1:359. Although he does not comment on the issue, it is hard to imagine what benefit the government received from amputation, the new form of punishment for criminals.

29. Smith, Wealth of Nations, pp. 23-4: "Compared, indeed, with the more extravagant luxury of the great, his accommodation must no doubt appear extremely simple and easy; and yet it may be true, perhaps, that the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages." Also, ibid., pp. 99-100, 266.

30. Smith, "Early Draft of Part of The wealth of Nations," Jurisprudence, pp. 563-64: "But with regard to the produce of the labour of a great society there is never any such thing as a fair and equal division. In a society of an hundred thousand families, there will perhaps be one hundred who don't labour at all, and yet, either by violence or by the more orderly oppression of law, employ a greater part of the labour of society than any other ten thousand in it."

31. Here we ignore the classical discussions of penal sanctions to convince individuals not to engage in some robust anti-social activity. Obviously, this discussion is enormously important for a full appreciation of the classical economic theory of social organization.

32. One should note that this approach does not resolve all questions. what is good for the gamers considered as a sub-society may not be good for the whole society. Indeed the classical economic issues where the prisoner's dilemma is encountered, i.e. voluntary enforcement of cartel agreements and inducement of prisoners to inform on others, are instances where society in general would not wish to have the sub-society prosper.

33. An interesting discussion of the "tit for tat" strategy is found in Ronald A. Heiner, "The Origin of Predictable Behavior," American Economic Review 83 (1983): 560-95.

34. Adam Smith, The Theory of Moral Sentiments, ed. D.D. Raphael and A.L. Macfie (Oxford, 1976), p. 82.

35. Ibid., p. 166: "But by acting according to the dictates of our moral faculties, we necessarily pursue the most effectual means for promoting the happiness of mankind, and may therefore be said, in some sense, to co-operate with the Diety...."

36. Hume, Treatise, p. 490: "This convention is not of the nature of a promise: ... I observe, that it will be for my interest to leave another in the possession of his goods, provided he will act in the same manner with regard to me. He is sensible of a like interest in the regulation of his conduct. When this common sense of interest is mutually express'd, and is known to both, it produces a suitable resolution and behavior."

37. For obvious historical reasons, this is known as the Leviathan model of government, cf. Geoffrey Brennan and James Buchanan, The Power to Tax (New York, 1980).

38. Hume is very careful to note that the worst governments are preferable to states without government. This is a necessary condition for a government to maximize revenue taxed from the people. History 1:168-9: "the great body even of the free citizens, in those ages, really enjoyed much less true liberty, than where the execution of the laws is the most severe, and where subjects are reduced to the strictest subordination and dependance on the civil magistrate. The reason is derived from the excess itself of that liberty. Men must guard themselves at any price against insults and injuries; and where they receive not protection from the laws and magistrate, they will seek it by submission to superiors.... And thus all anarchy is the immediate cause of tyranny...."

39. Hume, Treatise, p. 486: "But in order to form society, 'tis requisite not only that it be advantageous, but also that men be sensible of these advantages...."

40. Hume, History 1:5-6: "The religion of the Britons was one of the most considerable parts of their government; and the Druids, who were their priests, possessed great authority among them." Also: "No species of superstition was ever more terrible than that of the Druids. Besides the severe penalties, which it was in the power of the

ecclesiastics to inflict in this world, they inculcated the eternal transmigration of souls; and thereby extended their authority as far as the fears of their timorous votaries. They practised their rites in dark groves or other secret recesses; and in order to throw a greater mystery over their religion, they communicated their doctrines only to the initiated, and strictly forbad the committing of them to writing, lest they should at any time be exposed to the examination of the profane vulgar." The same point was at issue in the debate over whether to provide the Bible in the vernacular, ibid., 3: 231-33.

41. Hume has great respect for the time horizon considered by the popes, History 1: 214-5. Thus, a policy of encouraging superstition is something which cannot be taken casually; the popes are not likely to act systematically contrary to their interests. He finds their power is augmented by ignorance and superstition. Writing about the First Crusade History 1: 237: "Europe was at this time sunk into profound ignorance and superstition: The ecclesiastics had acquired the greatest ascendant over the human mind: The people, who, being little restrained by honour, and less by law, abandoned themselves to the worst crimes and disorders, knew of no other expiation than the observances imposed on them by their spiritual pastors...." Thus it is that Hume is so interested in John Wickliffe, ibid., 2: 326: "He seems to have been a man of parts and learning, and has the honour of being the first person in Europe, that publicly called in question those principles, which had universally passed for certain and undisputed during so many ages."

When the competition of ideas starts, there is no stopping it. In Hume's view, Henry VIII made a terrible mistake in stooping to the theological controversy. Debating with Martin Luther was perilous in itself; however, even if Henry had triumphed in their exchange, the very fact that he had opened theology to debate posed a danger to the authority of future rulers of England. History, 3: 290: "he encouraged the people, by his example ... to the study of theology; and it was in vain afterwards to expect ... that they would cordially agree in any set of tenets or opinions prescribed to them."

42. Hume discusses the policy of interdict, ibid., 1: 425-6. The clergy shut down public religion, relics were grounded, mass was stopped. The king's response, ibid., 1: 426: "to distress the clergy in the tenderest point, and at the same time expose them to reproach and ridicule, he threw into prison all their concubines, and required high fines as the price of their liberty."

43. Wealth of Nations, pp. 266-67: "Their superiority over the country gentleman is, not *so* much in their knowledge of the publick interest, as in their having a better knowledge of their own interest than he has of his. It is by this superior knowledge of their own interest that have frequently imposed upon his generosity, and persuaded him to give up both his own interest and that of the publick, from a very simple but honest conviction, that their interest, and not his, was the interest of the publick." The argument can, I believe, be traced to Berkeley's theory of perception. Some texts are provided in my "Utlity-Enhancing" paper.

44. Hume, History, 2: 326: "Wickliffe ... was distinguished by a great austerity of life and manners, *a* circumstance common to almost all those who dogmatize in any new way, both because men, who draw to them the attention of the public, and expose themselves to the odium of great multitudes, are obliged to be very guarded in their conduct, and because few, who have a strong propensity to pleasure or business, will enter upon *so* difficult and laborious an undertaking." Ibid., 1:30: "Augustine ... attracted their attention by the austerity of his manners, by the severe pennances to which he subjected himself, by the abstinence and self-denial which he practised: And having excited their wonder by a course of life, which appeared *so* contrary to nature, he procured more easily their belief of miracles...." Ibid., 1: 104: "The monks were able to prevail in these assemblies ... [they were] so fortunate as to obtain, by their pretended austerities, the character of piety, their miracles were more credited by the populace.

45. Ibid., 1: 275: "The cardinal, in a public harangue, declared it to be an unpardonable enormity, that a priest should dare to consecrate and touch the body of Christ immediately after he had risen from the side of a strumpet: For that was the decent appellation which he gave to the

wives to the clergy. But it happened, that the very next night, the officers of justice, breaking into a disorderly house, found the cardinal in bed with a courtezan; an incident which threw such ridicule upon him, that he immediately stole out of the kingdom: The synod broke up; and the canons against the marriage of clergymen were worse executed than ever." Martin Luther's break with the established order was set off by monks of his order selling indulgences. Here is what Hume tells us the money went for, ibid., 3: 138: "the collectors of this revenue were said to have lived very licentious lives, and to have spent in taverns, gaming-houses, and places still more infamous, the money, which devout persons had saved from their usual expences, in order to purchase a remission of their sins."

46. Ibid., 1: 51: "Bounty to the church atoned for every violence against society: And the remorses for cruelty, murder, treachery, assassination, and the more robust vices, were appeased, not by amendment of life, but by pennances, servility to the monks and an abject and illiberal devotion." Ibid., 3: 134-37 has the famous argument that it is in the interest of society to have government establish a religion. This, of course, drew an important response from Smith who defended competition among religions. Smith's response is discussed in David Levy, "Adam Smith's 'Natural Law' and Contractual Society" Journal of the History of Ideas 39 (1978): 665-674.

47. Smith, Moral Sentiments, p. 170. Given Smith's command of the classical Greek literature, it is hardly surprising that he would virtually quote Plato's third definition of an atheist and doubtless expect his readers to recognize the reference. Smith's analysis of how competition among religions would insure the diffusion of rational morality is discussed in Levy, "Natural Law."

48. Gladys Bryson, Man and Society (Princeton, 1945), p. 11 and Garry Wills, Inventing America (Garden City, 1978), pp. 149-50.

49. Immanuel Kant, Dreams of a Spirit Seer, trns. John Manolesco (New York, 1969), p. 50. The passage here is from the pre-critical writings; nonetheless, Kant's employment of the Scottish devices to explain how people come to behave morally is in all his moral works rather more frequently than the modern commentary might

suggest, For example, here is a passage in the first critique which uses techniques developed by Hume and Smith, Immanuel Kant, Critique of Pure Reason, trns. Norman Kemp Smith (London, 1933), p. 599 [A748=B776]: "There is in human nature a certain disingenuousness, which, like everything that comes from nature, must finally contribute to good ends, namely, a disposition to conceal our real sentiments, and to make show of certain assumed sentiments which are regarded as good and creditable. This tendency ... has, undoubtedly, not only civilised us, but gradually, in a certain measure, moralised us. For so long as we were not in a position to see through the outward show of respectability, honesty, and modesty, we found in the seemingly genuine examples of goodness with which we were surrounded a school for self-improvement." Compare with Hume, Treatise, p. 365: "the minds of men are mirrors to one another, not only because they reflect each others emotions, but also because those rays of passions, sentiments and opinions may be often reverberated... ." Also Smith, Moral Sentiments, p. 110: "Were it possible that a human creature could grow up to manhood in some solitary place, without any communication with his own species, he could no more think of character, of the propriety or demerit of his own sentiments ... than of the beauty or deformity of his own face. All these are objects which he cannot easily see, which naturally he does not look at, and with regard to which his is provided with no mirror which can present them to his view. Bring him into society, and he is immediately provided with the mirror which he wanted before ... it is here that he first views the propriety and impropriety of his own passions, the beauty and deformity of his own mind."

50. [Francis Hutcheson], An Inquiry into the Original of Our Ideas of Beauty and Virtue (London, 1725), p. 111.

51. Ibid., p. 129.

52. Ibid., p. 170.

53. Ibid., pp. 129-30.

54. Ibid., p. 176.

55. Ibid., p. 159.

56. [Francis Hutcheson], An Essay on the Nature and Conduct of the Passions and Affections (London, 17281, p. XV.

57. Ibid., p. 65.

58. Ibid., p. 201.

59. Hume, Treatise, p. 495. I have discussed Hume's results in "Rational Choice."

60. [Lord Kames, Henry Home], Essays on the Principles of Morality and Natural Religion (Edinburgh, 1751), p. 55.

61. Ibid., p. 105.

62. Ibid., p. 381.

63. Francis Hutcheson, A System of Moral Philosophy (Glasgow, 1755), p. 320.

64. Ibid., p. 321.

65. Ibid., p. 329. Smith's acceptance of such a theory is documented above in note 23.

66. Ibid., p. 314.

67. Smith, Moral Sentiments, p. 137.