Adam Smith vigorously uses methodological individualism, but his individuals are radically social and entangled with each other. All social phenomena and institutions, for Smith, are not the product of any human wisdom, nor are they motivated by public spirit, but they are the unintended and unpredicted consequences of individual actions. Yet, those individuals can be defined only through how others see them, and are motivated by the approbation that (either real or imaginary) others may give them. Others are the mirror through which individuals see themselves; and the ability to see one oneself through the eyes of another is sympathy. This is why Smith may work with methodological individualism, but a sympathetic individualism.

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James Buchanan (1919-2013), the 1986 recipient of the Nobel Prize in Economics, would complain about economic textbooks because they start with indifference curves and budget constraints and, only later, do they introduce exchange with the Edgeworth box. Indifference curves are a way to model an individual’s preferences, and when a budget constraint is introduced, they are a way to model an individual’s choices. An individual can choose the combination of how many avocados and how much broccoli to produce, given the resources available so that the individual’s utility is maximized. This individual is a Robinson Crusoe, usually explicitly defined as such. He lives alone, in isolation, and in autarky. Because he is alone, he consumes what he produces.

It is only when Friday shows up, that exchange is possible. Exchange allows Robinson Crusoe to consume more of what he likes, so his utility increases. Given an endowment, Robinson Crusoe’s and Friday’s indifference curves are represented in an Edgeworth Box, named after the economist who modeled it first, to show that exchange will increase their utility, until a point in which utility is maximized for both individuals, and increasing the utility of one would decrease the utility of the

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1 Thanks to two anonymous referees, to the participants of NYU 2022 colloquium, to Craig Smith and Jimena Hurtado for comments. All mistakes are mine.
other. Exchange is thus like a technology that allows Robinson Crusoe to consume more.

Buchanan would say that starting with utility maximization is an incorrect start. We should start instead like Adam Smith started. Adam Smith (1723-1790) is the 18th century thinker usually considered the father of economics. Endorsing his approach, we should start directly with exchange. For Buchanan, the difference is fundamental. With utility maximization, the starting point is one. We need just one individual—Robinson Crusoe—to maximize utility. Actually, we may not even need an individual human being, just an individual. We can model utility maximization of an individual rat and an individual plant too. The logic is the same (Friedman, 1953).

But when we start with exchange, we must start with two. There cannot be any exchange if there is just one individual. "Give me that which I want, and you shall have this which you want" (WN I.ii.2, emphasis added) tells us Adam Smith at the beginning of the Wealth of Nations ([1776] 1981). To exchange I cannot be by myself, you need to be present as well. To trade, we need to have at least two people. And these two people must be human beings, since only human beings are capable of engaging in a "fair and deliberate exchange", as Smith believes (WN I.ii.2). Other animals may look like they are exchanging, but they are acting instinctually, not deliberately. Only humans can make contracts and exchange property (WN I.ii.2; see also Wilson, 2020). A dog, Smith tells us, can fawn to get its dinner from its master. A person occasionally can do the same, but they do not have to. They can go to the butcher, brewer, and baker and engage with them as peers as they buy their dinner instead (WN I.ii.2). Exchange is a much more effective and dignifying
way to obtain what one wants than the one used by dogs, and it is a process that only humans are able to use.

What Buchanan understood is the intrinsic sociality of human beings as manifested in exchange and thus in economics, that same sociality that Adam Smith describes. Human beings are intrinsically social beings, they cannot be understood if they are thought of in isolation.

Individualism, as in atomism, is thus an odd label to have become associated with Adam Smith (see for example Menger, [1891] 2016), since Smith radically and explicitly rejects the idea of an individual as an atomistic and independent agent (on the differences between Menger and Smith see Hurtado & Paganelli, 2023). The only one time he mentions the possibility of an individual growing up isolated from society, he does it to show the absurdity of the claim (TMS III.i.3). And when presented with social contract theories, which presume isolated individuals who eventually join themselves in society because they see the advantages of society, he dismisses the theories as equally absurd (A. Smith, [1762-3; 1766] 1978, LJ (A), March 22, 1763).

Friedrich A. Hayek in his Individualism True and False (1948) identified the problem with the label individualism, since individualism can be used to indicate both an atomistic individualism (false individualism) and a social individualism (true individualism). C.B. Macpherson (1989) also distinguishes between different kinds of individualism—a developmental individualism where the flourishing of individual is linked to the flourishing of society; and a possessive individualism where the individual is a sort of aggressive and greedy homo economicus. Macpherson identifies Adam Smith as a mild
developmental individualist, without any significant explanation of what he means by this. Hayek also does not indulge in explaining the relation between the social and the individual in Smith, being more concerned with explaining social phenomena as the unintended actions of a multitude of individuals, rather than as a conscious plan of one or of a small group of them. I will try to explain what Hayek took for granted, and what Buchanan claimed to be the starting point of economics: how, for Adam Smith, human beings are intrinsically social.

Even if one accepts individualism as the “principle [that] states that social processes should be explained by being deducted from principles governing the behaviour of participating individuals and from analyses of their situations, and not from super-individual, ‘holistic’, sociological laws” (Watkins, 1952, p. 186), or as “a social theory or ideology which assign a higher moral value to the individual than to the community or society, and which consequently advocates leaving individuals free to act as they think most conductive to their self-interest” (Macpherson, 1989, p. 149) like Hayek, I am uncomfortable with using the word individualism because of the association it has with atomism, possessivism, or in more recent times even with rational choice (Heath, 2020).

Rather than characterize the concept as true or false, like Hayek does, I would prefer thinking instead in terms of “sympathetic individualism” as Maria Alejandra Carrasco has recently done (Carrasco, 2022). My true preference would actually be to eliminate such an ambiguous and controversial term. Vernon Smith and Bart Wilson are also trying to discard the ambiguous “individual” for a more human and humane person, who cares about the social context in which they conduct themselves (V. L. Smith & Wilson, 2019). Their project of
Humanomics is indeed to reintroduce the humane into economics, which among others things means to recognize, like Adam Smith does, the intrinsic sociability of human beings.

This does not imply that social phenomena can be explained through anything but an “individual” – Smith’s methodology is strictly individualistic – but the recognition that a person acts, and is defined, exclusively through social interactions and thought the presence of others. Social phenomena and institutions, from moral, to law, and markets, for Smith are adamantly not the product of any human wisdom but the unintended and unpredicted consequences of individual actions. In this sense, Smith adopts a true methodological individualism. But those individuals are like overcooked noodles left in a dish too long: you can’t pick up just one. If you try to pick up just one, you end up picking up a whole bunch, as each noodle is attached to another and cannot be separated.

I will thus stick with Carrasco’s term which I borrowed from her to title this essay (for an earlier use of the term in a completely different context, and unrelated to Adam Smith, see Long, 2012). The reason for this choice is because Smith does put the “individual” at the center of all his analysis, being it moral, economical, historical, political, or legal. The main concern and driving force of society is indeed the individual. Social outcomes are unintended consequences of individual actions. But at the same time this “individual” is never alone, in the sense that the individual cannot exist both in reality and analytically as an individual, but the individual is always and without exception a social being, defined by the presence of others. Sympathy, as we will see in a moment, is the mechanism through which we relate with each other and thus through which we can identify as ourselves. This is why Carrasco’s term,
“sympathetic,” is very much appropriate for characterizing Smith’s “individualism” (for the idea of a sympathetic liberalism in Smith (and Rawls) see Hurtado, 2006; Hurtado, 2008).

1 So, what is sympathy?

Smith describes sympathy in his *Theory of Moral Sentiments* ([1759] 1982), his first published book which made him famous during his lifetime. I say describe rather than define, because Smith uses sympathy in different ways. So it is difficult, if not impossible, to offer a quotable definite definition of it (see among others Sayre-McCord, 2013). From his work we can build a working definition of sympathy, though. Smith opens the *Theory of Moral Sentiments* saying that our body limits our ability to relate with others. I cannot feel what you feel because my body is disconnected from your body. But I can imagine myself in your position and imagine what I would feel if I were in your position (TMS I.i.1.1-4) This imaginative process of placing oneself in the shoes of another and imagining how one would feel if they were in that situation can be thought of sympathy for Smith.

Sympathy implies that when I see you laugh or cry, I will laugh or cry with you, if (and only if), when I understand the circumstances of your laughing or crying and imagine myself in those same circumstances, I imagine that I also would laugh or cry. But if in your circumstances I imagine that I would cry while you are laughing, or that I would laugh while you are crying, I will not laugh or cry with you. And actually I will not even approve of your laughing or crying. And if you are able to see yourself with my eyes, you will know that I will not approve of your conduct. And since you want to receive my
approbation, you will adjust the pitch of your passion so that I would approve of you (TMS I.i.5).

So, for Smith, your conduct is determined by my approval of it. You adjust the expression of your emotions, you adjust your conduct, in a way that you can gain my approbation, because your conduct is deserving of my approbation in my eyes. This is something natural, for Smith. We are born with and driven by our desire to be lovely and approvable, and by our desire to avoid being hateful and disapprovable (TMS III.i.2). Note that for Smith the desire to be lovely or approvable is not the same as the desire to be loved or approved. You can approve of me, but it has to be for good reasons. I need to deserve your approval, not just receive your approval.

This process of seeing ourselves with the eyes of another person eventually becomes a sort of second nature so that the other physical person does not need to be physically there to approve or disapprove of our conduct. We see ourselves through “the mirror of society”, developing the ability to see ourselves also, and especially, through the eyes of an imaginary person (TMS III.i.3). This imaginary person lives “within our breast” and, ideally, is able to see us as impartially as someone who is unrelated to us would (TMS III.2.32). This imaginary person, whom Smith calls the impartial spectator, is the one who tells us whether we deserve or not their approbation, whether we deserve or not the approbation of society, that is, whether our conduct is indeed approvable or not.

So, Smith explains to us how our conduct is determined, yes, by ourselves, but through the presence of others, through this “mirror of society” without which we cannot see ourselves, judge ourselves, approve or disapprove of ourselves, and thus
grow morally or even be ourselves. “I judge of your sight by my sight, of your ear by my ear, of your reason by my reason, of your resentment by my resentment, of your love by my love” (TMS I.3.10). Without the other, there is nothing of myself.

2 Moral order

Rules of conduct emerge from these constant interactions with one another, by a constant placing oneself in the shoes of another and imagine how they see us, how they would feel in our place, and whether they would approve of our conduct or not. So, for Smith, I look at you and approve of what you do. I admire your conduct. I also note that everyone else praises you for what you do. And so I make a note to myself that if ever in those circumstances, I should conduct myself as you do, because that conduct is worthy of praise, and I also want to be praiseworthy like you are. Similarly, if your conduct generates my disapprobation and the disapprobation of the people around me, I will know to avoid conducting myself like you because that kind of conduct is disapprovable and I do not want to be the proper object of disapprobation. Thus, for Smith, the recognition that I, like everyone else around me, approve or disapprove a certain conduct is what generates general rules of conduct (TMS III.4).

Rules of conduct are therefore the product of individuals, yes, but of sympathetic individuals, not seeking to maximize their utility or achieve some social beneficial outcome, but seeking the approbation of others. And given that the rules of just conduct are what is socially approvable under specific circumstances, they can change with the circumstances, but not by a single individual. They are a sort of “relative absolute
absolute” as James Buchanan would say, following his teacher Frank Knight (1944). They are absolute for an individual, but relatively so over time and place.

I have been trying to avoid the use of the word behavior, following Smith and Wilson’s advice (V. L. Smith & Wilson, 2019). Behavior tends to have the connotation of a mechanical action. One individual reacts to a stimulus, without thinking, irrespective of the context, irrespective of the motivation for action. This is generally the use linked to behaviorism. It can imply some sort of Pavlovian response. Conduct, instead, is a word that implies understanding of the circumstances and judgment of the motivation. It seems thus more appropriate to identify the sympathetic process that Smith describes when he describes and explains human actions and institutions. And in fact, the “as if” assumption of an atomistic isolated individual has become increasingly inappropriate with the progress of inconsistent results from behavioral economic experiments. The more powerful explanatory models try to incorporate the possible interpretations of contexts and meanings that affects the actions of economic agents. Models that allow for an agent to put themselves in the shoes of the other players, using a sort of theory of mind, and then using approbation or disapprobation to explain their actions, seem to be more effective than a simple rational choice agent in traditional economic models.

So, for example, in an experimental game someone may receive exactly the same payoff from another person or from a computer. They are given the opportunity to express their gratitude or their resentment, given the payoff received. Actions that imply gratitude or resentment are significantly more common if another person is responsible for the payoff received than if a computer is. The payoff is exactly the same.
Robinson Crusoe is unable to distinguish between a human and a computer. He would act in the same way with both, as the rational choice model predicts. But a sympathetic individual, and individual who is embedded in society and social norms, would most likely recognize the difference in intentions between a human and a computer and react differently, as observed in economic experiments, many of which Smith and Wilson (2019) report and describe using a Smithian sympathetic apparatus.

3 Legal order

Adam Smith uses the same “sympathetic” approach that he uses to explain conducts and its rules to also explain the legal order (Paganelli & Simon, 2022). Laws do bring and keep order in society but are not meant to do that. The stability of society is a welcomed side effect of the action of individuals who seek the approbation of others, of social beings, of individuals who sympathize with each other, and who understand the intention of each other. For Smith, without this sympathetic process, there would be no legal system, if that is even possible in Smith’s mind. Laws are always present in society, even if the complexity of the legal system will vary with the complexity of the society.

Smith thinks that our action may generate gratitude or resentment in others. When something I do causes resentment in another person, the other person wants to revenge his or her harm against me. The problem is that this revengeful action may or may not be proportionate to the harm done. For Smith, you perceive the loss of your finger as a much bigger tragedy than the death of a multitude of people far away from and unknown to you (TMS III.3.4). Most likely, then, your reaction to my harm
to you would be deserved but disproportionate. The punishment I may receive from you, being too much and being perceived by me as even larger that it is, would call for more revengeful action from me, which would ignite a vicious spiral of violence. Laws and the legal system thus emerge, for Smith, as a way to bring appease to the individual injured, but in a way that allows their punishment to be appropriate, to be proportion to the harm. Laws do not originate from utility, but from resentment.

An impartial observer looks at the harm that I did to you and sympathizes with you because you correctly resent my action. But this impartial spectator is able to evaluate the gravity of the harm and find the appropriate punishment for me, the one that will appease your resentment without causing resentment in me. This impartial spectator reflects the view and the sentiments of all other members of our society. So again, if one person, as well as many others in the same group, resents an action that caused harm to someone else, they will sympathetically approve also approve of an appropriate punishment that will appease the resentment of the victim.

We see Smith sympathetic individualism again. I did something that generated resentment in another because of some harm associated with my action. The other person’s resentment calls for my punishment. Other people see the situation, through the sympathetic process, approve of the resentment of the victim and thus of my punishment. And so I am punished, and my punishment is perceived as well-deserved and thus approved of.

In Smith’s account, all revolves around the individual resentment and appeasement of it. It is not a rational calculation of how to maximize utility either of the individual or of society. Punishment is not about social order. Punishment
is not about deterrence of future harms. It is about the resentment of a person and the approval of that resentment that another person would feel if they with their imagination would put themselves in the shoes of the victim (and when putting themselves in the shoes of the person who caused harm they would not approve of their action). For Smith there is a sympathetic individual at the base of the explanation of a legal system as well as the base of the development of rules of just conduct. And it is the same sympathetic individual at the base of the economic order.

4 Economic Order

As early as 1927, Glenn R. Morrow recognized that Smith was consistent in his account of human beings, that both his books are about individualism, and that thus there was no Das Adam Smith Problem. The so called Das Adam Smith Problem is an alleged problem of consistency in Smith’s thought, created by scholars in the German Historical School at the end of the 19th century (Montes, 2003). The claim was that the individual that Smith described in the Theory of Moral Sentiments was an other-regarding individual, moved by sympathy (which they read as a form of benevolence), while the one in the Wealth of Nations was a selfish individualistic one, closer to the mythical homo economicus.

But the individualism that Morrow describes, even in Smith’s economic work, is one based on sympathy (Glenn R. Morrow, 1923), and not on self-interest as Lorenzo Infantino claimed much later (1998), when he stresses the similarities between Smith and Mandeville, from whom Smith actively wanted to distance himself. And this individualism is even more than the
individualism mediated by society that Kenneth Arrow (1994) claims to be typical of Smith. Prices are indeed the results of individual actions mediated by society, since no individual can determine a market price. But society plays a much larger role in Smith than in price formation, at least in the sense of the presence of other individuals. In fact, we find the same sympathetic individual at the base of the economic order in Smith.

The intrinsic sociability of human beings in Smith’s account is slowly making its way back also in the economic literature (Hurtado & Paganelli, 2023; Levy, 2002; Peart & Levy, 2005), but there are taller walls to climb here because of the association between Adam Smith’s “individual” with the economic actor that is homo economicus, the Robinson Crusoe rational utility maximizer. The two could not be farther apart.

For Robinson Crusoe, meeting Friday or discovering a more potent fertilizer have the same effect: they both can increase Robinson Crusoe’s consumption. For Smith exchange is not just a way to increase individual consumption. For Smith it is a fundamental expression of our humanity. We have an innate propensity to truck, barter, and exchange. We enjoy bargaining. We feel a mutual pleasure in exchanging (Bee, 2021) and yes, with it, we increase our consumption.

But for Smith we consume not just because we are hungry, but because eating together is a way of giving and receiving the approbation of others. Big banquets are a way to show off our wealth, which is in its turn a way to attract other people’s approbation. Westminster hall was a dining room of William Rufus, often not big enough to entertain all his guests (WN III.iv.5). We clothe ourselves to protect ourselves from the
elements, yes. But we clothe ourselves also, and because, we do not want to be the object of the disapprobation of others. A working poor person in Smith’s Britain would be ashamed to go without a linen shirt (WN V.ii.k.3). And when we can afford it, we clothe ourselves because the magnificence of our dresses will attract the attention and the admiration of others (WN V.i.g.12).

I thus cannot share Andy Denis’s (1999) view that there is no individualism in Smith’s thought because, as he claims, Providence takes care of everything. Providence is the real source of social order, so that social order is not dependent on individuals’ choices (cf. C. Smith, 2023). This view, in my opinion, limits Smith’s analysis by eliminating the role of sympathy in human relations. Furthermore, if there is a providential order, it is limited to a very small part of the world. It may be true for Britain or France, that despite human defects, things turned out for the better as people in Britain or France are better off in Smith’s time than many centuries earlier. But it would be a stretch to claim that the indigenous populations of the Americas would be protected by the same Providence, given that they have been brutally massacred by their European conquerors (for example, WN IV.vii.c.63 and WN IV.vii.b.59). Is Providence also generating a beneficent order in Bengal, where the East India Company is generating a famine of such dimension that in a fertile land hundreds of thousand people die of starvation each year (WN I.viii.26)? Or what about the people of China? Are they also benefitting from the same Providence, given that they face the same economic conditions than at the time of Marco Polo and that they are still drowning children like puppies because they can’t afford to raise them to adulthood (WN I.viii.24)?
But this paradoxical providential order doesn’t have to be there, if we seriously look at the sympathetic individual that Smith presents consistently in all of his works.

Our desire to receive the approbation of others is, for Smith, what drives us to gain and accumulate wealth. It is our desire to receive the approved looks of others that drives us to save and accumulate capital, so fundamental for economic growth. But it is the same desire to attract the attention and approbation of others that induces the rich landlords of feudal Europe to sell their birthrights and become “insignificant” to buy a pair of diamond buckles that they alone can have (Paganelli, 2009). It is the same desire to receive the approbation of others, through the parade of wealth, which drove Alexander the Great to unthinkable conquests and unthinkable crimes (TMS VI.iii.28). It is the same desire for glory that led Christopher Columbus to the absurd pursuit of Eldorado (WN IV.vii.a). And it is the same desire to accumulate and parade wealth so that we can receive the looks and admirations of others that incentivize merchants and manufacturers to ask and gain monopolies to enrich themselves at the expense of everyone else (Paganelli, 2023). What else could explain why the Chinese mandarins oppress and steal from their subjects so that they have no incentives to innovate or produce more than subsistence (WN I.ix.15)?

It is only when the Smithian “individualism” is understood at its sympathetic root, that it can offer a complete explanation, not only of the functioning social orders but also of the disfunctional ones. Smith is very well aware indeed that when we place ourselves in the shoes of another person to judge their conduct, and approve or disapprove of it, we are biased. We generally admire the rich and despise the poor, for no better
reason than that the glamor of wealth is more appealing than the lack of it. The glittering of wealth attracts our attention (TMS I.iii.3.2). The dirt of poverty is invisible. There is little to admire in poverty. There is a lot to admire in a golden toothpick or a nail clipper, or a diamond buckle, which nobody else has (TMS IV.i.8).

And so we have the poor man’s son who works hard all his life, but honestly so, to ride in a carriage (TMS IV.i.8). We have a prudent man who wisely saves and gradually accumulates wealth (TMS VI.i.7-19). We have our butcher, brewer, and baker, who gives us dinner in exchange for money (WN I.ii.2). And unintentionally we have markets, we have wealth, we have order. But we also have Alexander and Columbus, we have the East India Company and the Chinese mandarins, with all their atrocities and all their glory. We have empires driven by dreams of individuals who put themselves in a bystander’s shoes and admire the rich, so they also seek the approbation of others through gaining as much wealth as possible.

We see ourselves only through the mirror of society. That mirror may be a distorting one, but nevertheless, for Smith, there is no other way to be an individual if not through the eyes of another.
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