

The relevance of the eighteenth century to modern political theory

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Adam Smith Reconsidered: History, Liberty and the Foundations of Modern Politics (Princeton and Oxford: Princeton University Press, 2022), pp. 229+xii.

Abstract

The eighteenth century is still the bottleneck of the history of political theory: the century that separates pre-economic theorists such as Machiavelli, Bodin and Hobbes from post-economic theorists such as Hegel, Mill and Marx. Political thinking became immeasurably much more complicated in the eighteenth century: and yet historians, after at least half a century of extremely judicious scholarship, still have difficulty explaining its significance for contemporary theory. Sagar's *Adam Smith Reconsidered* is an important contribution to the attempt to clarify just how modern political theorists should look backward – without hastening back to the abstractions of the seventeenth century or remaining confined to particular involutions of the nineteenth century. Its specific originality is in drawing attention to two important ideas of Adam Smith, seldom seen clearly or at all, 'the quirk of rationality' and 'the conspiracy of merchants'. Political theorists as well as historians of political thought will benefit from familiarising themselves with these ideas.

Keywords

Paul Sagar, eighteenth century, Adam Smith, commercial society, political theory

There is no question that the greatest contribution to political understanding in the last century or so has been made by writers who know both history and philosophy. The names of R.G. Collingwood, Leo Strauss, Eric Voegelin, Hannah Arendt, Michael

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Oakeshott, Bertrand de Jouvenel, Alasdair MacIntyre, J.G.A. Pocock, Quentin Skinner and John Dunn should be enough to demonstrate this. I would say that the last unquestionably original contribution to political theory was F.R. Ankersmit's book of 2002, *Political Representation*, a work that was informed by history as well as philosophy. There is still a great hope that the Cambridge style of history of political thought will reveal something fundamental about politics. The evidence for this hope is the regularity with which the Princeton, Cambridge and Oxford University Presses publish prestigious works in this style. In an inglorious age, this literature has some glory, even if the glory is usually reflected.

Paul Sagar's second book, *Adam Smith Considered*, is a formidable exhibit of the style of historical analysis we have come to associate with the Cambridge School: not for the usual reason, associated with Quentin Skinner, that it offers us a novelty extracted from the history of political thought (usually from the seventeenth century or earlier) to be put to use in political theory, but for the far more important reason that it does exceptionally valuable work in attempting to explain the relevance of the eighteenth century to modern political thought.

The eighteenth century is still a great riddle: it is the great theoretical preliminary for our modernity: our modernity being the era since Sieyès, Paine and Madison, those heroes of representative and constitutional government, and the era of the ideological positions which came to dominate the party rivalries which were played out within this system, some looking around (liberals), some looking backwards (conservatives) and some looking forwards (socialists).

We will not understand modern thought – that is, thought since the early nineteenth century – until we understand the significance of the intensified theoretical preliminaries of the century before: especially as found in a wholly novel awareness of the significance of economic processes. The late Istvan Hont made it his life's work to get us to understand the centrality of commerce in the eighteenth century. He was fond of quoting Hume's observation that 'trade was never esteemed an affair of state till the last century; and there scarcely is any ancient writer on politics, who has made mention of it' (Hont, 2005, p. 8). For Hume, and, later, for Smith, trade changed everything. But Hont asserted the importance of this without demonstrating it. We still require a grand synthesis of eighteenth-century thought: and I now think that Sagar might be the man to write it, given that in *Adam Smith Reconsidered* he has added two novel and important themes to the two most important themes so far established in the literature of this subject in the last 70 years.

The historical study of the eighteenth century has its origins in Leslie Stephen's *History of English Thought in the Eighteenth Century* (1876), which has a range lacking in later histories, but in turn lacks the insight of the critical studies effectively launched by Duncan Forbes in his articles of the 1950s (see, especially, Forbes, 1953–4). Historians such as John Burrow, Knud Haakonssen and Donald Winch followed Forbes. But the two absolute classics of the subject emerged at around the same time in the 1970s. These were Ronald Meek's *Social Science and the Ignoble Savage* (1976) and Albert Hirschman's *The Passions and the Interests* (1977), which drew attention to two important and lost themes of the eighteenth century.

The first was what is usually called the law of unintended consequences. This was something like a universal idea in the eighteenth century, especially for those interested in commerce. It was Johnson's 'secret concatenation', Rousseau's 'masterpiece of the century', Smith's 'invisible hand' and Hegel's 'cunning of reason': the view that what happens in history, especially in relation to commerce, but also in relation to honour or justice or the state, is, as Adam Ferguson put it in *An Essay on the History of Civil Society*, 'the result of human action, but not the execution of any human design'. We have institutions: not only did they emerge, as Cicero and Burke suggested, over many ages at the hands of many men, but specifically without anyone intending them: they were, rather, the unintended consequences of a thousand actions carried out to serve other, selfish, interests.

The second theme was the four stages theory of history, which came into thought somewhat later than the law of unintended consequences. This was an attempt to offer a more historical picture of exactly what had emerged over time; and it did so in terms of the presupposition – the corollary of the law of unintended consequences – that what was important was not *what man believed* but *what man did*, and therefore historical explanation should begin with man's relation to property or, more fundamentally, to his mode of subsistence. In the hands of Turgot and Smith in the 1750s, this became the view that history could be understood broadly in terms of a sequence whereby *hunting* had been followed by *shepherding* which was followed by *farming* which was followed by *trading*.

Both Hirschman and Meek noticed – something Forbes and Burrow had already noticed – that these ideas faded out after, say, 1789. Hirschman's version of the law of unintended consequences was the hypothesis that he associated with Montesquieu and Steuart, which said that commerce creates a world in which interests can be brought together in peace rather than war: so that commerce transforms the world and strips the old power politics out of it. Hirschman saw that this most optimistic variant of the law of unintended consequences had already been subjected to criticism by the more ambivalent and subtle Smith in 1776 (Hirschman, 1977/1997, p. 112). Meek, on the other hand, suggested that the significant change was that historical theorising about the emergence of commercial consciousness out of older forms was replaced by the more abstract theorising of the political economists of the nineteenth century: who tended to make sense of all history in terms of the components of commercial consciousness, such as 'division of labour, commodity exchange and the accumulation of capital' (Meek, 1976, p. 222). So the change was dated rather later and associated with Ricardo, Malthus, Mill and Marx.

These two themes are aspects of a revolution in thought that took place between, say, Mandeville's *Fable of the Bees* and Smith's *Wealth of Nations*, that is, between 1714 and 1776. This was a revolution whereby commerce was added to the set of things all theorists should think about when making sense of society: and in such a way that it seemed to transform everything: it made social contract theories seem crude and unnecessary, laid great emphasis on utilities, asked for closer study of history. But this revolution was overlaid by a second, greater, revolution: the *caesura* in the history of political thought which we associate with the French Revolution but which can be dated to between 1789 and 1832 or even 1848. This second revolution was the revolution whereby commerce was

seen to be no longer a theoretical subject but a subject of contemporary political significance, to be subjected to political debate, both *pro* and *contra*: so that the calm equipoise of the old books was to be replaced by the cut and thrust of not only debate but dispute. Only scientists had understood these arcana during the *ancien régime*: the mass of humanity had been unconscious of them; but now in the *novo ordo saeculorum* all humans were meant to be conscious of these things: nothing was supposed to be an arcanum anymore. This politicisation of the sciences of the eighteenth century meant that the great themes of the eighteenth century were, as Hegel might have put it, sublated – negated, perpetuated and transformed.

Sagar's contribution to the restoration of the eighteenth century is to add two major suggestions to the two I have mentioned and to show how Smith originated them. Smith did not invent the law of unintended consequences, though he was responsible, along with Turgot in France, for the adjustment whereby the fairly traditional three stages of history were twisted by commerce to create the four stages theory of history. But Sagar shows that Smith was undeniably the author of the two additional themes he calls 'the quirk of rationality' and 'the conspiracy of merchants'. It is, I think, the delineation of these two themes that is the great achievement of the book. This is probably not how Sagar sees his book, judging by the way he has constructed it; but, if we ignore the clarifications of the first chapter, and the valiant but flawed suggestion of the second chapter, we see that, behind the revised story of the contrasts between Hume, Smith and Rousseau in the later chapters, there are two great themes that should be better known. 'The quirk of rationality' is the root of Smith's correction of Hume; and 'the conspiracy of merchants' is the embodiment of Smith's political criticism of markets as controlled by merchants. But they are both of much more than historical interest.

'The quirk of rationality' is perhaps the most scholastically interesting, and sharply focused, observation of the entire book. It concerns something which Smith seems to have thought was original. Smith declared in *The Theory of Moral Sentiments* (1759) that he had noticed something that 'has not, so far as I know, been yet taken notice of by anybody' (*TMS*, IV.1.3, quoted on p. 173).¹ Sagar echoes this, quite justifiably: he says that the fact that Smith notes his own originality, 'has (as far as I know) gone almost entirely unremarked by any commentator besides myself' (p. 173).

What is this discovery? It concerns an argument that Smith had with Hume about why we value things. Hume suggested in the *Treatise* and the *Essay* that we value things because of the utility they bring us. We do *x* in order to achieve *y*: so we value *x* because it enables us to achieve the utility *y*. Smith argued against this because he noticed what Sagar calls 'the quirk of rationality'. This quirk means that we value things not always or even at all in certain cases because of the utility they are supposed to bring us, but, oddly, because of the diversion or imaginative attraction afforded by the means by which we have sought to achieve such utility. In other words, we may think we do *x* in order to achieve *y*, and this may be the formal reason, but, in fact, we do *x* in order to enjoy *x* itself, for the pleasure the very process grants us. In Smith's words, which may be clearer than mine: 'the exact adjustment of the means for attaining any conveniency or pleasure, should frequently be more regarded, than that very conveniency or pleasure, in the attainment of which their whole merit would seem to consist' (*TMS*, IV.1.3, quoted on p. 132).

This ‘quirk of rationality’ – Sagar’s phrase – explained to Smith something which requires explaining, which is why human activity on the broadest scale is so confounding: why utilities are not sought in the simplest way, why humans so often seem to go the hard way around, why we are caught up in traditions without caring what reasons there are for such traditions. Sagar does not venture into the philosophical importance of Smith’s correction of Hume, but I think that we can say that Smith was certainly onto something, and that his explanation of the vagaries of human activity is far less ‘rationalist’ than Hume’s. Hume was positing a relation of means and ends in rational manner, whereas Smith was explaining the rationality of something which, if analysed solely in terms of means and ends, would not be considered rational. He argued that an extended concept of human rationality revealed that we valued the ‘contrivance’ more than the ‘end for which it was intended’ (*TMS*, IV.1.3, quoted on p. 132). For Smith, this explained the significance of ‘baubles’ and ‘trinkets of frivolous utility’ (p. 133) – and this was something Hume simply could not explain.

It is a major achievement of Sagar to have noticed this ‘quirk’ and analysed it so thoroughly. I think what we have here is a proposition that should be better known. Sagar uses it to point out Smith’s originality in relation to Hume and to confirm his historical claim that Smith was more concerned with Hume than Rousseau. This is all very well: but there is historical work to be done in indicating what became of the ‘quirk’ in subsequent writing and also, perhaps, there is the observation to be made that Smith refuted utilitarianism before Bentham invented it (and also refuted *homo economicus*-style economics long before its twentieth-century emergence). In addition, there is also philosophical work to be done, or work in political theory, to better recognise this ‘quirk’ as something fundamental in all human activity. We could call it the ‘trinkets and baubles hypothesis’ but Sagar is entitled to call it ‘the quirk of rationality’.

The conspiracy of the merchants is as important as the trinkets and baubles hypothesis. In addition, though Sagar does not say so, it speaks directly to the world which has emerged all too plainly since the coronavirus came in 2020 – if it was not evident to us in 2008, or even earlier. It is, in short, Smith’s version of the recognition of something which is fundamental to our age: which is that governments and corporations are not two separate types of entity, one public and one private, but form a nexus of a rule which fundamentally separates modern politics from medieval or antique politics. Sagar begins chapter 5 of his book with the famous quotation from *The Wealth of Nations* (1776) about how people of the same trade ‘seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick’ (*WN*, I.x.c.27, quoted on p. 187). In an earlier chapter, Sagar distinguished *venal* corruption from *systemic* corruption: saying that the former is where economic interests’ corrupt politics, and the latter is where political interests corrupt economics. It is the latter that concerned Smith. He thought that merchants had acquired so much wealth, and had such a firm grasp of what served their interests (p. 194), that they could effectively take over political systems and reshape the imperatives of those systems so that they served *not* the internal markets of commercial society or the external markets of commercial nations as such *but* the dominant merchants themselves, by persuading politicians to grant monopolies to them – trading monopolies like those of the East India Company,

finance-capital-industrial monopolies like those which interested Hobson, Hilferding and Lenin, and ‘tech’ monopolies such as those of Microsoft, Amazon and Google.

The argument is that the merchants and manufacturers are *not* the market and though they *benefit* from the market they are continually involved in conspiracies *against* the market. This is paradoxical, since merchants seem to be the distinctive actors thrown up by commerce. The point is that originally they are not its chief beneficiaries, but the means by which commerce is continued: the conspiracy is that, though their activity is essential to commerce, they seek to make themselves the chief beneficiaries of it. Merchants, in a word, confound the ‘invisible hand’ (p. 192). Sagar notes that in Book I of *Wealth of Nations* Smith suggested that we break up corporations in order to prevent merchants from conspiring, but that in Book IV he was less optimistic that matters were so simple: exactly because the merchants influenced the governments that might otherwise do this (p. 189). A one point Smith even called ‘freedom of trade’ something as ‘absurd’ as ‘Oceana or Utopia’ (*WN*, IV.ii.43, quoted on p. 194). The consolation is that modern merchants have not entirely subverted political systems, as happened in antiquity: since now merchants have found ways to influence political systems (p. 201). Admittedly, they more or less act within the rule of law (p. 203). But the conclusion is that we still live in a world ‘highly vulnerable to the influence of merchant elites’ (p. 211). What Sagar wants us to think is what Smith thought: that ‘the real dangers to commercial societies lie not in the moral but in the political threats they face’ (p. 219). If this stops political theorists from moralising about modern politics then Sagar will have done some good. But it is, of course, highly unclear what even political theorists can do about the ‘conspiracy of the merchants’. Earlier in the book Sagar writes of ‘the need for – but also the rarity and fragility of – good political judgement under conditions of the predictable rule of law’ (p. 9). Those on both sides of the current political divide – progressive and conservative, right and left – can agree that recent events have seemed to bring us back to an awareness of the ‘rarity and fragility’ of these things. And ‘good political judgement’ and the ‘rule of law’ cannot do much if our admirable constitutional systems suffer from systemic corruption.

Nonetheless, I think Sagar deserves great credit for bringing these two ideas of both historical and philosophical interest – the quirk of rationality and the conspiracy of the merchants – to our attention, and I think they should be set alongside those other great ideas of the law of unintended consequences and the four stages theory of history. Indeed, they may well be much more alive than either of those ideas: which may explain why even historians are not so aware of them – historians being generally being better at noticing what has faded away rather than what has persisted.

Nothing should distract us from the major achievement of this book in bringing these ideas to our attention and explaining them to us with such necessary clarity. However, it is worth briefly observing that in his book Sagar also makes some valuable clarifications about certain aspects of Smith’s thought and the scholarship about them; and that, in the second chapter, he ventures a theoretical originality which I think is flawed.

Let us discuss the clarifications first Sagar follows his astute colleague Robin Douglass in noticing that we are often confused about what ‘commercial society’ means. Sagar emphasises that we should not confuse (1) avarice, or the general desire to acquire

riches, which is ubiquitous, with (2) ‘commercial society’, which is the historically contingent appearance of a society *in* which ‘every man... lives by exchanging’ so that everyone ‘becomes in some measure a merchant’. (*WN*, I.iv.1, quoted on pp. 12–13); and that we should not confuse either of these with (3) ‘modern European commercial society’, where trade is not only internal but external: where societies engage in external trade in such a way that the whole world is transformed by such exchanges (p. 51, p. 181). Sagar very effectively contrasts what he calls the ‘thought experiment’ – he does not think it should be called ‘conjectural history’ – of the four stages theory of history with actual history, and indicates how, for the actual historian Smith, Athens and Rome (p. 30), feudal Europe (‘badly organised, economically backwards, and perversely governed [but a] form of *commercial* society’ as Sagar describes it in a striking footnote, p. 33 n. 26), and contemporary China were all commercial societies (though not yet involved in international trade): that is to say, they did not follow the ‘predictions’ of the ‘thought experiment’. Sagar’s own summary of Smith’s history of feudal Europe is exemplary. And he shows very effectively how Smith referred to only three stages of history in *The Wealth of Nations* in 1776 (p. 35), and, when writing actual history, referred to only ‘societies from the *first two* stages’ (p. 27). Perhaps Sagar’s rejection of Dugald Stewart’s phrase ‘conjectural history’ is overly pedantic, since it is well understood that Smith was engaging in a historical generalisation rather than in a causal model, but, certainly, if Sagar thinks other scholars are confused, then his correction may be of some use. He might look more critically at his own repeated use of the phrase ‘the rule of law’ which is, strictly speaking, anachronistic, since the phrase only came into use after A.V. Dicey wrote his *Introduction to the Law of the Constitution* in the late nineteenth century. Be that as it may, for Sagar it follows from all this that ‘commercial society’ was not the fourth stage of the four stages theory of history. And this is a useful clarification.

Sagar also contributes to the clarification of Smith’s place in the canon. He argues against Hont who tried in *The Politics of Commercial Society* (2015) to compare rather than contrast the theories of Rousseau and Smith. He comments that, in fact, Rousseau’s theory was not only very different from Smith’s – because Rousseau’s objection to modern European commercial society was moral and universal rather than being political and contextual – but also that Smith could hardly have cared very much about Rousseau. Sagar places Smith in a lineage running back through Hume to Mandeville (p. 114). Whereas Rousseau improvised brilliantly from Hobbes’s *De Cive*, Smith had access to Hobbes, Locke, Mandeville, Butler, Hutcheson and Shaftesbury – the entire tradition in English. So, according to this particular story, there was Mandeville, with his cynical insight. Then there was Rousseau, who ‘improved’ Mandeville by adding the ‘amiable principle’ of pity to Mandeville’s selfishness (p. 119). But, as Sagar shows, Butler, Hutcheson and Shaftesbury had already theorised ‘fellow feeling’, ‘public sense’ and ‘sympathy’, and Hume had assimilated all this into his view that ‘the minds of men are mirrors to one another’ (*Treatise*, 3.2.2.12, quoted on p. 121). Hence, Smith, who wanted to correct Hume, could not have thought that Rousseau was important. Hume’s novelty was to argue, with Hobbes, that society depended on artifice; but, against Hobbes, that the artifice was not the transferring of individual power by covenant to a sovereign (and against Mandeville, that the artifice was not the imposition

of a scheme by an old-fashioned legislator), but something more historical and accidental: that the artifice, for Hume, was the emergence of a system of justice out of the negotiations between individuals as they sought to co-ordinate their utilities. (This paraphrases Sagar, p. 122.) Smith by and large agreed with this in *The Theory of Moral Sentiments*: that justice had emerged historically out of a need to organise individual utilities. Though he qualified this with ‘the quirk of rationality’.

Finally, let me mention the least successful chapter in the book. In the second chapter, Sagar claims that Smith was ‘a theorist of liberty as non-domination’ (p. 96). I think this claim is flawed on several counts. First, the fact that Smith referred to ‘liberty’ in his staged history of society and government does not mean that he had anything like a theory of liberty. Second, the fact that Smith expressed concern about ‘domination’ does not mean that he would have thought it as meaningful to talk about the possibility of eliminating it. He was not so unrealistic. Third, for this very reason, Smith’s reflections have nothing in common with Philip Pettit’s and Quentin Skinner’s theories of ‘non-domination’: which exhibit hostility to living under domination, including even the domination evident within a standard constitutional government. Since it is impossible to imagine any regime which could pass Pettit’s ‘eyeball test’, it is of no value to pit Smith against Pettit and Skinner unless it is to mock the latter’s theories by contrasting them with simple common sense. Fourth, if ‘liberty as non-domination’ can be equated with ‘the rule of law’, as Sagar appears to want, then what we have here is a liberal theory, and therefore, not the sort of theory that could be sanctioned by Pettit or Skinner. Fifth, Sagar seems insufficiently aware of the fact that ‘non-domination’ and ‘the rule of law’ are part of the *arcana imperii* of modern legal or political theory: they are what Bentham would call fictions. They are certainly far less concrete than ‘the quirk of rationality’ or ‘the conspiracy of merchants’: which might be wrong, as speculations, but are certainly not fictions: they do not require to be believed in to have any value: they are Smith’s explanations of things that are the case. Perhaps Sagar is looking too hard for something in Smith which can trade exactly with the sorts of theories Quentin Skinner has extracted from the history of political thought. This is not an entirely worthless aspiration but one has to be sure about the fit between the history excavated and the theories argued for and against: and I am not sure that here there is a fit.

But this is the only flaw in an excellent book, a book which has some claim to be the most decisive contribution to the understanding of the importance of the relevance of the eighteenth century to modern political thought published in the last half-century.

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Note

1. I shall follow Sagar and the literature in general in using TMS for *The Theory of Moral Sentiments* (1759), any edition, and WN for *The Wealth of Nations* (1776), any edition

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