



FORUM

Passions, doux commerce, interest properly understood: From Adam Smith to Alexis de Tocqueville and beyond

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Back to the future: Smith's *Theory of Moral Sentiments*

Sometimes the changing perceptions of classic books and their authors tell a larger, often more complex, story. So it is with Adam Smith's *Theory of Moral Sentiments* (*TMS*). *TMS* was Smith's first and last book. Having gone through five editions—the last one being prepared almost from the deathbed—, its various editions sandwiched his other classic book, *The Wealth of Nations* (*WN*) for which Smith became a household name. Today Smith is first and foremost identified as one of the founding fathers of political economy, a fact that is perhaps no better expressed than by the Bank of England's twenty pound note, showing the man and paying reference to *WN*. Such was the perception of Smith—until the onslaught of the current economic crisis.

As the current interest and wave of recent reception and scholarship makes clear, Adam Smith is making an unexpected comeback. What is new is that over the last ten years, and pretty much overlapping with the current economic crisis, the talk is now less about Smith the political economist and author of *WN*, or about political economy or the benefits of open markets and commercial activities, than about Adam Smith the moral philosopher and his ground breaking *TMS*. It seems that scholars have begun to discover and excavate the 'real' Adam Smith, the moral philosopher who wrote about sociability, virtuous behaviour and sympathy and who reasoned that these features must not necessarily be seen in contradiction to, but rather helped to embed market relations, commercial activities and pursuit of self-interest for the purpose of the common wealth.

Perhaps there never really was an *Adam Smith Rätsel*—an Adam Smith conundrum, that is, the assumed contradiction between the author of *TMS* and the author of *WN*—but rather a case of prolepsis, a re-projection onto Smith in the sense that he was assumed to have said things he could

not possibly have said. The story of such a conundrum deserves its own intellectual history since it is such an obvious misrepresentation of the man and his work, revealing perhaps more about the changing times and his critics than about Smith himself.

What I would like to do in this short paper is to outline briefly how the story of Smith's (mis)representation is very much the story of its time expressed in thought, or to paraphrase Hegel, "ihre Zeit in Gedanken gefasst". I will do so by focusing primarily on Smith and how he saw the passions and the interests and *doux commerce* coming together. In this context I will also briefly refer to a more political reading of this relationship in Tocqueville, mainly because it adds another transcontinental dimension to the debate. I will close with some speculation as to why Smith could have been misrepresented, mainly by looking briefly at those who seem to have been left behind in the development and debate and who, in anticipation of being forced to talk about their own backwardness, evaded the argument by trying to blame both the message and the messenger—a kind of hermeneutical incorporation in which the harbinger of the news gets obliterated (an unsuccessful variation of R. K. Merton's obliteration through incorporation so to speak).

Sattelzeit

The German historian Reinhart Koselleck has coined the term *Sattelzeit* to signify a transitional period comprising roughly one hundred years between 1750 and 1850, a time comprising not only the late Enlightenment and the French Revolution and its wider political and social and cultural repercussions but also the take-off of the industrial revolution including the rise of commercial and market activities and networks. This was a crucial 'axial' time in which political concepts and notions were redefined or underwent radical revisions, or where new concepts emerged in tandem with, or as a reaction to, new realities and experiences. Particularly noticeable was that the new omnipresence of commerce, trade and industry posed a problem for traditional political language as it had been transmitted from classic times (and despite having been already re-conceptualized and enriched in the early modern period, especially in the Renaissance and the Reformation). The questions that this new axial age posed were: How could one conceive of radically altered circumstances? Was it possible to maintain the validity of classic virtues when everything else was changing? How did the new activities of commerce and trade relate to the passions and how could one make sure that the new virtues prevailed against the vices? And, last but not least, how did latecomers to the development and jealousy (of trade, of commerce, of industry) fit into the debate?

Thus the *Sattelzeit* became the great semantic tombola in which every concept received either a new meaning, was enriched by extension or was, as happened in some cases, overtaken and replaced by another concept. The tension between older notions and the attempt to conceptualize the new manifested itself in the writings in a number of prominent scholars. What is even more remarkable

was that these attempts at reconceptualization or semantical change were not limited to one country or nation. Rather, what remains fascinating about this axial time period is the international character of the intellectual network of this newly constituted republic of letters in which the most productive thinkers not only looked at their local or national circumstances but also for new evidence or new experiences outside their own country: no Hume and Smith without Montesquieu or Rousseau, no Kant and Hegel without Hume and Smith, and, to extend the argument beyond Europe, no American Federalists and no Tocqueville without Montesquieu, Hume or Smith.

The Passions and the Interests

Hume had been the first philosopher to alert his readers to the extent to which commerce, trade and industry had become modern features and needed to be addressed in their own right. As he rightly observed, there were no reflections about commerce or industry in the political tracts of Machiavelli or other republican thinkers; and apart from thoughts on property, there was also not much to be found in later contract theorists such as Hobbes and Locke. Hume's essays rightly deserve the praise of having put commerce and trade and the way they relate to politics on the intellectual agenda. Hume was also right in dismissing earlier critics like Mandeville, who had famously argued in his *Fable of the Bees* that pursuing one's interests had become the new virtue and that therefore political economy was really all about hypocrisy. Against such notions Hume tried to provide a more balanced view, partly drawing on Montesquieu's ideal-type distinction in *The Spirit of the Laws*, i.e. monarchies, republics and despotism and their respective features honour (monarchies), virtue (republics) and fear (despotism).

Hume did see some merit in Montesquieu's praise of England, despite some of the Frenchman's exaggerations. Both were of the view that a constitutional monarchy like England did not fit any ideal type and that its governance actually combined republican and democratic features with that of a monarchy. 'Mixed government' was a hybrid form that was based on the impersonal rule of law, that guaranteed personal liberty and free opinion, tolerated a diversity of interests and that seemed in terms of trade and commercial activities more supportive when compared with the praxis of other nations. However, in the last instance it was not just institutions and mixed government that held all together but a collective 'psychological' predisposition which Montesquieu called the 'spirit of the laws'. It was this spirit that explained the functioning of the English political and social system. It kept the passions in check and allowed for a myriad of different interests to be heard. Hume managed to build on Montesquieu's argument and to take it a step further. Hindsight and having been in a position to study the developments in trade and commercial activities since Montesquieu helped. Hume also benefitted from other debates such as those in pre-revolutionary France. And last but not

least he could study the developments of Scotland first hand, particularly the changes that had occurred after the Act of Union with England.

Smith took over the baton from Hume—and by that I do not just refer to ‘economic’ matters. Benefitting greatly from teachers like Hume and Hutchinson and from the networks and institutions of higher learning in the ‘capital of the mind’ that Edinburgh (and earlier Glasgow) had become Smith produced his own great first work. *TMS* was a work of synthesis, perhaps the first attempt systematically to study sociability and to think about what held modern society together and what made it function successfully. As Albert O. Hirschman rightly pointed out, as a moral philosopher Smith was first and foremost concerned with what would replace traditional rule, inherited status and the values and norms associated with it. Could classic virtues still influence or even be able to control the passions? And what would happen to the passions in a new commercial system marked by different classes and interests? Any theory that still assumed that the world had not changed and that feudalism, agriculture and traditional values were still the most important features was clearly insufficient.

Smith pursued, almost with Durkheimian passion, the question of what kept a modernizing society together and what prevented it from falling or drifting apart. *TMS* is the attempt to spell out what we can realistically expect from each other and how we can build trusting and reciprocal relationships—and accumulated common wealth. Smith was looking for the possibilities of a new form of sociability, one that was able not only to bind the passions but also to steer them into the right direction, so that both the individuals and society as a whole would benefit. Smith’s *TMS* is a study of a moral psychology that does not treat individuals as if they were islands or monads who do not communicate with each other. *TMS* is a phenomenological description of how our moral actions are grounded in sociability and guided by sentiments like empathy and sympathy (compassion would be another word for these capabilities).

Smith argues that most of what constitutes moral action is due to listening to an inner voice, a kind of internalized normative reasoning that we have acquired while growing up—he calls it the ‘impartial spectator’—a capacity to reflect through an ‘imagined other’ about what is just or unjust, fair and unfair, appropriate action or not. The point is that its ultimate reason is not just pursuing one’s own selfish interests but to act in a way that is good for both, ego and alter. As one attentive reader has pointed out, for Smith ‘moral’ becomes almost synonymous with ‘social’; in other words, for him there is no social life and no social action that does not have a base in some form of sympathy or involve some form of moral judgement.

Of course Smith also knew that humans can sometimes behave selfishly or in egocentric and totally self-interested fashion. But in the long run he trusted that any person would naturally strive for what

he called ‘emulation’, the kind of soft competitiveness that is the outcome of a learning process in which private interest is increasingly replaced by public interest and a concern for the common good. For that to happen, however, human and anthropological features and sentiments like that of sympathy, resulting in turn in mutual expectations and concern for others, must, in order to grow, be safeguarded and protected by social institutions such as the family, the school or university, the law or the state. To put it differently, civil society had to draw on resources that economic reasoning and action alone were not able to deliver.

For some interpreters Smith’s *WN* seems to have argued the exact opposite. Sympathy, empathy, indeed any form of compassion should be substituted by the pursuit of self-interest. In other words, individual profit seeking should become the driver if not the all-determining prime activity. Against such one-sided reading any attentive reader of both *TMS* and *WN* will detect that Smith argues actually none of that—at least not on purpose. What *WN* intended was, first, to take a closer look at features like commerce, trade, industry which had come to play a more prominent role in modern society. Second, *WN* was written with the intention to think how these new features in our lives and the social action related to them could be used more beneficially so that the entire society—in Smith’s times this meant in the first instance ‘the nation’—could benefit from the new system called political economy.

Albert O. Hirschman famously referred to such thinking as ‘political arguments in favour of capitalism before its triumph’. If we look at the beginnings this way capitalism was not invented as a nasty trick to fool everybody, but markets and commerce existed for the purpose of helping the individual to free him- or herself from dependency or recurrent cycles of poverty and crises and from the shackles of traditional, feudal, agricultural society. It was meant to be an improvement, and at that a much more stable undertaking than what had been known until then. In contrast to Mandeville or those who defended unreconstructed republican values and virtues as if nothing had changed Smith thought of how the new features and activities of commercial society could actually contribute to the greater public good. He did not favour nor did he foresee the enrichment of the few in a the-winner-takes-it-all society or the enslavement of the many in a new industrial capitalist system. Smith always strove for balance, not for disturbance, or even worse, disintegration.

Indeed one searches in vain in Smith’s *WN* to find the word ‘interest’ or ‘private interest’ pejoratively used and beyond the mere technical sense of the word. The same is true for *TMS*. What one finds though is the idea that being involved in commerce, trade and industry would be beneficial to both the private and the public interest. More wealth was created than was the case in traditional societies, which depended overwhelmingly on agricultural production and a static system of property and ownership of the few—an unjust system by any standards. Smith’s idea was that passions could and should be channeled through interest as long as they were properly understood so that in the end

both ego and alter, and by extension society as a whole, would benefit from the new system. That for Smith was the deeper meaning of being engaged in *doux commerce* as the French called it, of importance here being the adjective ‘gentle’. To think of the commercial agent solely in terms of a profit-seeking human yet with an animal-like instinct and lacking the basic quality of empathy, sympathy or compassion, was not a notion one finds defended or encouraged by Smith. To read into Smith a *laissez faire* argument or a defense of unregulated markets or a hands-off state position is a-historical and false. In contrast, the political economical system described in *WN* was to be embedded in moral action (as described in *TMS*); i.e. being involved in commerce and trade did not mean to stand outside the moral realm or to act without morals. One has to read Smith in the intellectual history of his time to understand the relationship between the *TMS* and *WN*, not re-project and think of Smith a free marketer or even worse, a neo-liberal before his time.

Echoes of Smith in Tocqueville

Smith took an interest in American affairs and more than once declared that it might be a good idea for Britain to let the colonies establish their own commerce, markets and taxation system—from which he hoped Britain would profit more than it did with North America under colonial rule. As we know, some prominent thinkers among the American Federalists had taken Scottish Enlightenment ideas to heart and intended to put them into practice. Yet, the name of Adam Smith and that of David Hume or the title of any of their treatises or books never show up in any of the drafts nor were they mentioned in the minutes of the deliberations in Philadelphia. In the *Federalist Papers* Hume is only mentioned once and then only on the penultimate page. Such omission was probably related to other issues; after all, Hume had made no case in favour of any form of political theology while in Smith’s *TMS* religion is mentioned but is, unlike Locke, not essential to the central argument about sociability and sympathy. Both Hume and Smith would have had no truck with the Deism of some of the more prominent American Founding Fathers and the same applied vice versa.

On the other side Hume’s *History of England* and his *Essays* were much read texts. Adams refers to them repeatedly. But then again, Smith’s name comes up only very late in the correspondence between Adams and Jefferson and then only once in the context of Adam’s reading of Senator Tracy’s popular introduction to political economy. However, not a few observers have detected an elective affinity between the arguments made by Hume and Smith and Madison, particularly in Federalist No 10. The passages about the impossibility of a pure democracy resemble very much Hume’s arguments in his essays while the reflections about controlling passions and their effects in larger republics in which interests are pitched against interests sounded very much like a combination of Smith’s *TMS* and *WN*.

More than four decades separate Tocqueville, the author of *Democracy in America*, from the Philadelphia Convention and *The Federalist Papers*. While Tocqueville cannot claim to have coined the term ‘interest properly understood’ it was Tocqueville who had filled it with life and who had given a detailed description on how sociability worked in America. Again what applies to Smith also applies to Tocqueville: while he was interested in political economy he was interested in what held the new society together and what made it work, something that cannot be reduced to political economy. Like Smith, Tocqueville saw that commerce and industry were activities that were of prime importance not just to Europeans but particularly to those who came to settle in America. For him, and that had been the whole purpose of his journey, their function appeared here to be more visible and, due to the lack of feudal shackles and an *ancien régime*, in purer form. The question was then how such interests in commercial activities related to habits and mores and how the new commercial activities could be reconciled with other aspects of the new democratic system.

Tocqueville had been an avid reader of the *Federalist Papers*; however, through reading Jean Baptiste Say’s political economy, and later Nassau Senior’s popular account of the same subject, he began to reflect on how the Americans managed to combine self-interest with the common good to form mores or what he called the ‘habits of the heart’. What is important to bear in mind here is that Tocqueville favoured a holistic view; he was interested in the political, social and cultural practices and dimensions rather than just economic activity or interest per se. For him, whoever discovered how ‘interest properly understood’ worked held the key to an understanding of modern man and society.

So how did it work? Tocqueville points out that for Americans there was no way that individual pursuit and individual motivation were ever to be abolished; they could only be controlled and be kept in check, in the first instance by being bound up with the pursuit of the common good. The trick lay in convincing the other person that it was in each other’s interest to be good. Such a conviction, once in motion, then becomes something like a social *perpetuum mobile*, a self-prolonging praxis which helps to bring forward a common sense of purpose, something that resembles very much what Smith had in mind when he talked about sociability (and was very different from Kant’s ‘unsocial sociability’). According to Tocqueville Americans did this successfully by taking small steps and by combining daily engagement with the notion of usefulness instead of favouring grand gestures, sacrifices or grand theories. Size mattered as well. For Tocqueville the small townships of New England in particular became local laboratories for democracy and contributed to maintaining the larger democratic entity that is the U.S. They did so by relying and having trust in a mixed system of governance which in turn consisted of direct democracy elements and involvement on the local level, and a system of staggered or layered representation organized along the subsidiarity principle (local community, county, state, federal government).

A sense of political equality and seeing personally the results of one's engagement seemed to work, despite being conceived by Tocqueville as being circular and functioning rather like a self-fulfilling prophecy. To be sure such a system also had its negative sides, something of which Tocqueville was equally aware: because 'enlightened egoism' was almost never criticised in the American system it helped to create an unreflected consensus in which any opposition was immediately regarded as threatening to the majority consensus and was therefore in danger of becoming quashed or being labelled as dissent. As Tocqueville warned, democracy's habits of the heart and 'interest properly understood' can have their negative counterpart in the tyranny of the majority. But that is perhaps another story altogether and would take us far beyond Hume's and Smith's understandings of the passions or the original notions of *doux commerce*.

Tocqueville wrote about commerce, trade and industry towards the end of Koselleck's *Sattelzeit*. Taking 1850 as the historical cut-off point neither at the time of the founding of the American republic nor at the time of Tocqueville's visit almost five decades later does America qualify as a capitalist country (if we mean by capitalist not just a system which is based in the division of labour, trade and commerce, but a system that is mainly based on industry and in which profit is generated from surplus production for the sake of making a profit). That development only took place from the middle of the 19th century onwards in the decade leading up to the Civil War, with the Civil War being the great catalyst that would turn the U.S. into a capitalist country. Any suggestion that Montesquieu, Hume, Smith, the Federalists or Tocqueville were simply early proselytizers for, or legitimists of a capitalist system that would manifest itself only decades later, or that the mentioned were somehow able to predict the future and act accordingly, is a serious case of prolepsis and mistaken.

Back to Europe: The Smith conundrum in perspective

The last point brings us to the final step of my argument. We have almost gone full circle but with one unanswered question remaining: how indeed was such a misreading of Smith and others possible, or, in other words how could Smith turn into a capitalist apologist? The answer lies, I suspect, mainly in the history of Continental Europe and particularly one country—Germany.

Karl Marx was not the only one to spot that for most of the early 19th century and perhaps as late as 1848 Germany was far behind its main competitors France and Britain—politically, socially and economically. In one of his earlier writings, the *Introduction to Hegel's Philosophy of Right*, he complained bitterly that while the French had had their political revolution and the British their industrial revolution Germany remained a backward country that only had one aspect that worked in its favour: the capacity for philosophy and critique. From later works, especially from the *Grundrisse* and *Das Kapital*, we can detect that Marx was actually quite fond of Smith. He liked

Smith's rigor and empiricism even though his critique of political economy contained a critical dialectical twist against Smith: Marx used largely the language of political economy while criticizing, socializing and even transcending it at the same time (the latter in the sense of Hegel's *aufheben* or *Aufhebung*).

It was less the left-wing Hegelians like Marx than the more conservative-leaning hawkish Hegelians in the Prussian bureaucracy who read Smith as an advocate, or even worse, as an apologist for British aspirations. While an earlier and more progressive thinking Prussian circle of reform-oriented minds (Kant, Hegel, the two Humboldt brothers, von Stein and Hardenberg would qualify, Marx was never part of it although he stemmed from a *rheinisch* Prussian environment) still read Smith mainly as an enlightenment philosopher who had a keen interest in explaining sociability as emerging in tandem with the fast developing commercial society, later leading Prussian statesmen, secretaries, civil servants including not a few state sponsored academics like List (and later the so-called *Katheders* socialists like Schmoller), became alarmed about how uncontrollable the new political economy and the sociability it favoured would become. Particularly in the period after the War of Liberation against the French, roughly until the 1848 revolution and the fatal and for all purposes too-soon abandoned parliamentary convention in Frankfurt, a more conservative Prussian state and bureaucracy favoured a more state-centred approach that made sure that when it came to liberty and order, order would come first and economic, social and cultural liberty second. Forgotten was Smith's *TMS* and in came a narrow reading of *WN*. Smith became 'the other', not only in terms of sociability and morals but also in terms of an economistic reading of *WN*.

The later 19th century and the twentieth century changed all perceptions of Smith beyond recognition. *TMS* became soon forgotten, not just in Germany (having said that it made a short and surprise return in the height of the Weimar Republic only to disappear again soon after), relegated as it were somewhere to post-Humean but still pre-Kantian philosophic status. In turn *WN* was on the up, now somehow freed from the moral constraints of *TMS*. It enjoyed all the success I have referred to in the beginning until the algebraization of economics took over from Marshall onwards. Such is the history of modern capitalism, it cannot even get its theoretical origins right.

Timeline

1707: Act of Union between Scotland and England.

1729–1731: Montesquieu visits England.

1742: Bernard Mandeville: *Fable of the Bees*.

1748: Montesquieu: *The Spirit of the Laws* (Engl. translation 1750).

1755: Death of Montesquieu. Jean-Jacques Rousseau: *Discourse on the Origin of Inequality*.

- 1759: Adam Smith: first edition of *The Theory of Moral Sentiments*.
- 1754–62: Multiple volumes of David Hume’s *History of Great Britain* appear in instalments (all volumes are finally published in 1762 as *History of England*).
- 1776: Declaration of American Independence; death of David Hume; publication of Adam Smith’s *The Wealth of Nations*; first German translation of *WN*.
- 1777: First complete (posthumous) edition of David Hume’s *Essays: Moral, Political, and Literary*. Various earlier editions of the *Essays* were published between 1741 and 1772.
- 1784: Immanuel Kant: “Idea for a Universal History” (Kant declares A. Smith to be one of his favourite authors; Kant discusses ‘unsocial sociability’ in his essay).
- 1787: Philadelphia Convention.
- 1788: J. Madison, A. Hamilton, J. Jay: *The Federalist Papers*.
- 1789: Beginning of the French Revolution.
- 1790: Death of Adam Smith; publication of revised 6th edition of *The Theory of Moral Sentiments*.
- 1791/95: First German translation of Smith’s *TMS*.
- 1800: J. G. Fichte: *The Closed Commercial State*.
- 1803: Jean-Baptiste Say: *A Treatise on Political Economy*.
- 1803–06: G. F. W. Hegel: Jena lectures (with textual evidence that Hegel had read Smith’s *Wealth of Nations*).
- 1806–13/14: Napoleonic control over Prussia.
- 1813/14: Prussian War of Liberation.
- 1814/15: Vienna Congress; recovery of Prussia’s lost territories.
- 1831/32: Trip of Tocqueville and Beaumont to America.
- 1835/40: Publication of Tocqueville’s first and second part of *Democracy in America*.
- 1842: Friedrich List: *The National System of Political Economy*.
- 1843: Karl Marx: “Critique of Hegel’s Philosophy of Right” (in *Deutsch–Französische Jahrbücher*).
- 1848/49: Revolutions in Europe; March Revolution in Germany; National Convention in Frankfurt (*kleindeutsche* option pursued by Prussia after Austria declares itself Empire).