

The Mandevillean Conceit and the Profit-motive

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Invisible Hand Explanations and the Profit-Motive

‘Invisible Hand’ explanations, says Robert Nozick, are explanations of institutional, or systemic, or collective outcomes, which ‘explain what looks to be the product of someone’s intentional design as not being brought about by anyone’s intentions’.¹ The specification is neat, but potentially misleading, for as Adam Smith says, ‘in the great chessboard of human society, every single piece has a principle of motion of its own.’² An institutional outcome that ‘looks to be the product of intentional design’ is certainly a product of intentional agency, it is just that the agents involved do not aim at that outcome. Invisible Hand arguments deal in unintended consequences, but these consequences are those of intentional agents as they act together, and so one of the interesting things about such explanations concerns the character of that intentional agency as it is, or as it must be, if it is to generate those consequences.

Our concern is with the intentional agency invoked in Invisible Hand accounts of the collective outcomes generated by economic activity in the competitive market. That is to say, with what is often termed *the profit-motive*. We begin by looking at how that motive is specified in the exemplary Invisible Hand accounts offered by Bernard Mandeville and Adam Smith. Both may be read, and within neoclassical circles typically are read, as offering accounts of the profit-motive that purge it of all other-regarding elements.³ The

¹ Robert Nozick, *Anarchy, State & Utopia*, (New York: Basic Books, 1975), p. 19.

² Adam Smith, *Theory of the Moral Sentiments*, ed. D. D. Raphael & A. L. Macfie (Oxford: Clarendon, 1976), p. 234.

³ It might be argued—as Milton Friedman has argued in his ‘The Social Responsibility of Business is to Increase its Profits’, *New York Times Magazine*, 13/09/70 (reprinted in S. Donaldson & P. Warhane, *Ethical Issues in Business* (New Jersey: Prentice Hall, 1999), pp. 154–159.—that business managers do have one crucial other-regarding obligation, *viz.* that to their shareholders or owners, as they seek to maximize their returns. Such an argument fails to acknowledge that such managers are i) often

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Invisible Hand produces the desired collective outcomes only if those who man the institution pursue their ‘advantages’, and with a knowing determination beyond the call of a virtue attentive to the ‘necessities’ and needs of others.

Understood in this way, the Invisible Hand explanation is typically understood to have two connected moral implications, or implications for morality, as it confronts economic agents and the economic system. We call this the typical understanding the *Mandevillean Conceit*. The first implication is obvious: explanations of agents economic actions as they inform the operations of the Invisible Hand mechanism eschew all constitutive appeal to moral considerations. At the very least morality is, on this level, simply otiose. The second implication takes us further, for now such moralism is not simply irrelevant, but, from a more adequate view, morally self-defeating, even pernicious, insofar as the mechanism it undermines produces outcomes which are collectively desirable, and so, from a perspective that takes other-regarding concerns with due seriousness, morally desirable.⁴ Moral judgment directed at individual motivations as they fuel the Invisible Hand’s production of collective benefits is at best redundant, and at worst a destructive and self-defeating attack on a morally valuable social process.

We reject the Mandevillean Conceit, and we do so because we reject the understanding of the profit-motive on which it arises.

We reject its purified self-interestedness. It is untrue that the profit-motive operates entirely independently of other-regarding concerns, nor does it follow as a ‘matter of logic’ from the beneficent operations of the Invisible Hand mechanism that it must be so

(part)owners themselves, and ii) can hardly be assumed to have such altruistic concerns when they are typically more than ready to abandon such owners for others who promise them higher returns. Further, if in fact such managers are genuinely altruistically concerned with the well-being of others, why only some others (owners)? And if they are altruistic, why not others (such as the owners themselves)? Friedman has got himself into an awful mess. His real ambition would appear to be to morally justify *non*-altruistic market behaviour, though he cannot find a way of doing this without appealing to (some) agents altruistic concern for others. We suggest that Friedman’s case can be better understood, and better explicated, through what we discuss herein as the Mandevillean Conceit.

⁴ To object that to honour such concerns involves pursuing activities which *aim at* such outcomes is simply to miss the point of the Invisible Hand explanation.

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independent.⁵ We provide a template for the various ways in which other-regarding considerations may, and do, inform and constrain the pursuit of profit. This template has two functions. In part it constitutes our evidence that the profit-motive is not always, even usually, a manifestation of avarice alone. It does this by specifying a variety of ways the concern for profit may manifest itself in an agent's deliberations outside the *merely* avaricious. And it constitutes a contribution to the philosophy of action as it bears, or should be understood to bear, on economic activity in the market. It is intended to begin rectifying the striking fact that the sophisticated analyses we find in the philosophy of action generally, are noticeably missing when it comes to thinking about money and its pursuit.⁶

Having rejected the *avarice-only* reading of the profit-motive, we reject also the familiar implications for morality supposedly contained in the Mandevillean Conceit. We suggest that the avarice-only profit-motive may not fuel, but may in fact threaten the production of those 'unintended consequences' the Invisible Hand argument celebrates, for it seems plausible that it will undermine those mutual expectations on which depend the possibility of rational agents engaging in consensual capitalist acts.⁷ It follows that far from moral judgment directed at agents as they operate in the market constituting either a moralistic irrelevancy or an assault on a morally desirable collective process, such judgment might itself have a crucial part to play in informing and sustaining that process.

⁵ This point is not, of course, entirely novel. For a good example of earlier discussions (though not one we eventually endorse) see John Neville Keynes, *The Scope and Method of Political Economy* (London: Macmillan, 1890), pp. 118–35.

⁶ Christopher J. Berry, *The Idea of Luxury: a conceptual and historical investigation* (Cambridge: Cambridge University Press, 1994) is an exception.

⁷ This is where we diverge from Keynes' analysis, for while he allows for multifarious forms of the profit-motive, he contends that for the purposes of abstraction in 'economic science' the purified conception we object to is perfectly sufficient ('in order to introduce the simplicity that is requisite in a scientifically exact treatment ... it is legitimate even indispensable to begin by tracing the results of this desire [the profit-motive] under the supposition that it *acts without check*.' p. 119. Our italics.) It is not sufficient. This is because the abstracted 'economic science', as Keynes admits, presupposes certain given conditions ('certain limits [set] by law, morality, and public opinion.' p. 125) which can only be sustained by a profit-motive that *necessarily* includes more than a commitment to maximizing personal advantage. We take this point up further when we discuss (and criticize) *adhocery* in economic theorizing.

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Indeed, if the morally positive evaluation of the Invisible Hand mechanism is to go through, it *must* be the case that economic agents are concerned with more than self-regarding avarice, for otherwise they lack the required resources on which such an evaluation draws. And notice that it does not matter the *kind* of positive evaluation on offer—be it a Rawlsian concern for the well-being of even the worst-off, or a utilitarian concern for average well-being—so long as the evaluation targets economic agents understood as the avarice-only reading has it, it cannot succeed.

Mandeville and the Profit-Motive

The kind of market argument with which we are concerned is often thought to derive from Bernard Mandeville's *Fable of the Bees*⁸, though the attribution is dubious on two grounds. As Goldsmith points out, Mandeville was only marginally an economic theorist; 'he wrote no discourse on trade or credit or the balance of payments'⁹, but concerned himself more broadly with the emergence of organized society from the state of nature. And what little he did have to say on specifically economic matters would appear, as Cook argues, to fall pretty squarely into the 'mercantilist school of economic philosophers.'¹⁰

As a mercantilist Mandeville was no committed friend of the competitive market. He was not at all adverse to monopoly, and his concern for the economic good of the state saw him committed to economic policies and practices that aimed at ensuring that the nation sold more than it bought. In part so that it could accumulate bullion at home, but more importantly (and here differing from

⁸ We mention later Roger Scruton and Nathan Rosenberg as instances of this claim. For earlier versions of the same thesis see F. B. Kaye, 'Commentary', in his edited, Bernard Mandeville, *The Fable of the Bees*, Vol. 1, (Oxford: Clarendon, 1957). And Edwin Connan's 'Introduction' to Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, (New York: Modern Library Edition, 1937). Samuel Hollander, *The Economics of Adam Smith*, (Toronto: University of Toronto Press, 1973) p. 35, suggests that Nicolas Barbon better fits the characterization than Mandeville.

⁹ M. M. Goldsmith, *Private Vices, Public Benefits: Bernard Mandeville's Social and Political Thought*, (Cambridge: Cambridge University Press, 1985), p. 124.

¹⁰ R. I. Cook, 'The Great Leviathan of Lechery: Mandeville's Modest Defence of Public Stews', in Irwin Primer (ed.) *Mandeville Studies*, (The Hague: Martinus Nijhoff, 1975), p.29.

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most of his fellow mercantilists) so that there would be an adequate money supply for a full employment economy powered by the luxurious consumption of the few.

Nor should the emphasis on full-employment fool us into thinking Mandeville overly concerned with the well-being of the majority, let alone of each and every individual. The national wealth, he insists, ‘consists not in money but in “a Multitude of Laborious Poor”¹¹, for only such a multitude would ensure that the demand for imported goods did not become excessive in relation to export income, would maximize that income by keeping the costs of domestic production as low as possible, and, through the incentive for effort poverty provides, would maximize productive efficiency.

We probably should not read Mandeville’s formulation of an Invisible Hand argument in the light of a concern for the efficient operations and collective benefits of a modern capitalist market economy. After all, he is not in favour of such an economy, and the collective benefits of the economic system he defends manifest no general benevolence of the kind theorists since Smith have drawn upon when celebrating the public benefits the Invisible Hand is said to deliver. But what should not be, often is. And so, for Roger Scruton in his *Dictionary of Political Thought*, Adam Smith’s later formulation of the argument in *Wealth of Nations* is simply ‘a more optimistic formulation of the slogan ‘private vices, public benefits’, given prominence by Mandeville.’¹² While for Nathan Rosenberg in *The New Palgrave*, ‘there is [in Mandeville] the clear assertion that the unregulated market provides a system of signals and inducements such that that interactions of purely egoistic motives will somehow produce results that will advance the public good.’¹³

Read, then, in an unashamedly anachronistic fashion, the essentials of the Mandevillean conception of the profit-motive, as it frees itself from the call of virtue and pays homage to vice, is captured in the following passage from *The Fable of the Bees*.

Then leave Complaints: Fools only Strive
To make a Great and Honest Hive.
T’ enjoy the World’s Conveniences,
Be fam’d in War, yet live in Ease,

¹¹ F. B. Kaye, ‘Commentary’, op. cit., p. lxix.

¹² Roger Scruton, *A Dictionary of Political Thought*, (London: Pan Books, 1983), p. 234.

¹³ N. Rosenberg, ‘Mandeville’, in J. Eatwell, M. Mirgate & P. Newman (eds.) *The New Palgrave: A Dictionary of Economics*, (London: Macmillan, 1987), p. 298.

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Without great Vices, is a vain
UTOPIA seated in the Brain.
Fraud, Luxury and Pride must live,
While we the Benefits receive.¹⁴

The operations of the beneficent Invisible Hand not only do not *exclude* the vices of fraud, luxury and pride as these fuel the avaricious pursuit of wealth, but would appear to be an essential concomitant of that operation. Thus to have ‘Knaves turn’d Honest’, Mandeville says, may provide a momentary self-indulgent glow of virtue to the foolish, but it means disaster to the ‘Hive’. The profit-motive is, and should be, the embodiment of a self-interest that is not merely indifferent to vice but does not hesitate even before fraud. We might call this the *infernal* or *villainous* conception of the profit-motive, and while Mandeville did not consistently hold to it, on occasion he seems to embrace such a view.

I flatter myself to have demonstrated that, neither the Friendly Qualities and kind Affections that are natural to man, nor the real Virtues he is capable of acquiring by Reason and Self-denial, are the Foundation of Society; but that what we call Evil in this World, Moral as well as Natural, is the great Principle that makes us sociable Creatures, the solid Basis, the Life and Support of all Trades and Manufactures without Exception.¹⁵

It might be objected that this goes too far. After all, surely one can defend the socially productive role of self-interested economic agents without likewise defending market criminality. The concept of vice in play, it may be said, is ambiguous between the merely self-interested and the positively vicious, and this is quite correct. But the challenge for Mandeville (and later, as we shall see, for Smith), is how to acquire the resources necessary for disambiguating the merely self-interested and the plainly vicious when it comes to activities in the market place. Such a distinction would seem to imply the effective operations therein of constraining (legal and moral) values. But now the crux of the problem; for where, on the account offered, do these values come from and how do they obtain force for the kinds of beings presumed necessary for the beneficent operations of the Invisible Hand?

¹⁴ Bernard Mandeville, *The Fable of the Bees*, in Kaye op. cit., Vol. 1, 36–37.

¹⁵ Mandeville, op. cit., Vol. 1, p. 369.

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Smith and the Profit-Motive

Turning to Adam Smith, who certainly is committed to, and concerned with, the operations of a competitive market system, one can see his formulation of the profit-motive as it fuels the Invisible Hand for collectively desirable outcomes as 'more optimistic' in Scruton's sense only in so far as the avarice it celebrates is less obviously (and gleefully) connected with *overt* vice. Smith, indeed, was familiar with, and well-disposed towards, Mandeville's ideas. While he was occasionally critical of Mandeville's ideas, in general he restricted his criticism to the temper of Mandeville's remarks, rather than their content; condemning them not as mistaken or misguided, but as 'splenetic', that is to say, ill-humoured, testy and irascible.¹⁶

The key passages in Smith's account, as it is to be found in *Wealth of Nations* and *Theory of the Moral Sentiments*, are the following. Taken together the lessons they offer contain his analysis of the Invisible Hand mechanism, and his justification of that mechanism.

The natural effort of every individual to better his condition... is so powerful, that it is alone, and without any assistance, 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 encumbers its operations.¹⁷

From this passage we can draw the first lesson: Everyone's deepest desire is to 'better their position', and this desire has the capacity, against formidable political and legal obstacles, to carry society to 'wealth and prosperity'.

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 their self-love, and never talk to them of our necessities but of their advantages.¹⁸

¹⁶ Kaye goes so far as to suggest that Smith simply *pretended*, for reasons of propriety that his account differed from Mandeville's. 'It is true that Smith labeled Mandeville's opinions as 'in every respect erroneous', but this ... was largely a gesture of respectability, the formality of which is indicated by the fact that ... Smith scaled down his disagreement with Mandeville as a matter of terminology.' (op. cit., fn. 3, cxlii).

¹⁷ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 1, General Editors, R. H. Campbell & A. S. Skinner, Textual Editor, A. Todd, (Oxford: Clarendon Press, 1976), II.iii.31.

¹⁸ Adam Smith, op. cit., pp. 2–27.

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The second lesson is that the desire to ‘better oneself’ as it manifests itself in the economic sphere is simply a matter of ‘self-love’, not other-regarding moral concern.

Every individual necessarily labours to render the annual revenue of society as great as he can. He generally neither intends to promote the public interest, nor knows how much he is promoting it ... He intends only his own gain, and he is, in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.¹⁹

Now the first element of the Mandevillean Conceit is in place: by eschewing moral concern and pursuing personal gain, agents produce collective gain. This is the Invisible Hand in operation.

The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own convenience, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvement. They are led by an invisible hand to make nearly the same distribution to the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus ... advance the interest of the society, and afford means to the multiplication of the species. When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out of the partition. These last too enjoy their share of all that it produces.²⁰

The second element of the Mandevillean Conceit now is in place.²¹ For while the Invisible Hand is fuelled by individual acts of ‘self-love’, the system it embodies is morally legitimated to the extent that the worst-off, are materially better off than they would be under alternative economic arrangements.

Smith’s stance on the profit-motive as it fuels the operations of the Invisible Hand is clear. It arises from, and is exhausted by, every agent’s desire to ‘better his condition’, where this is a matter, and generally known to be a matter, of a ‘natural selfishness and rapacity’ which sees each agent determined entirely on his ‘own gain’.

¹⁹ Adam Smith, *Theory of the Moral Sentiments*, op. cit. p. 456.

²⁰ Ibid., pp. 184–5.

²¹ And in place in essentially Rawlsian terms, rather than in the utilitarian terms to which Mandeville tends to appeal.

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Other-regarding concerns for the ‘necessities’ or needs of others do not, in this realm of life, constrain our activities, and rightly so; for the profit-motive ‘is so powerful, that it is alone, and without any assistance’ *is* ‘capable of carrying on the society to wealth and prosperity’ (first element of the Mandevillean Conceit). It does so in crucial degree through the ‘vain and insatiable desires’ of the rich, for those desires see the useful and remunerative employment of the less well-off, thereby making the latter better off than they would be otherwise. It is this that provides the Invisible Hand with its moral justification (second element of the Mandevillean Conceit). For who, except the vice-ridden, could object to a system of economic arrangements that, as Samuel Johnson said, makes it true that ‘though the perseverance and address of the Indian excite our admiration, they nevertheless cannot procure him the conveniences which are enjoyed by the vagrant beggar of a civilized country’?²²

In short, and as Mandeville’s celebration of vice insinuates, but now in a more appealing form, at least as regards its consequences if not its inherent nature, *greed is good*.²³

The Lucrepath and the Lucrephobe

This familiar conclusion concerning the goodness of greed is shaped by a fundamental and exclusive dichotomy between morality and private advantage, or benevolence and self-interest. Mandeville and Smith’s contemporary Francis Hutcheson makes the point in a particularly blunt fashion.

As to the love of benevolence, the very name excludes self-interest. We never call that man benevolent who is in fact useful to others, but at the same time intends his own interest, without any ultimate desire for the good of others. If there be any benevo-

²² Samuel Johnson, *The Adventurer*, no. 67, quoted in D. Winch, *Riches and Poverty: an intellectual history of political economy in Britain, 1750–1834*, (Cambridge: Cambridge University Press, 1996), p. 57.

²³ Perhaps, as Emma Rothschild has recently argued in her *Economic Sentiments: Adam Smith, Condorcet, and the Enlightenment* (Harvard University Press, 2001), this reading does Smith an injustice. That may be so, but what cannot be denied is that he gives more than adequate material for the avarice-only reading of the profit-motive and for the Mandevillean Conceit with which it naturally associates; and that he has been taken by many influential figures—for example those associated with the Adam Smith Institute in Britain, and The Leadership Institute in the United States—to be doing precisely this.

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lence at all, it must be disinterested; for the most useful action imaginable loses all appearance of benevolence, as soon as we discern it flowed only from self-love or interest.²⁴

We are not concerned with the reasons for this radical (and ultimately mistaken) opposition between interest and value, more particularly, between economic interest and moral value. It is enough that it is there, and shapes Mandeville and Smith's account of the profit-motive. What is puzzling is that even philosophers who are not, in general, subject to such a radical opposition, often succumb when they come to consider economic activities. Thus Kant, whose third formulation of the Categorical Imperative, 'Act always so as to treat others as ends-in-themselves, *never merely* as means', shows him to be in general a *compatibilist* between the claims of interest and moral respect, is not a compatibilist when price comes into play. Price, he insists, is positively inimical to dignity, and there's the end of it.²⁵

We suspect this anti-commercial bias owes more to the *history* of philosophy—to its aristocratic bias among the Ancients, and its ascetic bias under Christianity—than to anything more substantial, but it is enough that the opposition forces on us an either/or choice, so that one is either, to coin our own terms, a *Lucrepath*, or a *Lucrephobe*. The lucrepath is the unrestricted profit seeker; our avarice-only agent. For such an agent profit-maximisation is either the only, or the overriding goal, in economic transactions. The lucrephobe is Hutcheson's moral agent, for whom a commitment to benevolence ensures that any concern with profit, so with market based exchange relations, is anathema: for to pursue profit would necessarily evacuate virtue.

Complicating our Understanding of the Profit-Motive

We complicate the traditional account of the profit-motive by taking from the philosophy of action the language of *goals* and *side-*

²⁴ Francis Hutcheson, *Inquiry into the Original of our Ideas of Beauty and Virtue*, ed. D. Gauthier (New Jersey: Prentice Hall, 1970), Section III, 'Concerning the immediate motive to virtuous action'. For a useful, if brief, discussion of the relationship between self-interest and selfishness see Antony Flew, 'The Profit Motive', *Ethics*, vol. 86, July 1976, pp. 312–22.

²⁵ I. Kant, *The Moral Law*, H. J. Paton (ed.), (London: Hutchinson, 1958) p. 102. Cf. Adrian Walsh, 'Are Market Norms and Intrinsic Valuation Mutually Exclusive?', *Australasian Journal of Philosophy*, Vol. 79, no.4, December 2001, pp. 523–43.

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With the *strong* lucrephilic profit-motive there is a clear distinction between those whose pursuit of profit is constrained by moral considerations that are primarily ‘market-external’ (in the sense that the considerations exist quite independently of the presence of market activity), and those that are refracted through a dedicated commitment to values that arise through market activity, and so are ‘market-internal’. The former, for instance, might refuse to trade in a certain good or service (e.g. pornography, prostitution) because they think its production, provision or consumption involves harm to others. While the latter might allow trade if it is legal and, say, it promises the highest return to shareholders, or if they are required by commercial contract to do so.

Equally there are at least two ways in which the *weak* lucrephilic profit-motive might present itself, call the first ‘romantic’, the second, ‘realistic’. For the romantic weak lucrephile profit is important only to the extent it makes available those non-market options the agent values, whereas for the realistic weak lucrephile there is no commitment to resting content with acquiring the bare minimum necessary for pursuit of the relevant non-market interests. After all, a modicum of financial comfort and ease might itself facilitate our enjoyment in pursuing these interests.

Turning to the lucrephobic motive we may note that while it is *constitutive* of the lucrepath’s motivational set that profit be the goal, it is not so constitutive of the lucrephobic motive that moral virtue be the goal. We leave it to the reader to complicate matters further.

The mere possibilities of weak and strong lucrephilia mean the Mandevillean Conceit’s appeal to the avarice-only specification of the profit-motive is, as it stands, unwarranted. The radical divide it presupposes between a concern for profit and for virtue is simply mistaken. A concern for profit may be subject to moral side-constraints, or such a concern may itself constitute a side-constraint in the pursuit of non-commercial ends. We have no reason to prefer the Invisible Hand of Lucrepathology to that of its more restrained lucrephilic cousins, since both involve the profit-motive.

Of course, this is not (or not yet) to say that the Invisible Hand can or will operate effectively on the basis of strong or weak lucrephilia alone. Certainly there are reasons for thinking that weak lucrephilia will not do the job if only because the role profit plays in such agents motivational economy is not primary, merely facilitatory. In such cases we may doubt that the ‘natural effort of every individual to better his condition... is so powerful, that it is alone, and without any assistance ...[is]... capable of carrying on the soci-

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ety to wealth and prosperity'.²⁷ However, there seems little reason to think strong lucrephilia will not do the job given that the concern for profit is primary, if constrained. Indeed there is some reason to think it *must* be doing the necessary work, for attempts to save the lucrepathological reading seem threatened with an unsatisfactory *ad hocery*.

The *Ad Hoc* Defence of the Lucrepathic Economy

There is no doubt that Mandeville and Smith engage in *ad hocery* whenever the brutal consequences of unconstrained self-interest become too apparent. Worried at the potentially market-devastating consequences of the predatory behaviour it might seem to licence—force and fraud, monopolistic and oligopolistic strategies, and so on—they aim to domesticate the market through externally imposed politico-legal regulation. This manoeuvre raises two problems. The first is that we would appear to have abandoned an Invisible Hand explanation, or at least severely circumscribed its explanatory range, for such politico-legal regulation would seem to involve the *intentional* provision of the valued public benefits. Rather than 'explaining what looks to be the product of someone's intentional design as not being brought about by anyone's intentions', the explanation of market outcomes now crucially appeals to the 'product of someone's intentional design' and does so by setting the profit motive and in a broader and more adequate perspective. The second problem concerns the sources of commitment to such a regulatory regime under the assumption of lucrepathology.

Take the first question: for all Mandeville's celebration of 'private vice', he insists that it is the role of government to further the mercantilist interest by instigating and defending commercial monopolies and, by force if necessary, to ensure the harsh conditions and docility of the poor.

²⁷ This does not mean that such *weak* lucrephiles might not play a crucial role in the operations of such a system apart from bringing non-pecuniary interests to the forefront. It is arguable—though not that we shall argue it here—that *weak* lucrephiles are crucial to understanding the operations of the labour market, and may even be essential to such operations in so far as their commitment to their work is not likely to be in danger of constant subversion from an obsessive pursuit of further pecuniary gain; and they may be, as we shall shortly see, even more important in providing the motivational structures necessary for efficiently managing and sustaining a competitive market in so far as such rely on legal and judicial framing.

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Private Vices by the dexterous Management of a skillful Politician may be turn'd into Public Benefits.²⁸

And so too with Smith, as he waxes eloquent on the necessity to an effective and efficient market economy of the Sovereign Power as guarantor of The Rule of Law. The duty of the Sovereign, he writes, is to protect 'every member of the society from the injustice and oppression of every other member of it' through the 'exact administration of justice'²⁹. As for why there is this need, Smith could not be clearer. The successful market competitor, and just because of his success:

...is at all times surrounded by unknown enemies, whom, though he never provoked, he can never appease, and from whose injustice he can be protected only by the powerful arm of the civil magistrate continually held up to chastise it.³⁰

At this point we have left behind the Invisible Hand for an argument very much in the traditional Platonist mode. We would seem to have the Guardian Rulers legislating for the public good—granting monopolies and ensuring the poverty of the masses for Mandeville, generating laws against monopoly, force and fraud, for Smith—and the Auxiliary Magistrates dedicated to applying and defending those constraints on economic agents as they participate in market exchange.

Not only does this involve abandoning the Invisible Hand explanation, resting as it does on the Guardians and Auxilleries' personal virtue and dedicated commitment to the production of collective ends, it is anyway a failure. For while Plato might have been able to divide his society into three distinct classes, with reflection on the public good monopolized by one class, another defending and implementing the results of such reflection, and the economic motives such reflection licences unleashed only by another, subservient class, we are today all of us reflective economic agents deeply implicated in the logic and activities of the market-place. If we are to be constrained, it cannot be by external command and coercion alone, but must be a significant degree a matter of *inner commitment*, and certainly this is how Smith speaks of our relationship to the Rule of Law.

But now we confront the second problem with the lucrepathological interpretation of economic agency. Let us call this the

²⁸ Mandeville, *op. cit.*, p. 10.

²⁹ Adam Smith, *Wealth of Nations*, *op. cit.*, V.i.b.1.

³⁰ Smith, *Ibid.*, p. 710.

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‘Availability Problem’. The problem is to see how we can invoke the claims of Justice and the Rule of Law to provide effective constraints on the pursuit of self-interest when those it is to constrain—that is to say, all of us and in the arena in which we are in need of constraint—are thought, as with Mandeville, to be villainously avaricious, or, with Smith, as acting wholly for personal advantage, and so without regard for the public good. On what might the required commitment to justice and law arise? It is not enough that given our lucrepathology such a commitment might be necessary if the Invisible Hand is to deliver the collective goods, for *ex hypothesi* we are not, in the market, motivated by such other-regarding concerns. If the Invisible Hand of lucrepathology strikes us as a surprising paradox, it is surely even more paradoxical to expect a commitment to justice and the rule of law from ‘Knaves’, or from butchers, bakers and brewers who think only in terms of personal advantage: how is a commitment to public good or justice available to an agent who ‘neither intends to promote the public interest nor knows how much he promoting it’? Some things, we might think, are simply too mysterious.

Certainly the mystery is not removed by the one argument that can be extracted from Smith that might be thought aimed at the question. Thus Berry—while admitting that the argument is ‘implicit, not explicit’³¹—suggests that Smith felt that his Invisible Hand was practically ‘robust’ because he thought that the required commitment to justice and its rules would arise in ‘commercial society’ because economic interactions there are largely those between *strangers*, and ‘it is the stranger rather than the friend who is more like the impartial spectator’³² whose perspective constitutes the moral point of view.

We do not at all reject, if it is there, Smith’s appeal to the moral point of view to explain the required commitment to justice. But we do reject the argument offered, and for a rather obvious reason. After all, the strangers Smith is talking of are not impartial spectators concerned, as Hume put it, to view matters from a ‘steady and general’ point of view, but self-interested economic agents, just as we are. And our relations are not those of morally concerned beings, of bearers of a common ‘humanity’ but, as we all know, of self-loving advantage seekers. Berry’s imaginative reconstruction of what Smith did, or should have, said seems to confuse a concern for *celebrity* with a concern for morality. Certainly the desire for

³¹ Berry, *op. cit.*, p. 169.

³² *Ibid.*

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celebrity is a desire to impress strangers, rather than acquaintances, and such a desire would seem on contemporary evidence, to underpin a robust system of fame, but such a desire can be served just as well by a reputation for notoriety as for virtue.

Lucrephilia Fuels The Invisible Hand? Or The Vicious Baker Unmask'd

Rather than attempt to save the lucrepathic reading of the profit-motive by *ad hocery*, we would be better advised to rethink our understanding of that motive. Far from there being, as the Mandevillean Conceit requires, but does not provide, an independent argument against the lucrephilic manifestation of the profit-motive, there seem to be very good reasons of the kind Mandeville and Smith implicitly allow, for thinking lucrepathology inimical to the proper operations of that mechanism, and so for thinking that lucrephilia, at least of the strong variety, and not lucrepathology, oils the wheels. Recall Adam Smith's words:

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 their self-love, and never talk to them of our necessities but of their advantages.

It is certainly true that it is pointless to appeal to the benevolence of the butcher, brewer or baker, for our dinner, if that is to be provided through the market. The benevolent agent, as Hutchinson describes them, is a self-abnegating super-altruist who refuses to serve their own interests when others' interests are in play. They are forbidden consenting capitalist acts, for even if these *are* consensual, they are so because each party thinks he or she is obtaining some benefit for themselves, and this is what the lucrephobe refuses to do.

What might we expect if our potential provider is a lucrepath? Well—and assuming that price gouging has not put such a purchase beyond our limited reach—we might get our dinner; but we might not get the dinner we wanted or expected. It may be that there is more profit to be made by selling us adulterated or substandard, or otherwise dangerous goods, than those of a decent quality. Certainly this is no idle possibility, and it was one that, unsurprisingly, strongly engaged Marx's acerbic attention in one of his glorious outbursts in *Capital*, Volume 1:

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The incredible adulteration of bread, especially in London, was first revealed by the House of Commons Committee ‘on the adulteration of articles of food’ (1855-56) and Dr. Hassall’s work, ‘Adulteration detected’. The consequence of these revelations was the Act of August 6th, 1860, ‘for preventing the adulteration of articles of food and drink,’ an inoperative law, as it naturally shows the tenderest consideration for every Free-trader who determines by the buying or selling of adulterated commodities ‘to turn an honest penny.’ The Committee itself formulated more or less naively its conviction that Free trade meant essentially trade with adulterated, or as the English ingeniously put it, ‘sophisticated’ goods. In fact this kind of sophistry knows better than Protagoras how to make white black, and black white, and even better than the Eleatics how to determine *ad oculos* that everything is only appearance.³³

A Mandevillean merchant would not hesitate to perpetrate a fraud on us if the returns promised to be right, and there is no reason to expect more from Smith’s vendors. For as he says—and doubtless as Marx knew he said, and was giving an oblique comment—merchants and artificers act ‘merely from a view to their own interest and in the pursuit of their own pedlar principle of turning a penny whenever a penny was to be got’.

Perhaps we might expect more because Smith’s sellers pursue profit in the light of their enlightened self-interest, and this tells them that doing us down now may well harm their long-term interests in profit-maximisation. Smith would seem to be making this kind of point when he writes:

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.³⁴

There is something to this, clearly, but we must be careful how we read it. For if by ‘sense of utility’ Smith means to invoke economic agent’s concern for *general utility*, then the claim is vulnerable to the objections raised against *ad hoc* responses to the market-consequences of lucrepathology in the previous section: that is, it is no

³³ Karl Marx, *Capital*, Vol. 1 (Moscow: Progress Publishers, 1954), p. 238.

³⁴ Smith, *Theory of the Moral Sentiments*, op. cit., p. 86 (our italics).

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longer the Invisible Hand being theorized, and the move from a concern for personal to general utility is a *non sequitor*. Any plausible reading must therefore try and draw everything required out of agents concern for their personal utility.

To see if this is a possibility think again of our baker. How am I to decide, in the shop, my stomach rumbling, the kids screaming, whether or not in this case, here and now, the seller's enlightened self-interest will do the job I hope, even that he has any long-term interests of the relevant kind? Perhaps he has been diagnosed with a soon to be fatal disorder, or he is to retire from business the next day, or perhaps he thinks I won't notice the substitution, particularly given the kids, or perhaps he takes me to be a passing traveler and makes the opportunistic decision, and so on. The point is not that I must think we are likely to be poisoned, it that it is a possibility that cannot be discounted. And given that it cannot be discounted, it cannot be ignored.

If one is, and knows oneself to be, dealing with lucrepaths, the transaction costs of buying (and selling) will be reliably higher than they would be otherwise. And they may be so high as to threaten to stultify market exchange *period*. For if everyone is out to maximize personal returns, and is willing to do so at any cost to those others he deals with, then we have not merely a *low trust*, but a *no trust* environment. And in no trust interactions, as game-theory tells us, 'defection' is all too likely to be the dominant strategy. In which case we do not have the beneficent Invisible Hand in operation, but a vicious deformation, which, from the point of view of those like Smith and Mandeville who recommend economic life in the market as delivering public benefits, is characterized by its *counterfinality*, where this marks the tendency of an act or policy to thwart its own (if, in the particular case, unintended) aim. Certainly it means that the traditional Rawlsian-style justification of the Invisible Hand as it concerns itself with making the worst-off better-off than they would be under alternate arrangements does not go through. If Johnson thought Smith had legitimated the operations of the competitive market economy on the grounds that 'though the perseverance and address of the Indian excite our admiration, they nevertheless cannot procure him the conveniences which are enjoyed by the vagrant beggar of a civilized country', then he had not thought about our lucrepathic baker. For it would be a hard saying indeed to hold that it is better to be dead on poisoned bread than a Johnsonian 'indian', however enmeshed in so-called 'barbarism'.

We do not want to get too sentimental here. After all, we might prefer our baker to be a *strong*, rather than *weak* lucrephile. For the

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strong lucrephile can be expected to be committed, and committed out of his now side-constrained self-interest, to producing and providing me with the cheapest and best quality goods the market will bear. That way he may hope to maximize his returns, whereas as a *weak* lucrephile might well be less concerned with these matters, so long as he earns enough to continue pursuing his non-profit-centred interests.

Recall too the problem of politico-legal coercion as a solution to the problems of lucrepathology. In a society of lucrepaths such a solution is unavailable. However a society of lucrephiles might have a place for such coercion, and a place not subject to the Platonic demand for distinct functional classes. For the strong lucrephile possesses the necessary other-regarding concerns, be they market-external or market-internal, on which such a solution might build the necessary commitment. Our 'Availability Problem' does not arise for such agents. Certainly they can be expected to favour such a solution, for while they are, in the right circumstances, susceptible to lucrepathic temptation, it is just this temptation they are motivated to avoid succumbing to. Here is the place, and possibility, for politico-legal regulation and coercion³⁵, and it may well be a further place in which the strong/weak lucrephile distinction is important. It may be that the regulatory environment in which strong lucrephiles flourish, so unleashing the Invisible Hand as it delivers its collective benefits, is better and more effectively sustained to the extent that such institutions are manned by weak lucrephiles rather than their more temptation-ridden strong cousins. And notice that only under the lucrephilic economy is there the possibility for a justification of the market economy of the kind Smith celebrates. The collective benefits the Invisible Hand delivers serve to legitimate the operations of the system to lucrephiles, for only they, unlike the lucrepath or the lucrephobe, bear the necessary moral concerns on which such legitimation draws.

³⁵ It is also, interestingly, the place for corporations, whose existence is, otherwise, somewhat of a mystery given the standard economists assumption that the price of goods as determined by the market is the most efficient way of adjusting supply to demand. But while market transactions may aim to allocate resources efficiently, they have their own costs in an environment that is not entirely free of lucrepathic temptations. It is to minimize the transaction costs associated with such temptations that firms vertically integrate, thereby removing whole swathes of economic activity from the competitive market-place. See Ronald H. Coase, 'The Nature of the Firm', *Economica* 6: (1937) pp. 386–405.

Conclusion

We have argued that while the Invisible Hand analysis of competitive markets is often, in the form of the Mandevillean Conceit, employed to justify the evacuation of moral concerns from the economic realm, both on grounds of their irrelevancy, and their capacity to endanger the collective payoffs otherwise morally valued, this evacuation is mistaken and inconsistent. It is mistaken because there are good reasons to think its undoubted benefits are better attributed to the lucrephile than to his vicious cousin, the ‘filthy lucrepath’, and the (weak or strong) lucrephile just is subject to, and so (sometimes) motivated by, other-regarding concerns. It is inconsistent because the systemic moral justification makes appeal, and necessarily, to other-regarding concerns forbidden, and so unavailable, to market-participants. Of course, the putative justification might be offered to us when we are not participants, but notice two things if this is the case. First, we have abandoned an Invisible hand style of argumentation, because we now have agents whose participation in the competitive market is conditional on their explicit acknowledgement of, and determined actions towards producing, such outcomes. And second, this style of justification presupposes what must be thought psychologically, if not logically, improbable; for it implies a division of self-consciousness or awareness in agents between the time at when the justification makes its case, and the time and place when the very concerns the justification articulates are (desirably) absent from our awareness, and absent not merely in not being there, but in being replaced by concerns which pull in entirely the other direction.

Complicating the traditional lucrepathic conception of the profit-motive does not merely place the Mandevillean Conceit under great pressure, just as importantly it opens up a whole new terrain for moral and economic exploration, for by legitimating a moralizing focus on economic agent’s motivations it enables us to address those questions of justice in economic life, in pricing and profit-taking, and so forth, which exercise us in everyday life, and which constitute the interface between morality, politics and economics; and to do so without the imputation of a bad conscience, as if such reflections itself undermined what might be valued in economic life.

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We would like to thank Maurice Goldsmith, Len O’Neill, Neil Collum and Stephen Filmer for helpful comments on earlier versions of this paper.

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This article first published in *Philosophy*, volume 78, issue 1 (2003).

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This article also online at: <http://dx.doi.org/10.1017/S0031819103000032>