

ADAM SMITH'S HOMO OECONOMICUS

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Article info

CDD: 170

Received: 13.12.2020; Revised: 02.08.2021; Accepted: 23.08.2021

<https://doi.org/10.1590/0100-6045.2021.V44N3.NR>

Keywords

Sympathy

Emotion

Imagination

psychological law

behavioral economics

Abstract: Despite the fact that the discussion on the economic man flourishes in John Stuart Mill's work, this does not mean that this issue has not been previously discussed, at least, not in clear terms. The aim of this article is to demonstrate that even if Adam Smith never specifically characterized the person who deals with economic affairs, he pointed out some of his characteristics in his writings. We can find some clues to his thoughts on that issue in *Theory of Moral Sentiments* (1759), *Lectures on Jurisprudence* (1762) and *The Wealth of Nations* (1776). In this article, Smith's homo oeconomicus is approached in three aspects: rational, moral and emotional. In addition, we also argue that the philosopher had advanced some studies of psychology and behavioral economics that would be developed from the twentieth century, which is

discussed when we approach the emotional side of Smith's economic man.

I – Introduction

The discussion on *homo oeconomicus*¹ gave rise when John Stuart Mill (1806-1873) depicted the individual who performs economic actions in his essay *On Definition of Political Economy and the Method Proper to It* (1836) where he tried to conceive the status of science to political economy. In fact, although he argued that the economic models could be disturbed by causes originated from the human nature that counteracted the pursuit of wealth²; the economic man he figured out, was later taken on by economists as only logical.

Despite the fact that the discussion on the economic man started in Mill's work, this does not mean that this issue has not been previously discussed (GRAMPP 1948; MORGAN 2006). We argue that Adam Smith (1723-1790), as a professor of Moral Philosophy and very concerned about comprehending human behavior, has in some passages of his works *Theory of Moral Sentiments* (1759), *Lectures on Jurisprudence* (1762) and *The Wealth of Nations* (1776),

¹ The economist Vilfredo Pareto (1848 – 1923) used the Latin name that could sum up the concept of *homo oeconomicus* in his *Manuale di Economia Politica* in 1906. However, some scholars argue that it was Maffeo Pantaleoni who used the term for the first time in his work *Principi di Economia Pura* in 1889 (for example, WASILUK, GIEGIEL, ZALESKO 2018; CARUSO 2012).

² The analysis of model disturbances caused by human behavior in the light of Adam Smith's thoughts is fully discussed in (RELA 2019).

characterized the person who deals with economic affairs. Smith has not only depicted the figure of the economic man, but also influenced the model man constructions that come in later economics (MORGAN 2006). In fact, the concept of the economic man is considered one of the most important paradigms in economics (WASILUK, GIEGIEL, ZALESKO 2018).

Smith's approaches on *homo oeconomicus* are made in three aspects, enveloping the different dimensions of an individual who maintains relations to others as a member of society, which in his view, is not a cohesive group of people, but a gathering of individuals interacting with each other, where each one counts, "[...] in the great chessboard of human society, every single piece has a principle of motion of its own" (SMITH [1759] 1982b, 302).

The first dimension is the rational one, related to the way the individual deals with economic affairs. The second; moral, is concerned to his behavior in conducting his affairs. The third; emotional, is in relation to the psychological law that drives his actions and choices regarding the two previous aspects.

In what follows, we address the three dimensions in a theoretical approach. The first section deals with the rational and moral dimensions, which are those that received more attention on surveys and have prevailed in contemporary awareness. The possibility that Smith had characterized the *homo oeconomicus* is limited to a kind of egoistic individual whose behavior is guided only by self-interest. (GRAMPP 1948; MORGAN 2006; HILL 2012; WASILUK, GIEGIEL, ZALESKO 2018; CARUSO 2012; HOLLANDER 1977). Departing from the propensity to truck, barter and exchange, we point out the way that the *homo oeconomicus* uses the rationality to develop his talents and in conducting his affairs within a utilitarian society that takes advantages of mercenary exchanges. Moreover, we

identify and enumerate the moral characteristics of the person who deals with economic affairs that he pointed out throughout the works above mentioned, looking to portray the two dimensions we are dealing with.

The emotional dimension is subsequently addressed in the second section, where we analyze the sentiment and behavior of the person who witnesses the situation of the demonstration of wealth by another, as fully described by Smith in his *Theory of Moral Sentiments*. We deal with the philosopher's understanding on sympathy, joy and sorrow, and imagination, as well as the role they play in psychological law that drives the action of *homo oeconomicus*, as we argue, he had pointed out. As additional results, we highlight that Smith had defined the emotions that he considered as basic, although he had never used this term. Moreover, we discuss some psychological and behavioral economics issues that Adam Smith had addressed, namely, risk aversion and delaying gratification in order to have greater rewards in the future which were later addressed in the twentieth century.

As result, we intend to depict the characterization of what we consider to be Adam *Smith's homo oeconomicus*.

II - The Rational and Moral Dimensions of Adam Smith's *Homo Oeconomicus*

The clues for the rational and moral dimensions of Smith's economic man are in his works *The Wealth of Nations*, *The Theory of Moral Sentiments* and *Lectures on Jurisprudence*, from where we base our investigations.

According to Smith, society is characterized by exchanges at all levels as a consequence of "a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for

another” (SMITH 1981, Book I, p. 90) (MORGAN 2006). All social strata are permeated by the desire of some kind of exchange and benefit from it. The beggar, for instance, changes his clothes for ones given by others that suit him better or for food, or even for money in order to buy what he needs, “every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society.” (SMITH 1991, Book I, p. 98). However, some scholars argue that the propensity to truck, barter and exchange cannot explain the rise of “properly commercial society”, but rather the pursuit for status by commercial individuals in which the opulence of modern society is created upon. The prosperity is thus produced and consequently, the origins of commercial society itself. (LUBAN 2012). Hollander argues that Smith made a great effort to construct the self-interest patterns of behavior for which “there is scope in a capitalist exchange society” (HOLLANDER 1977).

Smith raises the hypothesis that this propensity is a consequence of the faculties of reason and speech, arguing that speech is grounded on the instinct of being believed and on desire of persuading others. “The desire of being believed, the desire of persuading, of leading and directing other people, seems to be one of the strongest of all our natural desires. It is, perhaps, the instinct upon which is founded the faculty of speech, the characteristic faculty of human nature” (SMITH [1759] 1982b, p. 404).

Therefore, the propensity to truck, barter and exchange as the base of economic activity is rooted in human social capacity (LUBAN 2012). By means of reason, the human being is able to evaluate the things he needs and chooses the best strategy to convince others to truck, barter or exchange with him. By means of speech, he can express arguments using the strategy he has chosen to persuade others in order to reach the things he desires. Moreover, Smith argues that

the propensity to truck, barter or exchange with others gave rise to the use of money as the universal instrument of commerce, affording the development of markets by attending to the different needs of every member of different societies. We should remember that money is a means of exchange, a kind of commodity whose value is linked to the trust that everyone places in it, that is, the value shown on the banknote or coin is accepted as the expression of the purchasing power it represents (RELA 2019).

This human propensity was the origin of the division of labor, the basis of the opulence of civilized societies (SMITH [1762] 1982a) that “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” (SMITH [1776] 1981, Book I, p. 92). Individuals are emboldened to develop their talents, which leads to the efficient use of resources by allowing each individual to cultivate his particular genius and so obtain maximum efficiency (GRAMPP, 1948) in order to improve the quality of products, making them more desired by others in exchange. When people exchange products made by their talent or expertise, in fact, they are trucking, bartering or exchanging their talent and others are purchasing the product of their talents. The general disposition to truck, barter and exchange provides something like “a common stock, where every man may purchase whatever part of the produce of other men’s talents he has occasion for”. (SMITH [1776] 1981, Book I, p. 93). There is a kind of harmony in the market when someone can exchange his product for others of different abilities in the terms most satisfying to all the people involved (GRAMPP 1948). The division of labor leads to increasing the quantity of goods thereby produced, in which surplus cannot be absorbed by the local market. Consequently, the producers are encouraged to truck, barter and exchange to others outside

their own society, which in turn leads to the enrichment of the nation as a whole.

In short, the rational dimension of the economic man expressed by the propensity of human nature to truck, barter, and exchange has led to the division of labor, to the emergence of talents, to the expansion of markets, as well as to the creation of money as a commodity to be exchanged and accepted by all and, consequently, to the opulence of societies. Morgan sums up: "The desire to exchange, and the exchange itself, accentuate initial differences in talents; the consequent division of labor increases productivity, creating a surplus of production, further exchange, and further division of labor. Thus, talents and the exchange propensity combine to generate wealth, for it is the division of labor that forms the essential mechanism by which a surplus is created and opulence (wealth) is spread throughout the nations." (MORGAN 2006, 2)

The ideal society would be that in which the assistance passed amongst its members would be reciprocated through love, gratitude, friendship and esteem towards the aim of one common center of mutually good offices. However, due to the rarity of finding this ideal in the world, Smith pointed out that life in commercial society was made possible by an arrangement among its members through the sense of its utility, that is, the manner that each one can be useful to others in order to meet mutual needs. The possible ideal society, therefore, would be that in which each member aims to own happiness without disregard to others. "Society may subsist among different men, as among different merchants, from a sense of its utility, without any mutual love or affection; and though no man in it should owe any obligation, or be bound in gratitude to any other, *it may still be upheld by a mercenary exchange of good offices according to an agreed valuation*" (SMITH [1759] 1982b, p. 157 Emphasis added). In other words, commercial society implies an arrangement

where money is the “glue” that makes it subsist and not due to the benevolence between its members.

As it is within human nature to dedicate attention, love and esteem to closest – circles of sympathy: family, parents, relatives and friends – the solution achieved by society is to afford the union of its members through utility. The self-interest within utility makes it possible that one meets the needs of others and of himself through the mercenary exchange of products. Although mercenary is a person motivated by personal gain, the word is connected to merchant activity and services, strictly speaking, in relation to personal interest. It has nothing to do with benevolence, given that the action involved is freely between one and another. The action in the case of a mercenary, in the sense we pointed out above, is that of mutual interest, from one to another and from another to the mercenary. There is mutual exchange. “Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those offices which we stand in need of.” (SMITH [1776] 1981, Book I, p. 91). Therefore, there is no reason why we should appeal to the benevolence of the butcher, the brewer or the baker to obtain our dinner, unless we are beggars, which is subject to a free exchange of goods from one individual to another. There is no mutual exchange. It is a case of a mercenary relationship; we are giving money and receiving our dinner. This “interest” is “natural” because it is originated from the absolute biological needs of human beings. The benevolence actions, conversely, is originated from drives relative to other humans that is the results of contingent of social and political arrangements (LUBAN 2012). Although the action of a human being is selfish, some scholars argue that he is not anti-social but rather rooted in a society, therefore he could

not be taken as completely egoistic (WASILUK, GIEGIEL, ZALESKO 2018).

On the other hand, we need to take into account that Adam Smith was a professor of Moral Philosophy and lived his whole life within the rules he professed. “The professor of moral philosophy and pioneer economist, did not, in fact, lead a life of spectacular schizophrenia. Indeed, it is precisely the narrowing of the broad Smithing view of human beings, in modern economies, that can be seen as one of the major deficiencies of contemporary economic theory”. (SEN 1987, 28). Thus, in Smith’s conception, the individual who deals with economic affairs practicing mercenary activities, as member of a society united by utility, should not act in disagreement with the moral rules. In fact, the Smithean *homos oeconomicus*, an ideal to be achieved, should be morally good, even outside his actions in business, as well as in dealing with others. He stresses the foundations that should guide his behavior as a member of economic society:

1. He must be modest and plain and distinguish himself by virtuous actions. “The most perfect modesty and plainness, joined to as much negligence as is consistent with the respect due to the company, ought to be the chief characteristics of the behaviour of a private man. If ever he hopes to distinguish himself, it must be by more important virtues” (SMITH [1759] 1982b, p. 123).

2. His expenses should be covered by the labor of his body and it must be by more important activities of his mind. Smith points out how it should be done, that is, “he must acquire superior knowledge in his profession, and superior industry in the exercise of it” (SMITH [1759] 1982b, 124). This recommendation can be accomplished because the division of labor

affords the specialization and the emergence of talents (MORGAN 2006, GRAMPP 1948), as we have already seen above.

3. In his labor, he should be patient, resolute in danger and firm in distress. “These talents he must bring into public view, by the difficulty, importance, and, at the same time, good judgment of his undertakings, and by the severe and unrelenting application with which he pursues them” (SMITH [1759] 1982b, 124). It is necessary that the other members of society judge his virtues by themselves, which will bring him reputation in his affairs. “Our rank and credit among our equals, too, depend very much upon, what, perhaps, a virtuous man would wish them to depend entirely, our character and conduct, or upon the confidence, esteem and good-will, which these naturally excite the people we live with” (SMITH [1759] 1982b, p. 279). For Smith, the sense of dignity and social standing is particularly highlighted (HILL, 2012).

4. Upon all ordinary occasions, his behavior is founded on the prudence, (MORGAN 2006) because it “necessarily supposes the utmost perfection of all the intellectual and of all the moral virtues” (SMITH 1982, 283). “The economic man wins his honors for the practice of the middling virtue of prudence, which, it must be observed, is below justice and benevolence and only above propriety” (GRAMPP 1948, p. 319). The methods he uses to improve his fortune, “are those which expose to no loss or hazard; real knowledge and skill in [his] trade or profession, assiduity and industry in exercise of it, frugality and even some degree of parsimony, in all [his] expenses” (SMITH [1759] 1982b, 280). Being prudent, he is also

probe, because he “always studies sincerely and earnestly to understand whatever he professes to understand, and not merely to persuade other people that he understands it; and though his talents may not always very brilliant, they are always perfectly genuine” (SMITH [1759] 1982b, p. 280); as well as, generous and sincere “and feels horror at the very thought to exposing himself to the disgrace which attends upon the detection of falsehood” (SMITH [1759] 1982b, p. 280). However, although sincere “he is not always frank and open; and though he never tells anything but the truth, he does not think himself bound, when not properly called upon, to tell the whole truth” (SMITH [1759] 1982b, 280).

5. He should engage himself in all situations where greatest talents and virtues are requested to act with propriety and honor, “when distinctly called upon, he will not decline the services of his country, but he is not cabal to force into it, and would be much better pleased that the public business were well managed by other person, than that he himself should have the trouble and incur the responsibility, of managing it” because, he “is not willing to subject himself to responsibility which his duty does not impose upon him. In the bottom of his heart he would prefer [...] the real and solid glory of performing the greatest and most magnanimous actions” (SMITH [1759] 1982b, p. 282).

Smith's *homo oeconomicus* is a socialized individual who seeks virtue, aware that what is important is not only profitable results of economic affairs, but also that they should be conducted according to the principles of social rules that include modesty, frankness, probity, generosity,

and prudence. He pursues the development of his talents in order to offer the best to his customers, because he is conscious of the role he plays as a member of society, due to his share of responsibility for the enrichment of the nation. In his affairs, he looks for his interest by making mercenary exchanges, aware that in commercial society, all members behave in the same way in order to get rich.

However, “the economic man as a sensitive creature who pursues beauty in a world of material abundance is succeeded by a pedestrian individual who looks with interest upon only those activities which ‘pay’ and who pursues luxuries in a society where they are unmistakably scarce” (GRAMPP 1948). After these words, we next address the emotional dimension of Smith’s *homo oeconomicus*.

III - The Emotional Dimension of Adam Smith’s *Homo Oeconomicus*

The philosopher was aware that the human being in his entirety is not only rational and moral, but also subject to the influence of emotions in his social interaction as a whole. Smith argues that, “the most knowledge of the rules will not alone enable him to act in this manner: his very passions are very apt to mislead him; sometimes to drive him, sometimes to seduce him to violate all the rules which him himself, in all his sober and cool hours, approves of” (SMITH [1759]1982b, p. 306). Hill stresses that “Smith see *thumos* as capable of exerting more motivational power than reason because *thumos* drives us to act irrationally, at least in the long term [...] Smith portrays *thumos* as the governing principle with reason acting as its sometimes unreliable auxiliary” (HILL 2012, 6). Despite the fact that the philosopher had never used this term, for him *thumos* or “spirit”, “spiritedness”, “ambition” is a set of self-regarding passions,

which Smith later adapted to describe and explain the behavior of ordinary actors in mass-market societies (HILL, 2012, 3-5).

For Smith, it is in society that the habit of virtue is conquered, through a daily struggle with the desires and emotions that assault the individual and interfere in his behavior. It is only in society by observing the sentiments of others that human beings can develop Smith's human moral psychology: the notions of right and wrong, and of pride and shame (LUBAN 2016). Therefore, he devoted his *Theory of Moral Sentiments* to discussing and analyzing the principles by which human beings naturally judge behavior and character, first from those within their circles of sympathy and then from their own. As we are dealing with a human being who participates in the commercial society and seeks to get rich, it is from the investigation on this subject that the question of the emotional approach of Smith's *homo oeconomicus* arises. What is the influence of wealth on emotions when considering social interactions?

Analyzing the origin of ambition and social distinction, Smith argues, “[i]t is because mankind are disposed to sympathize more entirely with our joy than with our sorrow, that we make parade of our riches, and conceal our poverty. Nothing is so mortifying as to be obliged to expose our distress to the view of the public [...] it is chiefly from this regard to the sentiments of mankind that we pursue riches and avoid poverty” (SMITH [1759]1982b, p. 119).

The author in this statement summarizes some of the main concepts he deals with in his book: sympathy, the role that emotion plays in social life and social judgment. In addition, bearing in mind the disposition of humankind for joy and for avoidance of pain, he points out what drives the behavior of the economic man as a member of society, namely, the *pursuit of riches and avoidance of poverty*. We argue that this is the psychological law that impels the economic

man as characterized by Smith in his book. To develop our reasoning on Smithian's *homo oeconomicus*, we have to start by discussing the concept of sympathy³.

For Smith, sympathy may “without much impropriety, be made use of to denote our fellow-feeling⁴ with any passion whatever” (SMITH [1759]1982b, p. 75). Thus, sympathy relates to any passion and is not limited to pity or compassion, though these are both commonly associated with it, which for Hill is an eccentric way to use the term of sympathy (HILL, 2016). Sympathy operates as the communicability of affect regardless of the particular passion (AGOSTA 2016). Sympathy should be a generic term for the various types of emotional glue that hold social relationships together (FLEISCHACKER 2012). In Smith's conception, sympathy is a kind of mechanism that makes the social interactions possible among persons. It is worth noting that he is not concerned with understanding the functioning of the human mind, but with the results of its labor. His task is to conceive of how an individual can be virtuous in contexts of social interaction. Therefore, he assumes with restrictions, Hume's system, both of understanding and of passions.

For Hume, an idea is less vivid than an impression, though through an operation of imagination in the mind, we can enliven the idea until it becomes the impression itself. For Smith, imagination can also enliven an idea, but he believes this occurs in a different way, that is “by conceiving

³ At present, “sympathy” is related to pity and sorrow. For the other meanings, it was replaced for the contemporary concept of empathy.

⁴ Used by Smith as a synonym for sympathy. “Fellow-feeling’ is used as a high level category that enables Smith stylistically to suggest nuances and fine-grained distinction in his phenomenological descriptions.” (AGOSTA 2016).

what we ourselves should feel in the like situation” (SMITH [1759]1982b, p. 4). This is not simply a mechanism of the mind, but relates to moral conscience. “In every passion of which the mind of man is susceptible, the emotions of the by–stander always correspond to what, by bringing the case home to himself, he imagines how should the sentiments of the sufferer be” because “to conceive or to imagine that we are in it, excites some degree of the same emotion, in proportion to the vivacity or dullness of the conception” (SMITH [1759]1982b, pp. 74-75). It is on this basis that Smith develops his “projective-sympathy”, as we define. The person imaginatively puts himself in the place of the other, but keeping himself aware of being a different person from the one he sympathizes with.

As we have no immediate experience of what other men feel, we can form no idea of the manner in which they are affected, but by conceiving what we ourselves should feel in the like situation. [...] our senses will never inform us of what he suffers. They never did, and never can, carry us beyond our own person, and it is by the imagination only that we can form any conception of what are his sensations. Neither can that faculty help us to this any other way, than by representing to us what would be our own, if we were in his case. It is the impressions of our own senses only, not those of his, which our *imagination's copy*. By the imagination we place ourselves in his situation, we conceive ourselves enduring all the same torments, we enter as it were into his body, and become in some measure the same person with him, and thence form some idea of his sensations, and even feel something which,

though weaker in degree, is not altogether unlike them (SMITH [1759]1982b, p. 73, emphasis added).

Hume's *Copy Principle* enacts that simple ideas in their first display are copies of simple impressions, that is, one is a copy of the other. In short, all our ideas are copies of our impressions. Smith seems to adopt this principle, but he assigns to the imagination the charge of copying our sentiments to achieve the idea of being in the place of the other. He also admit that this idea is weaker in degree, as held by Hume. Sympathy and imagination are the pillars of Smith's moral system, because "[t]hat this is the source of our fellow-feeling for the misery of others, that it is by changing places in fancy with the sufferer, that we come either to conceive or to be affected by what he feels" (SMITH [1759]1982b, p. 74).

For Hume, imagination helps us to sympathize, allowing us to imagine what it would be like to have the other person's feelings, while for Smith, imagination can only help us to sympathize allowing us to imagine what it would be like to inhabit the other person's situation, "sympathy is very properly sad to arise from an imaginary change of situations with the person principally concerned, yet this imaginary change is not supposed to happen to me in my own person and character, but in that of person which whom I sympathize" (SMITH [1759]1982b, p. 382). In addition, for Hume, by means of sympathy, we experience the other person's real feelings, while for Smith, sympathy offers us the feelings we would have if we could experience the other person's situation. (FLEISCHACKER, 2012, pp.291-292). On the other hand, Humean sympathy is felt from the point of view of an observer that deduces the feeling of the other, based on the situation he perceives, while for Smith, sympathy is already the capacity to form ideas of the feelings

of others (DARWALL 1998, p. 267). We highlight, however, that imagination acts in accordance with our appraisal system, based upon our own *standard of measurements*. What could this mean in a social interaction? It means that we appraise someone else's situation based on our own conception of what kind of emotions we experience if we were in her place, which correspond to the experiences we faced in our own history of life, depending on socio-cultural environment that we live in, on family life, on our psychological dispositions, etc. As Smith maintains, the emotion we experience when we put ourselves in a person's shoes is proportional to the vividness or dullness of the conception we make. Again, in terms of José Ortega y Gasset (1883-1955), I am I and my circumstances, that is, according to the circumstances in which we are immersed, which provide the situations we face and how we react to them.

The process of imaginatively puts oneself in the shoes of other as of the twentieth century, has aroused interest in developmental psychology and cognitive neuroscience, where the basic issue is how individuals attribute mental states to others. Mental state (beliefs) attribution is variously referred to as folk psychology, theory of mind, mindreading or mentalizing (GOLDMAN AND SHANTON 2010). Mentalizing or mindreading, namely, a mind thinking about other minds, is in our social nature as an activity to conceptualize (metarepresent) other creatures and oneself as *loci* of mental life (GOLDMAN 2006, p. 3). This activity as mindreading is also the object of study in psychology in terms of three approaches: “theory-theory”, “rationality theory” and “simulation theory”. The first approach holds that a tacit theory underlies psychological competence in people's everyday social competence, while rational theory holds that people use principles of rationality to attribute mental states to others. According to simulation theory, people have the skills and resources to call on in the

anticipation, explanation and social coordination of behavior. In other words, this theory “holds that we represent the mental states and processes of others by mentally simulating them, or generating states and processes in ourselves” (GOLDMAN AND SHANTON 2010) imaginatively putting oneself in someone else’s place (GORDON 2009).

Smithian process of sympathy starts with a *contagion* that envelops the observer and the target. “The passions, upon some occasions, may seem to be transfused from one man to another, instantaneously, and antecedent to any knowledge of what excited them in the person principally concerned. Grief and joy, for example, strongly expressed in the look and gestures of any one, at once affect the spectator with some degree of a like painful or agreeable emotion” (SMITH [1759]1982b, p. 75).

The feeling of grief or joy felt by the spectator as a response to contagion occurs because these types of emotions suggest the idea that some good or bad luck happened to the person being observed, which leads the observer to be influenced by it. However, the contagion is not sufficient to maintain the sympathetic relation until he knows what has befallen the other. “Sympathy, therefore, does not arise so much from the view of the passion, as from that of the situation which excites it” (SMITH [1759]1982b, p. 76).

Similarly, in the simulation theory, the process of simulation occurs in two levels: the first is the *low-level mindreading*, in interpersonal or other-directed, when the spectator “reads” the mental states of another person by his or her facial expression, as a kind of automatic process. It is simple, primitive, automatic and largely below the level of consciousness, that is, the spectator simply recognizes the emotion without any propositional content. “Emotions are routinely attributed to others in daily life, and facial

expressions are a prime basis for such attribution, originally discussed by Darwin [...] To recognize someone's face as expressive for of a certain emotion is to judge the person to be in that state and categorize the emotion as being of the specific type" (GOLDMAN 2006, p. 113). The second level is the *high-level mindreading*, that occurs in intrapersonal simulation or self-directed, involving propositional attitudes guided by the repository of information in long-term memory (GOLDMAN AND SHANTON 2010). Imagination plays a very important role in intrapersonal simulation. By visualization (through imagination), one attempts to reconstruct a specified object or scenario in his or her mind (RELA 2019).

For both Smith and psychology, the process of sympathy or mindreading begins when the spectator perceives the emotion that affects the other and continues when he interprets the situation. As we have argued, Smithian sympathy occurs on two levels: as low-level simulation, when the spectator is aware that she is a person who is different from the target and notices individual's facial expressions; and as high-level simulation, when the spectator imagines how she would feel if she were in the target's place by attributing elements of her own thought contents. In the case of wealth, the spectator recognizes the emotion of joy in someone else [low-level simulation] and tries to capture his propositional content by attributing elements of his own thought contents [high-level simulation]. In other words, by means of sympathy, the spectator is enveloped by the agreeable sentiment of joy when the rich "makes parade" of his wealth. In addition, still by means of sympathy at the second level, the spectator tries to visualize, through imagination, the target's way of life based on his own conception of the way of life of the rich (RELA 2019). Simulating theory holds that "a mindreader (spectator) commonly takes one of her own first-order (pretend) states

and imputes it (as a genuine state) to the target” (GOLDMAN 2006, p. 40). On the other hand, “vicarious decision-making begins with the world as known to the simulator, and often proceeds without adjustment for the agent’s differing beliefs (GORDON 2009). The word *vicarious* is derived from the Latin *vicarius* or substitute, meaning at present, experienced in the imagination through the feelings or actions of another person. The spectator has indirect sympathy when he imagines what his life would be like if he were rich, based not only on the content of his own thought, but also on the exhibition [making parade] of possessions by the rich person being observed and the feelings that this causes in the group.

In an emotional approach, first the intellect appraises the situation based on previous experience, which triggers a corporeal and psychological response, which can be pleasurable if it is of joy or displeasing if the situation he witnesses is that of sorrow. Joy and sorrow are the ignition force for any emotion. Joy is a feeling of great pleasure and sorrow is an emotion whose feeling is that of pain. Pleasure and pain are not emotions but feelings⁵. They constitute a primary basis upon which all other emotional states will arise. As background, or generic quality, they permeate all emotions and give rise to their most common classification: positive and negative, pleasant and unpleasant. Therefore, pleasure and pain are considered *proto-emotions*, as foundations upon which all emotions will be formed (MARTINS 2004). Pleasure and pain are pure receptivity (COOLEY 1902). They are the passive pole of emotion, while desire and aversion are the active poles related to the impulse of attraction or repulsion. In addition, because both

⁵ Smith considers joy and sorrow as emotions, as we point out in what follows.

pain and pleasure are purely passive, that is, they are not modes of volition or effortful activities, they won't be able to affect them, but they act as triggers for them. Again, despite pleasure-pain being the passive pole of emotion, they are igniters of manifestations of desire and aversion, which as states of pleasure and displeasure are part of almost all emotions. That means that different external situations lead us to emotionally different responses, attitudes we adopt in order to address them. We are pained or pleased *by* something and have emotion *towards* something (COOLEY 1902).

As *proto-emotions*, pleasure and pain are the roots of those emotions that are the basis on which the whole emotional framework is sustained; such emotions are known as basic emotions ⁶. Basic or primary emotions are biological and innate mechanisms that arise very early in childhood (sadness, anger, fear, joy). They are not deemed to be the result of cultural or social interaction, but rather, a means of systematizing individuals' particular emotional structures, which play an important role in their social lives (RELA 2019). The basic emotional system is innate and universal, but its structure is sensitive to sociocultural contexts, which provide a kind of flexibility where some emotions have a greater role than others do. Each basic emotion is the basis for a family of related states, within which its members can differ from each other in type, intensity, etc.

In *Theory of Moral Sentiments*, Adam Smith exposes his understanding of emotions and the influence they have on a person's social behavior. He knows that the exercise of virtue

⁶ Paul Ekman was a pioneer in researching basic emotions. EKMAN, P., «The argument and evidence about universals in facial expression of emotion», *Handbook of Social Psychophysiology*, 1989, 143-164.

happens when passion, a state or outburst of strong emotion, is manifested and tries from there, to determine the "antidote" or virtue needed to deal with. Although he never classified emotion as basic and never used the term, we can argue that he identified the emotions he considers as basic (RELA 2019) and divided them into four groups: a) *corporeal passions*: wonder/surprise that are directly related to *proto-emotions* of pleasure and pain. They are *felt instantaneously* (SMITH [1759]1982b, p. 78), which means that he was aware that these *proto-emotions* are the background of all passions, and that they arise as the result of an immediate effect of objects; b) *unamiable and unsocial passions*: hatred and resentment, because they are those that cause aversion in and repels the spectator; c) *amiable and social passions*: love, because this sentiment "is, in itself, agreeable to the person who feels it. It soothes and composes the breast, seems to favour the vital motions, and to promote the healthful state of the human constitution; and it is rendered still more delightful by the consciousness of the gratitude and satisfaction which it must excite in him who is the object of it" (SMITH [1759]1982b, p. 107); d) egoistic passions: joy and sorrow, "joy is a pleasant emotion, and we gladly abandon ourselves to it upon the slightest occasion. [...]But grief is painful, and the mind, even when it is our own misfortune, naturally resists and recoils from it" (SMITH [1759]1982b, p. 111).

Smith argues in the excerpt we have already quoted above that humanity is disposed to sympathize more fully with our joy than with our sorrow. We have already discussed sympathy, joy and sorrow, and our task now is to describe how they relate to each other.

As we previously argued, sympathy allied to imagination is responsible for mediation between the world and the person, carrying on the emotional content to be felt as pleasure or pain and being the means through which

emotion are transmitted and understood (GRISWOLD 2006, p. 25). Like other *proto-emotions*, sympathy is innate and common even in animals, as it is in human beings, and permeates all other emotions. However, the *proto-emotions* are not in the background of the emotions as such. Instead, they are within the emotional content as a result of social relations and interaction of the individual with the world. For this reason, we maintain that sympathy is not an affection, but a *proto-affection*, related to affection as Smith refers to the interaction between persons (RELA 2019). In Smith's sympathy, the spectator's emotion would count as sympathy *qua* fellow-feeling with the agent's emotion, it is "perhaps more appropriate, therefore, to think of sympathy as an adverbial modification of a given feeling, in the sense that the term indicates the way that the spectator has the feeling – he has it *sympathetically*" (BROADIE 2015). Smith uses sympathy as a technical term in his system.

In accordance with the evolutionary psychology, we are not disposed to accept feelings of displeasure because we are biologically programmed to avoid pain in order to survive. Pain is the original feeling and the first element of consciousness. This is a determination of the law of evolution, namely that the origin of functions and all progressive modifications arise at critical stages because the origin and important steps in its development occurred in severest struggle and pain at critical periods (STANLEY 1895). Pleasure was a further step in evolutionary biology and does not originate in a life and death crisis, but as polar opposite to pain in order to sharpen by contrast the pain-mode. Therefore, pleasure function does not originate in a life and death crisis. Pain is prominent in early functions, while pleasure is mainly connected with late formations as occurs with the special senses (STANLEY 1895). Thus, we are biologically more disposed to sympathize with joy (pleasure) than with sorrow (pain), because the latter means

crisis for evolution, and its continuation after this point of crisis could lead to death. Pleasure means the counteraction of pain and, consequently, its cessation. In our psychic life, the period of crisis, (pain) is considered also an opportunity of personal development and of learning; however, if it becomes permanent, it can lead to severe depression. If the crisis period is overcome, the person experiences personal satisfaction and pleasure springs back to life.

Smith explains that when the spectator feels pleasant emotion by the combined action of sympathy and imagination, he can almost approach what the agent is feeling due to a natural disposition toward pleasure. It is like being open to receive the feeling, as well as being disposed to commit to it, which does not occur when the case is of sorrow. Even though our sympathy with sorrow is often a stronger sensation than that of the sympathy with joy, it always lacks in it the intensity of the feeling of the person who is principally concerned. "It is agreeable to sympathize with joy and wherever envy does not oppose it, our heart abandons itself with satisfaction to the highest transports of that delightful sentiment. But it is painful to go along with grief, and we always enter into it with reluctance", and concludes that "[n]ature, it seems, when she loaded us with our own sorrows, thought that they were enough, and therefore did not command us to take any further share in those of others, than what was necessary to prompt us to relieve them" (SMITH 1[1759]982b, pp. 114-115). Joy is pleasant not only due to the meaning of its content, but also due to its particular meaning of being joyful, the *stimulus* is the meaning (SROUFE 1996), which leads us to be more disposed to sympathize with joy than with sorrow.

Joy attracts and sadness keeps people away; for this reason, according to Smith, we make parade of our riches and conceal our poverty. This disposition of humankind to go along with the rich and the powerful is founded on social

order and social distinction. “Even when the order of society seems to require that we should oppose them [the rich], we can hardly bring ourselves to do it” (SMITH [1759]1982b, p. 121). Luban sees two beneficial consequences of this disposition: first, the role in promoting social stability as a consequence of the admiration we feel for successful people who make it easier for us to submit to them; and second, this disposition generates ambition which spurs people to action and, consequently, moving the business engine (LUBAN 2016).

On the other hand, humankind is more disposed to neglect persons of poor condition. Rich individuals know that they will be the object of attention wherever they go because their fortunes interest almost everybody (SMITH [1759]1982b) and people are compelled to favor all their inclinations and fulfil all their desires.

The exhibition of wealth arouses the basic emotion of joy, which attracts the spectator by both the *proto-emotion* of pleasure and due to the combination it makes with other emotions that collaborate to enliven the emotion felt by the spectator. Therefore, the outward signs of wealth, of which the agent “makes parade”, provoke attraction, pleasure and joy to the observers. Then, two movements: one; outward, that is, of exhibition, and another one of attraction, for being also a feeling of pleasure.

For Adam Smith, vanity appears as the emotion that serves as the background to the behavior of rich and powerful persons, which leads them to make parade of their riches. Vanity refers to any form of “approbativeness” through vertical relationships – based on unequal rank and wealth – governed by power, rather than horizontal relationships – among equals – governed by virtue (LUBAN 2016).

Related to the point of view of the non-rich spectator, his disposition to admire the rich and powerful, leads him to

conceal his lack of wealth. “The great mob of mankind are the admirers and worshippers, and, what may seem more extraordinary, most frequently the disinterested admirers and worshippers, of wealth and greatness (SMITH [1759]1982b, p. 130). The lack of interest is explained by the human natural disposition to sympathize with the rich and great, because they arouse the pleasurable feeling of joy, in addition to an eagerness to “assist them in completing a system of happiness that approaches so near the perfection; and we desire to serve them for their own sake, without any other recompense, but the vanity or the honour of obliging them” (SMITH [1759]1982b, p. 121).

The poor is ashamed of his poverty because he knows that, for that very reason, he will receive the contempt of others as feedback. The view of misery arouses displeasure to spectators and causes aversion, “they turn away their eyes from him, or if the extremity of his distress forces them to look at him, it is only to spurn so disagreeable an object from among them” (SMITH [1759]1982b, 120). Smith highlights that it seems to be human nature to be indifferent to the misery of those judged as inferiors. In poverty, due to the emotions of shame, humiliation and displeasure, two movements occur: one inward, that is, of shrinkage, and the other of repulsion, being also a basic feeling of displeasure. The external signs of poverty provoke a movement of repulsion in the spectator due to displeasure and sadness.

For Smith, the corruption of our moral sentiments is occasioned by this disposition to admire the rich and the great, and to despise or neglect people of poor and mean conditions. He attributes it to the very considerable resemblance of the respect we feel for wisdom and virtue with the respect we feel for the symbolic greatness represented by wealth and power. “But, notwithstanding this difference, those sentiments bear a very considerable resemblance to one another. In some particular features they

are, no doubt, different, but, in general air of the countenance, they seem to be very nearly the same, that inattentive observers are very apt to mistake the one for the other” (SMITH [1759]1982b, p. 121). Therefore, wealth and greatness almost constantly obtain respect, and “that they may, therefore, be considered as, in some respects, the natural object of it” (SMITH [1759]1982, p. 121). Luban argues that we sympathize with the wealthy and powerful in a qualitatively different manner. “The calculus of propriety and merit that regulates our judgments of equals cease to apply to our superiors, with the result that approbation no longer attaches to virtue alone” (LUBAN 2016. p. 289).

Smithian *homo oeconomicus* seeks wealth, because it means being admired, respected and treated with indulgences, in addition to having access to joyful experiences and fulfilling all wishes. He avoids poverty because it means feeling of contempt, painful experiences, unfulfilled desires, and difficulty in taking care of himself. For this reason, we argue that the psychological law that drives him is to *pursues riches and avoid poverty*. “It is thus humans’ social nature, not their necessitous animal nature, that is at the root of the pursuit of wealth. This observation points the way to Smith’s broader account of economic motivation (LUBAN 2016, 282). Smith explain that the respect of our equals, our credit and position in society “depend very much upon the degree in which we possess, or are supposed to possess, those advantages. The desire of becoming proper the object of this respect, of deserving and obtaining this credit or rank among our equals, is, perhaps, the strongest of all our desires, and our anxiety to obtain the advantages of fortune is accordingly much more excited and irritated by this desire [...]” (SMITH [1759]1982b, p. 279).

The reason behind the economic advance does not aim to increase satisfaction in *absolute* terms, but to improve social status *relative* to other people. (LUBAN 2016). However, this

psychological law was not conceived by the economists, to which the self-interest was the prime psychological drive of humankind since the *Wealth of Nations* was published (KERN 2009). It is by the pursuing of riches that competition makes the commercial society moves on, where self-interest takes part of the exercise of compliance with this law. Moreover, the economists have taken a methodologically individualistic approach to this question, hypothesizing the economic man, behaving in the absence of personal relations (KERN 2009). Differently, Smith could not conceive a *homo oeconomicus* in absence of social interaction. It is in society that the individual expresses himself, behaving under the influence of emotions, considering that it is in social relations that he can practice the exercise of virtue.

As we have argued, before current research in psychology, Adam Smith had already been discussing issues on mindreading, simulation and vicarious experience. But not only that, he addressed issues that are currently studied by behavioral economics that “have become the basis for the development of neuroeconomics”, which in its turn is “a science bordering on neurology, psychology and economics” (WASILUK, GIEGIEL, ZALESKO 2018, p. 43). The question discussed by Smith that we point out here, considering the moral dimension of *homo oeconomicus* already discussed, is risk aversion and delaying gratification in order to have a greater reward in the future. However scholars add to those: overconfidence, altruism and fairness, when dealing with the issue of Adam Smith as behavioral economist (ASHRAF, CAMERER, LOEWENSTEIN 2005).

Related to the prudent man, when Smith addresses the risk aversion, he explains that he is satisfied with the situation of living within his income, having “no anxiety to change so comfortable a situation, and does not go in quest of new enterprises and adventures, which may endanger, but could

not well increase the secure tranquility which he actually enjoys. If he enters into any new projects and enterprises, they are likely to be well concerted and well prepared” (SMITH [1759]1982b, p. 282). “Approximately 200 years before Kahneman and Tversky (1979) identified the regularity in choices that has come to be known as ‘loss aversion’, Adam Smith displayed an acute awareness of loss-aversion as an experiential phenomenon” (ASHRAF, CAMERER, LOEWENSTEIN 2005).

Addressing delaying satisfaction, Smith explains that the prudent man “in the steadiness of his industry and frugality, in his steadily sacrificing the ease and enjoyment of the present moment for the probable expectation of the still greater ease and enjoyment of a more distant but more lasting period of time, the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator, the man within the breast.” (SMITH [1759]1982b, p. 281). The impartial spectator, our inner judge, is a kind of artifice created by the philosopher that allows us to evaluate our own actions and those of others, which was later on approached by Sigmund Freud (1856-1939) in his study of conscious life as being the *superego* (RAPHAEL 1985). However, the vast majority fail to have self-control, opting for immediate pleasure. “The pleasure which we are to enjoy ten years hence, interest us so little in comparison with that we are to enjoy to-day, the passion which the first excites, is naturally so weak in comparison with that violent emotion which the second is apt to give occasion to (SMITH [1759]1982, p. 257). “Moreover, recent research in which decisionmakers’ brains were scanned while they made intertemporal choices vindicates Smith’s view that decision that provide the potential for pleasures that we may enjoy today activate emotional regions of the brain in a way that decisions involving only delayed outcomes do not” (ASHRAF, CAMERER, LOEWENSTEIN 2005).

Adam Smith was well aware of the intricacies of the human soul and was concerned with how to make people perform virtuous actions. Wealth, or better said, money, due to its symbolic content, is the means by which people are driven to practice actions impelled by emotion and it is in society that this gains expression. How to behave virtually despite our desires and emotions? To answer this question, he dedicated himself to studying the feelings that occur to any human being when interacting with others in society. Currently, research in psychology and behavioral economics demonstrates how profound Adam Smith's studies are.

It is said that Adam Smith used to take long walks in the countryside with a contemplative gaze and murmuring incomprehensible words. Maybe he was taking a look far ahead of his time.

IV - Final Considerations

Adam Smith does not understand economy as an exact science, when the economist imagines that he can dispose of as easily the different members of society with the same ease in which he disposes the different pieces on a chessboard; he does not consider that these pieces do not have another moving principle besides that which the hand impresses upon them, but on the great chessboard that society, each piece alone, has its own principle of movement.

In this paper, we argue that Adam Smith had portrayed the *homo oeconomicus* however without the rational characteristic that he was depicted by economists who later came after him. For the philosopher, conversely, he is far from being governed only by rationality when dealing with his affairs, due to the influence that emotion exerted in his behavior.

Smith's *homo oeconomicus* lives in social interaction and is oriented towards the development and enrichment of society and knows his share in this task. He uses his natural predisposition to truck, barter, exchange, and thus, develops his economic affairs with others. He is concerned with improving himself, as well as the product he produces or sells. He is not necessarily rich, but he has all the means at hand to go further. He is aware of how to behave in accordance with morality in his economic affairs. However, he is also vain and seeks to identify the admiration of his wealth in the eyes of other members of society, which causes him the pleasurable sensation of joy. For this reason, he pursues riches and avoids poverty. That is the psychological law that drives his action.

As this paper demonstrates, Smith's studies on the "ins and outs" of the human soul and emotions that affect the person in social interaction preceded many research of psychology a century ahead, like basic emotions, simulation, imagination, empathy. Other surveys related to psychology of economics and behavioral economics are still relevant today, namely, risk aversion and delaying gratification in order to have a greater reward in the future.

Just as Smith seemed to keep his eye on the future, scholars in psychology of economics and behavioral economics should turn their eyes to the past and look for clues that have been left for future generations.

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