Adam Smith on Vanity, Domination, and History*

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Adam Smith's lectures present a bleak theory of history in which the innate human “love of domination” results in the perpetuation of increasingly repressive slave societies. This theory challenges common conceptions about the philosophical and historical foundations of Smith’s thought, and accounting for it requires moving beyond traditional dichotomies between an “economic” sphere grounded on asocial wants and a “political” sphere grounded on sociability. For Smith, under the influence of earlier thinkers like La Rochefoucauld, Mandeville, and Rousseau, all human behavior is rooted in our esteem-seeking social nature, and the dominant form of esteem-seeking is a “corrupt” one based on external superiority. Understanding these foundations explains why Smith views both European commercial society and its central motive of economic self-interest as historically contingent, the product of a long series of unintended historical consequences.

In the jurisprudence lectures that he delivered at Glasgow in the 1760s, Adam Smith set forth a theory of history that presents a puzzle to later interpreters of his thought. The theory’s deep pessimism about the typical fate of human societies confounds much of what is commonly believed about Smith. Yet it is only by making sense of this puzzle, I will argue in what follows, that we can fully grasp the intellectual foundations of Smith’s thought.¹

¹ I would like to thank Fabian Arzuaga, Istvan Hont, Duncan Kelly, Sankar Muthu, Jennifer Pitts, participants in the Chicago Political Theory Workshop, and three anonymous reviewers for their comments and suggestions.

Like many of his contemporaries, Smith was an adherent of the “four stages” theory of historical development, in which changes in the prevalent mode of subsistence (from hunting to pastoral to agricultural to commercial societies) correspond to changes in sociopolitical organization. In the Lectures on Jurisprudence, however, Smith suggests that this progression will naturally tend toward the establishment of ever more repressive slave societies. While the hunter-gatherer stage is marked by relative equality and the lack of legal structures, property and inequality arise for the first time in the shepherd stage, bringing with them widespread dependence of poor upon rich. The weakness of central rulers forces them to entrust judicial power to local masters, making slavery “universall in the beginnings of society” (LJ(A)iii.117). Smith thus attributes the original institution of slavery to the legal strengthening of preexisting relations of dependence, which will prove important because he treats the persistence of slavery as closely linked to the existence of de facto dependence.

While Smith’s claim that slavery becomes “universal” in the shepherd stage is striking, what gives his theory of history its distinctively pessimistic slant is his further suggestion that subsequent political and economic development will only perpetuate and even exacerbate it. Slavery will naturally persist in monarchies, and become still harsher in republics (LJ(A) iii.102–3, 114–15); it will persist in “poor and barbarous” societies, and become even worse in “rich and polished” ones (LJ(A) iii.105). The growth of political liberty and economic opulence for the masters only worsens the plight of the slaves, forcing Smith to call into question the value of historical progress itself:

Opulence and freedom, the two greatest blessings men can possess, tend greatly to the misery of this body of men, which in most countries where slavery is allowed makes by far the greatest part. A humane man would wish therefore if slavery has to be generally established that these greatest blessings, being incompatible with the happiness of the greater part of mankind, were never to take place. (LJ(A) iii.111–12)

Thus wealth and liberty need not progress hand in hand, provided it is the liberty of all members of society that is considered, nor do they necessarily correlate with the overall well-being of a society.

It might seem that slavery will be perpetuated because it is in the interest of slaveholders to maintain it. But Smith rejects this conclusion, arguing that the inefficiency of slave labor means that it in fact goes against the economic interest

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2 On the four stages theory see especially Ronald L. Meek, Social Science and the Ignoble Savage (Cambridge, 1976).

3 This point has been made in what is perhaps the only work to examine the broader implications of Smith’s theory of slavery: Duncan Forbes, “Sceptical whiggism, commerce, and liberty,” in Andrew S. Skinner and Thomas Wilson, eds., Essays on Adam Smith (Oxford, 1975), 179–201.
of the masters (LJ(A)iii.111, WN III.ii.9). How, then, to explain their continued reliance on it? Smith could simply have noted, as he does elsewhere, that agents are shortsighted and not always aware of the most efficient course of action, but instead he introduces a new and dramatic psychological variable:

tho as I have here shewn their real interest would lead them to set free their slaves and cultivate their lands by free servants or tenents, yet the love of domination and authority and the pleasure men take in having every thing done by their express orders . . . will make it impossible for the slaves in a free country ever to recover their liberty. (LJ(A) iii.114)

This is the earliest description of the “love of domination” that comes to figure so prominently in Smith’s discussion of the psychology underlying slavery. A clear echo of Augustine’s libido dominandi, with all its undertones of original sin, it appears in various forms throughout his work. Smith always stresses that the trait naturally tends to win out over humans’ “real interests.”

Although it is the weakness of government and the prevalence of dependence that make slavery “universall in the beginnings of society,” it is “the love of dominion and authority over others [that] will probably make it perpetuall,” despite the end of these conditions. As a result, slavery continues and will continue to exist nearly everywhere; only in “a small part of Europe” has it been abolished. But the “circumstances which have made slavery be abolished in the corner of Europe in which it now is are peculiar to it”; the end of slavery was an exceptional event that cannot be accounted for within the natural development of human societies (LJ(A)iii.103, 117).

This gloomy theory of history challenges several widespread assumptions about Smith’s thought. One, as noted, is that he espouses a broadly optimistic view of social development in which freedom, wealth, and happiness progress hand in hand. Another is that he sees the European commercial society of his own day as the most advanced manifestation of this natural historical progression rather than as a contingent historical aberration. But the theory also raises fundamental questions about Smith’s understanding of human nature and motivation. The libido dominandi seems to contradict both the account of sympathy and socialization in the Theory of Moral Sentiments and the account of economic behavior in the Wealth of Nations, presenting humans as inclined toward behavior that is both strikingly unsocial and economically irrational. More than anything, it might appear to be a strange residue of Christian moralism at odds with the general tenor of Smith’s thought.

In what follows I will argue, by contrast, that this theory points the way to a fuller understanding of the unity of Smith’s thought. The first parts of this essay aim to move beyond traditional dichotomies between “economic” and “political” and show that Smith views economic behavior, like all other behavior, as rooted in the pursuit of approbation or esteem. His account has important debts to, and
divergences from, an earlier tradition of thinkers that includes La Rochefoucauld, Mandeville, and Rousseau; I argue that Smith ultimately comes closer to their analysis than he is prepared to admit. The result is a vision of human societies that is darker than generally acknowledged, in which both “real interest” and the “love of domination” become recognizable as historically contingent manifestations of esteem-seeking through vertical relations of superiority.

The later parts of the essay apply this psychological framework to explain Smith’s history of the emergence of European commercial society. I argue that it is only by accepting these psychological underpinnings that we can fully understand Smith’s famous account of the end of feudalism in the Wealth of Nations, as well as his understanding of the apparent triumph of economic interest as a mode of esteem-seeking in modern commercial society.

UTILITY AND APPRROBATION

To understand Smith’s dichotomy between “real interest” and the “love of domination,” we must first examine his conception of economic interest and its relationship to other forms of human behavior. The drive for greater wealth is closely related—though, as we will see, not identical—to what he calls the desire to “better our condition,” and thereby acquire “not only the necessaries, but the conveniences and elegancies of life” (WN III.ii.12). But how does this drive relate to those governing social and political life between humans?

One influential train of thought on this topic is worth sketching, for it explicitly or implicitly underlies much of what is written about Smith and, for that matter, about the relationship between economics and politics in general. This train of thought stresses the fundamental uniqueness of economic drives, due to the fact that these drives—unlike social or political ones—originate in humans’ status as beings subject to physical needs. All humans, after all, need food, clothing, and shelter to survive, regardless of any other circumstances in which they find themselves. Procuring these necessities is therefore a minimal requirement for self-preservation in which every person must engage. Yet people do not want to settle for this minimal standard, and devote their efforts to meeting these needs in an ever more pleasurable or efficient manner; accordingly, their

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4 While Smith distinguishes the behaviors of frugality (saving money) and prodigality (spending it), he emphasizes that at root the desire for money is no different from the desire for purchasable goods (LJ(A) vi.1.145–6). It is thus possible to speak of a unified “economic interest.”

5 The term “social” is a crucial but ambiguous one; I use it in the minimal sense of specifying any motive or behavior that can only be understood given the presence of other people. Thus it includes, but is broader than, “political” motives and behaviors. For example, envy, unlike physical hunger, is a “social” drive, in that it is incomprehensible in isolation, but it need not necessarily be “political.”
production and consumption patterns become increasingly elaborate, moving from “necessaries” to “conveniencies.” Nevertheless, the foundation of this edifice of consumption remains the necessitous nature of human beings. The economy is most fundamentally the domain of self-preservation; this makes the desire to better one’s condition, the guiding principle of economic behavior, “the endless impulse always to add to the means of preservation.”

Of course, the satisfaction of these refined and elaborate desires requires cooperation with other people, and interpersonal contact means that humans become subject to any number of other social forces. Nevertheless, economic activity remains on this theory fundamentally atomistic and asocial. It is based on the wants and needs that anyone, even the proverbial person on the desert island, would have, and the only criteria by which objects are recommended to us are pleasure and usefulness, both of which are just as valid for the person on the desert island as for the one in society. While in practice each person may need the cooperation of others to meet his or her desires, this is rather because of their instrumental capacities to satisfy wants than their intrinsic status as human beings. In principle there is no reason that a team of industrious robots could not suffice just as well.

This view would not, of course, deny the existence of other motives existing alongside the asocial drive for economic consumption. Humans in society become involved in innumerable other relationships that dictate desires and behaviors of their own, and there is no reason that the economic drive rooted in self-preservation should invalidate these other factors. Yet on this theory there must remain a sharp divide between the economic sphere and the political sphere, between the realm guided by atomistic want-satisfaction and the realm guided by the multitude of ways in which humans interact with one another qua humans.

The identification of a separate economic realm stemming from physical necessity in which atomistic individuals come together in instrumental relationships of production and distribution dates, in modern times, at least as far back as Pufendorf. It received its canonical formulation, however, in Hegel’s identification of a distinct “civil society” grounded on the “system of needs.” And once state and society, or politics and economics, are marked as qualitatively different domains, it requires only a short step to see them as conflicting or even irreconcilable, raising the possibility of the withering away of politics foreseen (whether positively or negatively) by thinkers like Marx and Arendt.

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Less dramatically but more ubiquitously, this dichotomy is often manifested in the contrast between economics as a realm of rationality and predictability—governed by ineliminable, material, and therefore rational needs—and politics as a realm of irrationality, variability, and folly.

The general scholarly tendency has been to assimilate Smith into this line of thought, placing him in the tradition of thinkers who implicitly or explicitly distinguished politics from an asocial economic realm based on need. In the older scholarship, this tendency often led to the view that Smith subordinated the political to the economic, thereby enshrining atomistic self-interest and material need as the key human motivations at the expense of all other capacities, and perhaps paving the way for Marx’s antipolitics. More recent scholarship has rehabilitated Smith’s politics and refuted the idea that he subordinated polity to society or economy. Yet, in general, this revisionist work has been content to carve out a larger role for politics vis-à-vis economics without questioning the underlying distinction between political and economic motivations on which the older scholarship rested. Similarly, although recent scholarship has dethroned economic self-interest from its privileged place in Smith’s psychology, this work often continues to speak as if there were some discrete force known as “economic interest” that is tempered or thwarted by other motives. If the caricature of the *Homo economicus* has been dispelled, a sort of *Homunculus economicus* continues to lurk in the background. As a result the dichotomy between an economy based on asocial need-satisfaction and a politics based on sociability persists, even if the weight accorded to these two spheres has changed. It is this underlying dichotomy that I would like to challenge in what follows.

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Smith’s descriptions of the psychology underlying economic behavior are fairly vague in the *Wealth of Nations*, consisting primarily of bland references to the “desire of bettering one’s condition.” But a closer examination of the *Theory* and *Lectures* demonstrates that Smith does not view economic drives as rooted in simple need-satisfaction. Nor does he see economic relationships as asocial forms of cooperation into which atomistic individuals enter in order to satisfy these needs.

To begin with, Smith follows Rousseau in arguing that humans are capable of meeting their needs for food, clothing, and shelter independently, without entering into cooperative relationships or a division of labor (*LJ*(A) vi.12). Necessity therefore cannot serve as the explanation for economic relationships. Smith instead argues that these relationships spring up due to the unique human “propensity to truck, barter, and exchange one thing for another,” a disposition “which originally gives occasion to the division of labor.” But what is the basis of this disposition? In the *Wealth of Nations*, Smith claims that it is “probable” that it is “the necessary consequence of the faculties of reason and speech” (*WN* I.ii.1–3). In the *Lectures* he goes further, grounding this disposition on “the naturall inclination every one has to persuade . . . even when the matter is of no consequence to them” (*LJ*(A) iv.56). Thus the propensity so basic to economic activity is rooted in humans’ social capacities. We may even say that it is in some sense a political capacity, since Smith in turn grounds both the desire to persuade and the faculty of speech itself on the uniquely human “desire of real superiority, of leading and directing” (*TMS* VII.iv.25).

This social disposition may be the basis of the division of labor, but it still does not entirely explain the phenomenon of “economic interest” in the sense of progressively greater consumption drives. How can we explain the human desire to move from “necessaries” to “conveniencies”? Is it because these objects possess more usefulness in providing for basic needs, or confer greater pleasure in doing so—in a word, because of their greater utility?\footnote{While Smith uses the term “utility” in a way that is consistent with the term’s present-day meaning in colloquial English, his usage does not correspond precisely to the more abstract technical usage in economics.}

Smith makes clear that they do not. In the *Lectures*, he argues that it is not the greater utility of these consumption objects, but rather their aesthetic qualities, that “leads men into customs with regard to food, cloathing, and lodging which have no relation to convenience and are often contrary to the ends proposed to

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be supplied by those things” (LJ(A) vi.16). In the *Theory*, he famously argues that it is the well-contrived appearance of utility, rather than actual utility, which leads people to pursue wealth. In terms of the satisfaction of genuine needs, “all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for” (*TMS* IV.1.10).

This view of economic motivation as fundamentally aesthetic suggests that more elaborate consumption does not actually provide improved need-satisfaction, but it does not necessarily dispel the view of economic drives as atomistic. The desert island dweller can be swayed by aesthetic qualities as much as anyone else, and if economic behavior is motivated by *perceived* utility, however deceptive, we might still see it as an asocial drive. The aesthetic view of consumption, however, is not Smith’s last word on the subject.

For in the same section of the *Theory* Smith suggests that the deceptive appearance of utility is not a function of an object’s inherent qualities, but rather a distortion created by life in society:

To one who was to live alone in a desolate island it might be a matter of doubt, perhaps, whether a palace, or a collection of such small conveniencies as are commonly contained in a tweezer-case, would contribute most to his happiness and enjoyment. If he is to live in society, indeed, there can be no comparison, because in this, as in all other cases, we constantly pay more regard to the sentiments of the spectator, than to those of the person principally concerned, and consider rather how his situation will appear to other people, than how it will appear to himself. (*TMS* IV.1.8)

It is thus humans’ social nature, not their necessitous animal nature, that is at the root of the pursuit of wealth. This observation points the way to Smith’s broader account of economic motivation.

For although Smith of course recognizes that humans have basic requirements for self-preservation that must be met regardless of social circumstances, for him, as again for Rousseau, the entrance into society causes a radical shift in human psychology. In a hypothetical state of nature (which, Smith emphasizes, is nothing more than a thought experiment), courses of action and objects of consumption could still recommend themselves to us on the basis of their utility:

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13 Smith gives an analogous account of language in the *Considerations Concerning the First Formation of Languages*. While noting that language must have begun from a desire to satisfy “mutual wants” (*LRBL* 201), he suggests that aesthetic considerations quickly superseded utilitarian ones in driving linguistic development, so that it is not functionality but “love of analogy and similarity of sound, which is the foundation of by far the greater part of the rules of grammar” (211). Smith’s thought is marked by a persistent refusal to reduce human motivation to considerations of utility, whether the subject is economic consumption or language.
“If it was possible, therefore, that a person should grow up to manhood without any communication with society, his own actions might, notwithstanding, be agreeable or disagreeable to him on account of their tendency to his happiness or disadvantage.” But “[b]ring him into society, and all his own passions will immediately become the causes of new passions. He will observe that mankind approve of some of them, and are disgusted by others.” It is this experience of social approval and disapproval that leads humans to judge according to moral worth, rather than mere utility, and to experience pride and shame (TMS IV.2.12, III.1.3).

Once in society, the desire for approbation comes to regulate all human conduct. (For the sake of brevity, I will slightly amend Smith’s language and follow Arthur Lovejoy in referring to the desire for approbation as “approbativeness.”) It is worth noting, however, that Smith’s notion of approbation also bears a significant resemblance to the concept of “recognition” developed by later theorists.) Even the “selfish” passions and virtues such as prudence, those which exist even for the person on the desert island, take on a different character in society, aiming primarily at approbation rather than bodily pleasure (TMS VI.i.2.12). And it is in this light that we must understand the basis for economic interest as a motive. The desire for wealth does not primarily aim at better satisfaction of physical wants; rather, it is just another form of approbativeness:

The desire of becoming the proper objects of this respect [of our peers], of deserving and obtaining this credit and rank among our equals, is, perhaps, the strongest of all our desires, and our anxiety to obtain the advantages of fortune is accordingly much more excited and irritated by this desire, than by that of supplying all the necessities and conveniencies of the body, which are always very easily satisfied. (TMS VI.i.3)

The same point is made more explicitly and rhetorically in Book I of the Theory:

[I]t is chiefly from this regard to the sentiments of mankind, that we pursue riches and avoid poverty. For to what purpose is all the toil and bustle of this world? What is the end of avarice and ambition, of the pursuit of wealth, of power, and preheminence? Is it to supply the necessities of nature? The wages of the meanest laborer can supply them . . . From whence, then, arises that emulation which runs through all the different ranks of men, and what are the advantages which we propose by that great purpose of human life which we call bettering our condition? To be observed, to be attended to, to be taken notice of with sympathy, complacency, and approbation, are all the advantages which we can propose to derive from it. It is the vanity, not the ease, or the pleasure,

15 As TMS I.ii.3–5 makes clear, we must distinguish “selfish” passions, such as joy, which do not presuppose the existence of others, from “unsocial” ones, such as resentment, which do.
which interests us. But vanity is always founded upon the belief of our being the object of attention and approbation. (TMS I.iii.2.1)

The motive behind economic advancement has nothing to do with the perceived ease or pleasure of wealth, but rather with vanity; it aims not at increased want-satisfaction in *absolute* terms, but with an enhancement of social status *relative* to other people.\(^{16}\)

This passage is also the only point in the *Theory* where Smith refers to the desire of “bettering our condition,” to which he links “all the toil and bustle of this world,” the pursuit not merely of wealth but also of power and preeminence. It is this that allows us to connect the account of approbation in the *Theory* to the account of self-interest in the *Wealth of Nations*.

The fullest account of the desire to better one’s condition in the *Wealth of Nations* comes when Smith raises the question of why the principle of frugality seems to predominate in most people, leading them to save more money than they spend. He answers:

> An augmentation of fortune is the means by which the greater part of men propose and wish to better their condition. It is the means the most vulgar and the most obvious; and the most likely way of augmenting their fortune, is to save and accumulate some part of what they acquire, either regularly and annually, or upon some extraordinary occasions. (WN II.iii.28)

The desire of bettering our condition is not inherently an economic drive; it relates to all the manifold ways in which humans hope to improve their situations. In practice, the desire tends to manifest itself in the drive for wealth, as wealth is “the most vulgar and the most obvious” means of bettering one’s condition. In turn, the drive for wealth tends to manifest itself in the principle of frugality, since saving and accumulating is “the most likely way” of increasing one’s fortune. But far from being a unique drive rooted in material need, the economic self-interest that is so foundational to the *Wealth of Nations* is simply the most widely prevalent of a larger set of social esteem-seeking behaviors.

It is also important to note that Smith’s explanation for why the desire for wealth is the predominant way of bettering our condition describes only the conditions found in modern commercial societies. The conditions that make economic advancement “the most likely” way of gaining approbation, and frugality “the most likely” method of economic advancement, are far from socially or historically universal, and in different circumstances other behaviors will be the more obvious and more prevalent modes of approbativeness.\(^{17}\)

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\(^{16}\) This theme was a recurring one in seventeenth- and eighteenth-century thought. Cf. Lovejoy, *Reflections*, 207–15.

Smith’s account of approbativeness bears a strong resemblance to Rousseau’s in the Second Discourse, a work that he wrote about at length for the Edinburgh Review in 1755. It is true that Smith rejects the notion of a historical state of nature populated by asocial individuals; his history begins with “savage” hunters already living in small groups. But he accepts Rousseau’s basic point about the crucial importance of life in society for the development of human moral psychology: that it is only in society, by observing the sentiments of others, that humans can become self-conscious, developing the notions of right and wrong and of pride and shame. As we have seen, Smith argues that the hypothetical person who grew up in isolation would be capable only of judgments of taste or utility without moral content. Only in society can he develop a fully human personality, by looking into the “mirror . . . placed in the countenance and behavior of those he lives with” (TMS III.1.3). Smith’s contrast between the person raised in isolation and humans in society is well captured by Rousseau’s contrast between savage and sociable man: “the Savage lives within himself; sociable man, always outside himself, is capable of living only in the opinion of others and, so to speak, derives the sentiment of his own existence solely from their judgment.”

Smith would also accept—but, as we will see, in a modified and less moralized form—Rousseau’s corresponding distinction between amour de soi-même, the “natural sentiment which inclines every animal to tend towards its self-preservation,” and amour-propre, the “relative sentiment, factitious, and born in society, which inclines every individual to set greater store by himself than by anyone else.” The two agree that it is a form of this latter sentiment, “the ardent desire to raise one’s relative fortune less out of genuine need than in order to

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18 Smith’s relation to Rousseau has been intelligently treated in two recent books: Force, Self-Interest; and Dennis C. Rasmussen, The Problems and Promise of Commercial Society: Adam Smith’s Response to Rousseau (University Park, PA, 2008). While I agree with most of their claims, my own argument differs in emphasis. Specifically, I take Smith’s most fundamental debt to Rousseau not to be the account of amour-propre or vanity in modern commercial society, important as this may be, but rather the account of amour-propre as the fundamental fact of all human societies, commercial and otherwise, and the foundation of distinctively human personality in general.


20 Ibid., 214, Note XV.
place oneself above others,” that serves as the motive for economic advancement in commercial society.\footnote{Ibid., 171. Not coincidentally, this passage—like the just-cited contrast between savage and sociable man—is among the passages of the Discourse that Smith translated in his review of the work (EPS 252–3).
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The distinction between *amour de soi-même* and *amour-propre* is in fact a useful way of understanding the difference between the theory that sees economic self-interest as a form of need-satisfaction and the theory that sees it as a form of esteem-seeking. In the former view, economic behavior is built upon *amour de soi-même*, the self-preservation drive found even in the state of nature, whereas social and political behavior is built upon *amour-propre*, the approbation drive governing conduct relative to other people. In the latter view, shared by Rousseau and Smith, *amour de soi-même* sets a minimal standard of self-preservation that every human must meet, but virtually all behavior in society beyond this minimal threshold—economic as well as political—is dictated by *amour-propre*.

In his 1755 review of the *Second Discourse*, Smith argues that Rousseau’s system bears deep yet tacit similarities to that of Mandeville (EPS 250). By the time we get to the *Theory*, Rousseau is not mentioned by name, but Smith devotes a section of the work to rebutting Mandeville and his predecessor La Rochefoucauld, whose systems he deems “licentious.”\footnote{TMS VII.ii.4. In the final edition Smith removed La Rochefoucauld’s name from the chapter at the request of one of the moralist’s descendants.} The connection is a telling one, both for Smith’s divergences from La Rochefoucauld and Mandeville and for his unacknowledged debts to them.\footnote{For background on La Rochefoucauld and the broader French moralist tradition see especially Force, *Self-Interest*; and Nannerl O. Keohane, *Philosophy and the State in France: The Renaissance to the Enlightenment* (Princeton, 1980). For Mandeville and his relation to Smith see E. J. Hundert, *The Enlightenment’s Fable: Bernard Mandeville and the Discovery of Society* (Cambridge, 1994).}

What makes the two thinkers “licentious,” for Smith, is their contention that all seemingly virtuous action is performed from vanity and the love of praise. Drawing on the Augustinian moralism of the Jansenists, both stressed that because apparently selfless or virtuous conduct receives social esteem, the desire for praise leads egoism to mimic altruism, *amour-propre* to assume the guise of *charité*. This led naturally to Mandeville’s contention that private vices made for public benefits—for if all beneficent action was the result of approbativeness, and thus of vanity, then all public benefits could by definition be attributed to some form or other of private vice.

Smith was eager to differentiate himself from this tradition, but he stands in a more complicated relationship to it than his attack on “licentious systems” might suggest. While conceding that Mandeville’s system “in some respects bordered on
the truth,” he nonetheless seeks to defuse its central contention that all virtuous action is derived from vanity—a claim that, if true, would “take away altogether the distinction between vice and virtue” (TMS VII.ii.4.14, VII.ii.4.6). Smith’s attack on Mandeville has two main strands, one concerning his definition of terms and the other concerning his description of moral psychology. First, he disputes Mandeville’s contention that any action in which self-love or the desire for praise plays a role can therefore be labeled vicious. Vanity properly called, Smith argues, refers only to the love of undeserved praise. “The man who desires esteem for what is really estimable, desires nothing but what he is justly entitled to,” and this cannot rightly be labeled a vice (TMS VII.ii.4.8–9).

Smith’s second point is that Mandeville has not merely mislabeled many forms of virtue as vice, but misdescribed human moral psychology by overlooking the role of conscience. Virtue is not merely a mask that we put on in public, Smith suggests, nor do we merely act according to social norms to gain approbation from the actual spectators around us.24 Rather, when socialization is successful, we internalize these norms and become the spectators and judges of our own behavior. We seek “not only praise, but praiseworthiness” (TMS III.2.1). Virtue is more than a mask, because its dictates become internalized as duties.

These two moves, Smith believes, allow him to rescue the distinction between virtue and vice from the “licentious” thinkers. Yet these points of difference conceal a number of deeper similarities, the foremost of which is the central importance all these thinkers attach to approbativeness in motivating conduct and establishing norms. While Smith denies Mandeville’s suggestion that seemingly virtuous conduct aims simply to gain approbation, he accepts that virtue aims to deserve it, and that our ideas of the kind of conduct that deserves approbation can originally be derived from nothing but our experience of what does in fact gain it.25 All moral conduct therefore remains a matter of amour-propre in the minimal Rousseauian sense of “living outside oneself,” for even the most perfect virtue contains “some reference, though not to what is, yet to what in reason and propriety ought to be, the opinion of others” (TMS VII.ii.4.10). What Smith presents, therefore, is a sort of demoralized Mandevillian account of human behavior—that is, one which accepts that social behavior in

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24 Smith may, however, be slightly unfair in ascribing this position to Mandeville, who would not deny that norms can be internalized. Rather, he simply argues that even acting to gain self-approbation remains a form of egoism. Cf. Bernard Mandeville, The Fable of the Bees, ed. F. B. Kaye (Indianapolis, 1988), I, 57.

25 Smith states this explicitly in a passage inserted into the second edition of the Theory (and later replaced in the sixth). Although the “tribunal within the breast . . . can reverse the decisions of all mankind . . . yet, if we enquire into the origin of its institution, its jurisdiction we shall find is in a great measure derived from the authority of that very tribunal, whose decisions it so often and so justly reverses” (TMS III.1.12).
general and virtue in particular spring from approbativeness, but which takes this as a bare descriptive fact about human psychology rather than as proof of man’s essential viciousness.

But although we can see from this account how all social behavior is for Smith ultimately rooted in approbativeness, it might seem that we have failed to explain the specific phenomena with which we started: economic self-interest and the love of domination. After all, the Theory describes how the sympathy mechanism allows humans to make moral judgments, and how these judgments create social norms that become internalized as private guides for conduct. It thus explains how approbativeness can produce virtue. But this bare account would seem to suggest that the natural endpoint of the socialization process would be a beneficent society based on mutual goodwill. How, then, can we explain the prevalence of behaviors that are acknowledged not to be virtuous—of vanity, domination, avarice, and ambition?

THE CORRUPTION OF MORAL SENTIMENTS

Smith’s solution to this puzzle lies in what he refers to, in his 1790 revision of the Theory, as “the corruption of our moral sentiments.” The focus on vanity becomes more prominent in this revision, and the tone more pessimistic. Yet we will see that the bleak account of human society that Smith gives in the last year of his life can be viewed less as a radical shift than as an elaboration on themes already present in his thought.

The bulk of Smith’s account of the sympathy mechanism in the Theory explains how approbativeness can instill virtue in what we might call the “horizontal” relationships between equals. In such relationships it is virtuous conduct that gains esteem, and esteem-seekers therefore strive to act virtuously. But alongside these horizontal relationships exist “vertical” relationships based on unequal rank, power, and wealth. For Smith the corruption of moral sentiments lies in the distorting effect that vertical inequalities have upon the operation of sympathy and approbation. It is this corruption that causes people not only to seek approbation through unvirtuous means, but also to gain it successfully through such means, and it is this that accounts for ambition and avarice as prevalent modes of esteem-seeking.

26 See especially TMS IV.i.4 (emphasis added): “Our rank and credit among our equals ... depend very much upon, what, perhaps, a virtuous man would wish them to depend entirely, our character and conduct, or upon the confidence, esteem, and good-will, which these naturally excite in the people we live with.”

27 It is here that I differ with the generally excellent account in Rothschild, Economic Sentiments, 7–51, which correctly notes the ways in which economic behavior for Smith is
The basis for the corruption of sentiments lies in the fact that “our propensity to sympathize with joy is much stronger than our propensity to sympathize with sorrow” (TMS I.iii.1.5). As a result, the wealthy and powerful receive more approbation than their social inferiors: “The man of rank and distinction . . . is observed by all the world. Every body is eager to look at him, and to conceive, at least by sympathy, that joy and exultation with which his circumstances naturally inspire him” (TMS I.iii.2.1). But it is not merely that we sympathize more strongly with the wealthy and powerful; we sympathize with them in a qualitatively different manner. The calculus of propriety and merit that regulates our judgments of equals ceases to apply to our superiors, with the result that approbation no longer attaches to virtue alone: “Hence the general admiration for heroes and conquerors, and even for statesmen, whose projects have been very daring and extensive, though altogether devoid of justice.” The result is that a “wicked and worthless man of parts often goes through the world with much more credit than he deserves” (TMS III.6.7, VI.i.16).

This tendency has two beneficial consequences for social and political life. The first is its role in promoting social stability, as our great and even irrational admiration for the successful teaches us “to submit more easily to those superiors, whom the course of human affairs may assign to us” (TMS VI.iii.30). The second is that it prompts ambition and thereby spurs people to action, setting in motion the business of the world. It might seem paradoxical that the same principle should lie behind both obedience and ambition. But sympathy, the capacity to put ourselves in others’ places, helps resolve this apparent contradiction. When we picture ourselves in the situation of the great, “in those delusive colours in which the imagination is apt to paint it,” we admire them and defer to them; at the same time, we desire ourselves to be so admired, and strive to reach their station. The resulting struggle for place and distinction has both its benefits and

social rather than atomistic. While economic actors in commercial society may be formally equal, and forced to rely on persuasion rather than domination, I would suggest that Smith nonetheless sees their motives as rooted primarily in a drive for vertical superiority rather than horizontal relations of sociability of the sorts that Rothschild describes. Put in Smith’s terms, we are in agreement that economic behavior is not “selfish,” but whereas Rothschild appears to see it as primarily “social” I would see it as primarily “unsocial” (cf. TMS I.ii.3–5).

28 Here we can see a clear echo of the distinction between utility and authority that Smith took from Hume and that figures prominently in the Lectures. The benefit that government provides to individuals is not, as Locke had argued, the only reason for their loyalty to it; alongside it is the fact that “every one naturally has a disposition to respect an established authority and superiority in others, whatever they be” (LJ(A) v.119). The result is that rulers command an allegiance that is greater than what, strictly speaking, they deserve (TMS I.iii.2.3).
its dangers: it is responsible on the one hand for “all the tumult and bustle” in
the world, on the other for “all the rapine and injustice” (TMS I.iii.2.2, I.iii.2.8).

In the chapter “of the corruption of our moral sentiments,” added to the 1790
version of the Theory, Smith criticizes more explicitly the tendency to admire
wealth and power, and emphasizes that it is the reason why approbativeness
generally fails to inculcate virtue:

To deserve, to acquire, and to enjoy the respect and admiration of mankind, are the great
objects of ambition and emulation. Two different roads are presented to us, equally leading
to the attainment of this so much desired object; the one, by the study of wisdom and the
practice of virtue; the other, by the acquisition of wealth and greatness.

But it is the latter model that is more “gaudy and glittering . . . forcing itself upon
the notice of every wandering eye.” As a result it is

but a small party, who are the real and steady admirers of wisdom and virtue. The great mob
of mankind are the admirers and worshippers, and, what may seem more extraordinary,
more frequently the disinterested admirers and worshippers, of wealth and greatness.
(TMS I.iii.3.2–4)

Thus Smith is ultimately not so far from the Mandevillian vision of a society
built upon vanity. He has sought to establish, against Mandeville, that it is
only the desire for undeserved approbation, and not the desire for approbation
as such, that can be labeled vain, thereby conceding that virtue is rooted in
approbativeness while insisting that it can remain virtue nonetheless. But if it is
only a small minority who seek and confer esteem through the deserving means
of wisdom and virtue, while “the great mob of mankind” do so based on wealth
and greatness, then it appears that vanity is the main engine of society after all.29

Smith repeatedly stresses in this chapter that the desire for wealth and the
desire for power are linked manifestations of the same phenomenon; there is no
distinct “economic interest” that is qualitatively different from other forms of
social or political interest. “The objects of avarice and ambition differ only in
their greatness. A miser is as furious about a halfpenny, as a man of ambition
about the conquest of a kingdom” (TMS III.6.7). This insistence on the essential
similarity of power-seeking and wealth-seeking cuts both ways. On one level,
it undercuts those champions of modern commercial society who would argue
that economic self-interest represents a fundamentally more rational mode of
behavior than the pursuit of power or glory. But by the same token, it undercuts
those critics of commercial society who would seek to uphold ancient martial
virtue against modern commerce: the desires for power and glory may not be

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29 Cf. Force, Self-Interest, 47, although—as noted below—it is not merely “civilized” or
commercial behavior that Smith sees as rooted in vanity.
any less rational than the desire for wealth, but neither are they any less vain. It is this that differentiates Smith’s position from traditional republican critiques of modern “corruption.”

The account in the _Theory_ focuses primarily on the operations of sympathy under the conditions of modern commercial society. These are conditions in which political power is separated from economic power, in the sense that economic relations of production and distribution are no longer identical with political relations of direct dependence, and wealth is esteemed for its own sake independently of its association with political power. In these conditions the desires for power and for wealth appear to be distinct and become regulated by distinct behaviors.

But this account of the operation of vanity under modern conditions does not imply that vanity neatly breaks down into historically constant categories of “political interest” and “economic interest.” Since vanity refers, for our purposes, to any form of approbativeness through vertical relationships governed by power rather than horizontal relationships governed by virtue, its concrete manifestations will vary according to sociohistorical circumstances, depending on the forms of conduct that happen to be esteemed and the power relations that happen to govern social life. If there is a common denominator for these diverse modes of approbativeness, however, it is the drive for superiority over others.

Furthermore, we should not make the mistake of reducing this lust for superiority to yet another consideration of utility—to the idea that humans seek power over others in order to further their own political or economic interest. If anything, the causal relationship runs the other way. We have seen that “to be observed, to be attended to,” “to enjoy the respect and admiration of mankind,” are the ultimate objects of all political or economic interest. And since, as Smith has claimed, asymmetrical relations of power and dependence really do confer approbation—albeit in a form that would be unsatisfactory to the wise and virtuous—human conduct will naturally tend toward the establishment and maintenance of these relations of power.

All this exposition is by way of explaining the “real interest” and the “love of domination” with which we started. I have first tried to argue against one intuitive way of thinking about these concepts that Smith’s language sometimes seems to suggest. This is the view that economic interest is “real,” because it is “natural,” because it is derived from the absolute biological needs that every human necessarily has, whereas the _libido dominandi_ is “artificial” or “unnatural.”

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30 This usage is close to, but slightly broader than, the definition given at _TMS_ VI.iii.36, where vanity is defined as the attempt by an agent to receive approbation that he himself knows that he does not deserve. I use it more generally to refer to esteem-seeking through undeserving means, whether or not the agent understands them as undeserving.
because it is derived from drives relative to other humans which are only the product of contingent and irrational social and political arrangements. By this logic, the move from an economy structured around domination and dependence to one structured around economic self-interest would be the story of nature triumphing over artifice, of humans’ rational (because natural) drives finally liberated from their irrational (because artificial) drives, of the economy liberated from politics. On this account, the only surprising thing about the end of relations of direct dependence in Europe is that it did not happen sooner, that politics proved so tenacious in trumping nature for so long.

As I have argued, however, these firm distinctions between “rational” and “irrational” interests, “natural” and “artificial” desires, “economic” and “political” motives, cannot be maintained. For Smith, self-interest and the love of domination are not opposites, but cousins. They are both forms of vanity—of the tendency, rooted in human corruption, to seek esteem through vertical relations of superiority. This is not, of course, to paint Smith as a relativist who saw no distinction between the two; he clearly deplored the love of domination as a more malicious and repugnant form of vanity. It is merely to say that both are in one sense “artificial,” in that they only arise in society, and in another sense “natural,” in that they are natural manifestations of approbativeness within society. We may even say that both are “rational,” insofar as all “rational self-interest” for Smith ultimately boils down to esteem-seeking, and relations of power and dominance really do confer esteem among the bulk of humankind. (If we can speak of a “true” form of self-interest in Smith’s moral theory, in the sense of “correct” rather than “natural,” it would be wisdom and virtue rather than economic advancement.) This explains the persistence of domination as a mode of economic behavior; in effect it offers a more direct path to the same approbation that economic self-interest strives for.

But this makes the issue of Europe’s emergence from domination to self-interest a more complicated one. This transition cannot be explained as the triumph of nature over artifice, or rationality over irrationality; in fact, it cannot be explained by recourse to Smith’s view of human nature at all.

VANITY AND THE END OF DEPENDENCE

Given these philosophical foundations, the only explanation that Smith can give for the emergence of commercial society is a historical one. Because his view of human nature suggests that the natural and stable endpoint of the drive for approbation is a slave society based on relations of domination, it is history rather than philosophy or anthropology that must bear the burden of explanation for modern European history in his overall system. In this regard it is unsurprising that Smith’s great unfinished project, on which he worked for at least the last
three decades of his life, was a historical account of the development of law and government. While he never completed this work, we can see its general contours from the Lectures and, especially, from the famous Book III of the Wealth of Nations, in which he aims to explain the historical rise of commercial society.

Smith’s history is—and must be—a story of contingency. Just as in the Lectures he notes that the end of slavery in Western Europe was due to circumstances that “are peculiar to it” (LJ(A) iii.117), so in the Wealth of Nations he describes the development of modern Europe as an “unnatural and retrograde” inversion of the “natural order of things” (WN III.i.9). To say that the story is contingent is not to say that it is utterly arbitrary. Istvan Hont, for instance, has suggested that Smith’s grand narrative is one of “liberty gained, lost and regained,” in which luxury and commerce first bring about the collapse of the ancient republics but later midwife the birth of commercial society and modern liberty out of feudalism. But many unforeseeable circumstances, in Smith’s telling, combined to bring about the end of feudalism, and his narrative does not fit neatly into the categories of the four stages theory of history. While the four stages theory may account for the emergence of trading slave societies such as Athens and Carthage, it is not clear that it can explain the emergence of fully fledged commercial society at all.

If modern society is for Smith a historical aberration, how does he explain it? Medieval Europe, in his portrayal, was in many ways recognizable as a slave society conforming to the theory of history in the Lectures. This was most obviously true in the case of the feudal serfs, but legal serfdom was closely related to structures of de facto personal dependence, originating in the fact that the great feudal lords had no way to spend their money except on retainers and followers. In such circumstances there was no real separation of political from economic power, as economic structures of production and distribution were identical with political and legal structures of rule. This explained both the persistence of such economically inefficient institutions as primogeniture and entailments, and the instability caused by central rulers’ lack of a real monopoly of violence:

[W]hen land was considered as the means, not of subsistence merely, but of power and protection, it was thought better that it should descend undivided to one. In those disorderly times, every great landlord was a sort of petty prince. His tenants were his subjects. He was their judge, and in some respects their legislator in peace, and their leader

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in war. He made war according to his own discretion, frequently against his neighbors, and sometimes against his sovereign. (WN III.ii.3)

Thus the moral, economic, and political ills of medieval Europe all stemmed from the same cause, the prevalence of direct political and economic dependence. This dependence resulted, on a moral level, in the domination and oppression of the serfs and tenants; on an economic level, in the stagnation of agriculture and manufacturing; on a political level, in the disorders caused by a host of “petty princes” with armies of retainers and dependents at their command. By the same token, the solution to these problems had to center upon the end of unfree labor and direct dependence. The establishment of civil government, in which the sovereign no longer competed with aristocratic and ecclesiastical rivals commanding private armies, was linked with the establishment of commercial society, in which a freed urban and agrarian workforce ended the economic stagnation of the slave economy.

In the Wealth of Nations, Smith explains this occurrence by attending to the features that distinguished western Europe from the typical slave society—foremost among them, the quasi-independent cities that were a legacy of antiquity. Much of this story is one of mutual political interest: monarchs and city-dwellers joined forces against the feudal lords, and monarchs emancipated and granted privileges to the cities in order to undercut the nobility. Freed from royal and lordly exactions, and “secure of enjoying the fruits of their industry,” this new bourgeoisie turned to manufacturing, creating the outsized urban manufacturing sector that was the source of Europe’s “unnatural and retrograde” path. In time, the comparative opulence of the cities helped to build up the agrarian sector as well, both by furnishing an increased market for its produce and by creating a merchant class who were eager improvers of the land (WN III.iii.7–14, III.iv.1–3).

Yet all these developments still did not remedy the fundamental dependence problem that made government “too weak in the head and too strong in the inferior members” (WN III.iv.9). An additional causal factor was needed, and Smith famously argues that commerce and manufactures were this factor, introducing “order and good government, and with them, the liberty and security of individuals, among the inhabitants of the country.” They did so by allowing the great landlords to spend their money on goods rather than men, thereby ending the relations of direct personal dependence that were the source of their power. This change in consumption patterns ended relations both of legal bondage over serfs and of de facto dependence over retainers and tenants at will: lords dismissed

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33 In the Lectures, he gives a different explanation centered on the role of the clergy (LJ(A) iii.118–121).
their retainers in order to spend their money on luxury goods, and financed these purchases by granting their tenants long leases that made them independent in practice. Thus the great lords “were no longer capable of interrupting the regular execution of justice, or of disturbing the peace of the country” (WN III.iv.4, III.iv.11–15).

Smith already touches upon this phenomenon in the Lectures (LJ(A) iv.157–9), but there he does not analyze the motive for this change, whereas the Wealth of Nations supplements the historical description with a vivid psychological account of the barons’ motivation:

All for ourselves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind . . . For a pair of diamond buckles perhaps, or for something as frivolous and useless, they exchanged the maintenance, or what is the same thing, the price of the maintenance of a thousand men for a year, and with it the whole weight and authority which it could give them . . . thus, for the gratification of the most childish, the meanest and the most sordid of all vanities, they gradually bartered their whole power and authority. (WN III.iv.10)

It has frequently been remarked that Smith’s history of Europe demonstrates that he is not an economic determinist, and that he gives considerations of political interest a great deal of causal force in explaining historical developments.34 Yet this bare statement does not go far enough, for the solution to the dependence problem that Smith ultimately identifies is not intelligible as a story of interest, whether economic or political, at all. It is vanity, in Smith’s final telling, that ends feudalism. Indeed, Smith takes pains to specify that the lords turned to luxury goods not due to the perceived utility of these items, but solely in order to deprive their dependents of any share of their wealth. It is thus some form of the corrupted drive for superiority that accounts for the pivotal episode in the emergence of commercial society.

This aspect of Smith’s account has sometimes been criticized as overly moralistic and psychologically implausible. In his eagerness to excoriate the lords, it is alleged, Smith departs from the assumption of self-interest that drives the rest of his theory and overemphasizes their collective irrationality.35 But if there is moralism here, it is fundamental rather than incidental to Smith’s overall view of human nature. After all, it is vanity, rather than the rational pursuit of self-interest, that is the true constant in Smith’s account of human society. Similarly, on some level Smith clearly believes that the landlords’ conduct is


contemptible—it is “folly” and “the most childish vanity,” as opposed to the “much less ridiculous” motive of the merchants who “acted merely from a view to their own interest” (WN III.iv.17)—but as we have seen, this does not make it unintelligible or unnatural.

What is exceptional about the Book III story is not that it portrays humans as capriciously seeking superiority for its own sake, independent of any real “interest,” but that it describes this behavior as ending in failure. Generally speaking, Smith sees relations of domination and dependence as stable and self-perpetuating due to the power and authority resulting from human corruption. Book III describes the peculiar set of circumstances in which vanity could finally become self-defeating, dissolving the very relations of dependence and subordination in which the lords’ power originated.

If the particular history in Smith’s account is highly contingent, we might nevertheless say that Smith’s understanding of human nature dictates that his account must take something like the form that it does—that it must be a history of unintended consequences. Since Smith believes that approbativeness will naturally tend to coalesce around relations of domination and direct dependence, he must therefore explain why it does not take this form in modern Europe, and why approbativeness in economic relations tends toward the pursuit of material wealth rather than direct domination and authority. The fact that all human action must be internal to the broader framework of approbativeness—and thus that this history cannot take the form of the triumph of rationality over irrationality, or nature over artifice—suggests that on the level of moral psychology it must be a history of the transformation of vanity due to its own operations rather than the replacement of vanity by some external and superior principle.

ECONOMIC INTEREST IN COMMERCIAL SOCIETY

If the problems of medieval Europe all stemmed from the prevalence of unfree labor and direct dependence, the dissolution of these structures was therefore the prerequisite for both civil government and the commercial economy. Smith describes these developments in terms of two linked processes to which he returns again and again. Prior to the rise of commerce, manufactures, and luxury, he stresses, the only way for a man of great fortune to use his wealth was to spend it on servants and retainers who then had to “obey his orders in war, and submit to his jurisdiction in peace” (WN V.i.b.7). Economic power thus became identical with political power, and these de facto relations of dependence shaded into de jure relations of servitude. But in a “more refined and cultivated age,” the wealthy spend their money on goods rather than on men due to the sort of seemingly irrational calculus seen in Book III (LJ(A) i.117–18). The wealthy no
longer have anyone wholly dependent on them for support, but, as Smith notes in the *Theory*, this does not mean that their expenditure stops going to their inferiors:

though the sole end which they propose from the labors of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants ... (TMS IV.1.10)

Although the new mode of consumption is originally motivated by the desire to avoid sharing anything with one’s inferiors, it does not end the poor’s dependence on the rich; each poor laborer can survive only through the money spent by his superiors. But this dependence takes on a very different form in an advanced economy, becoming *depersonalized*. A wealthy man in modern Europe “maintains a great or even a greater number of people than he could have done by the antient method of expense,” but he provides only a small proportion of the subsistence of each, and therefore “they are all more or less independent of him, because generally they can all be maintained without him” (WN III.iv.11).

This depersonalization of economic relations is a consequence of the division of labor, in which every consumption object (like the famous example of the woolen coat) is produced by vast networks of workers. The result is that “without the assistance and cooperation of many thousands, the very meanest person in a civilized country could not be provided” with even the most basic goods (WN I.i.11). Conversely, the product of the labor of each person becomes similarly spread among innumerable consumers.

Modern society is thus characterized not by relations of economic independence—for this would apply only in a sort of Rousseauian state of nature in which each person supplied all of his or her own needs—but by depersonalized relations of *interdependence*. It is this sort of interdependence that defines commercial society:

When the division of labour has been once thoroughly established, it is but a very small part of a man’s wants which the produce of his own labour can supply . . . Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society. (WN I.iv.1)

A properly commercial society thus consists not merely of the presence of trade, but of these two linked processes—the end of relations of personal dependence

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36 Cf. Rasmussen, *Problems and Promise*, 142–50. Less convincing is the description of Smith’s theory of history as one in which “society progresses as a result of people’s innate abilities and propensities rather than through a series of accidents” (95).
and the thorough establishment of the division of labor, which forces every person to become “in some measure a merchant.” The distinctive feature of such a society is not so much the expansion of commerce as the generalization of wage labor.

Only in commercial society does there exist a clear distinction between the economic and political spheres. In earlier societies, there is no separation between the two: the master–slave relationship has both economic and political components, and, even among the non-slave population, economic and political relations tend to fuse when there is no other use for wealth than to support direct dependents. But when spending becomes spread among thousands of producers, each of whom has thousands of other sources of income, economic relationships become separated from political ones:

This manner of laying out one’s money is the chief cause that the balance of property confers so small a superiority of power in modern times. A tradesman to retain your custom may perhaps vote for you in an election, but you need not expect that he will attend you to battle. (LJ(A) i.118)

This is not to say that there is no relation between political and economic power. Wealth can be a “means of acquiring” political power, but it is not itself political power (WN I.v.3), and economic relations of production and distribution are no longer synonymous with political relations of rule. Far from assuming an analytic distinction between politics and economics, Smith’s account of commercial society is in large part a history of the emergence of a separate economic sphere.

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It is only in commercial society that economic advancement comes to the fore as the prevalent mode of approbativeness. We might be tempted to understand this as economic interest finally “liberated” from the irrational forces of ambition, pride, and so forth. But, as I have suggested, this is a misleading way to understand the change, insofar as it suggests a reified economic interest distinct from other approbative behaviors. It would be more accurate to say that Smith’s history explains how the transhistorical fact of vanity—that is, approbativeness through external superiority—comes to be predominantly expressed in economic interest rather than war, domination, and all the other more malicious ways in which humans seek superiority over others.37

37 In many ways this story is similar to the one traced by Hirschman in The Passions and the Interests. While not expressed in terms of passions and interests, it is similarly about the ways in which a set of potentially destructive human capacities come to be expressed in the
But what is the mechanism for this change? If economic behavior in commercial society becomes defined primarily by the drive for productivity and gain rather than power and authority, is this shift primarily psychological or structural? Is it about the rise of a “spirit of commerce” that values economic efficiency over the exercise of power, or about institutional changes in economic relations that make such domination impossible?

Clearly, these are not mutually exclusive options, and both must play a part. The ways in which the drive for esteem manifests itself will necessarily depend on societal attitudes, on which behaviors and stations happen to be esteemed. A thorough explanation of commercial behavior would therefore need to account for any number of psychological propensities and social norms that would require a study in their own right. But with regard to our central dichotomy between interest and domination, Smith gives clear priority to institutional structures over psychological norms. He does not, in other words, believe that a new spirit of commerce has caused humans to value profit over power. Instead, he attributes these changes in economic behavior to the simple fact that the commercial comparatively constructive drive for economic advancement. Hirschman, interestingly, does not see Smith himself as a part of this story, instead arguing that he puts an end to it by “collapsing these other passions into the drive for the ‘augmentation of fortune’” and proposing a reductionist psychology in which all other passions merely “feed into the economic ones” (Hirschman, *The Passions and the Interests*, 108–9). Yet the passage that Hirschman cites in support of this conclusion (TMS I.iii.2.1, cited above at 283–4) does not support this conclusion. It claims that economic interest is part of the approbation drive, but not that it is the only form of behavior that satisfies this drive; Smith in fact suggests here that approbativeness results in the pursuit of “power” and “preeminence” as well as wealth. This is more than a textual quibble insofar as Hirschman’s argument is representative of the common claim that Smith explains economic behavior by radically simplifying human psychology. On the contrary, I have tried to argue, Smith is keenly aware of the ways in which approbativeness can result in destructive behavior, and he explains its manifestation in economic interest not through psychological reductionism but as part of a historical account of norms and institutions.

Smith is not blind to the fact that power still plays a role in economic relations in commercial society (see, for example, the discussion of labor conflicts at WN I.viii.11–14), but he does differentiate such phenomena from the direct dependence and domination of the precommercial economy. Of course, one might legitimately argue that Smith underestimates the continued scope and importance of power and force in the commercial economy.
economy has ended relations of direct political and economic dependence, giving the love of domination no outlets within the normal course of economic interaction.

Smith makes clear that where economic relations remain characterized by unfree labor and direct dependence, the *libido dominandi* rears its head even among the most commercial nations of Europe. This is most evident in the colonies, where slavery persists despite its economic inefficiency. Smith argues that the misdeeds of the English and Dutch East India Companies, which occupy the fused economic and political roles of merchant and sovereign, are virtually a structural feature of their position: “They acted as their situation naturally directed, and they who have clamored the loudest against them would, probably, not have acted better themselves” (*WN* IV.vii.c.108). But the persistence of domination is not solely a product of colonialism, for Smith also sees it in the economy of the British coal and salt mines, “the only vestiges of slavery which remain among us.” While the use of unfree workers in the mines drives up the price of labor enough to cut into the masters’ profit, Smith suggests that even these thoroughly commercial mine owners will never agree to transition to free labor due to the familiar urge to dominate others (*LJ*(A) iii.126–30).

We are not therefore to imagine that the spirit of commerce has overcome the love of domination. Where humans can command outright instead of having to persuade, where they can exercise superiority directly in their economic relations instead of using these relations as an indirect means for social advancement, they will do so:

> For though management and persuasion are always the easiest and the safest instruments of government, as force and violence are the worst and the most dangerous, yet such, it seems, is the natural insolence of man, that he almost always disdains to use the good instrument, except when he cannot or dare not use the bad one. (*WN* V.i.g.19)

The development of the commercial economy is thus not about the growth of a rational, profit-maximizing spirit of commerce so much as about the unintended and fortuitous structural changes that separate political from economic relations and put the latter out of reach of the “bad instruments” of force, violence, and domination.

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What is the view of Smith’s overall system that is suggested by his reflections on vanity and domination? One feature already suggested is the weight that he attaches to history and contingency. We cannot take his understanding of modern society to be a mere extension of the anthropology suggested by the famous first
chapters of the Wealth of Nations. The “propensity to truck and barter” may explain the presence of some minimal division of labor across all societies, but it cannot explain the rise of properly commercial society.

A second feature of Smith’s system is its highly paradoxical character. In line with the importance Smith attaches to the distinction between efficient and final causes, he likewise attaches great importance to the disjuncture between individual motives and social consequences. This disjuncture is perhaps most obvious in his account of the end of feudalism, in which the masters’ vain attempt to perpetuate their superiority ends up undercutting it. But the commercial society that results from the end of feudalism remains characterized by the same paradox to which it owes its origin.

This paradoxical aspect of commercial society, expressed by the famous metaphor of the “invisible hand,” has frequently been misunderstood, for there is nothing particularly paradoxical about the invisible hand when it is understood conventionally in terms of absolute wealth. When we pursue our own interest we also further the public interest, Smith suggests in his most famous statement concerning the invisible hand (WN.ii.9), and the intuitive reading is to understand “interest” in both cases as the absolute increase of wealth. When individuals get richer the society as a whole gets richer, and although the unintended consequence may be incidental to the intended one, it is not opposed to it. Public benefit results from the successful pursuit of private interest, not the futile pursuit of private vice.

But recalling Smith’s idea that economic interest is a form of esteem-seeking lets us see that the invisible hand is indeed built upon a paradox, and that its operation is for Smith always a matter of thwarted vanity. In absolute terms, of course, every individual can further his or her own interest and simultaneously further the public interest; indeed, the notion that economic advancement in absolute terms is not zero-sum is perhaps the central idea underlying commerce. But self-interest for Smith only superficially aims at an absolute increase in material goods, and more fundamentally aims at a relative increase in social status. And status, of course, is a “positional” good, or one that is zero-sum by definition. In “this generall scramble for preeminence, when some get up others must necessarily fall undermost” (LJ(A) vi.54). On an aggregate level, therefore, the pursuit of economic gain will always be futile in terms of the goal that it sets for itself. (This does not, of course, prove that it would be irrational for any individual to engage in this pursuit; for this conclusion we need Smith’s further

39 On this distinction see especially TMS II.ii.3.5; and the discussion in Campbell, Adam Smith’s Science of Morals, 205–20.
notion that true happiness consists in wisdom and virtue rather than in wealth and greatness.) It is the vain pursuit of relative (social) gain that ends up creating absolute (material) gain, a corrupted and ultimately futile form of esteem-seeking that creates the opulence of modern society. Commercial man seeks status but instead produces prosperity, and the irony here echoes Smith’s account of the origins of commercial society itself.