The Southern Journal of Philosophy
Volume 0, Issue 0
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COMPETITION AND JUSTICE IN ADAM SMITH

Timo Jütten

Abstract: This article analyzes the relationship between competition and justice in Adam Smith in order to determine to what extent competition can promote and undermine justice. I examine how competition features in two basic motivations for human action, "the propensity to truck barter and exchange," and "the desire of bettering our condition." Both can be traced back to the desire for recognition, but they operate in very different ways. The former manifests itself in social cooperation, chiefly commercial exchange and the division of labor, and while it can take a competitive form, competitive success produces benefits for everyone. In contrast, the latter may manifest itself in win-lose social competition. Commercial society harnesses both motivations, and both have negative as well as positive effects. However, while Smith explicitly addresses the negative effects of excessive specialization in the division of labor, it is less clear how he thinks the negative effects of social competition can be addressed. I argue that competition can undermine justice when (i) it pits people against each other and (ii) leads to psychological corruption. I conclude with some reflections on what a focus on competition adds to our understanding of Smith's work.

1. INTRODUCTION

Adam Smith is best known as the father of modern economics, and his most famous book, *An Inquiry of the Nature and Causes of the Wealth of Nations*

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The Southern Journal of Philosophy, Volume 0, Issue 0 (2023), 1–27.
ISSN 0038-4283, online ISSN 2041-6962. DOI: 10.1111/sjp.12490

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(1776),[1] is often said to be "the origin of the modern concept of competition" (Hearn 2018, 162; cf. McNulty 1967; Stigler 1957). However, as Samuel Fleischacker has noted, Smith also occupies a crucial position in the history of distributive justice. While the tradition he inherited associated distributive justice with the recognition of merit and the social virtues, Smith was among the first thinkers (along with Rousseau and Kant) to recognize a right of the poor to support from the state. Smith's positive proposals may seem "a bit meager to us" (Fleischacker 2004a, 63), but his lasting achievement is that he revolutionized the image of the poor, which made it possible for the wider public to recognize that the poor deserve aid, and ask why everyone should not have access to education, healthcare, unemployment insurance, etc. (66–67). This revolutionary attitude to the poor is doubtlessly influenced by Smith's moral philosophy, which explains the moral feeling of sympathy with others by our ability to put ourselves imaginatively in their shoes and feel what they feel. As Fleischacker notes, this requires that we can see poverty as something that may afflict our friends and acquaintances, rather than remote others very different from us, whose situation is owed to viciousness or indolence.

In this article, I will examine the relationship between competition and justice in Smith's work in order to determine to what extent competition can both promote and undermine justice. To the best of my knowledge, there is no systematic analysis of the different forms of competition and competitiveness that are operative across Smith's work,[2] although recent research has discussed many related issues, including the potential corruption brought about by commercial society and how to guard against it (e.g., Hanley 2009; Rasmussen 2008), and the destructive role of vanity in social relations (e.g., Force 2003; Luban 2012). This lack of systematic analysis is unfortunate, because Smith's analysis of the origins of individual competitiveness in a desire for social recognition, and the ways in which the mechanisms of market and social competition in commercial society harness this desire, remains highly relevant today.

Social recognition can take many forms. Smith mentions approbation, approval, admiration, respect, and esteem. While some forms of recognition

[1] References to Adam Smith's works will be to the Glasgow Edition of his collected writings. The following abbreviations will be used: *WN* = *An Inquiry of the Nature and Causes of the Wealth of Nations* ([1776] 1976), *TMS* = *The Theory of Moral Sentiments* ([1759/1790] 1976), *LJ* = *Lectures on Jurisprudence* ([1762–63/1766] 1978), *EPS* = *Essays on Philosophical Subjects* (1980).

[2] But see Hearn (2018, 164–69). Hearn attributes less importance than I do to the competitive nature of the desire to bettering our condition and distinguishes more sharply between competition and emulation, which he says is distinct from competition itself (167).

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are absolute, for example, when we recognize another as our equal, having equal dignity, or deserving equal respect, others, for example, admiration and esteem, are relative and depend on our ability to compare people's achievements and performance. They are also competitive. My argument in this article is that Smith shows how people pursue social recognition in all its forms through the social institutions in which they participate. At the same time, he shows that the virtues that people cultivate regulate the nature of that pursuit. Thus, the institutions of commercial society, from the market to the factory, are the venues of the struggle for social recognition, while virtues, such as prudence and beneficence, constrain their scope. Ultimately, there are reasons to believe that competition can promote as well as undermine justice, but the effects of competition also indicate the limits of Smith's approach to justice.

The article is divided into seven sections. The next section (2) discusses Smith's conception of justice. Then (sections 3–4), I offer a detailed analysis of how competition features in the two basic motivations for human action that Smith discusses in *WN*, "the propensity to truck, barter, and exchange one thing for another" (*WN* I.ii.1; henceforth TBE), and "the desire of bettering our condition" (*WN* II.iii.28; henceforth BOC).[3] The general argument is that both TBE and BOC can be traced back to the desire for recognition, but they operate in very different ways. TBE manifests itself in social cooperation, chiefly commercial exchange and the division of labor, and while it can take a competitive form, it does not necessarily do so, and where it does, competitive success produces benefits for everyone. In contrast, BOC may manifest itself in win-lose social competition. Commercial society harnesses both motivations, and both have negative as well as positive effects. However, while Smith explicitly addresses the negative effects of excessive specialization in the division of labor, it is less clear how he thinks the negative effects of social competition can be addressed. In the next two section (5–6), I will examine how competition can undermine justice when it pits people against each other and leads to psychological corruption. I will conclude (section 7) with some reflections on what my focus on competition adds to our understanding of Smith's work.

2. JUSTICE

On Smith's analysis, competition and justice have their ultimate basis in the same psychological mechanism, sympathy, although they relate to it

[3] Winch (1996, 106) and Force (2003, 124–34), also discuss TBE and BOC together and suggest that they have a similar status.

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in very different ways. In *The Theory of Moral Sentiments* (1759/1790), Smith defines sympathy as "our fellow-feeling with any passion whatsoever" (*TMS* I.i.1.3), for example, with another person's joy or grief. Sympathy arises from the situation that excites the passion in another person (*TMS* I.i.1.10), and this "mutual sympathy," that is, the fact that one person feels what the other feels, is highly pleasurable to both (*TMS* I.i.2.6). A concord of feeling is established, because we judge the propriety or impropriety of another's feeling by whether we agree with its strength, and this leads them to adjust their feeling to the strength with which they think we can identify (*TMS* I.i.4.8). The result is mutual approbation. Sympathy, then, is a projective mechanism, which enables us to imaginatively "enter into" the situation of another person and feel what they feel in that situation, mediated by a shared sense of what and how strong a feeling is appropriate in a given situation. In the case of reactive attitudes, sympathy leads to a mutual adjustment of, for example, indignation, to the strength of which an "impartial spectator" would approve (*TMS* I.i.5.4), and so establishes a standard for moral judgment. Our judgments of justice and injustice, aroused by the sentiments of gratitude and resentment (*TMS* II.i.2.1), are also based on the approval or indignation of the impartial spectator. It is sympathy that causes us to "go along" with the indignation of the injured person, our general fellow-feeling with a fellow-creature (*TMS* II.ii.3.10).[4]

This mechanism of sympathy is coupled with a strong desire for social recognition, which values approval and trust. With regard to approval, Smith writes: "Nature when she formed man for society, endowed him with an original desire to please, and an original aversion to offend his brethren. She taught him to feel pleasure in their favourable, and pain in their unfavourable regard. She rendered their approbation most flattering . . . for its own sake; and their disapprobation most mortifying and most offensive" (*TMS* III.2.6). With regard to trust, Smith adds that "the desire to be believed, the desire of persuading, of leading and directing other people, seems to be one of the strongest of all our natural desires" (*TMS* VII.iv.25). Since people "are disposed to sympathize more entirely with our joy than with our sorrow . . . we make parade of our riches, and conceal our poverty" (*TMS* I.iii.2.1), and this is the basis for our desire to better our condition and the social competitiveness that it can cause. Sympathy plays an important role in social recognition, too, because we need to be able to see

[4] This is a highly compressed account of Smith's complex arguments. For more detail on imagination, mutual sympathy, and approbation, see Debes (2016).

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ourselves as relevantly similar to others in order to grant and receive recognition.[5]

Justice has its basis in sympathy and the perspective of the impartial spectator. Smith's discussion of the virtue of justice in *TMS* II establishes that justice differs from other virtues in that compliance with it can be compelled and noncompliance can be punished (*TMS* II.ii.1.5). Therefore, the content of justice must be as precise as possible (*TMS* III.6.10).[6] Justice is primarily a negative virtue; it obliges us to refrain from acting unjustly, rather than compelling positive acts (e.g., of beneficence). Hence, Smith's quip that we often can do what justice requires by sitting still and doing nothing (*TMS* II.ii.1.9). Justice is commutative rather than distributive in the modern sense. The laws of justice guard "the life and person of our neighbour," his "property and possessions," and his "personal rights, or what is due to him from the promises of others" (*TMS* II.ii.2.2). Smith offers a consequentialist explanation of justice so conceived. He writes: "society cannot subsist unless the laws of justice are tolerably observed . . . no social intercourse can take place among men who do not generally abstain from injuring one another" (*TMS* II.ii.3.6). However, their ultimate justification is not consequentialist.[7] Rather, Smith often calls the laws of justice "sacred" (e.g., *TMS* II.ii.2.2), which suggests that persons, who are protected by them, possess a very high, intrinsic value.[8] Interestingly, in both *TMS* and *WN*, Smith immediately identifies actions and passions that are closely related to competition as the primary motives for injustice.

In *TMS*, Smith discusses competition and justice in a passage that directly concerns the struggle for recognition:

> In the race for wealth, and honours, and preferments, he may run as hard as he can, and strain every nerve and every muscle, in order to outstrip all his competitors. But if he should justle, or throw down any of them, the indulgence of the spectators is entirely at an end. It is a violation of fair play, which they cannot admit of. This man is to them, in every respect, as good as he: they do not enter into that self-love by which he prefers himself so much to this other, and cannot go along with the motive from which he hurt him. They

[5] Smith does not discuss this much. It is, of course, one of the core insights of the German Idealists, especially Fichte and Hegel.

[6] For detailed discussion of this point, see Fleischacker (2004b, 155). One important question is whether justice is a naturally precise virtue and therefore lends itself to enforcement, or whether we impose precision on justice because it must be enforceable. According to Haakonssen (1981, 86), it is the former; according to Fleischacker (2004b, 155), it is the latter.

[7] On this point, see Fleischacker (2004b, 145) and Raphael (2007, 46–47).

[8] For a detailed argument to the effect that this value is a form of human dignity, see Debes (2012). See also Griswold (1999, 238–39).

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> readily, therefore, sympathize with the natural resentment of the injured, and the offender becomes the object of their hatred and indignation. (*TMS* II.ii.2.1)

Likewise, in *WN*, Smith writes that "avarice and ambition in the rich . . . are the passions which prompt to invade property," rather than envy, malice, or resentment (*WN* V.i.b.2).[9] Thus, Smith is clearly aware of the fact that laws of justice are required in order to prevent injustice that arises from people's attempts to outdo each other for the sake of social recognition or vanity. In the first passage just cited, justice is equated with fair play in a game, here, the race for wealth, honors, and preferments. The references to a race and fair play may suggest that Smith endorses a "game" or "club" conception of justice (Fleischacker 2004b, 161–63). On this conception, rules of justice are like rules of a game or a club. They constitute a specific practice by specifying what counts as participating in it and establish the possible relationships between players or members. The rules apply to everyone in the same way and are known in advance, they are predictable and rule out arbitrary interventions. Therefore, they create a certain equality and liberty for the players or members, who are free to pursue their aims within the rules of the game or club.[10] As we shall see, though, social competition for wealth, honors, and preferments differs from a game or club in important respects.

Note that fair play does not require a concern with equal starting points or outcomes. It is only concerned with impartiality, rather than any more substantive conception of fairness in competition, such as equality of opportunity (Griswold 1999, 236). More substantive conceptions of fairness and justice only arose after Smith (Fleischacker 2004a, 2004b, 200–2). Having said that, in *WN*, Smith makes a number of statements that point toward a more substantive conception of justice. For example, early on in Book I, he writes:

> Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged. (*WN* I.viii.36)[11]

[9] Note though that the same is true for "the hatred of labour and the love of present ease and enjoyment" in the poor.

[10] For an argument against justice as a "club good," see Goodin (2008).

[11] A passage in Book IV, criticizing the mercantile system, uses similar language: "To hurt in any degree the interest of any one order of citizens, for no other purpose but to promote that of some other, is evidently contrary to that justice and equality of treatment which the sovereign owes to all the different orders of his subjects" (*WN* IV.viii.30). However, this passage does not concern servants or workers.

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Here, Smith criticizes the persistence of poverty in society, which renders the far greater part of society miserable. This is an important theme of *WN*. Indeed, Smith thinks that the ability of commercial society to lift people out of poverty is one of the strongest arguments in its favor (Fleischacker 2004b, 55–56; Hanley 2009, 15–19). To reiterate, this is not an argument in favor of distributive justice in the modern sense. It proposes neither income redistribution by the state nor a normative argument in favor of more equal pay. Rather, Smith criticizes premodern economic and social arrangements that keep the poor in poverty, such as apprenticeship and settlement laws (*WN* I.x.c.12, 59) and suggests a public education system (*WN* V.i.f–g).[12]

However, there is an important lesson to be learned about Smith's approach to justice in *WN*. Throughout the book, Smith is guided by a concern with equality of treatment, impartiality, and the avoidance of misery and suffering. While a lot of these commitments are expressed in the language of rights to person, property, and contract, that is, the language of natural jurisprudence, their ultimate basis lies in sympathy, projective imagination, and the mechanism of the impartial spectator. Rights express settled convictions about what the impartial spectator prescribes; they do not have much independent normative weight.[13] This is important, because it implies a developmental and open-ended approach to what justice requires and draws attention to sympathy and impartial spectatorship as ongoing processes that continuously structure our moral perception. Perhaps most importantly, sympathy and impartial spectatorship have background conditions and function better in some conditions than others. If this is right, it is a precondition of the realization of justice that the conditions for the exercise of sympathy and impartial spectatorship are maintained.[14] As we shall, see, competition can undermine these preconditions.

[12] Fleischacker (2004b, 169–73) discusses Smith's reluctance, in *WN*, to characterize various social arrangements as unjust, even where he criticizes them.

[13] This does not mean that our principles of justice are weak. Prescriptions of the impartial spectator can be very stable across space and time. They also have significant pragmatic force based on the need for security and respect for legitimate expectations. However, it does mean that there are no presocial rights, for example, rights to property that would prevent taxation.

[14] For a similar argument, see Herzog (2014), who argues that our moral sentiments depend, in part, on economic and political circumstances. For example: "Moral evaluations, and the kind of sympathy we feel with others, thus depend on what is perceived as adequate and normal in a society, which is, in turn, determined by the 'hardware' of economic circumstances" (717).

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3. "THE PROPENSITY TO TRUCK, BARTER, AND EXCHANGE"

When Smith introduces the propensity to truck, barter, and exchange (TBE) in *Wealth of Nations* (*WN* I.ii.1), he writes that this is not the place to enquire into its origin, but not before having stated, seemingly in passing, that while it may be one of the original principles of human nature, it is "more probable" that it is "the natural consequence of the faculties of reason and speech" (*WN* I.ii.2). This explains why dogs do not contract with one another or engage in a "fair and deliberate exchange"; a dog "has no other means of persuasion but to gain the favour of those whose service it requires" (*WN* I.ii.2). In contrast, any proposed contract or exchange between human beings is, in fact, an attempt at persuasion.[15] Smith does not make this explicit in the text of *WN*, but he does so in a passage of his *Lectures on Jurisprudence* (1762–63/1766):

> If we should enquire into the principle in the human mind on which this disposition of trucking is founded, it is clearly the naturall inclination everyone has to persuade. The offering of a shilling, which to us appears to have so plain and simple a meaning, is in reality offering an argument to persuade one to do so and so as it is for his interest. (*LJ* [A] vi.56)

More generally, Smith argues, human beings have a strong desire to persuade others of their opinions, even concerning irrelevant or trivial matters, and have an aversion to being contradicted. As a result, "everyone is practising oratory on others thro the whole of his life" (*LJ* [A] vi.56).[16] In *TMS*, Smith reiterates this point when he writes that "the desire to be believed, the desire of persuading, of leading and directing other people, seems to be one of the strongest of all our natural desires" (*TMS* VII.iv.25). Taken together, these passages suggest that being persuasive, being believed, being recognized as trustworthy,[17] is the ultimate motivation behind TBE, and this conclusion is in line with Smith's discussion of the foundations of morality in *TMS*.

Smith's argument in the opening chapters of *WN* is that the improvement in the productive powers of labor, and, therefore, the wealth of

[15] The relationship between exchange and persuasion is discussed in Kalyvas and Katznelson (2001) and Lewis (2000). See also Griswold (1999, 296–99).

[16] In Smith's approach to rhetoric, "Oration is not directed to achieve truth but to change beliefs and opinions, to transform perceptions, and 'to gain the assent of the readers'" (Kalyvas and Katznelson 2001, 562; the inner quotation is from Smith's *Lectures on Rhetoric and Belles Lettres*, i.85).

[17] On trustworthiness in this context, see Griswold (1999, 298–99).

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nations, is caused by the division of labor and the specialization of trades, both of which in turn originate in TBE (*WN* I.ii.1; cf. I.i.4). Unlike dogs and other animals, who in maturity are entirely independent, "man has almost constant occasion for the help of his brethren," and our unique strategy for acquiring this help is not to rely on the benevolence of others, but on their self-love. Therefore, as Smith writes in the most famous passage in *WN*, "it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages" (*WN* I.ii.2). We can address ourselves to their self-love, because we are different and complement each other (*WN* I.ii.5). Specialization into different trades gives rise to an exchange economy, in which individuals specialize and exchange the products of their labor, a process that soon becomes mediated by money, and issues in the birth of "commercial society," in which everyone "becomes in some measure a merchant" (*WN* I.iv.1).

The division of labor in production and exchange that is made possible by TBE is cooperative, rather than competitive, and it is cooperation rather than competition that increases opulence early in *WN*. Smith gives the example of a tribe of hunters or shepherds, in which one person may specialize in the production of bows and arrows because he is better at it than others, and realizes that by exchanging them for cattle or venison, he can get more of it than by hunting for it himself. Eventually, he becomes an armorer, while another becomes a carpenter, a smith, or a tanner. Smith concludes:

> The certainty of being able to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent or genius he may possess for that particular species of business. (*WN* I.ii.3)

As in the earlier passage quoted, Smith makes clear that the person becomes an armorer "from a regard to his own interest" (*WN* I.ii.3), rather than from a benevolent concern for the members of his tribe, but the expected consequence of his self-interested decision is an increase in the opulence of the whole tribe. "Expected" is important. Specialization and the resulting dependence on others require a degree of certainty about one's ability to make a living by exchanging one's own produce for that of

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others.[18] Equally, they require ongoing trustful cooperation with others. And this is where our desires to be believed and to persuade others come in. We must be trustworthy partners for each other, but we also must be able to project a picture of a joint, prosperous future and persuade others to believe in it. In this context, admiration, respect, and esteem will be bestowed on those who successfully work to increase the opulence of their tribe through social cooperation.[19]

To be sure, for the benefits of the division of labor and market exchange to be realized, a number of institutional structures must be in place. On the one hand, people must have the rights and freedoms to work and trade unimpeded by protectionist restrictions. Therefore, Smith criticizes restrictions such as apprenticeship and settlement laws (*WN* I.x.c.12, 59), which prevent workers from working in certain industries or moving between areas in search of better work, and interferences with trade, such as bounties, duties, or prohibitions (*WN* IV.iii, v), which hinder the flow of goods and raw materials between countries and prevent specialization and gains from trade. On the other hand, the people must be able to rely on the sovereign for defense and the administration of justice (*WN* V.i.a–b), and the provision of public works and institutions, which include basic infrastructure, such as roads, bridges, canals, harbors, etc. (*WN* V.i.d), and publicly supported education (*WN* V.i.f–g).

In conclusion, TBE is a cooperative, rather than a competitive propensity. The increase in opulence discussed in the early chapters of *WN* is the result of human cooperation, coordination, and specialization, not of competition or competitiveness. The tribesman who is better at making bows and arrows does not specialize and become and armorer in order to outperform others in making bows and arrows. The industry of butchers, brewers, and bakers is not motivated by fear of being outdone or undersold by others. The incipient commercial society sketched in the opening chapters of *WN* is not a *competitive* market economy. Or, to be

[18] This is why the division of labor is limited by the extent of the market (*WN* I.iii).

[19] The same is true for the division of labor in the workshop or factory. As Smith argues in his famous discussion of the pin factory in the first chapter of *WN*, three circumstances explain why the division of labor leads to the great increase in the quantity of goods produced: increased dexterity of the workers, time saved by not moving between different tasks, and the invention of time-saving machinery (*WN* I.i.5). But this division of labor in the factory requires workmen to believe that increasing their dexterity in carrying out a very narrow task will not make them unemployable in future, and the coordination of many different but complementary tasks in a factory requires foremen and owners to be trusted and to be able to persuade workers of the advantages of dividing labor in this way. In production, as in exchange, successful work and leadership, based on trustworthiness, being believed, and being able to persuade, is the basis for the admiration, respect, and esteem that all humans desire.

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more precise, it does not have to be. The benefits of the division of labor, brought about by TBE, do not require competition.[20] Of course, a trader may be ambitious and act competitively. In this case, competition between traders will arise, and the successful traders will distinguish themselves and earn the admiration and esteem of their peers for their superior industry compared to their peers. According to the logic of market competition, this competitiveness produces social benefits (for example, for customers). How competitively traders act in a given social context will depend on the shape of the recognition order at a given stage of commercial society.[21] If competitiveness is admired and esteemed more than cooperation and the solidarity of traders, then there will be more of it. However, a certain path-dependency will also emerge. Once competition takes hold, gains through competition will outpace gains through cooperation, and since success attracts admiration and esteem, competition will increasingly crowd out solidarity.

In fact, market competition of this sort is discussed *in the abstract* in the first book of *WN*, and in subsequent chapters, especially those on price, Smith discusses extensively how market competition determines market price in case of excess demand, excess supply, and equilibrium (*WN* I.vii.9–11). He also discusses monopoly and exclusive privileges, combinations of masters and workers, and other practices that undermine "free competition" (*WN* I.vii.27). The mode of these discussions is mostly descriptive, for example, when Smith explains how market prices will move in response to excess supply or demand, or why monopoly prices will be the highest, while under free competition, they will be the lowest, although it is clear throughout that Smith favors free competition over restrictions on trade (and, of course, this becomes much more explicit in later books of *WN*). However, Smith does not apply his insights into the consequences of competition on price to individual behavior. In particular, nothing that we have learned about TBE in the early chapters of *WN* explains why people would seek a monopoly position or exclusive privileges, or why masters or workers would combine to further their particular interests. These behaviors would require underlying motivations that differ from TBE and

[20] They do require comparison though: the cultivation and bringing to perfection of one's talents mentioned at *WN* I.ii.3 implies this, since it is unclear how standards of perfection could be articulated without comparing the different levels of perfections at which an existing practice is practiced by different people.

[21] I adopt the concept of a recognition order from Axel Honneth (2003, 137). A recognition order is a normative order that institutionalizes the distribution of different forms of recognition (e.g., approval, respect, esteem), and therefore expresses the social valuations that most people in this society see as legitimate (see also Jütten 2017).

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include ambition, competitiveness, or a love of domination. While such motivations are not part of TBE, ambition and competitiveness are characteristic motivations of BOC.[22]

4. "BETTERING OUR CONDITION"

The psychological motive that animates competitiveness and emulation in the economic sphere, as well as in most other spheres of human life, is the desire to better our condition (BOC). Therefore, we must understand exactly what it is and how it works. In a famous passage in *TMS*, Smith calls BOC "that great purpose of human life" (*TMS* I.iii.2.1), and in *WN* he calls it "a desire, which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave" (*WN* II.iii.28). Soon after, Smith calls it a "uniform, constant and uninterrupted effort" and compares it to "the unknown principle of animal life" (*WN* II.iii.31). Elsewhere, he calls it a "natural effort" (*WN* IV.v.b.43; IV.ix.28).

Smith's most important discussion of BOC occurs at *TMS* I.iii.2.1. Smith writes:

> 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, or the pleasure, which interests us. But vanity is always founded upon the belief of our being the object of attention and approbation. (*TMS* I.iii.2.1)

Here Smith directly connects BOC with emulation.[23] But what exactly is the connection? The argument of the passage is that our ultimate motive for pursuing success, be it wealth, power, or preeminence, the origin of avarice and ambition, is our interest in the sympathy and approbation of others, rather than in the necessities of nature. Now, wealth, power, and

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[22] Love of domination is not a motivation characteristic of BOC. However, elsewhere Smith posits love of domination as a basic human desire (*LJ* (A) iii.114, 130; cf. *WN* III.ii.10), and some interpreters have argued that it is the central human desire, according to Smith (e.g., Luban 2012). However, as Force (2003, 46) and Lewis (2000, 287) have pointed out, ultimately domination is also a means to the end of gaining recognition.

[23] The Oxford English Dictionary defines emulation as "the endeavour to equal or surpass others in any achievement or quality; also, the desire or ambition to equal or excel." At one point, Smith defines emulation as "the anxious desire that we ourselves should excel" (*TMS* III.2.3).

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preeminence are "positional goods" (Hirsch 1978). Whether one counts as wealthy, powerful, or preeminent depends on how much money, power, or eminence one has *relative to others*. Thus, their pursuit is necessarily competitive. This explains the characterization of the pursuit of these goods as emulation, and, in the second clause of that sentence, Smith says that emulation is the means by which we pursue "that great purpose of human life which we call bettering our condition." In the remainder of the quoted passage, Smith reiterates that the advantages gained from emulation are recognitive rather than material in nature—sympathy, complacency, and approbation, rather than ease and pleasure. Ultimately, they support our vanity. As one influential study puts it, "the ultimate goal of economic activity is something symbolic and intangible: approbation from others" (Force 2003, 47).[24]

As a number of commentators have pointed out, Smith's discussion of BOC in *TMS* I.iii.2.1 and the development of its general line of argument in subsequent passages throughout *TMS* raise difficult questions about Smith's attitude toward commercial society. For present purposes, one immediate question is how Smith's assessment of BOC in *TMS*, which seems to be ambiguous at best, relates to its role in *WN*, which seems unqualifiedly positive. Like most commentators, I do not think that the differing assessments of BOC in *TMS* and *WN* give rise to another incarnation of *Das Adam Smith Problem*, that is, the theory that Smith has two incompatible conceptions of human motivation in *TMS* and *WN*. However, I do believe that if we keep Smith's discussion of BOC in *TMS* in mind, his arguments in *WN* appear in a different light.

When BOC first occurs in *WN*, Smith connects it with competition, or, more specifically, with emulation. When the right background conditions are in place, the comfortable hope of bettering their condition arises in the consciousness of workers, and they are motivated by "mutual emulation and the desire of greater gain" to exert themselves to the maximum of their capacities (*WN* I.viii.44).[25] It is worth noting the conjunction of these motivations. Smith could have limited the argument to "desire for greater gain," which involves one's desire to better oneself *absolutely*, compared to one's previous condition. "Mutual emulation," on the other hand, involves the desire to be as good as others or better than them, so it is a comparison

[24] Presumably, to say that the ultimate goal of economic activity is approbation is compatible with the immediate motivations being ease and pleasure.

[25] In fact, Smith reports in this passage that workers often exerted themselves beyond their capacities, so maximum pay had to be introduced to prevent workers or soldiers from exhausting themselves to the point of serious illness.

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relative to the condition of others. To be sure, Smith discusses emulation elsewhere in *WN*, too, but, as we shall see, in most of these passages, emulation is aroused by objective circumstances of rivalry.[26] In contrast, in the circumstances described at *WN* I.viii.44, emulation seems to arise as a direct consequence of the awakening of BOC. BOC *creates rivalry*. This provides evidence that the comparative and competitive character of BOC that Smith discusses in *TMS* is also relevant in *WN*.

What, then, are the background conditions that must be in place for BOC to be aroused? According to Smith's discussion in *WN*, three related sets of background conditions must be in place: (i) the natural effort to better our condition must be able to "exert itself with freedom and security" (*WN* IV.v.b.43), that is to say, there must be provisions that protect economic action from arbitrary interference by government; (ii) this entails that individuals must be "secure of enjoying the fruits of their industry" (*WN* III.iii.12), rather than living in fear of oppression by powerful superiors who may expropriate them; and, finally, (iii) the "comfortable hope" of bettering our condition that animates exertion and ensures that workmen are more "active, diligent, and expeditious," is facilitated by the "liberal reward of labour," that is, higher, rather than lower wages (*WN* I.viii.44).

With these conditions in place, BOC can be harnessed for the common good,[27] as well as private benefits to those who are motivated by it. In particular, on three occasions, Smith contrasts the positive effects of actions motivated by the desire to better our condition with the negative effects of political or administrative action, human laws, or interference in the economy. Thus, it is "frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration" (*WN* II.iii.31), "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 operation" (*WN* IV.v.b.43), and "capable of preventing and correcting, in many respects, the bad effects of a political oeconomy, in some degree, both partial and oppressive" (*WN* IV.ix.28).

Nevertheless, the competition elicited by BOC can undermine justice. It pits people against each other (section 5) and leads to psychological corruption (section 6).

[26] At *WN* IV.v.a.39, a premium is offered in order to encourage excellence through emulation, but there it is competition, rather than BOC, that excites emulation.

[27] Even though there will be immediate losers in the competition occasioned by BOC.

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5. PITTING PEOPLE AGAINST EACH OTHER

One feature of social competition is that it "pit[s] people against each other" (Hussain 2020, 80), in the sense that one person's successful pursuit of their goals necessarily frustrates other people's goals.[28] This can undermine justice if it leads people to seeing others as threats to their goals rather than as possible objects of their sympathy and mutual approbation.

In *WN*, competition in the realm of the economy or work is primarily justified because it increases effort or productivity (although sometimes it is also justified because it is a requirement of justice). As Smith puts it at one point, unrestrained competition never fails to excite emulation (*WN* V.i.f.45).[29] A review of passages in which Smith discusses emulation reveals that competition has two different but related functions. It disciplines workers to perform well, and it incentivizes them to perform well. The disciplining function is captured well in a passage in which Smith argues that people who rely on the income from their labor for their livelihood "must, in the course of a year, execute a certain quantity of work of a known value; and, where the competition is free, the rivalship of competitors, who are all endeavouring to justle one another out of employment, obliges every man to endeavour to execute his work with a certain degree of exactness" (*WN* V.i.f.4). The incentivizing function is captured well when Smith argues that a "liberal reward of labour" ensures that workmen are more "active, diligent, and expeditious," soldiers, paid by the piece and motivated by mutual emulation, overwork themselves and harm themselves through excessive labor (*WN* I.viii.44), and artisans or workers compete for premiums and try to outdo each other with extraordinary dexterity and ingenuity (*WN* IV.v.a.39).

Smith was very aware of the fact that competition could become an end in itself. In a passage that immediately follows his discussion of the disciplining effect of competition quoted above, he writes:

> The greatness of the objects which are to be acquired by success in some particular professions may, no doubt, sometimes animate the exertion of a few men of extraordinary spirit and ambition. Great objects, however, are evidently not necessary in order to occasion the greatest exertions. Rivalship and emulation render excellency, even in mean professions, an object of ambition, and frequently occasion the very greatest exertions. Great objects, on the contrary,

[28] As another commentator has put it, competition is characterized by "mutually exclusive goal attainment" (Kohn 1992, 4).

[29] In fact, competition does not need to be unrestrained to excite emulation. It can be embedded in rules that limit its scope or intensity.

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> alone and unsupported by the necessity of application, have seldom been sufficient to occasion any considerable exertion. (*WN* V.i.f.4)

Thus, rivalry and emulation have a strong motivating force of their own irrespective of their objects, as long as application is required. Smith continues that people born to easy fortunes rarely become eminent in their professions. This suggests that competitive success through application and exertion is particularly important for people who need to achieve social status through their own success as opposed to, say, noble birth or inherited wealth. Given the decline of the importance of traditional ranks and orders of people in the incipient commercial society of Smith's time, social competition will become much more widespread in society.[30]

How may competition that pits people against each other undermine justice? As we have seen, the basis of justice is mutual sympathy. The legitimacy and stability of the system of natural liberty presupposes that people can imaginatively enter into each other's situations and share their feelings. This requires that people can see each other as relevantly similar. The ability to see others as relevantly similar is also a requirement of social competition. For Smith, the ultimate aim of social competition is recognitive. We compete in order to gain the admiration and esteem of others, and in order for others to admire and esteem us, they must be able to appreciate our aims and efforts and compare them with their own and those of others. The very terms, competition, which implies striving together, and emulation, which implies striving through imitation, suggest this link with sympathy and comparison. The requirements of mutual sympathy hold as long as competition is seen as mutually beneficial. As Fleischacker puts it, one important aim of *WN* is "to show that town and country, one nation and another, one industry and another, are not engaged in a Hobbesian struggle over wealth. They may compete on a day-to-day level, but ultimately that competition serves a joint human effort to increase the wealth of everyone" (2004b, 91). This view

[30] The argument that rivalry and emulation have such strong motivating force seems to be in tension with two passages later in *WN*, where Smith suggests that restrictions on competition in university education, quotas for student numbers for different colleges, and the inability of students to switch tutors, extinguish emulation and lead to poor-quality teaching (*WN* V.i.f.12, 13). While the restrictions on competition for students mean that there is no disciplinary competition in university education, would lecturers not compete for the admiration and respect of their students? This leads to a more general point. It looks as if Smith is committed to the view that competition elicits rivalry and emulation irrespective of its object. If this is right, then any situation can become competitive as soon as excelling at some activity or possessing something becomes a possible marker of social recognition. I will explore some consequences of this in section 6 below.

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of competition as mutually beneficial is plausible in the case of incentivizing competition. Where competition is used to incentivize performance above a baseline, everyone may perform better because of the competition and the mutual emulation that it excites, and, in this respect, competition is not a zero-sum game. Pitting people against each other can be mutually beneficial because it incentivizes high performance. Competitive sports are a good example of this.[31]

However, it is less plausible in the case of disciplining competition. When competition pits people against each other in high-stakes situations, where losing in the competition means the loss of one's livelihood, status, or prospects for one's children, rather than the loss of an opportunity to better one's condition, it will become more difficult for people to see each other as striving together and participating in a joint effort. Rather, they will begin to see their competitors as enemies whose interests are irreconcilable with theirs. This can undermine justice in a number of ways. First, it may undermine compliance with principles of justice, if people believe that the protections for persons, property, and contracts are skewed against them.[32] More generally, social conditions under which competition is based on fear and uncertainty are more likely to lead to injustice.[33] Thus, institutional and social facts about inequality and the level of material support for the poor and unfortunate make an important difference. Circles of sympathy and feelings of solidarity require a sense of connection and some shared aims. Second, and perhaps more insidiously, it may undermine the legitimacy of the principles of justice if the mechanisms of imaginative projection which underpin them fail, because people can no longer see each other as relevantly similar.[34]

[31] However, even incentivizing competition can have negative effects. While it is not a zero-sum game, it does establish a status order or ranking in which some people are ranked higher than others based on their performance, and relative positions in this ranking are zero-sum. In a recognition order in which people are very sensitive to status differences, the harmful effects of having a lower status than others may outweigh the material gains of incentivizing competition.

[32] As we have seen, Smith argues that "no social intercourse can take place among men who do not generally abstain from injuring one another" (*TMS* II.ii.3.6). But while Smith may limit injury to violations of the rules of justice, other people may take a broader view. Why should they respect the rules of justice if their livelihoods are under threat and justice does not protect them? As Herzog (2014, 718) has shown, Smith is aware of this possibility when he suggests that people will not obey laws that are not considered just (she discusses duelling [*LJ* (A) 124] and cattle roaming [LJ (A) 23]).

[33] For a similar argument concerning the relationship between competition and fear, see Cunningham (2005).

[34] As Debes (2012, 138) has pointed out, while it is impossible to conceptually exclude others from the scope of our moral judgment, it is possible to psychologically exclude them.

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Smith sometimes seems to be aware of this danger. In his well-known discussion of duties and prohibitions in *WN* IV, he considers the manner in which free trade should be restored (after duties or prohibitions have been abolished), if competition from abroad would threaten large-scale unemployment: "Humanity may in this case require that the freedom of trade should be restored only by slow gradations" (*WN* IV.ii.40).[35] While Smith does not invoke justice here, his principled concern for the legitimate expectations of workers who have become dependent on mercantilist restrictions shows an awareness of the dangers of free competition for the legitimacy of the social order. This is one point where his own insights point to a broader conception of distributive justice.

6. COMPETITION AND PSYCHOLOGICAL CORRUPTION

Smith's diagnosis of the corruption of the moral sentiments in commercial society has been discussed extensively in recent scholarship (Griswold 1999, 262–66, 292–301; Rasmussen 2008, 71–89; Hanley 2009, 24–52). However, corruption has been linked to the consequences of commercial life in general, rather than to competition and emulation in particular. Doing this will enable us to see a second way in which competition can undermine justice in commercial society. Rasmussen helpfully distinguishes three aspects of corruption in Smith, all of which can be traced back to Rousseau and Smith's discussion of Rousseau in his letter to the *Edinburgh Review* (*EPS* 251–54): the effects of the division of labor on workers, the empire of opinion, and the pursuit of unhappiness (Rasmussen 2008, 71–89). For present purposes, the second and third aspects are most relevant, and they are closely related to each other.

As we have seen, according to Smith, the desire for recognition, the good opinion of others, is the basis for BOC, our ambition and emulation. Of course, the desire for recognition is not necessarily a bad thing. In general, our desire for approbation and approval may motivate us to act morally,[36] and, in particular, in commercial society, where everyone depends on everyone else, a good reputation for the virtues of commerce, including honesty, probity, punctuality, reliability, and so on, is in our self-interest (Rasmussen 2008, 119–22). In this sense, commercial society fosters virtue by harnessing our desire for

[35] Of course, this example does not concern competition between workers in the same society.

[36] Smith suggests that emulation in the moral realm is founded on our love and admiration for others' excellence. Approval of others' character and conduct makes us want to be like them (*TMS* III.ii.3).

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recognition. In a chapter added to the sixth edition of *TMS*, Smith locates the corruption of our moral sentiments in the disposition to "admire, and almost worship, the rich and the powerful, and to despise, or, at least, to neglect persons of poor and mean condition" (*TMS* I.iii.3.1). This leaves us with a choice that Smith describes in a brazen passage:

> We desire both to be respectable and to be respected. We dread both to be contemptible and to be contemned. But, upon coming into the world, we soon find that wisdom and virtue are by no means the sole objects of respect; nor vice and folly, of contempt. We frequently see the respectful attentions of the world more strongly directed towards the rich and the great, than towards the wise and the virtuous. We see frequently the vices and follies of the powerful much less despised than the poverty and weakness of the innocent. To deserve, to acquire, and to enjoy the respect and admiration of mankind, are the great objects of ambition and emulation. Two different roads are presented to us, equally leading to the attainment of this so much desired object; the one, by the study of wisdom and the practice of virtue; the other, by the acquisition of wealth and greatness. (*TMS* I.iii.3.2)

Our disposition to admire the rich and great (and to despise or neglect the poor) leads to a false equation of wealth with virtue, and of being respected and being respectable; it is an important source of corruption and vanity. Note that the pursuit of respect and admiration through wealth and greatness is competitive, because wealth and greatness are positional goods (Hirsch 1978). Whether one is wealthy or great depends on how wealthy or great others are. To gain admiration, we need to outperform others to occupy a high place in the social status order.[37]

To be sure, this problem is not unique to commercial society. Smith's criticism that "wealth and greatness are often regarded with the respect and admiration which are due only to wisdom and virtue," has been the "complaint of moralists of all ages" (*TMS* I.iii.3.1). Moreover, Smith suggests that the corruption of the moral sentiments occasioned by the desire to gain respect through the acquisition of wealth and greatness mostly affects people in the "superior stations of life," while for people in the "middling and inferior stations" the roads to virtue and fortune are very nearly the same

[37] In contrast, it is possible to seek respect noncompetitively, because everyone deserves a certain respect. So understood, respect is not a rivalrous good. For a discussion of this and related issues in Smith, see Debes (2012).

Likewise, virtue is not necessarily a positional good. People can be virtuous in different ways, and even where the same virtue is concerned, the fact that one person is more virtuous than another does not diminish the latter's virtue. I am grateful to an anonymous referee for this journal for pointing this out.

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(*TMS* I.iii.3.5). This language of "stations of life" and "ranks"[38] indicates that Smith writes at a time when social hierarchies retained significant power and constrained what individuals could achieve in society. However, commercial society put pressure on these hierarchies, and the increased social mobility of the incipient commercial society of eighteenth-century Britain would expand the class of people seeking recognition through the pursuit of wealth and greatness. This expands and intensifies social competition in two ways. First, people of all "stations of life" start competing with others who occupy the same station of life, often imitating the behavior of their social superiors, for example, with respect to consumption, fashion, and so on. Second, increased social mobility brings people from different stations of life into competition with each other. Smith's well-known discussion of the "poor man's son" is a good illustration of this.

In *TMS* IV, Smith discusses a poor man's son, whom "heaven in its anger has visited with ambition" (*TMS* IV.i.8). The poor man's son seeks happiness and tranquility through the pursuit of wealth and greatness. He admires the conditions of the rich and would like to live in the same luxury as they do. To achieve this, he "devotes himself for ever to the pursuit of wealth and greatness," "studies to distinguish himself in some laborious profession," "labours night and day to acquire talents superior to all his competitors," and "solicits every opportunity of employment" (*TMS* IV.i.8). Ironically, this requires him to serve those he hates and to be obsequious to those he despises. At the same time, he affects a pose of artifice and elegance which he does not quite achieve, only to find, at the end of his life, that "wealth and greatness are mere trinkets of frivolous utility," and he could have lived in real comfort and tranquility if he had pursued a less ambitious and competitive life.[39]

This discussion links the second and third aspects of corruption. The drive for recognition, for other people's good opinion, leads us to pursue unhappiness. BOC is ultimately based on a "deception" (*TMS* IV.i.10) about the real sources of happiness, which plunges us into an anxious and restless life of

[38] On ranks, see, for example, *TMS* VI.ii.1.20 and *WN* V.i.b. These passages should be juxtaposed with interpretations that stress Smith's commitment to the normative equality of all human beings (e.g., Fleischacker 2004b, 113–14). For example, Fleischacker suggests that we cannot reflectively endorse a desire to own objects as a means to the recognition of our refinement or taste, because competition for rarefied goods is a zero-sum game (117–18), but it is not clear to me that Smith's egalitarianism is so strong as to rule out such an endorsement.

[39] One important aspect of Smith's argument is that many of the contrivances of the rich do not serve their ease or pleasure. Their value derives in part from the fact that they draw the admiration of others, and this is why later in life we sometimes come to see our efforts as driven by foolish vanity rather than the aim of real satisfaction.

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unceasing work, while depriving us of the tranquility that would bring us real happiness. The drive that motivates us to improve ourselves, and thereby to increase the wealth of nations, at the same time condemns many of us to misery (Griswold 1999, 262–63).[40] In the incipient commercial society in which traditional distinctions of rank have lost some of their force, BOC motivates people to seek the admiration and respect of their peers through the pursuit of wealth and greatness, because these achievements are recognized desert bases for such social recognition. Smith recognizes that their outward visibility makes them more suited to this than wisdom and virtue (*WN* V.i.b.5, 7). There is a tension between happiness and tranquility, on one hand, and the anxiety and restlessness induced by competition, on the other, and, as a result of this, people who participate in competition will not enjoy as much happiness and tranquility as they would hope. This is a well-known consequence of competitive "arms races" for positional goods.[41] But this is a collective action problem that does not need to be based on deception. Rather, it is based on BOC itself. Social competition within and between different stations of life means that people's own assessment of their condition in life will be comparative, relative to other people's condition. Moderate social mobility may better our condition in absolute terms, but it may not be enough to increase or even maintain our relative condition, if other people advance more than we do. Therefore, the ambitious striving illustrated by the poor man's son may be a rational choice to make, depending on how important approval and admiration are relative to our absolute level of comfort. And Smith suggests that for most of us they are very important. Thus, the analysis of corruption in terms of competition offers a new interpretation of this otherwise puzzling passage.

Smith's immediate response to this dilemma praises the industry brought about by BOC, which ensures that everyone can be supplied with the necessities of life (*TMS* IV.i.10). Moreover, the cultivation of prudence directs us to limit our ambitions and seek success that is appropriate and achievable relative to our rank and station in life (Griswold 1999, 263–65).[42] However, in the sixth edition of *TMS*, Smith addresses the

[40] Griswold argues that we can import this conclusion into *WN*, because it endorses BOC. For criticism of Griswold's argument on textual and philosophical grounds, see Fleischacker (2004b, 104–14).

[41] Frank (2005, 2011). For a recent discussion of the cost of competitive arms races in the context of education, see Halliday (2016).

[42] Finally, the feverish language of ambition and vanity that characterizes his discussion of BOC in *TMS* is mostly absent from *WN*. In fact, the most prominent discussion of BOC in *WN* suggests that it is primarily concerned with valuing long-term interests over short-term interests (*WN* II.iii.28). On this reading, BOC is a limited and reasonable desire to acquire a moderate amount of wealth in order to improve the quality of life for ourselves and our children (Fleischacker 2004b, 89–90).

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potential corruption brought about by commercial society in a much more comprehensive and explicit way. The changes made in this edition are both an acknowledgment of the seriousness of the danger of corruption and a commitment to offer resources to overcome this danger (Hanley 2009, 84–86). In addition to the new material in *TMS* I.iii.3, which discuss the danger of corruption, *TMS* III.1–4 elaborates the distinction between the love of praise and the love of praiseworthiness, the role of consciousness, and the role of the impartial spectator in combatting corruption. Finally, *TMS* VI discusses how the virtues of prudence, magnanimity, and beneficence enable individuals to resist corruption.[43] While these changes certainly demonstrate Smith's awareness of the dangers of corruption, one may wonder whether the virtues he defends will suffice to blunt the force of expanded social competition. In particular, I suspect that the existential importance of social recognition (which is accepted both in Smith's own account and in more recent discussion [e.g., Honneth 1996]) will pose a serious challenge to the pursuit of praiseworthiness over praise and the voice of conscience, as external status markers become more salient in the incipient commercial society.[44]

The dynamic of social competition that manifests itself when BOC meets the institutions of commercial society also puts some pressure on the "game" conception of justice according to which the rules of justice are like the rules of a game, the rules of fair play. At the same time, it points to some limitations of justice in addressing the negative effects of competition. Rules of fair play may work well for limited competitions with few spillover effects into other areas of social life, but not for unlimited ones. For example, Smith suggests that rules of justice ought not to interfere with market competition: "Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men" (*WN* IV.ix.51).[45] More generally, Smith often suggests that free competition preserves justice,

[43] Here I follow Hanley (2009, 92–94), who argues that the virtues of prudence, magnanimity, and beneficence, as developed in *TMS* VI, better capture the thrust of Smith's response to the danger of corruption than the virtues named in the section headings (prudence, benevolence, self-command). Hanley also notes the related discussion in Smith's criticism of Mandeville in *TMS* VII.ii.4.

[44] In other words, I am skeptical whether "the cultivation of the love of virtue" can lead to the "transcendence of a dependence on recognition" (Hanley 2009, 99).

[45] The immediate context of this passage is a criticism of government intervention in the economy.

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because restrictions on competition usually serve monopolists and harm the poor (Griswold 1999, 295–96). In a system of natural liberty, free competition, justice, and the improvement of the lives of the poor go hand in hand. This may be a sound approach to justice for market competition, especially as long as the productivity growth increases a nation's opulence and the state supports the poor with access to education (*WN* V.i.f).

However, competition in commercial society differs significantly from our ordinary understanding of games. Games are contrasted with ordinary life, from which they represent a temporary relief; they are voluntary and require a certain equality between players.[46] In contrast, when social competition expands in scope from market competition to social competition about status, competition usurps all of life; there is no outside of it. If the results of bringing one's industry and capital into competition with those of others not only determine one's success in that particular market competition, but have cumulative effects on one's economic condition for the rest of one's life, one's social status, and one's ability to gain political influence and power, or, as Smith puts it, "the race for wealth, honours, and preferments" (*TMS* II.ii.2.1), then the rules of the game alone are not sufficient to preserve justice.[47]

There are at least two ways in which unlimited competition can undermine justice. First, as Smith learned from Rousseau, when competition is universalized, people will deceive and defraud each other and circumvent the principles of justice wherever possible to gain advantage. They will seek praise rather than praiseworthiness or, more generally, focus on appearing respectable, admirable, and so on, rather than being so, where this is to their advantage.[48] Second, intense social competition undermines sympathy. While it is true that competitors must recognize each other, at some level, as pursuing the same aims, they are less likely to enter sympathetically into each other's position and go along with each other's sentiment. Rather, competitors are likely to see the other's

[46] Cf. Huizinga ([1938] 2002, 28), and Caillois (1961, 9–10, 14).

[47] The passage on "the race for wealth, honours, and preferments" (*TMS* II.ii.2.1) suggests a view of life as a whole as a race or a game, but there is no direct reference to such a view in Smith's writings. The idea of such a view would have been familiar to Smith. It can be found in Hobbes and in many other thinkers, both ancient and (early) modern, with whom he was familiar. In any case, my argument in the main text is that Smith is aware of a significant expansion of social competition beyond market competition in commercial society.

[48] It is worth noting that the passage in Cicero, on which Smith's discussion of the "race" is based (*De Officiis*, iii.40–42), concerns the distinction between the appearance and the reality of benefit to the public and of honor.

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vulnerabilities as opportunities for exploitation and their failure as a precondition for their own success. Again, competition shrinks “circles of sympathy” and undermines solidarity where individuals are pitted against each other in competition for social status. When the mechanism of sympathy is eroded, harm to others is less likely to be experienced as injustice.

7. CONCLUSION

In this article, I have argued that competition can undermine justice in commercial society. As we have seen, Smith occupies a transitional position in the history of distributive justice. Principles of justice protect persons, property, and contracts. They do not call for the redistribution of material goods or equality of opportunity, although Smith condemns poverty and unequal power in other terms. We have also seen that the social institutions of the incipient commercial society (e.g., markets, wage labor) harness basic forms of human motivation, TBE and BOC, and promise social recognition. While TBE relies mostly on cooperation in order to increase productivity and opulence in commercial society, BOC manifests itself in market competition as well as social competition. This competition can undermine justice when it pits people against each other, or when intense social competition leads to psychological corruption. It does this in two ways. First, it incentivizes unjust behavior, such as fraud and deception, or even outright violence, when people fear that competition will deprive them of their livelihoods. Second, competition can undermine people’s ability to sympathize with each other, which is a precondition of justice operating in society. When competitors become enemies, there is no longer common ground in moral sentiments that enables people to see each other sympathetically as relevantly similar.

Sympathetic interpreters of Smith have argued that the corruption of moral sentiments in commercial society can be avoided, or at least reduced, through a combination of institutional design, moral education, and individual virtue (including prudence, magnanimity, and beneficence) (Fleischacker 2004b; Hanley 2009; Rasmussen 2008). My analysis in this article, which has zoomed in specifically on competition as a mechanism that contributes to the corruption of moral sentiments, adds to these arguments. In conclusion, I will mention three insights that can be drawn from it. First, TBE and BOC are basic forms of human motivation, and both offer opportunities for social recognition. Since TBE favors cooperation and mutually beneficial competition over win-lose

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competition, while BOC necessarily entails a win-lose dimension, a recognition order that harnesses the power of TBE more than that of BOC is more conducive to justice as well as to the growth of the wealth of nations. Second, where social competition pits people against each other, justice will be undermined, but this danger will recede if the stakes are less high. Smith's cautious appeal to humanity, equity, and similar values in the service of addressing market risk, which foreshadows the expansion of the scope of distributive justice in the following decades (Fleischacker 2004a, 62–68), can be understood in this light. Finally, a desire for recognition is the "ultimate aim" of economic activity (Force 2003), and this introduces positional competition into commercial society, which is partly responsible for psychological corruption. It is not clear whether Smith's proposed remedies are sufficient to counter this corruption once it has taken hold.[49]

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[49] This article was written for the 2022 *SJP* Workshop on Early Modern Justice. I am very grateful to Remy Debes and his colleagues for the invitation, and to Remy, Sam Fleischacker, and Susan James for discussion. An earlier version of this article was presented to the Philosophy Research Seminar at the University of Essex, and I am grateful to my colleagues for many useful comments and questions. I wrote this article while holding a Research Leadership Award from the Leverhulme Trust for a project on "Competition and Competitiveness" (2020–2024). I am very grateful to the Trust and to the members of my research team for their ongoing support.

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