

LESSONS FROM THE SCOTTISH ENLIGHTENMENT

James R. Otteson

Joint Professor of Philosophy and Economics, Yeshiva University, New York
Charles G. Koch Senior Fellow, The Fund for American Studies, Washington, DC

1.

A discussion that took place in Scotland in the eighteenth century about the good and bad effects of commercial society recurs today and brings into relief just how fragile happiness in such a society is. As commerce is now spreading to virtually all parts of the globe, the hopes and promises as well as dangers that the eighteenth-century Scots saw in commercial society may offer us some perspective in judging its future prospects.

The eighteenth-century Scots declassified many aspects of human life that had so captivated not only human endeavor in the centuries before but also literary, moral, religious, and philosophical writings. No longer, for example, was the aim of the state to instantiate the Good, as Plato held; or for politics to act as the master science, as Aristotle held; or for society to manifest God's will on earth, as so many divines had held. The Scots' putative discovery of the weakness of human reason had the leveling effect of undermining the pretensions of priests, philosophers, and statesmen—all those whose rule over us was justified by their superior apprehension of God's will or of human nature and the Good. This radical equalizing of human abilities¹ had the freeing effect of releasing everyone, even the least of us, from the yoke of others' tyranny; but it also had the unsettling effect of seeming to leave us groundless: To where, then, should an individual look for guidance?

¹See Peart and Levy (2005).

For much of human history people had been content, or had been cowed into, leaving to others wherein their lot in life consisted, and how and whether they were destined to be happy. Now, however, whether one became happy, whether one was prosperous, indeed even whether one attained heaven was now up to the individual himself: an unsettling, even distressing, proposition.

Nor was that all. The developing and spreading commercial society was robbing human beings of nearly every high goal that had previously fired their imaginations. To what was one to aspire if priest, philosopher, and statesmen could no longer command the respect they once had? Even the final great arena in which men had distinguished themselves and satisfied their desire for glory—war-making—was also threatened by the new social order. The polite sensibilities and “bourgeois” virtues that commercial society encourages, even requires, leaves little room for the time-honored activity of making war, vanquishing enemies, and claiming booty.² Commercial society was replacing military valor with economic prudence, rendering the former quaint, even comical—but in any case unneeded. Because this transition enabled peace, it was a great good thing; yet because it eliminated opportunity for people, men especially, to fully exercise their abilities, it also threatened to render humanity weak, effeminate, and contemptible. Or so the Scots worried.

In 1758, Robert Wallace wrote in his *Characteristics of the Present Political State of Great Britain*, “In place of *empty titles* and an insignificant pomp, they [Scots] have acquired the more solid blessings of security, liberty and riches.”³ This was clearly to be celebrated: exchanging what is unreal, superficial, and insignificant—“empty titles”—for what really

²See McCloskey (2006).

³Quoted in Buchan (2004), p. 117; emphasis in original.

matters—“security, liberty and riches.” Yet as Adam Smith argued in his 1759 *Theory of Moral Sentiments*, the desire for “place,” or status, is one of humanity’s central natural motivations, and the cause not only of a vast range of human social activities but also of pride and happiness when successful and embarrassment, anxiety, and disappointment when not.⁴ In this Smith was repeating what Rousseau, whom Smith read, had argued, and what had been remarked upon by a long line of thinkers. The claim was that humans seek, even need, glory or status or others’ regard, and without it they suffer. If one combines that putative fact of human nature with society’s growing aversion to and lack of need for military exploits, the result was a veritable prescription for unhappiness.

Adam Ferguson made the case explicit and extended it further. In his 1754 *Essay on the History of Civil Society*, Ferguson makes the following claims.⁵ First, human beings, like other creatures, flourish when they engage and exercise their faculties, and they wither, weaken, and even die when they do not. Second, because their nature includes a sophisticated and complicated mental life, human happiness requires strenuous activity of both body and mind. Third, commercial society unfortunately allows strenuous activity of only the mind—and only certain parts of our full mental complement at that, namely the calculating and acquisitive parts. Finally, the result is that commercial society will ultimately produce a race of emasculated, physically weak men incapable of displaying valor or military spirit when necessary. That result is not only aesthetically displeasing, but it also runs two substantial and worrying risks: first, who will defend our country when it needs defending? As Kames wrote, “successful commerce

⁴See Smith (1984 (1759)), I.iii.2.8 and passim.

⁵See Ferguson (1995 (1767)), pt. 1, esp. §§5–10.

is not more advantageous by the wealth and power it immediately bestows, than it is hurtful ultimately by introducing luxury and voluptuousness, which eradicate patriotism.”⁶

Second, those stunted men will become frustrated, dissolute, irresponsible, or worse—and in any case not happy in the noble and true sense of the term. Here is Ferguson:

When mere riches, or court-favour, are supposed to constitute rank; the mind is misled from the consideration of qualities on which it ought to rely. Magnanimity, courage, and the love of mankind, are sacrificed to avarice and vanity, or suppressed under a sense of dependence. [...] On this corrupt foundation, men become either rapacious, deceitful, and violent, ready to trespass on the rights of others; or servile, mercenary, and base, prepared to relinquish their own. (1995 (1767), 226–7)

Ferguson argues that happiness for human beings is “not a state of repose, or that imaginary freedom from care, which at a distance is so frequent an object of desire, but with its approach brings a tedium, or a languor, more unsupportable than pain itself” (ibid., 51). Instead, true human happiness “arises more from the pursuit, than from the attainment of any end whatever; [...] it depends more on the degree in which our minds are properly employed, than it does on the circumstances in which we are destined to act, on the materials which are placed in our hands, or the tools with which we are furnished” (ibid.). The ‘proper employment’ of our mental faculties includes developing “penetration and judgment,” which Ferguson allows can indeed happen in business (ibid., 31). Nevertheless, the “most animating occasions of human life, are calls to danger and hardship, not invitations to safety and ease: and man himself, in his excellence, is not an animal of pleasure, nor destined merely to enjoy what the elements bring to his use; but, like his associates, the dog and the horse, to follow the exercises of his nature, in preference to what are called its enjoyments”; indeed, “the most respectable attributes of his

⁶Henry Home, Lord Kames (1813 (1774)), vol. 1, bk. 2, sketch 7, 474. For an excellent discussion of this notion, see Danford (2006), 319–47.

nature, magnanimity, fortitude, and wisdom, carry a manifest reference to the difficulties with which he is destined to struggle” (ibid., 47–8).

Thus for Ferguson, not only happiness but moral excellence arises from contending and striving against an uncertain and unforgiving world. Rest and comfort, by contrast, enervate and corrupt. In the face of the increasing suite of comforts that commercial society was bringing, Ferguson’s suggested antidote was to require military training of all adult males.⁷ A militia would not only invigorate and vivify men, but it would also give them an acceptable, indeed the proper, outlet for their natural martial inclinations. But was a militia a realistic option in the coming age, when technology and professionalization were about to transform the nature of warfare? Moreover, as men turned their attention away from the big goals of the past to the small goals encouraged by commercial society—tending one’s own garden, as Voltaire suggested in *Candide*, or becoming “a nation of shopkeepers,” as Smith put it in *The Wealth of Nations*⁸—they no longer cared or had a taste for military adventuring. And, truth be told, they were not good at it any more. Since one of the prerequisites of commercial society, as Smith had explained in the first chapter of the 1776 *Wealth of Nations*, was specialization,⁹ whole, complete, or universal men were no longer possible: men had to specialize in ever narrowing ranges of activity. Men became too focused on keeping their noses to the grindstone to look to the battlefield, or to the altar or pulpit or stump or podium, for inspiration.

⁷In 1756, Ferguson published a pamphlet entitled *Reflections Previous to the Establishment of a Militia*. He also founded, in 1762, the “Poker Club” in Edinburgh to encourage support for a militia.

⁸Smith (1976 (1776)), IV.vii.c.63.

⁹See ibid., I.1, 13–24.

2.

The economic predictions the Scots¹⁰ made have been vindicated by history: markets, private property, and limited government taxation and regulation have ushered in levels of prosperity unimaginable by previous generations. And their leveling claims have held true as well. In those societies that have been lucky enough to enjoy some measure of Scottish “political economy,” though the rich have gotten richer, the more remarkable feat is the wealth that the poor and middling classes have come to enjoy. Today’s “poor” in America, for example, have at their fingertips wealth and resources that those in other parts of the world could only dream of, and that even the kings of the eighteenth or nineteenth centuries would have envied. But increasing wealth may also be realizing one of the fears that Ferguson articulated, namely a slow but steady decrease in the vigorous use of human faculties.

Compare average daily human life in the mid-eighteenth century of Europe or Britain to that of the beginning of the twenty-first in America. One striking difference is in the proportion of people engaged in the difficult and laborious field of agriculture.¹¹ Few Americans today engage in physical labor, and that small proportion is still steadily declining. But Americans are engaging in progressively less exertion of *any* kind. According to recent studies,¹² Americans have more free time now than at any time in the past, spending on average over 35 hours per

¹⁰I am referring here to the economics principally of Smith and Hume, and to lesser extents Kames, Dugald Stewart, and Ferguson. James Steuart’s 1767 *Inquiry into the Principles of Political Economy* is a notable exception, as that work is more in keeping with the Mercantilist tradition that Smith, Hume, and others were disputing.

¹¹At least among those who had enough energy to engage in any work at all. See Fogel (2004), chaps. 1 and 2.

¹²See Cox and Alm (2000) and Robinson and Godbey (1997).

week watching television. Similar rates of inactivity among eighteenth-century European populations entailed sharply greater rates of malnutrition, substantially lower longevity, and far lower rates of productivity. How, then, are Americans able to do it without experiencing similar negative outcomes? The answer is their increasing wealth, which has enabled technological innovation that has, especially during the twentieth century, systematically removed task after task, chore after chore, from their daily activities. An American today can live very well indeed without making, mending, or cleaning his own clothes; without building or maintaining his home; without procuring, preparing, proportioning, or husbanding his food. This is not true only for the rich in America: it is true for almost everybody. Ferguson would ask: What, then, is left for Americans on which to exercise their faculties? Against what can they strive or contend to fully engage their faculties?

That is not to say that no one in America works. Of course most do, and many work long, hard days.¹³ But two qualifications must be made. First, the labor they expend tends to be mental, not physical. Second, and more important for our purposes, of those who engage in mental labor, only a small segment of them are truly contending, striving, and exercising Fergusonian “penetration and judgement.” There are entrepreneurs, innovators, researchers, and so on, but they are an increasingly small proportion of American society. A substantial but growing minority of Americans seems content simply to bide its time: minimal mental and physical labor to enable them to enjoy the various pleasures of modern American life, most of which are of relatively low order.

¹³Fogel reports that “the highly paid professional and businessmen who populate the top decile work closer to the nineteenth-century standard of 3,200 hours per year than to the current [U.S.] middle-income standard of about 1,800” (2004, 39).

Why would that be? One element of human nature that the Scots—Kames, Hume, and Smith in particular—reminded us of is our natural tendency toward laziness. We are relentless economizers of our own energy and hence we tend to expend as little of it as possible that will allow us to get by. The momentous shift in human life that the increasing wealth of market societies has enabled, then, is for increasing numbers of people to indulge this laziness. Since they do not *need* to work, or at least not hard, for their food, clothing, shelter, and other basic needs of human life—the things that our ancestors spent their entire lives toiling to achieve—then they do not.

This is indeed a momentous shift. The great wealth Western nations have amassed allows their governments and charities to take relatively large proportions of it and support some who do not work at all. Given human beings' natural laziness, the reasonable prediction is that more and more therefore would choose not to work. And this is indeed what we see: in America, Britain, and in Europe increasing numbers of otherwise able-bodied people who spend large proportions of their lives engaged in little or no productive labor.¹⁴ Add to this the increasing sentiment in the West that military work and martial valor are passé or even disreputable, and Ferguson would say that his predictions were perfectly realized: a growing segment of people, men in particular, with no sense of purpose, indeed *without* any real purpose, who, since they have never had to work for what they have do not appreciate or value it, who resent the society

¹⁴See Murray (2006), esp. chap. 8. Compare Smith's discussion of "productive" vs. "unproductive" labor in Smith (1976 (1776)) II.iii, 330–49. In the latter category, Smith includes "churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, &c." (331). "Men of letters" would presumably include Smith himself, as well as all other philosophers.

that has created this vacuum for them, and who thus either descend into lethargy and lassitude or lash out in what the British call “anti-social” behavior.¹⁵

Of course, this is not true for everyone in America, Britain, or Europe. But it is true for a shocking number of them. Consider how many people live solely on the government dole in America, Britain, and Europe, for example; consider how many lead lives of “beer and circus,” as Murray Sperber has aptly put it.¹⁶ And then consider this striking passage from Adam Smith:

In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a very few simple operations; frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life. Of the great and extensive interests of his country, he is altogether incapable of judging; and unless very particular pains have been taken to render him otherwise, he is equally incapable of defending his country in war. The uniformity of his stationary life naturally corrupts the courage of his mind, and makes him regard with abhorrence the irregular, uncertain, and adventurous life of a soldier. It corrupts even the activity of his body, and renders him incapable of exerting his strength with vigour and perseverance, in any other employment than that to which he has been bred. His dexterity at his own particular trade seems, in this manner, to be acquired at the expence of his intellectual, social, and martial virtues.¹⁷

There is a widespread consensus across the political spectrum today that contemporary Western society faces similar declines and decay, though the proposed explanations differ.

American conservatives may point to the decline of the “nuclear family” and of the role fathers

¹⁵See, for example, Dalrymple (2003).

¹⁶ Sperber (2001).

¹⁷Smith (1976 (1776)) V.i.f.50.

play in families, to an increasing disrespect of justified authority in people's lives, and to the selfish egotism that contemporary American "liberal" culture espouses. Libertarians may point to the increasing role the state plays in our lives, in removing the necessity for us to take care of ourselves or others or to face the consequences that bad behaviors naturally have. Liberals, for their part, may point to the greed and materialism that they believe capitalist corporatism encourages in turning our attention away from things that truly matter in life. There may be truth in all these claims. Yet each is possible only because of the growing wealth that commercial society has enabled. Take the conservatives' concern. In many ways, wealth has rendered fathers obsolete: they are no longer needed to provide for their women or their children, because the women can do it themselves or the state can do it. To the libertarians: the state is able to take such a large role in our lives (for good or ill) because we have the money to pay for it. To the liberals: our wealth has systematically satisfied all our most pressing, fundamental needs and so, naturally, we increasingly turn our attention to less pressing, more superficial, even crass desires.

The Scots foresaw these potential risks of commercial society over two centuries ago. Ferguson knew that markets and commercial society were coming, whether he or anyone else liked it or not, because everyone would want to enjoy their benefits. On the other hand, like Smith he also imagined the degrading and disgracing effects it would eventually have on humanity's virtue: he believed we would become in time a race of wealthy but ignoble creatures, unable to appreciate or even recognize virtue, incapable of rousing ourselves to vigorous action because our faculties had atrophied, and, finally, unable even to contemplate, let alone achieve, true human happiness.¹⁸

¹⁸For some contemporary accounts of what constitutes happiness, see Sheldon et al. (2001) and Brooks (2008). Hume, for his part, suggested that "industry, knowledge, and humanity are linked together by an indissoluble

To what extent do the Scots' predictions apply to contemporary Western society today? People may reasonably disagree, but I believe that it applies to a small but significant minority of that population, and that the proportion to which it does apply is increasing. Perhaps this is a tragedy of human happiness: the tools that enable it—the wealth created by commercial society—are the same tools that will undermine it by rendering us unable to truly enjoy it.

If so, what is the lesson to draw? Smith seems to have been conflicted: at the beginning of the *Wealth of Nations* Smith seems to see the division of labor and the steady expansion of trade and markets as unalloyed goods, but by the end of the book he raises the pointed concerns quoted earlier about the possible effects extreme specialization can have on workers. Smith's recommendation is for the government to provide partially (but *only* partially) subsidized public elementary schooling for all citizens, to ensure that everyone can "read, write, and account."¹⁹ Today that solution seems weak and almost quaint, yet what truly do we have to show for our *fully* subsidized schooling, all the way through high school and even into college?

If Smith was conflicted, Ferguson's vision of commercial society was indeed tragic: humans will benefit from markets and trade, but eventually the benefits will render them soft and weak—at which point they will either be conquered by a stronger, though perhaps poorer, people, or they will collapse from within because not enough of them are willing or able to work to sustain themselves.²⁰ This progression from poverty; to vigor, glory, and wealth; to stagnation; and finally to decline would not be unprecedented in human history. It is a fair interpretation of

chain, and are found, from experience as well as reason, to be peculiar to the more polished, and, what are commonly denominated, the more luxurious ages" (Hume (1987), 270).

¹⁹Smith (1976 (1776)), V.i.f, 764.

²⁰See Ferguson (1995 (1767)), pt. 5, §4.

what took place with the Roman empire, for example, as Gibbon had explained in his magisterial work, the first volume of which came out in 1776, the same year as Smith's *Wealth of Nations*. Perhaps the lesson is that all civilizations go through natural progressions and, like living organisms, are born, grow to maturity, age, and eventually die. Several Scottish writers in the eighteenth century believed that human society goes through four stages: hunter/gatherer, shepherding, agricultural, and, finally commercial. Smith and Kames believed in this four-stage, "natural" progression. But they seemed to believe that the commercial stage was the final one—there was no further stage into which human society could evolve. Recent scholars have also suggested that democratic, commercial societies constitute the final development of human society.²¹ And in some sense, we are all supporters of commercial society now. But the question of what kind of person commercial societies, amidst all their wealth and opulence, create—virtuous, noble, and strong, or dissolute, superficial, and weak—recurs.

3.

I would like to extend the Scots' argument. America's twentieth-century course of initially allowing a relatively large degree of economic freedom and then slowly adding a growing welfare state may produce the worst of all possibilities on the Scots' worldview. Let me explain.

Many Americans today, I submit, live in a world of unreality, a virtual world that bears only slight connection to the real one. Their world is a grandiose creation that would be dashed to pieces by the real world were it not, I suggest, for the enormous wealth we now enjoy. As the Scottish worldview predicted, our spectacular wealth has enabled hundreds of millions of us to rise out of the miseries of poverty; but, as some of them also predicted, it has also enabled more

²¹See, for example, Fukuyama (2006).

and more of us to indulge not only bad judgment but fantastical worldviews because we—or someone, at least—can always afford to pay someone else to clean up our messes when things go wrong.

Wealth, like so many other things, is a blessing that can become, in excess, a curse. There is no denying the astonishing transformation in standard of living the commercial revolution has brought to those lucky enough to be part of it. Whereas for the previous twenty thousand years or so the average human being lived on the rough equivalent of \$100 per year, beginning around 1800AD there occurred an explosion of real wealth unlike anything ever before seen. The worldwide average per-capita income in 2008 was about \$8,000, an *eighty*-fold increase over the average that obtained for the previous ninety-nine percent of humanity's existence. Not all the newly created wealth is enjoyed equally, of course; indeed, the average annual income in the United States is \$48,000 per person, an astonishing 480-fold increase, whereas there are still countries in the world where citizens remain in the \$100 per year range. But the wealth and prosperity that commercial society has engendered has been tremendous and cannot be gainsaid.

This increasing wealth thus has enabled us to do many beneficial things, but it also allows us to insulate ourselves from the consequences of our bad decisions. It is like the magical ring in Plato's story of Gyges. What does the shepherd boy do when he discovers a ring that can make him invisible? Of course he seduces the queen, conspires with her to kill the king, and puts himself on the throne. The truth that this story illustrates is that people respond not only to the incentives they face and to the feedback they receive, but also, I suggest, to their perceptions of potential risks.

A few contemporary and perhaps counter-intuitive examples will illustrate this truth. It turns out that wearing bicycle helmets does not decrease the chances of significant injury while

cycling. Why not? Because, feeling invulnerable under a helmet, people take greater risks—and the cars, trucks, and buses around them do the same—effectively negating whatever increased protection the helmet provides.²² It also turns out that the increase in the proportion of people wearing helmets while skiing and snowboarding is not decreasing serious injury from those activities.²³ Why not? Because with helmets on people feel invincible and so ski and snowboard beyond their abilities, taking risks they otherwise would not have. Another example is seatbelts. It turns out, astonishingly, that there is no evidence that lives have been saved from the large increase in seat-belting worldwide. According to one British study, “In fact, after the passage of the [1983 British mandatory] seat-belt law more pedestrians and cyclists were killed as a consequence of belted motorists driving less carefully. And after seat belts became compulsory for children in rear seats, the number of children killed while travelling in rear seats increased, again almost certainly as a result of the false sense of security induced in the parent/driver.”²⁴ According to one researcher, “There is no country in the world that has passed a seat belt law that can demonstrate that it has saved lives.”

There are other examples one might cite of behavior explained by a phenomenon called *homeostasis*, or *risk compensation*. The more that people believe that risks are minimized, the more likely they are to engage in risky behavior. One implication of this general behavior principal is that undertaking to protect people from the unpleasant consequences of risky decisions gone bad (which is what safety measures like helmets and seatbelts largely do) gives people the mental ammunition they need to *keep making risky decisions*.

²²For a review of a number of related studies, see: <http://www.cyclehelmets.org/1143.html>.

²³See, for example, Johnson et al. (2009).

²⁴See <http://john-adams.co.uk/wp-content/uploads/2006/12/Seat%20belts%20for%20significance.pdf>.

Apply this principle to a recent case. On December 11, 2008, federal authorities arrested Bernard Madoff on allegations of securities fraud. He was accused of operating a multi-billion-dollar “Ponzi scheme” in which he falsified reports of gains and drew from principal to pay out alleged returns. On March 12, 2009, Madoff pleaded guilty to eleven felonies, and he was sentenced to 150 years in prison. The total wealth lost through Madoff’s Ponzi scheme is estimated at \$65 billion, involving some 13,500 investors. Madoff’s reported returns averaged some 10% per year—every year, regardless of what the market did. Now, no one has returns like that: Shouldn’t people have suspected something?²⁵ Many very smart people lost a lot of money with Madoff. Nobel Peace Prize winner and Holocaust survivor Elie Wiesel lost not only the entire endowment of his charity but also his entire personal life’s savings. Other investors losing money with Madoff include people like Steven Spielberg and Larry King, as well as institutions like the Royal Bank of Scotland and HSBC. My own institution, Yeshiva University, lost anywhere from \$15 million to \$110 million, depending on how one counts.

No one wants what Madoff did to happen again. Yet what would likely *raise* the chances of future Bernie Madoffs? Consider the effect of telling individuals not to exercise their individual scrutiny and skeptical judgment when investing their money because there is some government agency—or indeed lots of them—who will watch out for them. By contrast, consider what people’s reactions would be if we said to them instead: “You are on your own. If you invest foolishly and lose your money, too bad for you. So you’d better invest wisely.” Suddenly their

²⁵Some *did* suspect something. Harry Markopolos, for example, who was working for a rival investment firm, warned the Securities and Exchange Commission in 1999 and again in 2005 that Madoff could not actually achieve the results he claimed—at least not legally. He also approached the *Wall Street Journal* in 2005, but the paper decided not to go forward with the story.

perceptions of risk would dramatically change. I suspect more of them would ask their brokers and advisors difficult questions, shop their money around, and bring market pressures to bear on investment advisors. The realization that risks redound on themselves inclines people to exercise and develop critical faculties like judgment in a way that protecting them (or claiming to protect them) from risks does not.

The Fergusonian argument, then, would be that many welfare and state aid programs—including, I should add, government “bailouts”—provide exactly the wrong incentives by shielding people from the risks and real consequences of the things they do. This encourages people to engage in risky social activities, to try out dangerous behaviors and activities, even to flout traditional morality and the rules of decorum and decency—all with relative, and increasing, impunity. Insulating others from the effects of their bad decisions is inspired by the best of intentions, but it can have tremendously bad unintended consequences—consequences that we have so far been able, to a dangerously large extent, to bear because of our great wealth.

The institutions allowing the creation of such wealth can also give rise to an indifference toward the nature of the institutions that allowed its creation. Wealth allows people the luxury of indulging that indifference by not requiring them to exercise prudential judgment regarding scarce resources, the proper allocation of time and energy, even how to regulate their behavior so that they can contribute to society rather than free-ride on it. Great wealth can pay for a lot of “safety nets” and “bailouts” when people do poorly; as Adam Smith said, “there is a great deal of ruin in a nation.”²⁶ He was right; but even a “great deal” is not without limit. And what our wealth *cannot* do is make the costs of bad decisions go away. Foolish behavior will issue in costs

²⁶Sinclair (1831), vol. 1, 390–1.

to someone, somewhere. To imagine otherwise is suffer from the malady of “unreality” I argue that wealth itself can, unfortunately, enable.

This, then, is the paradox of wealth: it enables the alleviation of suffering and poverty, but it also enables release from the rigors of reality that train and hone individual judgment. We trade robust independence, common sense, and a healthy connection to reality for a comfortable but vapid and inane life in a virtual—i.e., an unreal—world.

4.

In my view, what gives people dignity, and what is admirable and noble in them, is their capacity for independent judgment. It is when they have the liberty to make free choices but are required to take responsibility for them that human beings become moral beings; and it is when we give them the liberty to exercise their judgment and also hold them accountable for those decisions that we respect their moral natures. Kant was right that human dignity follows from their ability to choose ends for themselves and that the essence of humanity is as freely choosing agents.

People are moreover capable of developing what Aristotle called *phronesis*, or *judgment*—the skill of knowing what one ought to do. Aristotle was also right that one develops good judgment by, and only by, *using* it, which requires the freedom to make choices. Developing judgment in good directions requires receiving feedback when one makes choices: good feedback when one makes good choices, bad feedback when one makes bad choices. This accountability is the other side of the “freedom” coin, and its development of good judgment is what can enable not only Kantian dignity but also Aristotelian happiness. The most attractive conception of human morality, I believe, is the one that endorses and protects these two aspects of humanity—freedom and its partner accountability, as well as independent judgment.

Not holding people accountable does them no favors. It is understandable, even admirable, when they are children, but it is degrading and infantilizing when they are adults precisely because it imperils their ability to judge. That is the point that relates to the Madoff example: if people know, or believe, that others will take care of them if they make bad decisions, or if they believe that others are watching out for them, then they tend to relax their scrutiny. Over time, this can weaken their power of judging; if they come to believe that most areas of their lives are safeguarded by others, they can effectively lose their independent judgment altogether. It then becomes a self-fulfilling prophecy: we treat adults as if they are not competent to make decisions for themselves, then they begin to lose the ability to make good decisions for themselves, which we take as further evidence of their inability and of the necessity of more extensive intervention in their lives, which gives them yet less reason or need to exercise their judgment, leading to its further enervation; and so on, until eventually they become the intellectual—and moral—equivalent of children. That is a disgraceful way to treat human beings, but it would not have surprised the eighteenth-century Scots.

Let me conclude, then, by linking my argument to the insight from the Scottish Enlightenment I wanted to highlight. I believe we should endorse political and economic institutions that are consistent with a conception of human morality based on the dignity that comes from freedom and accountability and the happiness that comes from independent judgment. These would be institutions in which the guiding principles are to allow people to make decisions for themselves, and to suffer or enjoy (as the case may be) the consequences of those decisions. It would be institutions that seek to connect, as closely as possible, consequences with decision-makers so that people receive the feedback necessary to develop their judgment. It would be a decentralized system in which the consequences of one person's decisions tend to

redound only upon himself, and to the extent possible do not affect unwilling others. It would be one in which innovation, entrepreneurship, and creativity are rewarded, but only when successful. And it would be a system in which third-party oversight, second-guessing, and—as I see it at any rate—self-actualizing infantilization is reduced to an absolute minimum. It would be a system in which we do not bail out unsuccessful enterprises, but rather let natural corrections encourage different, successful enterprises. Such a system would have the triple benefits of (1) respecting people’s dignity as free and responsible agents, (2) enabling them to develop their own independent judgment, and (3) leading to economic growth. Moreover, if the Scots were right, such a system of institutions might also enable human happiness: The entrepreneurial opportunities that commercial societies provide might satisfy the need the Scots believed that humans have to struggle and contend, and perhaps their “bourgeois virtues” might substitute for the martial virtues of bygone eras. I believe there is some plausibility to this,²⁷ but only if people are not prevented from actual struggle and contending.

If the eighteenth-century Scots taught us the value and importance of commercial society, they also took pains to view it as objective social scientists, not as blind partisans, and thus they cautioned about its shortcomings as well. I suggest we would do well to do the same. Wealth is a powerful tool, and, like other tools, it can be used for either good or bad. Recognizing and understanding the dangerous uses to which the impressive wealth created by commercial society can lead can help us defend against those dangers, even while we continue to embrace, and to spread, its enormous benefits.

²⁷See Otteson (2006), chap. 3.

BIBLIOGRAPHY

- Brooks, Arthur C. 2008. *Gross National Happiness Why Happiness matters for America—And How We Can Get More of It*. Basic Books.
- Buchan, James. 2004. *Crowded with Genius: The Scottish Enlightenment: Edinburgh's Moment of the Mind*. Harper Perennial.
- Carnegie, Andrew. 1889. "The Gospel of Wealth."
- Cox, W. Michael and Richard Alm. 2000. *Myths of Rich and Poor: Why We're Better Off than We Think*. Basic Books.
- Dalrymple, Theodore. 2003. *Life at the Bottom: The Worldview that Makes the Underclass*. Ivan R. Dee.
- Danford, John. 2006. "'Riches Valuable at All Times and to All Men': Hume and the Eighteenth-Century Debate on Commerce and Liberty." In *Liberty and American Experience in the Eighteenth Century*, ed. David Womersley. Liberty Fund.
- Ferguson, Adam. 1995 (1767). *Essay on the History of Civil Society*. Fania Oz-Salzberger, ed. Cambridge University Press.
- Fogel, Robert. 2004. *The Escape from Hunger and Premature Death, 1700–2100: Europe, America, and the Third World*. Cambridge University Press.
- Fukuyama, Francis. 2006. *The End of History and the Last Man*. Free Press.
- Home, Henry (Lord Kames). 1813 (1774). *Sketches of the History of Man*. Edinburgh.
- Hume, David. 1987. "Of Refinement in the Arts." In *Essays Moral, Political, and Literary*, ed. Eugene F. Miller. Liberty Fund.

- Johnson, Robert J. et al. 2009. "Do Helmets Reduce Fatalities or Merely Alter the Patterns of Death?" *J. ASTM Intl.* 17, STP1510: 39–43
- McCloskey, Deirdre N. 2006. *The Bourgeois Virtues: Ethics for an Age of Commerce*. University of Chicago Press.
- Murray, Charles. 2006. *In Our Hands: A Plan to Replace the Welfare State*. AEI Press.
- Otteson, James R. 2006. *Actual Ethics*. Cambridge University Press.
- Peart, Sandra J. and David M. Levy. 2005. *The "Vanity of the Philosopher": From Equality to Hierarchy in Post-Classical Economics*. University of Michigan Press.
- Robinson, John P. and Geoffrey Godbey. 1997. *Time for Life: The Surprising Ways Americans Use Their Time*. Pennsylvania State University Press.
- Sheldon, K. M. et al. 2001. "What Is Satisfying about Satisfying Events? Testing 10 Candidate Psychological Needs." *Journal of Personality and Social Psychology* 80, 2: 325–39.
- Sinclair, John. 1831. *The Correspondence of the Right Honorable Sir John Sinclair*, 2 vols. London: Colburn.
- Smith, Adam. 1976 (1776). *An Inquiry into the Nature and Causes of the Wealth of Nations*. Liberty Fund.
- . 1984 (1759). *The Theory of Moral Sentiments*. Liberty Fund.
- Sperber, Murray. 2001. *Beer and Circus: How Big-Time College Sports is Crippling Undergraduate Education*. Owl Books.