Understanding Adam Smith’s “General Principles of Law and Politics”: A Linear Reconstruction of Istvan Hont’s Contribution

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“If modern politics cannot ignore the economy, neither should political theory” (Hont 2005a:2).

“[A] distinctive feature of Smith's history is that he clearly made a determined effort to relate the development of both law and government to economic development” (Hont 2009:148).

Abstract

Adam Smith scholars have debated the nature and contents of his missing second book on jurisprudence or politics. Istvan Hont, a long-time participant in this literature, has proposed a construction of Smith’s politics based on two principles introduced in the Lectures on Jurisprudence that Smith deemed “necessary for understanding of government" and citizen allegiance. These principles are: authority, as in tradition, but also power and coercion; and utility, as in valued services provided. Smith asked, how must authority and utility be structured so to sustain a regime of liberty and commerce? How do we account for the long-term shift from authority to utility, and in particular, the rise of liberty in Smith's time?

In this essay, I attempt to reconstruct the main thread of Hont’s account of Smith’s approach to authority and utility. I organize Hont’s scattered arguments to show that Smith studied the deep puzzle of European development. This reconstruction reveals Smith's answer to the above questions, including his argument for the rise of liberty in Europe out of the long-term stable, no-growth feudal society. Throughout, the reconstruction shows that Smith related law and government to economic development.

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1. Introduction

Adam Smith scholars have for some time debated the nature and contents of his missing second book on jurisprudence. Across a series of works, Istvan Hont, one of the major participants in this literature, has proposed a reconstruction of Smith’s “jurisprudence,” as Smith called it – or his “politics,” as I will sometimes call it (Hont 1983, 1986, 1988, 1994, 2005a, 2005b, 2006, 2009, 2015, and Hont and Ignatieff 1983). But did Hont deliver? The answer is not obvious. His conception is complex, multi-faceted, and scattered across diverse papers, books, and lectures. Nowhere among his works does Hont present a coherent statement of his views (although perhaps Hont 2009 comes the closest).

Paul Sagar, in his new Opinion of Mankind (2018), suggests that Hont ultimately fails. In his words,

Despite Hont’s insistence that “Secular political theorists can lose nothing and stand to gain a great deal both by taking Smith seriously as a political thinker and by abandoning the attempt to try to pigeon-hole his work as mere historical sociology,” the reader is left wanting. Hont’s claim that Smith offered the resources for a theory of natural authority enabling us to progress beyond the theistic basis of Locke’s thought on the one hand, and an inadequate Hobbesian prudentialism on the other, is left at the level of a promise not made good on, his magisterial reconstruction of Smith’s account of the emergence of modern liberty notwithstanding (Sagar 2018:107-08).

I take a different view. In this essay, I attempt to reconstruct the main thread of Hont’s account of Smith’s general principles of law and government. Hont (2009), echoing Winch

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3 In assessing Hont’s arguments about Smith’s jurisprudence, I focus largely on his NPPT arguments about the relationship of authority, utility, and liberty. I thus skirt the larger debate about whether general normative principles were possible (see Fleischacker 2004** and Griswold 1999**).
(1978**) among others, argues that Adam Smith was a serious political theorist who sought to understand the structure of government in different stages of development; examining in particular, the rise of liberty as the foundation of commerce. But how do we conceive of Smith's political theory?

As we will see, Hont’s construction of Smith's politics is not traditional normative political theory. Instead Hont makes positive arguments in his attempt to explain how important normative goals – in this case, liberty – arose and came to be sustained in Western Europe. Hont’s construction of Smith therefore is at once a normative and positive political theory, sometimes called NPPT.

Hont argues that Smith develops a set of general principles of law and government, organized as a comparison between two components. First, the natural or theoretical course of development of the state, economy, and society, as Smith articulated in his famous four-stages theory; and second, the actual or historical course of their development as examined in a theoretical history of Europe from the rise of ancient Greece to his own time. Smith sought to understand the vicissitudes of the forms of liberty, authority, government, markets, security, justice, and equity, particularly where these values are sustained for long periods.

Smith’s political theories are easy to miss for several methodological and rhetorical reasons. First, many scholars approach Smith’s jurisprudence from disciplinary frameworks not designed to study this topic, notably economics. Second, because Smith often embeds his theories in narratives (Weingast 2017c), they appear to many readers as mere stories. Third, the incompleteness of his work on this topic means that many of his theoretical exercises seem isolated and lack the more systematic organization of his economics. Had Smith completed his
work on jurisprudence, the overall theoretical structure is likely to have been more developed and coherent.

In the *Lectures on Jurisprudence*, Smith "presented two principles necessary for understanding the theory of government," *viz.*, authority and utility. Smith says of the principle of authority that: “every one naturally has a disposition to respect an established authority and superiority in others.” Authority is always associated with the use of political power, but it is also associated with tradition. Individuals may obey a sovereign command, not because they approve of it or value its effects, but because they fear the consequences of failing to do so. Utility, on the other hand, reflects the value of governmental services to the individual, such as justice, order, and security (LJA v.120-21:318). Part of the reason people submit to authority is due to disorder. When the threat of disorder is real, many people will submit to an authoritarian regime if it holds the promise of security and justice, even if they believe the system is imperfect or even deeply flawed (LJA v.120-21:318).

Hont placed the tradeoff between these two principles at the heart of Smith's political theory. Smith sought to understand what explains people’s obligations and obedience to political authority, a perennial question of political theory. How must authority and utility be structured so that a regime of liberty and commerce can be sustained? And how do we account for the long transition from authority to utility, from authoritarian to republican regimes, and in particular, the

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4 Long (2006:292-93) makes a similar point, citing LJ(A), v.116 and fn. 71; LJA v. 117 and fn. 74.
5 Long observes that utility is “Smith’s other name for the principle of common or general interest” (Long 2006:293; citing LJ(A) v.120-21).
rise of liberty from the fall of the Roman Empire to Smith's time?⁶ Smith answers these questions in his jurisprudence.

In this essay, I construct a linear account of Hont’s main contributions to our understanding of Smith’s politics. In so doing we gain a clearer picture of the purpose and accomplishments of Smith’s “general principles of law and government.” First, following my review in section 2 of existing scholarship studying Smith's jurisprudence, I develop Hont’s views of Adam Smith’s “general principles of law and government” in four steps that following my review in section 2 of existing scholarship studying Smith's jurisprudence, corresponding to sections 3 - 6.

First, I summarize Hont’s argument about Smith’s novel contribution to republican theories of luxury and commerce. Hont begins with Smith's profound disagreement with Locke, who claimed that commerce undermined liberty. Second, Smith examines the deep puzzle of European development reflecting the contrast between the natural path laid out in the four-stages theory and the actual path. Smith characterizes this contrast as the “unnatural and retrograde order” in which commerce arose in the towns prior to the development of agriculture beyond the subsistence of the feudal order. Third, I examine in greater detail Hont’s analysis of the simultaneous processes of the demise of feudalism, the rise of commerce, and the emergence of the towns that engaged in long-distance trade. Fourth, Hont summarizes Smith’s argument about

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⁶ Hont argued that both Locke and Hume over-emphasized utility; whereas Smith’s “preoccupation” was with authority (Hont 2009:140). This preoccupation seems natural given that Smith interest in the long-term development process, a process involving a shift from an emphasis exhibited by the government from authority to utility. Locke and Hume’s over-emphasis was due in part because of the way late 17th and early- to mid-18th century politics artificially separated the two, with Tories emphasizing a particular view of authority (e.g., Filmer’s “divine right”) and Whigs emphasizing utility. As a second point, Hont (2009:134) observes that “Dunn pointed out [that] consent was a logical requirement of Locke’s theory of legitimate authority and no more than the occasion for the issue of obligation to arise.”
how the European absolutist monarchies came to produce liberty. Smith followed Grotius on this question; both argued that the “aggressive acquisition of wealth as a mode of national self-preservation” became an arms race (cite). If one country failed in this aggression, its rivals would gain an edge. But commerce required liberty.

International competition among European nations, in this argument, forced the absolute European monarchies to create elements of liberty in order to participate in long-distance trade and to become financially stronger. Monarchies that failed to do so were destined to decline. Smith therefore turned Locke’s argument about commerce upside-down. Commerce did not destroy liberty but caused its extension. War, trade, and competition led to the widespread emergence of liberty in Europe. Throughout, Smith directly relates law and government to economic development. I end this essay with some general observations, including a discussion of what is missing from Hont’s account of Smith’s ideas.

2. Scholarship on Smith’s Jurisprudence

Sustained study of Smith’s jurisprudence is barely 40 years old, and it lags behind other aspects of the Smithian literature. Winch’s (1983) observation remains true today: for years, Smith scholars have tended to concentrate on the connections between TMS and WN, neglecting the Lectures. Yet, a bigger and more novel problem remained, "that created by the gap in Smith's project left by his failure to complete, or allow to be published, the 'account of the general principles of law and government' which he promised at the end of the Theory of Moral Sentiments" (Winch 1983:254-55). It is this issue to which Hont attends.
The Literature as of 1976

Prior to the *WN* bicentennial, much of the literature on Smith’s jurisprudence interpreted Smith with a bias that had emerged in the 19th century. This approach emphasized Smith’s economics over politics and *WN* over *TMS*, and often characterize Smith as advocating minimal government (Winch 1978: **). Cropsey (1957: **), for example, asserted that “capitalism is the embodiment of Smithian principles.” Cropsey (1957: **) also proposed the “deflection” thesis, the idea that Smith had his share “in the deflection of political philosophy toward economics and for his famous elaboration of the principles of free enterprise or liberal capitalism.” Hirschman (1977 **) repeats this thesis. 7

A great many scholars in the post-bicentennial literature criticize the imbalance of the earlier literature. We can safely conclude that these recent efforts have rectified the imbalance, particularly as it involves the close connection between *TMS* and *WN* and as it also involves Smith's moral philosophy. 8

The New Literature Beginning in 1975

Pioneering scholars produced important work on Smith’s jurisprudence in the early post-bicentennial era, including Skinner (1975), Meek (1977), Winch (1978), and Haakonssen (1981). In the beginning, this work represented isolated studies, such as Meek (1971) on the four-stages theory and Skinner (1975) on Book III of the *Wealth of Nations*. The real breakthrough in

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7 To these observations we must also add the mid-20th century Chicago School’s efforts to capture Smith as their own, also emphasizing Smith’s concerns about economics over his politics (see Liu 2017, ch 4, discussion of these efforts and their effects).

8 See, e.g., Evensky.06, Fleischacker.04, Griswold.99, Haakonssen.81, Hanley.09, Hont and Ignatieff.83, Kennedy.05, Muller.93, Otteson.02, Pack.91, Phillipson.10, Raphael and Macfie.76, Rothschild.01, and C. Smith.06.
understanding Smith’s politics occurred with Winch (1978) and Haakonssen (1981) who initiated the modern study of Smith’s jurisprudence as a whole. I divide this section into two parts, first analyzing their work; followed by the literature since these scholars up to Hont’s most recent work (Hont 2005a, 2009, and 2015).

2.1. Winch and Haakonssen. Winch announced his purpose after surveying the existing literature’s emphasis on economics, summarized above. Although “it would clearly be folly ... to claim that, contrary to the positions outlined above, Smith is a political philosopher in every significant sense... Nevertheless, I do wish to maintain that Smith has a ‘politics’ which is far from being trivial” (Winch (1978:23). Winch claimed that Smith emphasized the intimate connection between commerce and liberty. Indeed, Winch (1979:70) argued that the Wealth of Nations "can be accurately, if not very fully, described as an extended treatise on the reciprocal relationship between commerce and liberty." Commerce created a revolution in all aspects of society – economics, politics, and security. Smith, following Hume, sought to understand this revolution.9

Winch focuses throughout on Smith’s discussion of liberty and commerce, particularly their re-emergence in the towns in feudal Europe, as Smith discussed in the Wealth of Nations, Book III. Although Smith theorized that, in the natural path, agriculture developed before commerce, this failed to happen in Europe, “as political factors” took “precedents over natural economic forces” (Winch 1978:76-77).10

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9 See Hume (essays on commerce); Rasmussen, Hont [does Hk.81 begin with a chapter on Hume?]
10 Winch’s larger passage is: “if the countryside had not been badly governed, and if the towns had not been granted special privileges by the Crown, the ‘natural order of things’ would have led to improvement in agriculture before the development of foreign commerce and manufacture for distant sale. In other words, political factors had taken precedents over natural economic forces.” [76-77, citing WN iii.3.9.]
Winch does not attempt a reconstruction of Smith's system and how it fits with his other two books. Winch’s purpose is instead to demonstrate the surprising extensiveness of Smith's politics. To give substance to his thesis about Smith’s robust politics, Winch (1978:102) devotes three chapters to three political topics: namely, standing armies versus militias [ch 5]; the problem of public debt [ch 6]; and finally, the revolt of the thirteen colonies” [ch 7]. Winch’s book amply demonstrates his dual thesis that Smith produced extensive politics and that he cannot be considered solely as an economist.

Although Haakonssen (1981) slices into Smith’s jurisprudence in a different way, he too seeks to demonstrate the robustness of Smith's politics. Haakonssen also devotes three chapters to different aspects of Smith’s jurisprudence. In parallel with his three chapters, Haakonssen defines Smith’s purpose: “Smith’s jurisprudence integrates a history of law with an analysis of the forces which shape law, and that both are presuppositions for the possibility of criticizing law” (Haakonssen 1981:2). Haakonssen summarizes Smith’s theory of how property, liberty, and government varied across circumstances – that is, across time and place. The analysis of Smith’s discussion of “public law” is one of the centerpieces of Haakonssen’s study of Smith’s jurisprudence, and Haakonssen is among the few to recognize the importance of this theory for Smith's thought. Haakonssen also argues for the importance of Smith's historical jurisprudence; that the historical evolution of law helps us evaluate and understand present law.

But how does public law come about? Haakonssen relies on Smith's four-stages theory answer (see Berry 1997, Meek 1971, and Smith 2006) to explain Smith's discussion of the

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11 Smith provides a great example of the appropriateness of forms of property rights to particular eras or circumstances. In W/N III, Smith explains why, despite being highly inefficient, primogeniture, wardship, entails, etc., make sense during medieval feudalism, but not so in a modern commercial society, such as 18th cent Glorious Revolution.
limited agricultural development in the feudal era along with the emergence of liberty in the towns. This is how the fourth stage of commerce arose. Quoting Smith: “Order and good government, and along with them liberty and security of individuals, were, in this manner, established in cities at a time when the occupiers of land in the country were exposed to every sort of violence” (Haakonssen 1981:167, citing WN III.ii.12; see also WN III.iii (and iv); LJ(A) iv 142-45; LJ(B) 57). Yet in the long-term, kings ruling large authoritarian states came to dominate the cities. The latter relied on militias rather than standing armies. Smith argues that, over time as the cities grew, the opportunity costs of defense grew. City militias proved no match for the professional armies of the larger absolute states.

Haakonssen and Winch are justly recognized as pioneers in the study of Smith’s jurisprudence. They do not exhaust the set of topics covered by Smith, however; nor do they attempt a comprehensive analysis of Smith’s jurisprudence.

2.2. The Post Winch-Haakonssen Literature on Smith’s Jurisprudence. The literature on Smith’s politics since Winch and Haakonssen has extended both the range and the depth of analysis of many topics treated by Smith in his jurisprudence. We can no longer say that the connection between Smith’s jurisprudence and his other two works has been neglected. Still, it is fair to say that no breakthroughs have occurred with respect to Smith’s jurisprudence being a major work.

Herzog (2013:21-22; quoting Winch 1978:10), the missing book was to “form a ‘bridge’
between the *Theory* and the *Wealth*: they connect to Smith's intention to write a treatise on
jurisprudence at the end of the *Theory*, and lead, via reflections on legal history and various
political themes, to his first sketches of economic theory.”\(^{12}\) Herzog (2013:18) also emphasizes
that political philosophers have under-studied the market per se. She emphasizes Smith’s account
of the market “as a wise contrivance of nature that can only function … within institutional
structures that are provided and supervised by a wise legislator” (see also Haakonssen 2016 and
C. Smith 2006). Finally, I mention Kennedy’s (2005, ch 17) work on the “Foundations of
Liberty,” on which I draw in my larger study (Weingast 2017c). Kennedy (2005:81) explains that
“Certain constitutional features acted as barriers to tyranny. The courts of justice, for instance,
secured liberty of the people.” Kennedy (2005:83) concludes this chapter with the idea that
“Smith’s lectures on *Jurisprudence* were a *tour de force*. His clear views on liberty made clear
the impartiality of justice and contributed to 18\(^{th}\) century constitutional theory.”

3. Initial Elements for Reconstructing Hont’s
Characterization of Smith’s Political Theory

Hont (2009:146) begins by asserting that, from the student notes and Smith's published
work, "The basic outline of his theory, if by no means all the detail, is nonetheless recoverable."
Further,

Once we recover the outlines of his book from the lecture notes, it becomes visible that
both in the *Theory of Moral Sentiments* and particularly in the *Wealth of Nations* Smith
actually published significant chunks of his planned work in a fairly polished form. It is
reasonably clear that Book III of the *Wealth of Nations* comes from Smith's planned

\(^{12}\) Fitzgibbons (1995**) and Smith (2006:**) make a similar point.
treatise on the general principles of law and government, as well as a great deal of the material that he presented about law and the state in Book V of his magnum opus (Hont 2009:146-47).

Hont 09 next connects authority with the central task of Smith’s jurisprudence. He quotes Smith’s last lines in TMS and then makes an important observation. First, the lines from Smith: “I shall in another discourse endeavour to give an account of the general principles of law and government, and of the different revolutions they have undergone in the different ages and periods of society, not only in what concerns justice, but in what concerns police, revenue, and arms, and whatever else is the object of the law.” Hont in turn observed: “I suggest that this immensely ambitious enterprise was Smith's attempt to solve the problems associated with the principle of authority” (Hont 2009:146). But what are “the problems associated with the principle of authority”? Hont never explains directly.

We can nonetheless infer some of the problems of authority from Hont’s discussion. For example, consider the difficult problem of engineering justice. Hont says, “If doing justice had been abandoned to the verdict of those who were or felt injured, chaos would have ensued, preventing the emergence of stable social order. For secure society to exist, the provision of justice had to be brought under the umbrella of authority.” But authority alone was insufficient to produce justice; various institutions had to be established. Hont therefore explains that justice also required institutions that assured impartiality and the independence of the judiciary, including “the creation of rules to guide their decisions in such a way that these decisions became consonant with natural equity” (Hont 2009:145).

According to Hont, Smith's "theoretical history of law and government,” had two distinct features, both relating to his disagreements with Locke.
[1] First, its starting point was a [four-stages theory as a] history of natural authority and it conceived the early history of mankind as lacking the office of judges and the institution of courts. Smith's history patiently tracked the history of legal organisation, from having no judges at all to the emergence of full legislative sovereignty. The family resemblance to Locke's theory of natural government is very strong throughout... There were first chieftains, then government. Also, the rise of judges preceded both the idea and the practice of legislation. 'Laws are … posterior to the establishment of judges' (Hont 2009:148, citing here: LJ(A), p 314) ... As for Locke, in Smith's theory legislative power was the last arm of government to develop (Hont 2009:148).13

Smith’s four-stages theory of history is thus his approach to understanding the natural progression of society.

[2] The second distinctive feature of Smith's history is that he clearly made a determined effort to relate the development of both law and government to economic development. What Smith's rejection of Locke's consent theory of authority committed him to was the dismissal of the Lockean interpretation of the birth of the last historical stage, namely the suggestion that constitutional government and absolute legislative power were the results of a revolution against corrupt executive power, which was post factum legitimised by an express promise of allegiance. Such an ur-revolution and the subsequent foundational promising of allegiance, Smith claimed, either never happened, or if it perhaps had, could not be recalled by anyone (Hont 2009:148-49).

Smith therefore rejected Locke’s social contract as a means of generating and legitimizing authority. For Smith, law, government, and development were different aspects of a single process, a process he sought to explain.

Together, Hont’s two points show how Smith evaluates the actual progress of history and development against the natural course, as explained in the four-stages theory. The mechanisms underlying the divergence of the actual from the natural explain the actual course of law, government, and development. Hont says,

13 Hont also says, “If Smith genuinely wanted to replace Locke's political theory, he had to deal with this theoretical history of government and adapt it to his own thoughts on the relationship between authority and utility. Readers of Smith's Theory of Moral Sentiments and his Wealth of Nations noticed that he sporadically raised issues connected to this theoretical area. From these books alone, however, it is not entirely obvious whether he ever managed to develop a consistent and extended answer to Locke.” [H.09:145]
In order to make the causation from economic growth to governmental change visible in each stage, [Smith] created a step by step explanation of the ways in which the growth of the economy had influenced and changed authority and power relations over the whole period between hunting-gathering societies and modern commercial civilisation. This is the origin of Smith's 'four-stages' history of the mode of subsistence, charting the progress of mankind from hunting-gathering to pastoralism, to agriculture and eventually to commercial society, which became the backbone of his history of judicial and governmental authority (Hont 2009:149).

Hont again contrasts Smith’s approach with Locke’s: “The end result was Smith's famous reversal of Locke's theory, namely that commerce in modern England and Europe had not ruined but rather created modern liberty. Thereby he reversed Locke's grand historical valorisation of the negative effects of luxury, at least as far as it influenced politics in modern European history” (Hont 2009:149-50).  

Hont next raises two issues: "my aim is to illustrate the power of Smith's theorising and its potential for developing a post-Lockean mode of political theory" (Hont 2009:150). Both issues relate to political authority: "The first concerns the contribution wealth made to the development of authoritative leadership, while the second concerns the influence of wealth on the initial development of republican constitutionalism" (Hont 2009:150).

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14 Hont also mentions another set of disagreements with Locke, “A certain type of constitutional regime did in fact emerge in European history in general, and in Britain in particular, but not through this kind of revolution. This was a more general issue than resistance to James II or the justification of the Glorious Revolution. James could be dismissed because he broke the already existing rules of English politics. Resistance and revolution were possible, because England was already a legitimate constitutional regime. In fact, this was already Locke's tacit assumption in the Two Treatises. Hence it was the rise of the English constitutional regime before the Glorious Revolution that primarily needed an explanation. This implied a need for a credible history that could fill the enormous gap that Locke left between his history of early governments and the emergence of the English constitutional crisis of the seventeenth century. It was this formidable task that Smith decided to take on” (Hont 2009:149).

15 Sagar (2018:**) makes this point more forcefully.
Private property emerged in the second, shepherd mode of subsistence when large
inequalities arose. Wealth played a more important role then than now. "In such circumstances
wealth underpinned both authority and power" (Hont 2009:152).

Shepherd societies were the first genuine governments because their leaders possessed
both authority and power. Their power flowed from their wealth. Once private property
was possible, personal wealth and inequality could be made stable, creating a pivotal
dependency of the poor on the rich (Hont 2009:152).

Hont concluded that, due to the failure of security, city republics could not be the model for
political order and design of a state characterized by liberty:

The security problem which had given rise to republics was also the cause of their
demise. Republics became islands of liberty in a sea of peoples governed by shepherdic
authority. Because of their economic and social advancement, republics were destined to
become rich. They became prima facie targets for conquest, the standard mode of wealth
acquisition by pastoral people. The cards were stacked against republics (Hont 2009:158).

The fortified cities that survived from the Roman Empire not only preserved their
intramural civil liberty, but also enjoyed a defensive military advantage over the feudal
aristocracy, who resided in the anarchical countryside. Eventually the towns conquered
the country around them, becoming little Republicans. When the nobility of the
countryside moved into city, and urban-centered political regime arose (Hont 2015:87).

Yet these cities did not become nations. As "military technology advanced, ... the defense
of walled cities and the conduct of modern warfare [became] increasingly difficult. The
republican militias were no match for the professional monarchical armies of Europe" (Hont
2015:88).

This account has an important implication for the development of Europe. The decline of
the cities “meant that the rise of European liberty had to be explained in the context of the
demise of the German shepherd politics of feudalism.” The power of the monarchy rose relative
to both cities and to the nobles. Out of this process emerged large, authoritarian or “absolutist’
monarchical governments.

4. Europe’s “Unnatural and Retrograde Order”

Rousseau viewed the discovery of metallurgy as the “fatal accident” of history. The
important consequence, Hont tells us, is that metallurgy “gave rise to industry, a species of
economic endeavor divorced from the land. A metallurgist did not produce food but exchanged
products for it. This was a huge leap forward in the division of labor” (Hont 2015:99). Terms of
trade favored the artisans over those producing food. “This gave rise to a world where industry
and cities ... increasingly dominated agriculture and the rural population” (Hont 2015:99).
Rousseau argued that this would cause a huge demographic crisis,” leading “to social collapse
and depopulation.” Hont calls the demographic crisis “a” if not “the” major problem of the era
(Hont 2015:99 emphasis in original). Smith was also concerned about this problem, and the
“simplest definition of the content of the Wealth of Nations is that it gave a counterintuitive
answer to this issue.” Hence, Smith on the “retrograde” development of Western Europe (Hont

The rise of liberty: Smith believed that this demographic problem was not due to recent
policies, but was “constitutive of the history of the modern European economy. Europe had
grown into the powerhouse of the world precisely through exploiting this imbalance” between
agriculture and industry (Hont 2015:100). Even more important, “this imbalance had been a
hugely important contributor to Europe’s return to liberty after the feudal period.” Smith
associated the rise of liberty as a “natural product of urbanized commercial society” (Hont
“Europe became free after the feudal period because the towns and cities had led its economic recovery” (Hont 2015:100). Smith approved, and yet wanted agriculture to catch up. “The second part of his history of law and government, the history of modern European liberty, was designed to solve this problem. This was the reason it became Book III of the Wealth of Nations” (Hont 2015:100). I add that the rise of liberty can be put in Smith's language of authority and utility: Increases in liberty decreased a government’s reliance on authority while increasing its utility.

Natural law, according to Hont, is “the ordinary course of history” (Hont 2015:107). Sequencing of development matters in many ways. Yes, people must eat before they can consume luxuries. Nonetheless the process worked backwards in Europe. The “balance of growth was systematically kicked out of kilter and had gone on for centuries” (Hont 2015:107). Due to the stunted growth of agriculture under feudalism, commerce emerged as a, perhaps the, source of wealth well before the maturing of the agricultural sector.

Reflecting Louis XIV’s vainglory, Colbert’s policies became “the leitmotif of the entire development of the history of modern Europe.” Both natural law and “its offspring, economics,” might be right about most history, but not about Europe (Hont 2015:107). “Modern Europe ... developed not according to the logic of the natural progress of opulence, the ordinary course of things, but the other way around, or in a retrograde manner, as Smith put it” (Hont 2015:107):

The sun rising in the east and down in the West was the ordinary course of things. The sun rising in the West would have created a retrograde movement, and this, to say the least, called for a special explanation. Well, the economic sun of Europe did rise in the West, Smith claimed, and a very special explanation was indeed badly needed. This is what the Wealth of Nations was designed to deliver. In this respect, Smith was not a natural jurist and hence not an economist (Hont 2015:107).
Smith thus defined Europe’s retrograde path as the fundamental puzzle of European development. In particular, he sought in the *Wealth of Nations* to understand how “The manners and customs which the nature of their original government introduced, and which remained after that government was greatly altered, necessarily forced them into this unnatural and retrograde order” (*WN* III.i.9:380).

5. The Demise of Feudalism, Rise of Commerce, And the Luxury Hypothesis

Smith “badly needed an economic model for the historically ultra-fast transformation of the German shepherds into modern economic republicans and the temporary masters of the world. How had they acquired a modern urban-commercialized civilization so fast? Where had it come from, once they had destroyed the flourishing Roman Empire, which once extended to Hadrian’s wall” (Hont 2015:108)? Smith's answer: “The shepherd society had collapsed from inside” (Hont 2015:109).

To put this point concisely, the “master stroke of this explanation was that the two events, the rise of commerce and the demise of feudalism, had the same cause. Not proximately, but precisely” (Hont 2015:109). The luxury hypothesis held that same mechanism that brought down the Greek and Roman worlds brought down feudalism: luxury. “For baubles and trinkets they

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16 Note parallels with Newton. The anomalies in the retrograde motion of planets led Newton to a new theory of physics. The anomalous retrograde development in Europe led Smith to a theory of the emergence of liberty in Europe. (Cites to literature on Smith's’ thdy, as discussed in HA.)
sold their souls and power” (Hont 2015:109). Stated differently, luxury proved an important step in Europe’s move away from authority toward utility.\footnote{17 In Smith's view, “[a] revolution was effected by two kinds of agents, neither of which had any such intention in even the slightest degree”: merchants selling luxury; and the ruling feudal class as consumers (Hont 2015:109).}

Hont highlights a major Smithian conclusion about luxury and the rise of liberty: “Smith was no friend of luxury, but he insisted that those who did not see that Europe’s modern liberty was the child of luxury were blind. If this were so, luxury could not be seen as simply evil or the bane of healthy growth. It was the father, or perhaps the mother, of modern republicanism” (Hont 2015:109). Absolutism was the successor state to feudalism.

But disorder was a real possibility in absolutist states; they could prove unstable. "Smith saw this possibility and put all his analytical energy into preventing. Luxury was the foundation of absolutism; it could not be abolished or wished out of existence. But if one understood its workings and how it had destroyed feudalism, one could learn to work with it.... Possibly luxury could destroy not only feudal oppression but also absolutist hegemony” (Hont 2015:109). “Smith thought that a European revolution (a bad thing indeed) could be averted and a new age of legality and economic prosperity could be ushered in, provided imperialism, nationalism, and the spirit of militarism could be eliminated from Europe” (Hont 2015:109-10).

Hont argues that Smith relied on previous work on “republican political theory to construct [his] account of the decline of the ancient republics. It was a central tenet of this discourse that luxury destroyed Rome by undermining its civic character and military prowess” (Hont 2009:160). Hont calls this an “economic interpretation of history.” “Did Smith subscribe to it?” Hont answers, yes. “Smith could have cast doubt on this thesis and argued that it was
false, but he did not. His sophisticated analysis of the ancient economy was far superior to the moralistic attacks on luxury by many of his contemporaries, both Christian and republican.” Still Smith’s argument held that luxury brought down the old regime” (Hont 2009:161).

If Smith’s conclusions “flew in the face of republican argument,” this was not “due to a preference for jurisprudence over civic humanism. Rather, he turned republican political analysis into modern political science, as much as he turned natural jurisprudence into theoretical history. Instead of separating the two or replacing the one discourse by another, he combined them. The idea that wealth and luxury dominate politics and law was present in both. Smith forged a new modern republican, or liberal, idiom in which the two predecessor discourses reinforced each other” (Hont 2009:162).

To see this claim, consider Smith’s history of European law and government. Hont claims this is better known, “because it became Book III of the Wealth of Nations.” Smith’s account differs from the traditional view. As the German Shepherds overran Europe, they settled into the ex-provinces of the Roman Empire, in larger territorial units that later became the medieval kingdoms. As they settled down, they created feudalism, a mongrel kind of polity that consisted of the superimposition of shepherd military government over a nascent agricultural stage, based on the permanent settlement of the population within well-delineated tribal or national borders. Feudal government was based not on a city, but on a scattered population.” Given the dispersion of each community, “a new system of political communication had to be invented. This was the origin of representation as a mode of conducting modern, as opposed to

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18 Yes, Smith agreed that luxury brought about the decline of Rome, but not for reasons that other people in the civic republican tradition would have argued (that luxury brought about moral decline, and hence, political decline). Rather, Smith's argument appears to be (from Hont's reading, that is) that luxury created a new source of political authority which destabilized the empire from the core.
ancient, government” (Hont 2009:162). Initially undertaken for pragmatic and financial reasons, representation would later become central to republican theory.

In this context, Smith discusses the emergence of liberty in the town and cities. He emphasizes that the new towns differed politically from the ancient city-states (Hont 2009:163). But the city-state republics did not grow into larger, territorial commercial states. Instead, Smith insisted that: “The civil society of the towns played an important role in the transition to modern European politics as a catalyst for the political and economic change of large territorial political units” (Hont 2009:164).

But this was “only half of Smith’s explanation of modernity. The other half was his demonstration of the reasons why the towns could impact so effectively on the feudal socio-political system of the post-Roman era. For constitutional politics to arise, this post-shepherdic polity had to dissolve” (Hont 2009:164-65).19

How, then, was liberty regained after the fall of Rome and the rise of feudalism? Hont raises Smith's point that the liberty and the ancient republics, as with liberty and the Renaissance republics, fell due to military defeat. The same did not happen to feudalism. No new equivalent of the Goths conquered feudal Europe; nor did it follow violent revolution. “Like its ancient predecessors, feudalism was also destroyed by luxury” (Hont 2009:165). “Smith had to solve a number of difficult problems if he wished to run with this theory. He had to determine where the luxury goods came from, since he knew that, under the post-shepherdic regime of Rome's

19 Hont continues with an observation: “Smith's story of the republics of the ancient world was that of liberty gained and then lost. His modern history was a mirror image of the ancient. It started with the condition of ancient liberty being lost and showed how something similar, in legal if not political terms, could emerge anew. The pattern was a triad: liberty gained, lost and regained” (Hont 2009:165).
conquerors, Europe's agricultural economy had continued to languish for a very long period” (Hont 2009:166).

Hont next raises a necessary condition embedded in the four-stages theory. It seems logically necessary, in Smith’s four-stages theory, that “The legal regime that reflected a more advanced economy triumphed over the political residue of less advanced economic stages of history...” Absent such a triumph, no next stage could emerge (Hont 2009:167). The “ancient republics were early and isolated advances to the third and fourth stage of the mode of subsistence, while the rest of the world remained in previous stages. This first experiment failed. The second time round the whole of Europe transited to legality and the advanced economy” (Hont 2009:167). “In early modern Europe it became the legal regime of the new socio-economic stage based on agriculture, commerce and manufacturing, and deeply influenced the politics of large territorial states” (Hont 2009:167). In the process, some elements of authority disappeared; while more elements of utility emerged.

Hont also connects Smith’s ideas with authority; that is, from luxury to power. Smith’s “sophisticated argument about Europe’s retrograde development under the influence of luxury had close ties to the explanation of authority which Smith offered in The Theory of Moral Sentiments.20 It explained why the feudal elites, having recently emerged from the shepherd mode of life, were so vulnerable to luxury. Their luxury was the kind of prestige consumption that characterised all shepherd states. It was an exercise in demonstrating authority and thereby garnering and solidifying political obedience. It was politics, although not the kind of politics that depended on using physical force, but one that operated on the terrain of opinion. For

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20 Hont provides no citations to TMS in this passage.
baubles and trinkets, for acquiring wealth as a source of authority, the feudal elites abandoned their real levers of power” (Hont 2009:167-68).

This process led to the demise of feudalism. “Political change happened, on the whole, not because of a revolution against a corrupt ruling class, but through the self-destruction of elites. These elites consistently undermined their own power base by failing to understand the intricate intertwining of power and authority in their own feudal political culture” (Hont 2009:168). Logically, Hont should next discuss Smith's explanation for how liberty and commerce emerged in the large, absolutist monarchies that arose after the destruction of feudalism.

Hont does add an additional piece, relating to another set of disagreements with Locke, “A certain type of constitutional regime did in fact emerge in European history in general, and in Britain in particular, but not through this kind of revolution. This was a more general issue than resistance to James II or the justification of the Glorious Revolution. James could be dismissed because he broke the already existing rules of English politics. Resistance and revolution were possible, because England was already a legitimate constitutional regime. In fact, this was already Locke's tacit assumption in the Two Treatises. Hence it was the rise of the English constitutional regime before the Glorious Revolution that primarily needed an explanation. This implied a need for a credible history that could fill the enormous gap that Locke left between his history of early governments and the emergence of the English constitutional crisis of the seventeenth century. It was this formidable task that Smith decided to take on” (Hont 2009:149).

In short, Hont concludes that Smith at once produced a “history and theory of the influence of wealth and economic development over European politics from the ancient republics
to modern European commercial society; and a credible alternative to Locke’s. Smith's “ambition as a political thinker was breathtaking” (Hont 2009:168).

6. The Free Trade vs. the Jealousy of Trade

Adam Smith is so well known for his advocacy of free trade that most scholars – and the public as well – see no complexity in his views.21 Smith himself contributed to this interpretation. For example, in an oft-quoted letter, Smith referred to the Wealth of Nations as “the very violent attack I had made upon the whole commercial system of Great Britain” (Letter 208 to Andreas Holt, 26 Oct. 1790, CORR. 251). Nonetheless, as Hont (2005a; see also 2009, 2015), demonstrates, Smith's views on trade are in fact quite complex and cannot be unambiguously categorized as free trade; his advocacy of free trade must be tempered by ideas involving the “Jealousy of Trade.”

Hont explains that the “phrase ‘jealousy of trade’ refers to a particular conjunction between politics and the economy. It emerged in early modern Europe when success in international trade became a matter of the military and political survival of nations. Jealousy of trade signaled that the economy had become political. It inaugurated global market competition as a primary state activity. Hume supplied clear analytical and historical clues for understanding this epochal development… [the term refers] to a pathological conjunction between politics and the economy that turned the globe into a theater of perpetual commercial war….it implied that in modern politics the logic of trade was bent to the logic of war” (Hont 2005a:5-6). In the context of the states of Europe at this time, the economy had always been political; this change

represents, rather, a particular, new philosophy of a politicized economy. This change arose as Western Europe began to exploit the rest of the world, a “metamorphosis [that] redefined modern politics” (Hont 2005a:2).

Hume observed that war was zero sum – or, a Hont says, “with a winner and a loser.” Yet trade was positive sum, based on reciprocity and mutual benefit (Hont 2005a:6). Hume and Smith dismissed “those who failed to grasp the logic of reciprocity underlying all commerce.” But neither speculated on a world of pure trade. “Since war and trade pulled in opposite directions, they focused on the outcome of their interaction.” War raised a thorny question – How did commerce work “when superimposed upon the logic of war” (Hont 2005a:6)? It was not clear whether trade could tame war. “In considering the viability of the modern state, issues of commerce and war were at the forefront” (Hont 2005a:7).

According to Hont, Hume and Smith wanted to explain “how the conflation of the logics of war and trade arose in the seventeenth century and why it was so difficult to exorcise them afterward…The Wealth of Nations is a book not about perpetual peace but about competitive economic strategy. In this book Smith weighed the odds for national survival in global markets.”22 It was this corrupt aspect of trade that required urgent political attention” (Hont 2005a:9).23

Hont turns to Grotius and commerce whose logic embodies a very modern incentive analysis. Grotius’s reformation of the reason of state held that states had no choice; “aggressive acquisition of wealth as a mode of national self-preservation” had become an arms race. If one

22 (Hont 2005:8); sadly, Hont failed to complete this work, so there is nearly a complete absence of cites to Smith.
23 “Hume provided a striking historical clue to the origins of the modern fusion of war and trade.” (Hont 2005:8, citing Hume “Of Civil Liberty”: 88).
country failed to do so, its rivals would gain an edge. This approach had “already become well entrenched in contemporary republicanism and the prevailing discourse of reason of state” (Hont 2005a:15). “[N]ational self-preservation depended on military strength” (Hont 2005:15a).

“Following the so-called military revolution the costs of war escalated further. Financing national security became the primary motive for seeking economic expansion” (Hont 2005a:16). National status was more than protection from external threats, but also grandezza (glory). This required even more money. European states therefore focused on a wide range of strategies, including new trade routes and opportunities, the expansion and facilitation of commerce, and new institutions to promote and protect liberty.

“‘Jealousy’ between maritime trading nations was murderously intense… It was the right to new territory and new productive resources through ‘first occupation’ or conquest, which commanded the attention of many natural jurists” (Hont 2005a:17). “Hume was right in stating that it was the insertion of commerce into politics that was the mark of modernity” (Hont 2005a:21). 24

**International Competition Transformed Absolute Monarchies into Commercial States with Greater Levels of Liberty**

The jealousy of trade had an effect throughout Europe. “Europe’s pattern of trade underwent yet another transformation when the absolute monarchies of Europe took up the Dutch and English challenge and embarked on competitive international trade themselves…

19 Further, “Hobbes’s refusal to count the economy and commercial sociability as major determining factors of politics signals that he was not the first of the moderns but the last of the post-Renaissance or ‘new humanist’ theorists of politics” (Hont 2005:21).
When large monarchies replicated the trade of republics, Hume claimed, the causal nexus between liberty and commerce was reversed. Liberty, originally a prerequisite of commerce, became its most important consequence. By the second half of the 17th century, commerce and trade became genuinely transformative political agents in Europe.” (Hont 2005a:23)

Hont argues that Smith's thesis is straightforward: international competition among European nations forced the absolute European monarchies to create elements of liberty in order to become financially stronger. Monarchies that failed to do so were destined to decline. Commerce did not destroy liberty, as Locke had it, but caused its extension. War, trade, and competition in early modern Europe led to liberty.

Initially France was the worst offender in the corrupt application of the reason of state to trade. Louis’ absolutist regime welded war and trade into a single new policy. Colbert understood its logic well and gave it a pristinely clear expression. “Commerce,” he wrote in a famous memorandum to the King in 1669, “is a perpetual and peaceable war of wit and energy (d’esprit et d’industrie) among nations” (Hont 2005a:23). Notice the emphasis on relative gains, a critical feature of military competition in international relations (Powell 1991). “In addition to financing Louis’ wars, Colbert’s policy was to wage commercial war against Europe with any means at his disposal… [H]e wished to increase France’s share of European shipping immediately, by physically destroying Dutch capacity if necessary” (Hont 2005a:23-24).

Hont continues: “Britain and France were locked in economic and military competition throughout the 18th century. The French viewed England as the nation par excellence that made commerce a matter of ‘reason of state.’ The great question for France was whether or not to imitate England, and if yes, how” (Hont 2005a:24). Could France ever possess the same kind of
trading economy as England given the differences in geographical location and size? “How could France eventually win the competition with England” (Hont 2005a:25)?

In this environment, free trade was folly. “The growth of any neighbor made other nations automatically look smaller in comparative terms unless they responded... The passions of nations were dangerous” (Hont 2015:97). For both Rousseau and Smith, Hont argues, “contemporary politics included issues of the economy and, in close relation to it, the issue of war. Commerce they observed, did not diminish warfare, as theories of commerce suggested that it would, but increased it. War loomed large in the thought of Rousseau and Smith, whose most productive periods of intellectual creativity coincided with the seven years’ war” (Hont 2015:111).

“The suppression of the power of the feudal nobility led to strong central governments or, in other words, to royal absolutism” (Hont 2015:113). “This change coincided with the military revolution and had two effects. The first was the emerging dominance of Europe over the rest of the world” (Hont 2015:113).25 “Europe came to form a continental market, roughly the size of the market of China’s maritime provinces. This could have been enough to be the basis of decent economic growth, just as it was in China. But because of the discoveries and the superiority of European shipping and military technology, Europe also acquired a huge external market [and used its weaponry to force especially favorable terms of trade]. The result was spectacular acceleration of economic growth” (Hont 2015:113).

Although Hont does not observe this, Smith fails to speak with one voice on the issue of why national policies differed from free trade. Rather, Hont reports on one and then the other

25 The second point is not obvious!
without noticing – or, at least, without acknowledging – the contradiction. First, we have Smith the rabid free-trader, arguing that mercantilism arose because politically active merchants forced national policies away from those that would benefit the entire nation; second, Hont refers to the jealousy of trade, that the logic of trade and war became fused. Military competition dictated that trade became a weapon. I discuss these in turn.

(1) Mercantilism. “Europe became a hothouse of economic and military competition between states. This caused, Smith continued his argument, a merger of ideas of economic and military competition, with very bad consequences. This scheme of politics was the mercantile system” (Hont 2015:114). “The mercantile class, when advising the state, acted as a representative of the export producers, a small subset of the nation. The merchants wanted profits and the government wanted a large budget, so that together they ended up conspiring against the majority” (Hont 2015:114). Hont here neglects to mention more than budgets: Glory, recognition, and emulation; but also, survival in the face of an arms race.

To do so, they exploited nationalism, or, in Smith’s words, “national animosity” (Hont 2015:114):

A beggar-thy-neighbor type of aggressive economic foreign policy came into existence. This was what the first Earl of Shaftsbury was already calling jealousy of trade – justified by the national interest. It was this combination of national animosity and special economic interests masquerading as the national interest that had, Smith claimed, distorted the politics of modern Europe. He was an enemy of the mercantile system in every dimension, and the book that followed his history of the demise of feudalism – that is, Book IV of the Wealth of Nations – was devoted to making a grand attack on this seventeenth- and eighteenth-century symbiosis of power, commerce, and empire (Hont 2015:114).

“Smith showed that mixing the logic of war and trade led to economic policies that were mistaken and inefficient” (Hont 2015:114).
(2) Implications of the “jealousy of trade.” Hont (2015) switches gears from Smith as the passionate free trader to Smith as a theorist with an understanding of the logic of war and trade. “The most appropriate comparative angle is provided, I think, by his theory of foreign trade. We are all accustomed to seeing Smith as a sworn enemy of mercantilism or the idea that societies must get rich on trade” (Hont 2015:123). Smith worried especially about how a rich country could maintain international competitiveness in exports. “Smith would have been a mercantilist had he agreed on the use of national military and political power to achieve this aim, but he resolutely rejected this option” (Hont 2015:123; see also Hont 1983). He opposed using the colonial system to prop-up exports.26

We know that Smith’s “work was to become the locus classicus for the imperialism of free trade.” Yet Smith is easily mis-understood here. “He did not advocate international competition but rather international emulation... This idiom remains relatively unknown because it is to be found only in the final additions to The Theory of Moral Sentiments in 1789 rather than in the more famous Wealth of Nations” (Hont 2015:124). Hont (2005b) identifies emulation as the healthy rivalry of competitors who respect one another’s capabilities and where each seeks to do their best. Smith and others (see Hont 2005b) distinguish emulation from envy, the latter a spiteful, negative, and often vengeful passion. Smith’s views on emulation arose from his analysis of the practical ethics of patriotism, not his earlier analysis of international trade” (Hont 2015:124).

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26 Exploiting captive markets was easy, but also a recipe for decline because: “Tough competitors who had to fight for their markets would sooner or later overtake Britain, and the once proud imperial and industrial power would then fall back to where it belonged, to the positions of a middle-sized European nation that had fallen behind in international economic competition as a consequence of its previous imperial folly. In this prediction, Smith has been proved exactly right” (Hont 2015:123).
2015:124). “But, before one can see this clearly, one must first understand why this [idiom?] was not an optional element of Smith’s system” (Hont 2015:124).

For Smith, foreign trade “was a key element of the retrograde path that Europe had taken to modernity. He also had to deal with the fallout of the financial revolution. As Europe’s trade grew, its need for money, practical specie, grew too” (Hont 2015:124). Hence the introduction of paper money, a real innovation. Yet Smith also recognized that “the military-commercial complex of the modern eighteenth-century state had hijacked this new monetary device for its own purposes. This was the famous issue of public debt” (Hont 2015:124):

The right alternative was a sensible foreign policy, here meaning the preservation of Britain a blue-water power secured by the Navigation Acts (which Smith thought were measures of real republican genius and had been England’s salvation) in conjunction with non-intervention in foreign land wars, while still acting as an offshore adjudicator of Europe’s balance of power. Smith thought that these two activities could be financed from the profits off foreign trade, tapping into mercantile profits and using emergency powers if war made it necessary. This idea assumed, of course, that international trade took place in the great mercantile republic of mankind under rules of neutrality, allowing commerce to continue even during war. It also implied that the paper instruments that the Treasury received from merchants in times of emergency could be converted into gold and silver cash by the bankers of the great mercantile commonwealth of the world (Hont 2015:125).²⁷

Hont says that the “‘prosperity and glory’ of our country, Smith explained, ‘seem to reflect some sort of honor on ourselves’” (Hont 2015:130, citing TMS VI.i.2.2). “‘The love of our own nation,’” Smith continued, ‘often disposes us to view, with the most malignant jealousy and envy, the prosperity and aggrandisement of any other neighbouring nation’” (Hont 2015:130, citing TMS IV.i.2.3). Smith’s discussion of “national animosity” emphasizes the negative aspect of commercial rivalries: “Being neighbours, [France and Britain] are necessarily enemies, and

²⁷Hont (2015:125n10) says that Montesquieu (1748:xx.23) put forward a similar idea.
the wealth and power of each becomes, upon that account, more formidable to the other; and what would increase the advantage of national friendship, serves only to inflame the violence of national animosity. They are both rich and industrious nations; and the merchants and manufacturers of each, dread the competition of the skill and activity of those of the other. Mercantile jealousy is excited, and both inflames, and is itself inflamed, by the violence of national animosity” (WN IV.iii.c.13:496).

Hont next explores Smith’s idea of national emulation:

But without confidence, nations declined; and without competition, markets were dysfunctional. Hence, Smith searched for an alternative that maximized both national pride and economic growth, while eliminating the detrimental consequences of national prejudice and envy. His alternative was “‘national emulation,’” the competitive pursuit of national economic excellence for honor. In classical thought, emulation was the positive version of envy. Emulation was an ‘anxious desire that we ourselves should excel,’” and it was “originally founded in our admiration of the excellence of others” (Hont 2015:130, citing TMS III.2.3).

Emulation “was the constructive version of *amour-propre*” (Hont 2015:131). “For individuals, ‘to deserve, to acquire and to enjoy the respect and admiration of mankind,’ Smith wrote, ‘are the great objects of ... emulation’” (Hont 2015:131, citing TMS I.iii.3.2). 28 “Honor could incite emulation but could not restrain it from running to excess” (Hont 2015:131). 29

Although Smith is widely known as a free-trader, Hont shows us that his (Smith's) views about trade were considerably more complex. 30 National rivalries among the major European

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28 “‘Love of mankind,’ Smith admitted, was the loser in the contest, because ‘lover of country’ was by far the stronger sentiment’” (Hont 2015:131, citing TMS VI.ii.2.4).

29 Hont says that this “is the territory of the first two chapters of the so-called Geneva manuscript off Rousseau’s *Social Contract.*” Rousseau dropped it in the published version of the *Social Contract.* Yet “Smith brought it back in *The Theory of Moral Sentiments* to explain patriotism properly.” The *Wealth of Nations* “talked only about the wealth of nations, not of mankind” (Hont 2015:132).

30 I pursue this issue at greater length in Weingast (2017b).
states in early modern Europe may have led to greater liberty, but they also led to war. With the threat of war came passions that make emulation difficult to achieve and maintain. In a world without war, free trade was a positive sum game. But in a world of sustained military rivalries, trade also became zero sum (Powell 1991). The emergence of the idea of the jealousy of trade reflected this disparity between trade in a non-militarized environment and a militarized one.

7. Conclusions

In a series of works, Hont traces Smith’s normative and positive political theory, focusing on the central elements of authority and utility. Yet Hont does not present his arguments in a linear fashion, but across a series of works whose main purpose often lies elsewhere. For example, Hont’s recent lectures, published posthumously (as Hont 2015) and a major source of his ideas about Smith, focus on a comparison of Rousseau and Smith. In this essay, I have studied Hont’s logic by drawing on ideas in his many works and organizing them in a more linear form so that his point about Smith’s theoretical history is more easily seen. The exercise makes clear that Hont’s work represents a critical reinterpretation of Adam Smith’s political theories.

As Hont suggests, Smith builds on Hume and presents many of his ideas in juxtaposition to Locke’s. Hont argues that Smith’s history of Europe from ancient times to the present is not mere narrative, but the “general principles of law and government.” Hont (2017:112) calls Smith (and Rousseau) “theorists of rightful authority – in other words, of the law.”

What are the problems of utility and authority? How does each work, and how do they interact? Neither concept alone is sufficient to sustain a regime. All regimes rely on elements of
coercion, hence authority. But authority and coercion alone are an insufficient basis for regime survival. Stable authoritarian regimes therefore provide at least a minimal degree of utility in the form of security, aspects of justice, food, clothing, and so on. In contrast, republican regimes tend more toward utility, yet they too must rely on authority, for example, to enforce the law and their policies. Public goods are an obvious form of utility. But they do not pay for themselves; their provision relies on a system of coercive taxation. The logic of authority and utility can thus be put in terms of a tradeoff. A state that increases its reliance on one tends to decrease its reliance on the other. The principal question is, what determines how, in a given circumstance, the tradeoff is made in a particular way?

Smith realized that “Hobbes’s absolutist vision failed – as both Locke and Hume recognized – to properly configure the balance between utility and authority. Hobbes correctly identified that the primary task of the state was the provision of order and security, but he radically overestimated the threat posed by internal dissension while underestimating that posed by the rapacity of rulers. His system granted too much to authority, dangerously imperiling utility” (Sagar 2018:137). Thus Smith focused on liberty, and the transition from feudal Europe relying more on authority than utility to a commercial society characterized by liberty and hence a greater reliance on utility than authority.

As Hont observes, Smith's theoretical history from the fall of the Roman Empire to his own time represents a move from a violent, stable feudal system to the modern commercial republics of Smith's time. This transformation represents one of Smith's principal challenges – the phenomena to be explained. Put another way, Smith's principal question in his jurisprudence
is this movement from an authoritarian feudal system based largely on authority with limited utility to the commercial republics based largely on utility with limited reliance on authority.

“Smith tried to provide a complete theoretical history of European politics from its early beginnings to his own time, in order to close the gaping hole in Locke’s account of how commerce corrupted politics to such a degree that the damage could be repaired only by revolution. Locke’s consent theory of political obligation was designed to protect and support this conclusion. Smith’s response to Locke lies in his history and theory of the influence of wealth and economic development over European politics from the ancient republics to modern European commercial society. Only by fully understanding its content and implications can we ascertain whether Smith could offer an alternative to Locke’s normative political theory” (Hont 2009:168).

Smith’s theoretical history therefore focused on the reemergence of liberty in Europe following its demise with the fall of the Roman Empire. How did modern, republican and commercial nations characterized by liberty, markets, security, and economic growth emerge? The path is long and convoluted. Smith’s answers with his theoretical history, a history relying on a consistent theoretical approach across a great many historical events, an approach I document elsewhere (Weingast 2017c; see also Liu and Weingast 2017).

Turning to substance, Smith reports that the barbarian invasions of the Roman Empire resulted in a massive economic contraction with significant decline in the division of labor. Smith labels the initial system that emerged as “allodial,” which then became feudal. Feudalism, a violent, no-growth system that proved stable for centuries, was high authority, low utility. Ultimately, the medieval towns and cities re-established liberty, commerce, and economic
growth. They emerged as the result of a political exchange between king and town against their common enemies, the nobles. Over time, kings grew stronger and the nobles weaker. This trend occurred for many reasons, with Hont emphasizing Smith's arguments that the expensive military revolution favoring kings, while the advent of luxury goods destroyed the military power of the nobles. As Smith tells us, the towns and cities became “islands” of republics in a sea of authoritarian violence; towns were characterized by higher utility and less authority than the feudal countryside. But they did not grow into large nations characterized by liberty. They fell to military defeat by large monarchies because their militias prove no match for the monarchies’ modern standing armies. The result was absolutism, which increased the authority and lowered the utility of the towns.

Over time, the absolute monarchies found themselves in bitter and violent competitive rivalries for access to global trade. The result was unexpected: international competition transformed absolute monarchies into commercial states with greater levels of liberty. Habitual war forced European states to modernize. “Europe’s pattern of trade underwent yet another transformation when the absolute monarchies of Europe took up the Dutch and English challenge and embarked on competitive international trade themselves… When large monarchies replicated the trade of republics, Hume claimed, the causal nexus between liberty and commerce was reversed. Liberty, originally a prerequisite of commerce, became its most important consequence. By the second half of the 17th century, commerce and trade became genuinely transformative political agents in Europe” (Hont 2005a:23). Financing modern warfare required economic growth and a stable, non-predatory government, decreasing authority while increasing utility. To foster growth and commerce, absolute European monarchies had to provide for greater
liberty in order to become financially stronger. Monarchies that failed to do so were destined to decline. In short, Smith turned Locke’s argument about commerce upside-down. Commerce did not destroy liberty but caused its extension. War, trade, and competition led to liberty, an increase in utility and a decrease in authority.

By way of conclusion, Hont tells us that “Smith’s ambition as a political thinker was breathtaking. Secular political theorists can lose nothing and stand to gain a great deal both by taking Smith seriously as a political thinker and by abandoning the attempt to try to pigeon-hole his work as mere historical sociology... [W]e have to move on from a choice between Hobbes and Locke, representative sovereignty or resistance theory, as the primary framework for understanding the history of modern political thought” (Hont 2009:168).

Let me close with three observations about Hont’s attempt to understand Smith’s general principles of law and government by focusing on authority and utility. First Smith did not rely explicitly on the labels, authority and utility throughout his jurisprudence. He focused instead on the reestablishment of liberty from the fall of the Roman Empire to his own day. His goal in explaining this reemergence can nonetheless be put in these terms: the reemergence of liberty from authoritarianism reflects the transition from regimes relying on authority to regimes relying on utility.

Second, Hont’s focus neglects several important topics in Smith’s jurisprudence. Hont’s account represents a major step forward in our understanding of Smith's jurisprudence, even if his modes of presentation – his rhetorical choices – obscure his arguments. A few missing topics include:
- Public law. Fits because it explains the incentives of the components to adhere to the rules. [separation of powers logic] Thus executive is due our allegiance – or, we recognize the executive’s authority so long as he abides by the rules.

- The role of the medieval Church as part of feudal world.

- The British Empire and the American Revolution.

- Smith’s explanation for the persistence of slavery despite its massive inefficiencies.

- More on the logic of the four-stages theory. Hont (**) is quite clear on the role of this theory as explaining the natural progression of development. But he does not dwell much on the logic of the progression and, in particular, what it says about authority and utility.

Third, the linear account of Hont’s thoughts about Adam Smith can nowhere be found in Hont’s work. It is my construction, and I have no way of knowing whether he would have accepted it. I offer this account as a way to understand Hont’s contribution to Smith’s jurisprudence, and hence our understanding of Smith.

References

All references to Adam Smith’s works are to the Glasgow edition, as reprinted by Liberty Fund. The text uses the following abbreviations.


