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The Max U Approach: Prudence-only, or Not Even Prudence? A Smithian Perspective

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Abstract: McCloskey criticizes Samuelsonian economists for representing human beings in their models by a character she dubs Max U. Max U, she argues, lacks all virtues except for Prudence. The paper explores whether the identity between Max U and Prudence is tenable and whether Samuelsonian economics can be interpreted as a study of Prudence. I juxtapose Max U to the concept of Prudence as it appears in Adam Smith's Theory of Moral Sentiments (TMS). The reason is twofold: 1) McCloskey assumes stability in the meaning of Prudence from Aristotle to Samuelson and hence any concept of Prudence would work 2) TMS occupies a prominent position in her argument. I attempt to show that utility maximization is a process distinct from practical reasoning underlying the virtue of Prudence and Samuelsonian economics can therefore not be interpreted as a study of Prudence.

Key words: Max U, Prudence, Moral Sentiments, Adam Smith, D. N. McCloskey

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Introduction

McCloskey is discontent with the practice of economists. She dislikes the fact they follow Paul Samuelson instead of Adam Smith in their explanation of markets. In her opinion, it is a mistake – a mistake she once committed, too. She, too, once believed that the only character needed for understanding capitalism is "[M]r. Maximum Utility, the monster of Prudence who has no place in his character for Love—or any passion beyond Prudence Only." (McCloskey 2006, 135) She, too, wrote scores of articles populated by "Max U-er obsessed with prudence", (McCloskey 2006, 375), "Max U, that unlovely maximizer of Utility, *Homo prudens*". (McCloskey 2010, 274) But she changed her mind and invites others to follow her lead: Max U – a character fettered by the ends-means logic of Prudence Only (McCloskey 2004, 111) does not work, not even scientifically, she claims. (McCloskey 2006, 135)

It is not my intention to assess the working of Samuelsonian economics here. I want to focus exclusively on McCloskey's identification of Mr. Maximum Utility with Prudence.[1] In particular, I want to explore whether the utility maximization can be identified with the virtue of Prudence as conceived by Adam Smith.

I think the narrowing of the problem to Smith is justifiable. McCloskey's narrative gains much of its persuasive strength from the assumption of an interpretive frame that extends from Aristotle to Samuelson. It can rhetorically succeed only if Prudence in Aristotle is sufficiently close to Prudence in Smith as well as in Samuelson. And if it is, Smith's Theory of Moral Sentiments seems to be the ideal locus for probing her claim that Max U is the man of Prudence only. Even though her concept of Prudence is no doubt richer than the Smithian one only – she uses the word Prudence as a "[u]seful, long-period compromise among the wisdom-words from phronesis in Aristotle to 'maximization' in the modern economists" (McCloskey 2004, 318) – Adam Smith occupies a prominent position in her argument. He is not just one of many in the tradition. He is the founding father of economic science and also, contends McCloskey, (2008) the last prominent figure in the former mainstream of the virtue ethics.

To some economists it may seem odd to compare Max U with Prudence. Economics, they believe, is descriptive of behavior. But so is the analysis carried out by Smith in the Theory of Moral sentiments. (Forman-Barzilai 2005, 191) Although his interest arguably rests in understanding and preaching excellence, by pursuing his end he sheds much light on the

[1] I believe it is a fair characterization of her position even though in Bourgeois Dignity (2010) a reader comes across assertions that suggest the identification of Max U with Prudence should be taken rather loosely. Consider what she says about Max U on p. 274: "Max U cares only for the virtue of prudence, and even "prudence" defined in an especially narrow way, that is, 'knowing what your appetites are and knowing how to satisfy them.'"

ordinary, too. The processes underlying virtues exist in everyone; in excellent characters they have only been perfected to an extraordinary level. Just as all humans are capable of running but only a few can run hundred meters in under 10 seconds, so does everyone control her "undisciplined passions" (Smith 1982, VI.iii.19) though only a few achieve perfect self-command.

The question I am interested in is whether the process underlying the virtue of Prudence in Smith corresponds to the decision making process McCloskey ascribes to Max U; or more specifically, whether practical reasoning described by Smith can be interpreted as a version of utility maximization.[2]

Adam Smith and the two types of virtues

Smith identifies two types of rules that people apply in decision making. "The one, are precise, accurate, and indispensable. The other, are loose, vague, and indeterminate, and present us rather with a general idea of the perfection we ought to aim at, than afford us any certain and infallible directions for acquiring it." (Smith 1982, III.6.11) For Smith the distinction between the two types is essential and gives rise to the only two useful parts of moral philosophy: jurisprudence, and ethics. (Smith 1982, VII.iv.34) Jurisprudence applies the precise and accurate rules of Commutative Justice that are similar to grammar. Ethics deals with the loose, vague, and indeterminate rules resembling those "which critics lay down for the attainment of what is sublime and elegant in composition…" (Smith 1982, III.6.11)

Both types of rules can be understood as instructions about what to do if certain initial conditions hold. There is, however, a distinction in what the initial conditions stand for. In the rules of commutative justice they fully represent all the relevant attributes of the situation. In the rules of ethics, the initial conditions are only proxies - a rule prescribing duty to lend money to a friend does not imply that any request for help by a friend should be accepted. It only indicates that typically there could be duty because friendship tends to correlate with the proper conditions in which the reason to lend money arises and which may be difficult to ascertain.

The rules also differ in how they instruct behavior. In ethics they function as more or less precise pointers indicating what should be done but leave it open for the actor to assess the recommendation on some other grounds. The proper reason for action exists outside of the

[2] McCloskey identifies Max U with Prudence in two ways – through the process of maximization and through the content of the utility function. I take the former problem as more fundamental and leave the question of whether Max U has "P-only motivations" (2006b, 411) and whether Prudence can be identified with "ruthless self-interest" (D. McCloskey 2006b, 7) for another occasion.

rule. Smith contends: “We do not originally approve or condemn particular actions; because, upon examination, they appear to be agreeable or inconsistent with a certain general rule. The general rule, on the contrary, is formed, by finding from experience, that all actions of a certain kind, or circumstanced in a certain manner, are approved or disapproved of.” (Smith 1982, III.4.8) The rule is a report that specific cases have been found on other grounds to be properly approved of, not the ultimate reason for approval. It is a rule only under a summary view (Rawls 1955, 19) and a strict adherence to it would thus be “[t]he most absurd and ridiculous pedantry”. (Smith 1982, III.6.9) Its use is justified by the prohibitive cost of ascertaining the proper conditions of the choice situation.

In jurisprudence the rules do not allow for such freedom. They must always be observed and the person who “[a]dheres with the most obstinate stedfastness to the general rules themselves, is the most commendable, and the most to be depended upon.” (Smith 1982, I.i.4.5) A possible explanation for the deontic power of the rules of commutative justice is that they are rule-like reformulations of institutional facts. (Searle 2005; 2006) A rule prescribing that non-owners should refrain from occupying an owner’s house unless having permission from the owner can be interpreted as a factual statement just like the rule prescribing that humans should not to breathe under water. Neither expression provides only pointers. Staying under water and breathing normally is impossible and so is being an owner and not having power to exclude non-owners from the use of the house. Not physically, of course. The latter is impossible only within an institution. In soccer, no players except for goal keepers can play with hands. Again, physically they can but they cannot as soccer players. They cannot stay within the game of soccer while disrespecting its rules. The game is constituted by the fact that the players symmetrically interpret reality in such a way that outlaws playing with hands and many other types of actions. Similarly, the fact of ownership exists provided that people symmetrically interpret reality of social interactions in a way that outlaws meddling with other people’s stuff. The initial conditions invoked by the rules cannot coexist with the negation of the action the rule prescribes. If people play with hands there is no soccer; if people freely take control of resource as they wish there are no property rights and no commutative justice.

The last difference between the rules of ethics and jurisprudence that is relevant for my argument concerns the way they affect decision making. The rules of commutative justice determine what is feasible in action, they directly impact on action by providing a necessary grammar and just as grammar they are passive and their observance does not require action. Smith calls the respect for the rules of commutative justice the “negative virtue” because it may be fulfilled “by sitting still and doing nothing”. (Smith 1982, II.ii.1.9) The rules of ethics derived

from the virtues of prudence, charity, generosity, gratitude, and friendship (1982, III.6.9) are, on the contrary, active and recommend what is desirable. They are imprecise pointers helping agents to overcome the problem of limited knowledge of the ends.

Determining what is desirable

Smith insists that the only virtue that is precise and accurate and operates on the side of constraints is Commutative Justice. All other virtues including Prudence are concerned with what is desirable. In comparing Max U to Prudence suffice it therefore to focus on how people determine what is desirable, or in other words, on a process whose perfect mastering gives rise to moral virtues.

Smith believed that the rules of ethics did not provide the proper reason for action – there is something else that links a situation to a behavior than application of rules. Like other virtue ethicists, he starts from the assumption that no one naturally knows her genuine desires. The person finds nowhere written in her heart what is good to do; she can only see undisciplined passions pointing to conflicting directions. Sorting the passions out requires practical reasoning.

Imagine there are two people in danger, Peter and Paul. I have capacity to save only one of them. Whom should I save? Obviously, it is not a question of commutative justice, saving either Peter or Paul is feasible, whatever I do, I will have the grammar right. The problem is to determine what is desirable. Even in this highly simplified example there may arise diverse interpretations of the situation. I can see a Czech and a Brit, or a communist and a libertarian, or a murderer and a philanthropist. Each of the interpretations may activate different sentiments in my heart. In the first interpretation the sentiments may drive me to sacrifice the Brit and save the Czech, in the second interpretation I could be inclined to save the libertarian, and in the last interpretation the philanthropist. Unless either of the man is a Czech libertarian philanthropist, who will be saved depends on the chosen interpretation. My heart would lead me once to save Paul and another time to save Peter, depending on how I read the situation.

It would not be a problem if only one interpretation was available to me.[3] But it is not the case. Even though naturally I might believe to face a choice between a Czech and a Brit I can look around and see that interpretations by others deviate from my own and so do the sentiments suggesting what is desirable. The ensuing disharmony triggers off a process of adjustment motivated by a desire to get the sentiments right, or in the first instance, to get sentiments that real spectators of my situation can approve of. Smith argues that “nothing pleases us more than

[3] The problem would equally disappear if I had moral intuitions defined over combinations of the attributes (Czech, libertarian, philanthropist). Then, no interpretation would be required; the decision would be a matter of information. I thank Marek Hudik for raising this point to me.

to observe in other men a fellowfeeling with all the emotions of our own breast." (Smith 1982, I.i.2.1)

Haakonssen (1981, 53) explains how the search for approbation operates in three distinct sympathetic moves. We first put ourselves into the shoes of a spectator of our situation. The second move consists of imagining to what extent the spectator can sympathize with our take on the situation and approve of our sentiments. We try to discover which of the possible interpretations the spectator would adopt and what moral sentiment triggered by the interpretation would thus be appropriate. In the last move we sympathize with the spectator's approval or disapproval of the original sentiments and thereby make the spectator's sentiments our own.

The search for approbation by real spectators is just the beginning of the process, though. The man of virtue strives to have correct sentiments not only imitate sentiments of those who spectate and judge his behavior. "Man naturally desires, not only to be loved, but to be lovely." (Smith 1982, III.2.1) The question is how to discover what is lovely, in other words, how to see one's own situation from the position of the truly impartial and well-informed spectator. It poses a cognitive challenge to the agent. Only the "[a]ll-seeing Judge of the world, whose eye can never be deceived, and whose judgments can never be perverted" (Smith 1982, III.2.33) has the absolute certainty about her interpretation, the certainty that is denied to human being in their Earthly lives.

The difficulty of finding the adequate interpretation can to some extent be alleviated by a process of "free communication of sentiments and opinions". (Smith 1982, VII.iv.28) The only prerequisite is that the grammar of the communication be correct and that people overcome the base desire to persuade, (Smith 1982, VII.iv.25) and endorse the desire to be worthy of belief. (Smith 1982, VII.iv.24) Smith sees it as a natural process aimed at achieving a "certain harmony of minds". (Smith 1982, VII.iv.28) Just as people seek praiseworthiness not only praise, they desire that others accepted their interpretation because it is worthy of acceptance. They invite others to look into their hearts and penetrate into the hearts of others. It is not an imaginary process, it is a real communication whereby the spectated tries to learn about possible distant perspectives available to the spectators of his situation while explaining the particular circumstances of his case available only to him.

The intersubjective standard emerging in the dialogue is never final but at the very least it unveils the direction where the position of the impartial spectator is likely located in relation to the opinion of the greater part of mankind. It enables to meaningfully apply a criterion based on

the degree of proximity or distance from complete perfection (Smith 1982, I.i.5.9) where sentiments are assessed as praiseworthy if they deviate from what is ordinary towards the consensus emerging out of the well-intended free communication and as blameworthy if they deviate in the other direction. It is much more modest a criterion than the benchmark of perfect propriety but much less cognitively demanding. It only requires knowing the direction pointing to the ideal, not the ideal itself.

Prudence as the problem of self-command

The cognitive problem of locating the position of the impartial spectator is not the only barrier that distances Smithian man, let me call him Adam S, from the standard of perfect propriety in action. Writes Smith (1982, VI.iii.1): "The most perfect knowledge, if it is not supported by the most perfect self–command, will not always enable him to do his duty." Even if the standard of perfect propriety is accessible to the person she may lack self-command allowing for the last sympathetic move by which she commits to the judgment of her situation by the impartial spectator.

Smith seems to believe that the idea of perfect propriety will be naturally formed from observation in the mind of every man (Smith 1982, VI.iii.25) and focuses primarily on self-command. He sees people as naturally motivated to search for impartial interpretations but lacking self-command to make the ultimate step necessary for the virtuous judgment. How far from perfect self-command they stand entails the type of virtue that describes their character.[4]

Prudence for Smith consists of two qualities: "self–command, by which we are enabled to abstain from present pleasure or to endure present pain, in order to obtain a greater pleasure or to avoid a greater pain in some future time" and "superior reason and understanding" which stands for the kind of knowledge that enables us to see the consequences of our actions and is therefore a non-moral prerequisite of virtuous behavior. (Smith 1982, IV.2.6) Prudence is characterized by self-command which has not been cultivated above a very basic level except for cases concerning intertemporal choices. The man of prudence is generally able to spectate his situation from a distant impartial perspective but cannot fully commit himself to the appropriate interpretation. He can hear what the impartial spectator is saying but cannot always adjust his passions to "that pitch of moderation, in which the impartial spectator can entirely enter into them" (Smith 1982, I.i.5.9).

[4] Hanley (2009, 95) interprets the system developed in the Theory of Moral Sentiments as consisting of three stages of developing self-command. Each of the stages is characterized by one virtue: prudence, magnanimity, and beneficence.

Prudence operates in "[t]he matters of the health, of the fortune, of the rank and reputation of the individual, the objects upon which his comfort and happiness in this life are supposed principally to depend…" (Smith 1982, VI.i.5) There, only a little of self-command is needed; the proper mediocrity of sentiments (1982, I.ii.intro.1) is naturally pulled by the situation (Smith 1982, VI.i.1) and perfect propriety is thus accessible even to "the most worthless of mankind". (Smith 1982, I.i.5.7) Smith gives a telling example: "[t]o eat when we are hungry, is certainly, upon ordinary occasions, perfectly right and proper, and cannot miss being approved of as such by every body. Nothing, however, could be more absurd than to say it was virtuous." (Smith 1982, I.i.5.7) The simplicity of choice situations in which the person can achieve propriety is why Prudence should be regarded as "a most respectable and, in some degree, as an amiable and agreeable quality… [which] commands a certain cold esteem, but seems not entitled to any very ardent love or admiration". (1982, VI.i.14)

Only in the decisions on savings does the prudent man stand out as a fully virtuous person capable of a complex judgment. Intertemporal decisions require strong self-command. Observes Smith: "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… " (Smith 1982, pt. VI.i.11) Smith says that to the impartial spectator both the present and the future situation of the actor appears the same but he knows, that to the person concerned they are naturally very different. Abstaining from present pleasure thus requires overcoming the partial natural perspective and appropriating the impartial perspective as one's own. For such an exercise the man deserves not only approbation but even applause of the impartial spectator. (Smith 1982, pt. VI.i.11)

What makes Prudence specific is not the underlying process of practical reasoning but the degree of the development of self-command. The man of Prudence has capacity to see his situation from the position of the impartial spectator, can calculate the best employment of the means available for action but in most demanding situations except for those of intertemporal choices is unable to form the right judgment and thereby commit himself to the adequate interpretation. Prudence in Smith is not a synonym to practical wisdom, the man of Prudence is not fully virtuous save the intertemporal dimension of his decisions. Only if Prudence is combined with "[m]any greater and more splendid virtues" and supported "[b]y a proper degree of self–command" (Smith 1982, VI.i.15) can we talk about Superior Prudence or practical

wisdom or moral perfection. Only Superior Prudence ”[i]s the best head joined to the best heart.” (1982, VI.i.15)

Smith did not understand practical reasoning as an application of precise instructions to the facts of choice. The facts of choice are an outcome of the judgment by which the agent commits to an interpretation of the situation. The agent shapes the judgment in the dialogue with real and imaginary spectators – the procedure that allows for combining the distant perspective of spectators with situational details available only to him. The enormous demandingness of such a process then justifies on some occasions the recourse to the general rules of ethics, facilitating the knowledge problem at the cost of precision.

Max U

For Max U just like for Adam S what is feasible is a matter of grammar. It need not be the same grammar but it is a grammar. The difference arises on how he determines what is desirable. Strictly speaking, he does not at all. To Max U it is simply given, no judgment is necessary. His choice is purely instrumental; there are no dilemmas for him in the choice. (McCloskey 2010, 335) He values things for “their capacity to yield utility” (McCloskey 2010, 135) or in other words, their capacity to conduce to the given end. Max U always chooses only means but never ends; he has the best head and no heart.

He is like a brewer who knows the taste of the ideal beer. The criterion of perfect propriety is known, the production can be described by a recipe stating the right amounts of all ingredients - not too much of hobs but neither too little, just the right amount. Everyone, even the most worthless of mankind will be able to brew the ideal beer provided that she has access to the resources and information about the technology. No practical reasoning is necessary, the agent faces a technological problem.

Buchanan (1979, 25) once described the distinction between an economic and a technological problem in the following way: "An economic problem arises when mutually conflicting ends are present, when choices must be made among them. A technological problem, by comparison, is characterized by the fact that there is only one end to be maximized. There is a single best or optimal solution." Engineer confronts no dilemma of choice; he stands in the position of the impartial spectator and only processes information using given instructions. There is a grammar defining what counts as the right process. He need not deliberate about what solution out of many possible should be selected because there is the right one which is implied by the only possible interpretation of the situation.

The distinction between technological and economic problem becomes manifest in a simple example. Imagine I play guitar and have a choice between performing a piece by Bach or Albeniz. An economic non-technological description could go like this. I want to show off and impress a friend of mine. I believe the piece of Albeniz is more conducive to the end because it usually impresses those whose tastes for music are not much sophisticated. But I also admit that Bach is much better and that I should expose the friend of mine to that particular piece in order to cultivate his tastes. I have two conflicting ends under two different interpretations of the situation. In the first interpretation, I see my friend as a tool that can make me happy by applauding to my technical skills. In the second interpretation, I see him as an end, not a means to my pleasure – it is not his applause but his betterment that motivates my action. The decision about what is desirable requires a sequence of sympathetic moves that would enable me to judge the situation from the perspective of the impartial and well-informed spectator. It is not a technological choice because its parameters were not given a priori – the technological problem was, if you wish, only constituted within the choice.[5]

Max U economists would describe the situation in a much simpler manner. I had a preference to educate the friend of mine and therefore chose to play Albeniz. Playing Albeniz entailed more utility than playing Bach, or differently, playing Bach was higher on my preference scale. In the non-technological description I chose both the ends and the means; here I only read the value tags already attached to the two alternatives. The ideal of perfect propriety was known to me, what was desirable was implied by the facts of the choice. I started from the elevated position seeing the full picture in which playing Albeniz or Bach were means to an end. No judgment at all was necessary.

It is not an unknown position to Smith. He did, however, reserve it only for scientific not practical matters. When dealing with the objects of science, Smith argues: “We both look at them from the same point of view, and we have no occasion for sympathy, or for that imaginary change of situations from which it arises, in order to produce, with regard to these, the most perfect harmony of sentiments and affections.” (Smith 1982, I.i.4.2) There is no place for sympathy, for role taking, for competing interpretations, for judgment. The position of the impartial spectator is freely accessible to all. If there is disagreement, it is a matter of information not of interpretation. (Klein 2010) In such a world there is no difference between what Hayek (1945, 521) called “the knowledge of the particular circumstances of time and place” and the scientific knowledge. Everything exists in the form of facts and individual

[5] Klein (2012, 305–6) similarly argues that one should not pretend that utility or preference is the ultimate given. It should rather be taken as a snapshot taken by the mind operating under certain interpretation.

decisions are only elements of the system that can be observed and understood without any interpretation.

Max U sees reality from all thinkable perspectives at once. He has much more exalted cognitive capacities than Adam S; his perspective is never partial. What is desirable is implied by the only possible description of the situation. His preferences are given and complete independently of the interpretations; the choice consists of rightly processing given information. No pointers make sense because he always has knowledge to apply the proper instructions. He inhabits a magic world where decision making is not necessary, all problems look like optimization tasks.

Conclusion

McCloskey argues that economists forgot about all virtues except for Prudence. I can see no virtues in the economic discourse at all. Max U cannot be identified with Smithian man of Prudence – the man who has not yet perfected his character to become benevolent and magnanimous; and he cannot be characterized by any other moral virtue, either. Max U is not Adam S; the two are not even distant relatives but rather different species. Max U is in an elevated position overseeing the world from a distant position and yet benefiting from the knowledge of all the details of particular time and place. There is no implicit knowledge, no judgment is needed; there are no contexts, no perspectives. Max U knows neither virtues nor vices, he lacks practical reasoning altogether.

Adam S, on the other hand, is an imperfect creature. He was not born into the position of the impartial spectator but has to constantly struggle to reach it. In this struggle only a few succeed. Only the best men develop sufficient self-command to overcome all the temptations of undisciplined passions. The greater part of mankind will hardly surpass the stage of Prudence. But even the men of Prudence deserve approbation and in decisions concerning savings even applause of the impartial spectator. They deserve to be applauded for the judgments about situations that concern matters the Nature first recommended to their care. (Smith 1982, VI.i.1) Their virtuousness stems from the steps Max U need not and cannot ever make.

McCloskey's identification of Max U with the virtue of Prudence is not persuasive. The gap between utility maximization and the virtue discourse seems to be too deep to be abridged by even the most generous interpretation.

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