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Economics as a discipline cannot be detached from a historical background that was, it is increasingly recognized, religious in nature. Adam Ferguson and Adam Smith drew on the work of sixteenth- and seventeenth-century Spanish theologians, who strove to understand the process of exchange and trade in order to better address the moral dilemmas they saw arising from the spread of commerce in the New World. After a long period in which economics became detached from theology and ethics, many economists and theologians now see the benefit of studying economic realities in their full cultural, often religious, context. This new series, *Studies in Ethics and Economics*, provides an international forum for exploring the difficult theological and economic questions that arise in the pursuit of this objective.

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The Commercial Society

Foundations and Challenges in a Global Age

Samuel Gregg



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Toward Commercial Order

The bourgeoisie has played a most revolutionary role in history. The bourgeoisie has been the first to show what man's activity can bring about. It has accomplished wonders far surpassing Egyptian pyramids, Roman aqueducts, and Gothic cathedrals: it has conducted expeditions that put in the shade all former migrations of nations and crusades. ... The bourgeoisie has given a cosmopolitan character to production and consumption in every country. The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all nations, even the most barbarian, into civilization.

—Karl Marx

Though often regarded as one of the more prominent critics of the society that began to emerge in the wake of the Industrial Revolution, Karl Marx was under no illusions concerning the revolutionary transformation associated with commercial society. What Marx portrayed as the new capitalist order was, to his mind, infinitely preferable to the feudal-mercantile society that preceded the growing dominance of a commercially orientated middle class. He also believed that the advent of this new society would help to create the proletariat who would, Marx maintained, replace the bourgeoisie as the engine of historical transformation. The advent of commercial society thus brought humanity closer to what

Marx envisaged would be the end of history: a communist world in which it would be possible for all people who survived the inevitable rigors of the transformation "to do one thing today and another tomorrow; to hunt in the morning, fish in the afternoon, breed cattle in the evening and criticize after dinner, just as I please."¹

In his writings, Marx offered many reasons to explain these social transformations, but central to his argument was his attention to changes in man's relationship to the means of production. While feudalism was held in place, Marx claimed, by a particular vision of the world much shaped by Christianity, his primary explanation for the organization of feudal society concerned people's relationship to the means of production in a predominately agricultural economy. Those who owned large amounts of productive land or enjoyed special privileges over the land were therefore in a superior position to those who merely worked the land or whose ownership was contingent upon performance of specific duties such as paying feudal dues. Hence, Marx held, as the dominant means of production shifted away from land and agricultural methods toward industry and commerce, there was an inevitable power-shift away from the land-owning nobility and toward the emerging commercial classes.

The attraction of Marx's theory is its apparent concurrence with shifts in the dominant modes of economic production that have occurred over time. The difficulty is that this is too simple an explanation. It fails to account not only for observable facts in the history of economic life, but also changes in the way that people have thought about the production and consumption of materials. This includes practical insights such as Adam Smith's attention to the manner in which the specialization of labor facilitated greater efficiency in the production of goods, alongside a web of supporting ideas about the nature of human beings, the demands and consequences of human liberty, and the character and purposes of different institutions that have evolved over time. Commercial society is far too complex a phenomenon to be rooted solely in economic theory.

The very expression "free exchange," for instance, necessarily implies that a commercial society depends upon more than just the exchange of goods and services. It demands a *free* as opposed to a *coerced* exchange. The word *free* indicates in turn that the economic processes that characterize commercial society presuppose a certain understanding of human beings that differs from the view of man promoted by, for instance, Marxist and other deterministic visions of human life.

Commercial society thus embraces dimensions and suppositions that go beyond the economicist visions of Marx and his disciples. It follows that if commercial society is to endure, then a wider and deeper understanding of these presuppositions—its foundations—is necessary. Not only does the diffusion of such knowledge help to refute false ideas about commercial society; it may also assist commercial societies to cope with some of the real challenges they face across the globe. By challenges, we do not primarily have in mind the threats posed from outside commercially orientated societies such as Islamic terrorism. While

these are important, our attention is directed primarily to those challenges that continually emerge *within* these societies.

There were few more robust defenders of commercial societies than the twentieth-century Swiss-German economist Wilhelm Röpke. Yet for all his critiques of communist, socialist, and corporatist alternatives, Röpke shared Alexis de Tocqueville's concern that the same pressures and developments that facilitated commercial society also led to the emergence of phenomena—such as a fixation with equality—that could prove antithetical to the long-term preservation of commercial society. Though their lives were separated by many decades, both Röpke and Tocqueville asked themselves how commercial societies could avoid such problems without undermining the very foundations that had done so much to promote human liberty and reduce material poverty.

It is with these concerns in mind that this book is written. Part One outlines and analyzes commercial society's moral, economic, and legal foundations and underlines the connections between them. By "foundations," we mean certain habits, procedures, and institutions, the absence of which raises questions about the ability of commercial society to emerge and sustain itself. This is not to intimate that these foundations, ranging from moral qualities such as trust or legal structures such as rule of law, are somehow unique to commercial society. Clearly they are not. Yet without these particular features, the long-term preservation of commercial society becomes more tenuous. In Part Two, we examine what might be called the perennial core challenges that emerge within modern commercial societies. Prominent among these are the expansionary tendencies of the political sphere, the demands of various equalizing tendencies, as well as particular developments associated with the advent and spread of democracy.

Before examining the foundations of commercial society and the challenges they confront, we need to define what is meant by "commercial society." There is a tendency to associate commercial society with economics and even more specifically free-market economics. Though commercial society is correctly associated with what might be called capitalist modes of economic production, excessive focus on this dimension of commercial order is likely to result in insufficient attention to the critical role played by certain ideas in the rise of commercial order—ideas that have acquired institutional form over many centuries.

One of the first twentieth-century thinkers to speculate upon such matters was another Swiss-German intellectual, Max Weber. Attention to his analysis of the rise of capitalism is important, for though there are significant flaws in his theory, his arguments allow us to begin identifying some of the ideas driving commercial society's emergence and expansion across the globe. Weber was one of the first commentators who established—contra Marx—that capitalism's development could be explained in more profound terms than simply alterations in the means of production. According to Weber, changes in the way that people thought about themselves and their world were central to facilitating significant transformations that in turn undermined the feudal-mercantilist social order.

A Capitalist Ethic?

Though Weber wrote many texts, he is perhaps most well known for associating the rise of commercial order with changes generated by the religious schism that split Western Christianity in the first half of the sixteenth century.² Weber's *Die protestantische Ethik und der Geist des Kapitalismus* (1905) was his first published work following a well-documented period of mental instability that began with Weber's initial nervous collapse in 1898 and continued with time spent in and out of mental institutions until 1903. The book itself was based upon lectures given by Weber during a visit to the United States in 1904. Significantly, Weber never expanded his ideas on this subject beyond this work.³

Weber took the view that capitalism involved more than just the production and exchange of goods within a particular institutional setting. Commercial orders, he believed, were firmly rooted in a particular state of mind. They were driven by rationality and the subordination of emotion, custom, tradition, folklore, and myth to the workings of instrumental reason.⁴ Rationality, Weber believed, was crucial for the development of the disciplined investment patterns and division of labor that, he posited, began to surface across Western Europe during the sixteenth century.

Weber declared that this linkage of rationality with economic practices occurred primarily in Europe's predominately Protestant areas, especially those with significant numbers of ascetically-inclined Protestants in their midst. He particularly had in mind countries such as England and the Netherlands which, Weber held, were among the first to develop powerful commercial orientations. By inculcating a belief among its adherents that they needed to avoid superficial pursuits and totally commit themselves to whatever calling to which God had summoned them, ascetic Protestantism, Weber theorized, played a major role in endowing Western Europe with a form of economic life largely unknown in the non-European world.

In theological terms, Weber asserted that some forms of Protestantism, especially Puritan versions of Calvinism and its central doctrine of predestination, fostered the type of discipline required by commercial economies. Ascetic Calvinists and Puritans, in Weber's opinion, were convinced that it was not possible to do good works to attain heaven in the next world. One was either among the elect or one was not. One indication of election, according to Weber's interpretation of John Calvin, was wealth. The accumulation of wealth thus encouraged people to see themselves as destined to be saved. This in turn fostered a spirit among people that directed them toward the rational-accumulation of wealth.

The objections to Weber's analysis can be categorized as theoretical and empirical. In the case of the former, his suggestion concerning Protestantism's facilitation of the emergence of the rational mindset seems to imply that a concern for reason and, more specifically, instrumental reason, was largely absent from pre-Reformation Europe. One need only consult the works of Thomas

Aquinas to discover that this is not true. It also ignores the writings of Renaissance figures such as Nicolai Machiavelli, many of whom discoursed long and eloquently in a Catholic world about forms of reasoning that closely resembled what Weber meant by rationality.

There are also questions about the adequacy of Weber's portrait of sixteenth-century Protestantism. His association of the apparent laicizing of the idea of calling with Protestantism does not survive peripheral study of pre-Reformation Christian theological reflection about the concept of vocation. The writings of Aquinas, for example, indicate that he believed that the very nature of human society meant that different men were destined to fulfill different tasks. Even in the post-Reformation period, Catholic religious orders such as the Jesuits went to significant lengths to stress the need for men to regard their diverse occupations as a calling from God.⁵ Nor is it clear that Calvin associated the idea of the elect and good works with material success in this world. A survey of Calvin's *Institutes* indicates that he did not regard works as having much to do with the growth of wealth or financial profit. "Works," Calvin taught, essentially concerns those spiritual acts that require obedience to God's Law. A similar picture emerges from study of the Westminster Confession, the profession of faith that has dominated much Puritan, Calvinist, and Presbyterian theology since the sixteenth century, and upon which Weber relied heavily in building his theory. The Westminster Confession makes a clear distinction between each person's heavenly and earthly callings. An individual's earthly vocation was not regarded as a positive contribution to man's salvation—a position that contradicts Weber's analysis. The Confession also stresses that believers must ensure that their earthly tasks do not distract them from pursuing their heavenly destiny. Christians are in fact called upon to choose "that employment or calling in which you may be most serviceable to God. Choose not that in which you may be most honorable in the world; but that which you may do most good and best escape sinning."⁶

The empirical evidence against Weber's thesis is also compelling. In the 1920s and 1930s, the Italian political thinker Amintore Fanfani (no friend of commercial society) pointed out that capitalism had begun to emerge at least a century before Luther and Calvin.⁷ Fanfani especially had in mind what he described as the "commercial spirit" that characterized Northern Italy's city-states, not to mention the Venetian republic that dominated the Mediterranean's merchant and trading life for several hundred years. Areas of Europe such as the Low Countries and England had begun to embark upon commercial paths years before Luther nailed his Ninety-Five Theses to a church door in Wittenberg. Double-entry bookkeeping was born in Italy long before 1519 and was quickly taken up by other merchants throughout Western Europe.⁸

To establish these points is not to assert that modern commercial societies owe more to a Jewish, Catholic, or secular ethic than to a Protestant ethic. It is simply to state that Weber's particular conclusions are very questionable. For all the problems with Weber's thesis, he was surely right to identify the emergence of new ways of thinking as crucial to the character of what he called capitalism.

His failure lay in his inattentiveness to the manner in which crucial concept and patterns of thought that lie at the heart of commercial society first appeared in a somewhat systematic form during the Middle Ages, especially through the particular attention accorded during this period to the importance and implications of human liberty, private property, free exchange, the rule of law, and civility.

Pre-Modern Traditions of Commerce

The Europe predating the great sixteenth-century religious schism is often regarded as dominated by an essentially communal mindset. Cary Nederman has indicated that while Medieval Latin Christendom could not be described as collectivist, the phrase "communitarian" best summarizes the nature of the prevailing social, economic, and political order.⁹ The Western European feudal system was based upon a web of mutual obligations that different social groups such as the nobility and the peasantry were held to owe each other. While various forms of commerce existed in this period, all these activities and institutions were meshed in what the political theorist Antony Black calls the widespread diffusion, even dominance, of corporatist values within rural areas, villages and towns.¹⁰

By *corporatist*, Black does not mean "corporate" in the sense of the modern business corporation. Rather he has in mind the prevalence of particular ideas about the social order that flowed in part from Christianity's emphasis upon brotherly love, as well as ideals concerning the nature of friendship and mutual assistance promoted in the works of classical Roman thinkers. According to Black, it was the medieval guilds found in every village and town throughout Europe that gave particular form to such notions and spread them throughout society along with a range of institutional structures and expectations. Terms associated with the life of guilds such as *fraternitas*, *confraternitas*, and *bruderschaft* evoked notions of brotherhood, while phrases such as *communio* and *consortium* spoke of comradeship and fellowship.¹¹ They also indicated a range of concrete obligations that guild members owed each other. In practical terms, membership of a guild not only endowed people with a certain social status. In many instances it determined who could and could not engage in certain occupations or produce certain goods and services, and thereby effectively constituted what would be regarded today as "closed shops." Significantly, membership of many guilds was regarded as eternal rather than a matter of voluntary contract and explicitly linked to a certain understanding of justice. Black describes this as

the duty to produce work of a certain standard and the right to secure employment. The chief means to do this was the restriction on craft entry. Rules stipulating maximum hours and so on comprised a large part of guild regulations ... The main purpose of the corporate legal rights claimed by guilds was to ensure a secure livelihood. In this way their sense of justice led to a belief in approximate equality of output and of the returns due to all craft members; their main

opponent here was the merchant-capitalist ... who, by employing more men and working them harder, undercut their price and ruined their livelihood.¹²

Though ideas and culture associated with guilds were widespread in the medieval world, this state of affairs did not go unchallenged. The canonist and Cardinal-Bishop of Ostia and Velletri, Henry of Segusio (better known as Hostiensis, d.1261) stated that the legal rights of guilds needed to be understood "without prejudice to their lord if they have one." Neither guilds nor their corporate claims, according to Hostiensis, were above the law of the realm or the city. There is also evidence to suggest that the rulers of cities would often limit guild regulations and even occasionally dissolve guilds in order to protect the interests of consumers. Though they generally acknowledged that guilds could create their own rules and regulations, medieval legal thinkers stressed that any guild regulations were subordinate to the demands of natural justice. Some scholastic theologians such as Bartolus of Sassoferrato (1313-1357) even argued that guilds were not permitted to make "a law by which another is prejudiced, as for instance if they make a law that only certain persons and no others can exercise that craft."¹³ Nor is it insignificant that while scholastic thinkers generally attached great importance to the ideas of friendship and mutual aid, they did not view guilds as morally significant communities in the way that the family and the state were considered natural communities.

The dominance of corporatist-communalist theories and practices was also challenged in the same historical period by the emergence of concepts that were to help define commercial order. Black holds that this "complex of ideas" was present in Europe at least as early as the thirteenth century. He summarizes them as:

first, personal security in the sense of freedom from the arbitrary passions of others. And freedom from domination in general. This involves freedom (or security) of the person from violence, and of private property from arbitrary seizure. But these ... can only be maintained if legal process is credible and successfully enforced as an alternative to physical violence, in settlement of disagreements, and in redressing wrongs committed by violence. This leads to the notion of legal rights (whether or not so called), both in the sense of the right to sue in court on equal terms with everyone else—legal equality—and in the sense of claims, for example, to property, recognized and upheld by the law.¹⁴

This attention to *liberty* appears to have flowed primarily from Christianity's distinctive stress upon freedom. Aquinas emphasized, for instance, that, unlike animals, people could only acquire what they needed through using their "reason and hands" freely and creatively.¹⁵ At an even deeper level, the Christian accent upon man being freed from the burden of sin, not to mention its insistence upon the reality of free will and therefore of free choice, underlined the idea that human beings were, by God's grace, free. Saint Paul spoke of everyone being called "to liberty" through Christ. While there was—and is—a way of discussing this in

Christian theology that focused upon man's interior liberation from sin, the conviction that all people were called to freedom had profound political, social, and economic implications. Slavery, for instance, began to acquire negative moral connotations that it did not have in a pre-Christian world. Though Christianity affirmed that social groups, law, and the secular authorities had legitimate roles to play in shaping the social order, it avowed that there were limits to what these bodies and even the Church could do when it came to influencing people's exercise of their freedom. In the words of the medieval theologian John of Salisbury, though virtue and ultimately communion with God was the proper and natural end of man, people could not achieve this "without liberty, and the loss of liberty shows that perfect virtue is lacking."¹⁶

Having emphasized that human freedom implied limits to the power of secular and religious authorities, it is hardly surprising that one of the great institutional expressions of these limits and a prerequisite for a commercial society—*private property*—also received much attention in the Middle Ages. Following Aristotle, Aquinas outlined three reasons why appropriation of property to particular owners is morally licit and even necessary. First, people tend to take better care of what is theirs than of what is common to everyone, since individuals tend to shirk a responsibility which is nobody's in particular. Second, if everyone were responsible for everything, the result would be confusion. Third, dividing up things generally produces a more peaceful state of affairs, whilst sharing common things often results in tension. Individual ownership, then—understood as the power to manage and dispose of things—is justified.¹⁷

This explanation is attentive to what Christianity stresses as the effects of sin upon human beings. Aquinas' argument assumes that it is generally unreasonable to expect fallen human beings to own things in common for long periods of time. Sin, Aquinas implies, limits man's capacity to be other-regarding in an altruistic sense. Aquinas appears conscious of the fact that each individual's *self-interest* and its workings cannot be ignored in any reflection upon the social order.

In other writings, Aquinas stressed that the fact that property is generally owned *privately* creates limits to what the state can tell people to do with their goods and lives. He wrote, for instance, that the power of households to manage their own economic affairs—a power that depends on the assurance associated with property ownership—is the foundation of their ability to tell the state's rulers that their powers are limited. It is not surprising therefore that Aquinas' statements about unjust law in his *Summa Theologiae* seem at least partly directed against the tendency of rulers to impose unfair taxation burdens.¹⁸ One of Aquinas' likely disciples, John of Paris, went so far as to assert that, with respect to the goods of laymen, no member of the clergy enjoyed any lordship or even stewardship.¹⁹ Such goods, in his view, did not come by gift or grant to a community but rather were acquired by individual laymen "through their own skill, labor and diligence."²⁰ Here we should note that medieval legal thought was primarily shaped by reflection upon the second tablet of the Decalogue: the

so-called negative commandments. Thus the importance attached to property that emerges in the medieval period was shaped in part by excavation of the meaning of the Decalogue's prohibitions against stealing and killing innocent life.

Another implication of medieval attention to the importance of private property was that it suggested that, subject to the demands of law and natural justice, people could *freely exchange* what they privately owned. Certain rights concerning the free trade of privately-owned goods thus began to receive formal legal recognition in twelfth and thirteenth-century civil law. By the thirteenth century, the willingness and legal authority to buy and sell different forms of property had become so widespread in England and facilitated such low-transaction costs in the exchange of goods as well as relatively easy capital-formation that the historian Alan MacFarlane has described this society as "an open, mobile, market-orientated nation."²¹ This was especially true of towns, where those who became residents were generally able to enter into business partnerships, contracts, and exchanges without requiring the local lord's agreement.

With the moral validity of freely buying and selling goods becoming a given fact of economic life in towns and cities, it was inevitable that the concept of *contract* became widespread in these societies. The idea of contract was already well-established in Roman law and was implicit in the nature of many feudal obligations. With the spread of private ownership and free exchange in medieval Europe, it became more widely understood that fulfillment of promises, as well as legal provision to enforce unreasonable failures to perform promises, was a prerequisite for ensuring that services and goods would be delivered in return for payment. This led many medieval lawyers to spend considerable energy ensuring that people distinguished the obligations incurred by contract from those that proceeded from membership of, for example, a guild. Thus figures such as Hostiensis emphasized that the purpose of contracted business partnerships and associations was "more favorable profit and richer gain"²² rather than expressions of brotherly solidarity commonly presented as being the purpose of guilds.

Last, we should recall that the idea of *civility*, much popularized during the Scottish Enlightenment, was also associated in the minds of some medievals with the growth of trade and commerce. Another of Aquinas' likely disciples, Ptolemy of Lucca, stated that business affairs in cities needed to be conducted with politeness, gentility, and "a certain civility."²³ By this was meant that people in urban commercial settings needed and therefore tended to treat each other as formal equals (regardless of social or economic status) under the law and with a certain degree of kindness and gentleness, even if their primary contact was through business transactions.

Many of these ideas concerning liberty, exchange, property, contract, and civility were presented by Renaissance Christian humanists as increasingly characteristic of the cities of their time. It was common for Renaissance writers to portray self-made and entrepreneurial individuals who pursued personal gain in a way consistent with Christian morality and the law as among the city's greatest

treasures.²⁴ As one commentator states, this was directly contrary to the usual guild objective of limiting output to a level that all could achieve.²⁵ Other Renaissance scholars such as Leonardo Bruni of Arezzo (1369–1444) penned essays linking the persistence of commercial liberty with rule of law and civility. “The magistrates,” Bruni wrote, “are set up for the sake of justice ... lest the power of any person should surpass that of the laws in the city.”²⁶ He described the people of Florence as a commercial people who were “industrious, liberal ... affable, and above all urbane.”²⁷ Mario Salamano (1450–1532) even advised the readers of his *De Principatu* that just as contractual arrangements were the basis for business partnerships, so too were contracts also “the means by which the state is arranged and preserved.”²⁸ He thus employed a legal concept increasingly used to facilitate ease and predictability in commercial life to define the character of the state and implicitly the limits of its powers. For just as a business partnership could be voided by violation of the contract, so presumably could the authority of the ruler. A contemporary of Salamano, the Italian humanist Brandolinus (1440–1497), emphasized that the prevalence of liberty and rule of law in many Italian city-states were central to the emergence of a spirit of free enterprise and the encouragement of commerce and trade across Europe:

Our citizens enter into commerce and partnerships freely with all nations, open up the whole world for their own gain, and come to the aid of all men with their industry [*industria*] and skills [*artibus*]; and all nations from everywhere flow together into our cities as into markets common to all peoples [*communia gentium emporia*].²⁹

On the Brink of a New World

Though the emerging world of Christian humanism was shattered by the religious wars that shook Western Europe, the ideas and institutions associated with commercial order were not. While mercantilism became the dominant mode of economic life as absolutist governments began to establish a grip over much of Protestant and Catholic Europe, it is also true that previously unimaginable commercial possibilities emerged. Adam Smith once described the discovery of the Americas and of a passage to the East Indies via the Cape of Good Hope as two of the most important events recorded in human history. In terms of their significance for the expansion of commerce throughout the world, Smith did not exaggerate. The gradual conquest and settlement of the New World by Spanish adventurers, not to mention the Dutch and Portuguese expansion into Africa and Southeast Asia, transformed Western Europe’s economic life, especially in the Netherlands, Italy and the Iberian peninsula. International trade expanded at an unprecedented rate. As Spanish colonies were established in the Americas, they became the source of a growing demand for basic and luxury products made in Castile and Aragon.³⁰

One consequence of these developments was the rise and expansion of the commercial classes. Cities like Seville—the destination of the treasure fleets from America—grew in size as they attracted merchants and traders from the rest of Europe. Skills such as valuing and accounting became highly valued. The center for merchant activity in Europe began to shift toward Spanish merchant families, many of which were of foreign origin, having first established themselves in North Italy and the Low Countries before gravitating toward Spanish markets. The effects of Spain’s growing commercialization throughout the sixteenth century were not limited to the social and political realm. For this was a society in which most people, peasant or aristocrat, believed that their free choices could mean the difference between their salvation and damnation. Though a moderate profit on sales was viewed as acceptable, the increase in the volume of credit transactions in the Spanish economy only reminded people of the traditional prohibition of usury. Many merchants and traders, being desirous of salvation, turned to their confessors for guidance.

Confronted with this and other moral questions in their consciences and the confessional, many priests turned to those charged with the responsibility of providing guidance on such subjects: that is, theologians and canon lawyers. The response of many theologians was to reflect upon the wisdom of medieval scholars and thinkers of antiquity and apply their insights to the new situation enveloping Spanish, and more broadly, Western European life. The application of medieval scholastic and Aristotelian thought to the commercial upheavals of the time resulted in the publication of an unprecedented number of lengthy treatises on the moral dimension of economic life. Some of the most detailed descriptions of sixteenth century commercial life are contained in these writings. The Austrian economist and philosopher Friedrich von Hayek did not exaggerate when he indicated that the tradition of liberty under law—so strong in continental Europe during the Middle Ages—was kept alive

by the Schoolmen after it had received its first great systematization, on foundations deriving from Aristotle, at the hands of Thomas Aquinas; by the end of the sixteenth century it had been developed by some of the Spanish Jesuit philosophers into a system of essentially liberal policy, especially in the economic field, where they anticipated much that was revived only by the Scottish philosophers of the eighteenth century.³¹

Written by late-Scholastic scholars such as Francis de Vitoria, Domingo de Soto, and Tomas de Mercado, these works sought to determine which of the new commercial practices conformed to the demands of morality, and distinguish them from those that did not. In his discussion of money-changing, for example, Tomas de Mercado informs his reader that he wants to help confessors “who, abstracted as they are from the world, cannot understand the ways of these entangled dealings.”³² The inquiries of the late-Scholastics consequently embraced activities and practices as varied as taxation, coinage, foreign exchange, credit,

prices, and interest. They also analyzed the workings of the banking business of their time, and showed how the fluctuations in foreign exchange were related to changes in the purchasing power of different currencies. One unforeseen result of these reflections, according to some historians, was the theoretical conceptualization of important aspects of commercial life. These include the subjective theory of value, the identification of all the determining factors of price, a simple version of the quantity theory of money, as well as new insights into how coinage debasement facilitated inflation.³³

Though many late-Scholastics generally regarded commercial activity as morally indifferent,³⁴ some ascribed positive moral characteristics to trade and commerce. The economic historian Henry Robertson records that the Jesuits Francisco Suarez and Luis de Molina were unashamed promoters of the social benefits of enterprise, financial speculation and the expansion of trade.³⁵ Another late-Scholastic, Domingo de Soto, even portrayed commercial activity as evidence of civilizational development:

Mankind progresses from imperfection to perfection. For this reason, in the beginning barter was sufficient as man was rude and ignorant and had few necessities. But afterward, with the development of a more educated, civilized and distinguished life, the need to create new forms of trade arose. Among them the most respectable is commerce, despite the fact that human avarice can pervert anything.³⁶

In other late-Scholastic texts, one finds awareness that there was something new and energetic about this expansion of commerce. Bartolomé de Albornóz described commercial activity as "the nerve of human life that sustains the universe. By means of buying and selling the world is united, joining distant lands and nations, people of different language, laws and ways of life. If it were not for these contracts, some would lack the goods that others have in abundance and they would not be able to share the goods that they have in excess with those countries where they are scarce."³⁷ Likewise in Mercado's manual, we encounter a sense of wonder concerning the commercial life of Seville, where a "banker traffics with a whole world and embraces more than the Atlantic, though sometimes he loses his grip and it all comes tumbling down."³⁸

Unfortunately this period of financial and intellectual prosperity did not persist in Spain. Heavy taxation necessitated by Spain's almost continuous involvement in war throughout the second half of the sixteenth century, the population decline throughout the Iberian Peninsula, unfavorable-trade balances, and the European-wide rise in prices contributed to a slow deterioration in the economic situation. In other parts of Europe, however, other important intellectual developments were occurring that would further stimulate the emergence of commercial society. This is especially true of the seventeenth-century English philosopher John Locke. Articulating many of the ideas outlined above, Locke integrated them with the concept that a person's work could be viewed as something that

could be bought and sold; he even went so far as to describe a person's labor as their property.³⁹ This made it possible to speak of a labor market in which people could freely sell their labor or purchase the labor of others in the form of wages.

An important effect of these ideas was their provision of a stronger moral and legal basis for labor to escape the confines and regulations of the guilds and other labor-restricting organizations, thus facilitating a free market in labor and a high degree of occupational mobility.⁴⁰ This becomes clearer when we consider that once a society begins to define work obligations less in terms of hereditary duties and more in terms of freely agreed contractual arrangements, it changes at a fundamental level. The pace at which this took effect varied from country to country. In England, the effects were speedier because its legal system had already begun moving in this direction. In his *Puritanism and Revolution* (1962), Christopher Hill illustrates that England's seventeenth-century Chief Justice Sir Edward Coke (1552-1634) regarded guilds as nothing more than institutions of monopoly. Coke consequently worked to undermine their restrictive labor practices by arguing that they were contrary to the freedom enjoyed by all the Crown's subjects. This theme, according to Hill, became a standard argument of the Parliamentary party in its struggle against royal absolutism, partly because of the Crown's attempts to impose royal monopolies as an alternative to parliament as a revenue source.⁴¹

Another idea much associated with Locke that proved vital for commercial society was that of *tolerance*. While Locke had much to say on subjects such as private property, his most significant contribution to commercial society may have been his anonymously published *Letter Concerning Toleration* (1689). Like others of his time, Locke evoked the death and destruction that had flowed from the intolerance showed by Protestants and Catholics alike during Western Europe's religious wars. For Locke, one way of resolving this issue was through what he called "toleration." This embraced many facets, but at the heart of Locke's argument was the notion that the state should refrain from interfering in the religious beliefs of its subjects, save when these religious beliefs lead to behaviors or attitudes that run counter to the security of the state and the legitimate demands of public order.⁴²

On one level, Locke's understanding of toleration could be viewed as a logical extension of the civility that medieval and renaissance writers associated with commercial activity. Being polite to others with whom one disagrees about, for instance, religious and political questions is surely implicit to the idea of civility. In practical commercial terms, the gradual acceptance of toleration allowed people to travel for trading purposes without fearing that those with whom they exchanged goods and services would denounce them to the public authorities for the particulars of their faith or politics. The Britain of Locke's time was, of course, a far from religiously tolerant country. Nonetheless, the demands of commerce appear to have contributed over time to the spread of a de facto toleration of religious differences throughout England. Voltaire commented upon this when visiting London in the middle of the eighteenth century. Though

he stressed the established Church of England's political dominance and its intolerance of other faiths, Voltaire remarked in his *Philosophical Letters* upon the tolerance encouraged by commerce:

Go into the Exchange in London, that place more venerable than many a court, and you will see representatives of all the nations assembled there for the profit of mankind. There the Jew, the Mahometan, and the Christian deal with one another as if they were of the same religion, and reserve the name of infidel for those who go bankrupt.⁴³

The soothing effects of this activity upon other social interactions did not go unnoticed by Voltaire. As he put it: "On leaving these peaceable and free assemblies, some go to the synagogue, others in search of a drink." Generally, Voltaire concluded, "all are satisfied."⁴⁴

A Modern Commercial Tradition

Though other correspondence and acts by Voltaire indicate that his own commercial ventures did not diminish his own prejudices against various categories of people, including Jews,⁴⁵ his observations of the London Stock Exchange reflected heightened awareness of how commercial activity changed the character of social relationships in other arenas. Still, neither Voltaire nor the medieval, Renaissance and post-Reformation thinkers posited that a new society was coming into being. In some instances, their thoughts about commerce led them to reason that private property and the necessity of certain economic certitudes such as a stable value of money necessarily implied new limits to state power. What we do not find in their works is a realization that a fundamental shift toward a new social order was underway.

Yet by the middle of the eighteenth century, we see distinct signs that consciousness of such a sea change was becoming apparent. Reflecting on this period, the French political philosopher Pierre Manent writes:

During the eighteenth century, in England, Scotland, and France, perceptive observers felt able to describe the workings of a new social bond, which went by the generic name of commerce, not rarely qualified as *doux commerce*. Commerce then is not just a human activity among a number of human activities; it denotes a new regime of human action itself, and its development aids the axis of human progress. The radical newness of commerce in this comprehensive meaning consisted in this, that people were now linked to one another without commanding each other, and without necessarily sharing a common way of life.⁴⁶

In his *Spirit of the Laws* (1748), the French philosopher Guy de Montesquieu drew a picture of a world unfolding between two poles. One pole was the ancient world, in which republican virtue predominated; the other was England, a society in which commerce and liberty held sway. "The political men of Greece," Montesquieu wrote, "who lived under popular government recognized no other force to sustain it than virtue. Those of today speak to us only of manufacturing, commerce, finance, wealth, and even luxury."⁴⁷ In the end, it was a group of thinkers on the outskirts of Western Europe who were to "discover" that a new society was emerging and to analyze its nature and consequences. Like Montesquieu, Adam Smith and others associated with the eighteenth-century Scottish Enlightenment sensed that momentous changes were underway as the basic engine of commercial society—"the desire to better one's condition"—began to take on an unprecedented momentum. In studying these changes the Scots certainly drew upon the intellectual resources of the past, but sharpened points of reflection into the discussion.⁴⁸

Members of the Scottish school ranging from William Robertson to Adam Ferguson followed the then-common European tradition of integrating and presenting different fields of study as a cohesive whole rather than promoting a rigid segmentation of areas of knowledge. This may have heightened their sensitivity to the societal-wide implications of economic changes. This is almost certainly true of Henry Home, a philosopher and historian better known to history as the Scottish jurist Lord Kames. Like others before him, Kames underlined the significance of property for social and legal order. Societies and laws came into existence, he emphasized, in part because all people who owned things wanted some guarantees of its protection. "It is . . . a principle of the law of nature," Kames added, "and essential to the well-being of society that men be secured in their possessions."⁴⁹ This in turn led to people devising rules that not only enforced the protections implicit to property, but also educated people in property's importance for social order and each person's security. These laws became especially important, according to Kames, when social development reached a particular point—that being what Kames called commercial society.

Kames regarded commercial society as one that represented a progression upon the agricultural stage which had in turn evolved from pastoral-nomadic communities that had developed out of hunting-fishing societies. The more complex social and economic arrangements of agricultural society, Kames held, had required laws to achieve what the customs of nomadic societies could not. There were, for example, relationships such as those between landowners and those who rented the land which generated a range of new freely undertaken obligations between people, the violation of which undermined social order. Elaborating upon this thesis, Kames proposed that as the locus of economic activities began to shift away from villages and fields toward towns and cities, further changes in law were necessitated. For once the buying, selling, and exchange of goods reached the level of sophistication characteristic of commerce, Kames

believed new societies would start to surface which allowed ever-increasing numbers to enjoy greater ease and material prosperity. Under such influences, he proposed, how could the entire pattern of life *not* change in some fundamental ways?

The social developments generated by commercial society, especially in terms of the prospect of greater wealth it held out for increasingly larger numbers of people, went beyond the economic. The Scottish philosopher David Hume, for one, was fascinated by the manner in which commerce

raises men from their indolence; and presenting the gay and more opulent part of the nation with objects of luxury, which they never have dreamed of, raises in them a desire of a more splendid way of life than what their ancestors enjoyed.... Imitation soon diffuses all these arts; while domestic manufactures emulate the foreign in their improvements.... Their own steel and iron become the equal to the gold and rubies of the *INDIES*.⁵⁰

In his *History of the Reign of Emperor Charles V* (1769), Hume's contemporary, William Robertson, described how commerce's spread throughout Western Europe was reconfiguring the cultural tone of large communities. "In proportion as commerce made its way into the different countries of Europe," he wrote, "they successfully ... adopted those manners, which occupy and distinguish polished nations." Civility, in short, was both necessary for commercial society as well as a by-product. It embraced a range of characteristics such as self-restraint, politeness, self-confidence, and charity. Robertson also stressed that civility helped to diminish some of commercial society's sharper edges. He was not afraid to acknowledge that an element of self-interest was involved insofar as such behavior made life more pleasant for everyone and facilitated a greater ease and predictability in commercial transactions.

With commerce creating such incentives for change, Kames and other Scots realized that it could not help but break down those features of feudal, agricultural, and medieval society that created barriers to sustained wealth-creation for the majority of the population. This was especially true of the guilds. These attracted particular ire from many Scottish writers. Not only, Smith contended, did guilds restrict people's ability to use their talents and abilities in the market place but, also paradoxically enough, they failed to produce skilled workers.⁵¹ Decades earlier Montesquieu had assailed the influence of the guilds, insisting that "Laws which oblige every one to continue in his profession, and to devote it upon his children, neither are nor can be of use in any but despotic kingdoms."⁵²

Throughout eighteenth-century England and Scotland, the ability of guilds to control a range of industries was undermined in an unprecedented manner. All across Great Britain, the Smith scholar Jerry Muller remarks, "The 'freedom' of the guilds—the exclusive legal right to practice a trade or craft within an incorporated town—were being challenged, ignored, or regarded as unenforceable."⁵³ Watching and encouraging such developments, Adam Smith highlighted the

manner in which commercial society broke the power of guilds across Europe to inflate wages, prices, and profits artificially. The demise of guilds in commercial society, Smith stressed, weakened their ability to protect whole categories of people from the most important form of economic discipline: their customers.⁵⁴

The disintegration of guild-like, mercantile economic arrangements did not mean that the commercial society portrayed by the Scots lacked an organizing principle. Though medieval and Renaissance thinkers devoted considerable attention to the effects of the pursuit of self-interest, it was the Scots who explored the workings of rational self-interest in the greatest detail. Interestingly, their interpretation of self-interest was not monolithic. It assumed a variety of manifestations. One was the notion, promoted by the philosopher Francis Hutcheson, that the pursuit of virtue was itself in man's self-interest. Who, after all, would want to be hedonistic or corrupt? Virtue itself was the essence of happiness. This, in Hutcheson's view, meant that each person's use of his freedom would be guided, if sufficiently cultivated, by an innate moral sense. Another understanding of self-interest may be found in Smith's attention to the self-regarding element present in all human beings, though he was careful to underline each person's ability to balance this by placing himself in the position of an external assessor of his own behavior. Then there is David Hume's idea of self-interest as being essentially concerned with self-gratification, unmoderated by right reason, as Hutcheson understood it, or even what Smith would call a type of "fellow feeling" he believed was in every person.

Though the differences between these three conceptions of self-interest were considerable, their authors shared the belief that everyone's pursuit of self-interest was paradoxically enough in the best interests of all and central to the growth of commercial society. Echoing Bernard Mandeville, Smith famously wrote, "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from regard to their own interest."⁵⁵ And while Smith affirmed Mandeville's view that the pursuit of self-interest facilitated greater independence of action as people pursued their interests in increasingly creative ways, he parted with Mandeville's radical individualism by noting that it also meant that people were increasingly interdependent upon each other. In Smith's vision of commercial society, no man could be an island—the liberty to pursue one's self-interest created reciprocity as people engaged in mutually beneficial exchange.

This is not to say that the Scottish school was oblivious to potential problems facing this new commercial order. Adam Smith is often praised for identifying the increasing specialization of labor as crucial for commercial society's economic dynamism, even though his teacher, Frances Hutcheson, had already made this point in his *System of Moral Philosophy* (1755). Less well-known is Smith's concern that this specialization had the potential to narrow human horizons. In one of his lectures written several years before the appearance of *Wealth of Nations*, Smith taught that "Another bad effect of commerce is that it sinks the

courage of mankind, and tends to extinguish martial spirit. In all commercial societies the division of labor is infinite, and everyone's thoughts are employed about one particular thing ... The minds of men are contracted, and rendered incapable of elevation, and heroic spirit is utterly extinguished."⁵⁶

This criticism of commercial society was mild compared to that contained in Adam Ferguson's *Essay on the History of Civil Society* (1767). Like his fellow Scots, Ferguson traced the history of civilizational development in terms of an ascent from a barbarous state toward the commercial way of life. In the latter, the sources of wealth are increased at an unprecedented speed, technology improves, and the division of labor is used by merchants and entrepreneurs to reduce their costs and increase their profits. Simultaneously, the prevalence of rule of law replaces conflict with order and thus allows a greater sphere of individual liberty. In this "age of separations," Ferguson wrote, there is an "air of superior ingenuity"⁵⁷ compared to previous ages.

Unfortunately, the same society becomes, according to Ferguson, a victim of its own success. While civility reigns in commercial society, both polished manners and the prevalence of order are gradually undermined by the very engines of commercial prosperity. There is, he deduced, a tendency for people in commercial society to become disinterested in public life. This in turn degenerates into a sphere in which people pursue extremely narrow sectional interests. The division of labor that fosters commercial society, Ferguson believed, breaks down non-commercial bonds of association as people become fixated on a single-minded pursuit of wealth. Beneath a façade of politeness and good manners, people begin to behave in a largely mercenary fashion, while others become what Ferguson described as "servile" and "effeminate."⁵⁸ In his own time, Ferguson believed, "the individual considers his community only insofar as it can be rendered subservient to his personal advancement and profit."

The long-term problem, Ferguson alleged, is that commercial society's apparent sapping of people's public spiritedness and its excessive constriction of their horizons opens the way to tyranny. The non-commercial associations that limit state power begin to disappear and people start to look to the state to reforge public bonds and protect them against the uncertainties of commercial life. While the state might be able to preserve rule of law and protect property, Ferguson recognized that those who exercised the state's authority were not immune from the temptations and potentially corrupting effects of political power. Nor did their government service, Ferguson held, preserve them from the general contraction of vision that occurred in commercial society. "The boasted refinements, then, of the polished age," Ferguson concluded, "are not divested of danger. They open a door, perhaps, to disaster, as wide and accessible as any they have shut."⁵⁹

Not all of Ferguson's fellow Scots agreed with his dark predictions. Though not denying a possible diminishing of imagination, Smith held that commercial society was morally and materially superior to its primitive and agricultural predecessors. He and other Scots affirmed, for example, that the expansion of trade

and the increase and spread of wealth provided increasing numbers of people with more resources and time to deepen their knowledge of the finer things of life and the study of more abstract subjects. In the Glasgow in which Adam Smith spent much of his life, service industries dealing in luxury goods became more prevalent, as did the availability of architecture and the arts. The jurist John Erskine underlined the manner in which commercial society discouraged lawlessness. With more and more people acquiring substantial property and business interests, they had a greater interest in the prevalence of rule of law. Then there was the way in which commerce changed the manner in which people thought about each other. In a point reminiscent of Voltaire, Scottish thinkers stressed that, while the significance of a person's social status, religion, or nationality could never be obliterated, commerce encouraged more people to see others in a new light—as consumers, producers, owners, customers, and clients—and pay less attention to their religious and political differences. Commercial society thus encouraged people to see themselves as individuals who cooperate with each other voluntarily rather than as members of groups who adhere to caste or tribal patterns of social interaction. Smith also had much faith in the power of education to ensure that people did not lose sight of the importance of non-commercial activities and interests such as the philosophy that Smith pursued with perhaps greater passion than his study of economics.

A Universal Society?

The commercial society depicted by the eighteenth-century Scots was not one that they regarded as being limited to Great Britain or even Western Europe. Though not blind to cultural differences, the Scots genuinely viewed commercial society as universal in meaning and potential application. This appears to have been a correct assumption. Versions of what figures such as Smith, Robertson, and Hume would recognize as commercial society soon spread beyond the British Isles. Throughout the late eighteenth and nineteenth centuries, regulations, monopolies, guilds, and corporate structures across much of the world were diminished and replaced by basic foundations of commercial society such as freedom of contract, private property, economic liberty, and free trade.⁶⁰ Today commercial society crisscrosses the planet as these foundations have spread and become integrated across national and regional boundaries. Many of the features of political, legal, and economic life which are often corralled under the term "globalization" are effectively universalizations of the foundations of commercial society.

These developments raise the question of whether commercial society is the eventual and inevitable direction in which all nations and cultures are headed. This theory constituted part of the thesis famously put by Francis Fukuyama in *The End of History and the Last Man* (1992). For Fukuyama, what he called "the worldwide liberal revolution" that preceded and continued after Communism's

collapse in the former Soviet Union and Eastern Bloc constituted "further evidence that there is a fundamental process at work that dictates a common evolutionary pattern for all human societies."⁶¹ A rather different interpretation is offered by the economist Paul Henderson. Though Henderson does not dispute that Fukuyama's contention might possibly be true for democratic forms of government, he expresses uncertainty whether the same can be said for what he calls "economic liberalism." There has, Henderson points out, "been no consistent trend to economic liberalism"⁶² over the past 250 years. While there was, he states, progress from the late eighteenth century onward, this pattern began to change in the late nineteenth century. Reversals to the spread of commercial society include, according to Henderson, the introduction of tariffs at the level of international trade, increasing government involvement in income redistribution, the establishment of state social welfare systems, government provision of the bulk of education and health services, and closer state regulation of labor markets. While the last quarter of the twentieth century represented a partial shift in some countries toward freer economic arrangements in the wake of Communism's collapse, the decline of economic nationalism, and the contracting of the boundaries of state ownership or enterprises, Henderson reminds us that public spending levels have barely altered (if anything, they have risen), labor markets in most countries (especially in Europe) remain highly regulated, and services ranging from health care to education continue to be dominated by state monopolies. He also comments that in some parts of the world, particularly Western Europe, there remains great resistance to the cultural, political, legal and economic changes associated with commercial society.—what is popularly referred to as "Anglo-Saxon capitalism" throughout continental Europe. Even in many countries that underwent significant economic liberalization in the 1980s and 1990s (including the United States, Great Britain, Australia, and New Zealand) and reaped considerable economic growth as a consequence, high levels of animosity against many aspects of commercial society persist.

Some reasons for this acrimony are easy to identify. While commercial societies generate more wealth and raise everyone's standard of living, they neither resolve nor necessarily reduce economic inequality. Commercial society even assumes a certain degree of economic inequity which translates into inequities in other areas. This remains a major source of complaint for many on the political right and political left. Also controversial is the notion of self-interest, which is commonly equated with selfishness. Nor should it be forgotten that the rise of commercial society has not diminished the persistence of corporate guild-like attitudes and values within many cultures. According to Black, these have often manifested themselves in the growth of trade unions and the integration of workers' representatives into the governing bodies of businesses of a certain size (what is called *Mitbestimmung* in Germany). Then there are the various modern theories of corporatism that first acquired expression in the schools of solidarist thought which flourished in Wilhelmine Germany and the Austro-Hungarian Empire. Promoted by figures such as Chancellor Engelbert Dollfus in pre-World

War II Austria as well as through industrial policies advocated (if somewhat loosely implemented) by regimes of a fascist nature or with fascist leanings such as Nazi Germany, Mussolini's Italy, and Franco's Spain, corporatist thinking has also exerted significant influence throughout much of Latin America. Socialism, many believe, is dead. Its ghost, however, lives on in the guise of corporatist and neo-corporatist thought and structures, all of which drain commercial society of its energy, genius, and cultural esprit.

Yet despite the ongoing challenges to commercial society, clear explanation and analysis of the moral-cultural, legal, and economic foundations of commercial society remain relatively rare. While it is not difficult to find strictly economic defenses of free markets, the economic liberalization associated with the revival and revitalization of commercial society in the last quarter of the twentieth century surely requires an accompanying explanation of social order. As Paul Kelly has noted, economic liberalization moves capital quickly from one location to the next, breaks social ties, and uproots long-established communities and work habits. These, he hints, are just some of the reasons why the ongoing progress of economic liberalization tends to facilitate increasing resistance to such change. Arguments promoting the merits of economic efficiency are not enough, it seems, to persuade significant numbers of people of commercial society's merits.⁶³ A fresh presentation of the foundations of commercial society does, however, have the potential to establish a theory of social order that grounds and explains the ideas and policies associated with the spread of economic liberalization while simultaneously revealing the civilizing potential of commercial order.

Notes

1. Karl Marx and Friedrich Engels, *Works*, vol. 3 (London: Penguin, 1971), 33.
2. Weber acknowledged that others such as the English economist William Petty, had attempted to associate the rise of capitalism in the West with its specific religious trajectory. Weber's contribution was to fill out this position by associating it with particular forms of Christianity that began to emerge in the sixteenth century.
3. This section draws on Samuel Gregg, "La fin d'un mythe: Max Weber, le capitalisme et l'ordre médiéval," *Journal des Economistes et des Etudes Humaines*, 13, no. 2/3, 2003: 185-96.
4. See Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (London: Allen & Unwin, 1930), chap. 1.
5. See J. W. O'Malley, *The First Jesuits* (Harvard: Harvard University Press, 1995).
6. See D. Kelly, *The Westminster Confession of Faith: An Authentic Modern Version* (New York: Summertown Texts, 1992).
7. See A. Fanfani, *Catholicism, Protestantism, and Capitalism* (Notre Dame, Ind.: University of Notre Dame Press, 1984). On this general topic, see Rodney Stark, *The Victory of Reason: How Christianity Led to Freedom, Capitalism, and Western Success* (New York: Random House, 2006).

8. Peter Ackroyd's biography of Sir Thomas More provides modern readers with a profound sense of the vibrant life of commerce, banking and trade that permeated much of Catholic England before Henry VIII embarked on his quest to obtain a divorce and Puritanism first began to emerge anywhere in the British Isles. See Peter Ackroyd, *The Life of Thomas More* (London: Vintage, 1999). Supporting empirical evidence that further disproves Weber's thesis may be found in the work of the economic historian, Jacques Delacroix. He methodically outlines a range of facts that simply cannot be accounted for by Weber's theory. He notes, for example, that "Amsterdam's wealth was centered on Catholic families; the economically advanced German Rhineland is more Catholic than Protestant; all-Catholic Belgium was the second country to industrialize, ahead of a good half-dozen Protestant entities." J. Delacroix, "Religion and Economic Action: The Protestant Ethic, the Rise of Capitalism, and the Abuses of Scholarship," *Journal for the Scientific Study of Religion* 34 (1995): 126-27.
9. See C. Nederman, "Freedom, Community and Function: Communitarian Lessons of Medieval Political Theory," *American Political Science Review* 86 (1992): 977-86.
10. See Antony Black, *Guild and State: European Political Thought, from the Twelfth Century to the Present* (London: Transaction Publishers, 2003), xvii.
11. The following three paragraphs draw upon *ibid.*, 13-19.
12. *Ibid.*, 16.
13. Bartolus of Sassoferrato, *Commentaries on the Digest* (Turin: 1577), 47.22.4. Lord Robbins, it seems, was not quite correct when he wrote, "Only in the middle of the eighteenth century did men begin to conceive of a world in which privilege to restrict should itself be restricted and in which the disposition of resources should obey, not the demands of producers for monopoly, but the demands of consumers for wealth." Lionel Robbins, *Economic Planning and International Order* (London: Macmillan, 1937), 233.
14. Black, *Guild and State*, 32. See also C. W. Bynum, "Did the twelfth century discover the individual?" *Journal of Ecclesiastical History* 31 (1980): 1-17.
15. Thomas Aquinas, *Summa Theologiae*, ed. T. Gilby (London: Blackfriars, 1963), I-II, q.95, a.1. Hereafter *ST*.
16. John of Salisbury, *Policraticus*, vol. 2, ed. C. Webb (Oxford: Typographeo Clarendoniano, 1909), 217.
17. See *ST*, II-II, q.66, a.2. Aquinas states that the use of things is a different matter. In regard to use, one is not justified in holding things as exclusively one's own (*ut proprias*) but should rather hold them as common, in the sense that one must be ready to share them with others in need. For Aquinas, private property is the normative way of realizing this principle of common use, but it is not absolute.
18. See *ST*, I-II, q.96, a.4.
19. See John of Paris, *On Royal and Papal Power*, trans. J. A. Watt (Toronto, Ont.: Pontifical Institute of Mediaeval Studies, 1971), chap. 7.
20. *Ibid.*, 103.
21. See A. McFarlane, *The Origins of English Individualism: The Family, Property and Social Transition* (Oxford: Oxford University Press, 1978), 163. See also John F. McGovern, "The Rise of New Economic Attitudes—Economic Humanism, Economic Nationalism—During the Later Middle Ages and the Renaissance, A.D. 1200-1500," *Traditio* 26 (1970): 217-54.
22. Hostiensis, *De Syndicis*, in *Summa Aurea Super Titulis Decretalium* (Venice, 1570), fol. 104r.

23. Ptolemy of Lucca in *De Regimine Principum*, bks. II-IV, in Thomas Aquinas, *Opuscula Omnia Necnon Opera Minora*, vol. 1, *Opuscula Philosophica*, ed. J. Perrier (Paris: Cerf, 1949), bk. II, chap. 8. *De Regimine Principum* is a continuation of an earlier unfinished work (probably by Aquinas) to which Ptolemy began adding approximately halfway through Book Two. Books Three and Four are entirely by Ptolemy.
24. See Quentin Skinner, *The Foundations of Modern Political Thought*, vol. 1 (Cambridge: CUP, 1978), 74.
25. See Black, *Guild and State*, 15.
26. Leonardo Bruni, *Laudatio Florentinae Urbis [Eulogy to the City of Florence]*, ed. H. Baron, *From Petrarch to Leonardo Bruni* (Chicago: University of Chicago Press, 1968), 259. See also G. Holmes, "The emergence of an urban ideology at Florence, c. 1250-1450," *Transactions of the Royal Historical Society*, 5, no. 23 (1970): 111-134; and G. de Lagarde, "Individualisme et corporatisme au moyen âge," *Université de Louvain, recueil de travaux d'histoire et de philologie*, 3, no. 18 (1943): 57-134.
27. Bruni, *Laudatio*, 263.
28. Mario Salamoni, *De Principatu*, ed. M d'Addio, *Publicazioni dell'istituto de diritto pubblico dell'Università di Roma*, vol. 4 (Milan: Giuffrè, 1955), 28.
29. Aurelius Brandolinius, *De Comparatione Reipublicae et Regni ad Laurentium Medicem Libri Tres*, in *Irodalomtörténeti Enlétek*, vol. 2, *Plasarszagi XV Századbeli Irodalmak*, ed. A. Jenő (Budapest, 1890), 123-24.
30. See *Economic Thought in Spain: Selected Essays of Marjorie Grice-Hutchinson*, ed. Laurence S. Moss and Christopher Ryan, trans. Christopher K. Ryan and Marjorie Grice-Hutchinson (Aldershot: E. Elgar, 1993).
31. F. A. Hayek, "Liberalism," in *New Studies in Philosophy, Politics, Economics and the History of Ideas* (Chicago: University of Chicago Press, 1978), 123.
32. Tomas de Mercado, *Summa de tratos y contractos*, ed. R. Sierra Bravo (Madrid: IEP, 1975), 313.
33. This summary is drawn from Murray Rothbard's summary of the late-Scholastics in *Economic Thought Before Adam Smith*, vol. 1, *An Austrian Perspective on the History of Economic Thought* (Aldershot: Edward Elgar, 1995), 97-136.
34. See Alejandro Chafuen, *Faith and Liberty: The Economic Thought of the Late Scholastics* (Lanham, Mich.: Lexington Books, 2003).
35. See Henry Robertson, *Aspects of the Rise of Economic Individualism: A Criticism of Max Weber and His School* (Clifton: A. M. Kelly, 1973).
36. D. de Soto, *De Iustitia de Iure* (Madrid: IEP, 1968), VI, q. II, a. 2.
37. Bartolomé de Albornóz, *Arte de los Contratos* (Valencia: 1573), VII, 29.
38. Mercado, *Summa*, 10.
39. See John Locke, *Two Treatises of Government*, ed. P. Laslett (Cambridge: CUP, 1967), 305-7.
40. See Black, *Guild and State*, 155.
41. See C. Hill, *Puritanism and Revolution: Studies in Interpretation of the English Revolution of the 17th Century* (London: Mercury Books, 1962), 28.
42. Toleration need not mean that the law must commit itself to agnosticism or skepticism about moral good or evil of different choices and actions. Locke did not, for instance, suggest that stealing should be tolerated. To steal, in Locke's view, was to violate that natural law accessible to people of all faiths and none. Toleration was thus neither an absolute nor an end in itself. Locke himself did not extend toleration to atheists,

anyone whose religious faith involved allegiance to a foreign power, and those whose religious faith did not allow them to extend to others the toleration they claim for themselves. Atheists, Locke argued, could not be tolerated because he believed that it was impossible for atheists to have any moral principles and thus they could not be trusted to adhere to promises and oaths. Though he mentioned Muslims as examples of the other two cases, he probably had in mind Roman Catholics.

43. Voltaire, "On the Presbyterians," *Philosophical Letters*, trans. Ernest Dilworth (New York: Macmillan Publishing Company, 1961), letter six.

44. *Ibid.*

45. See the discussion of Voltaire's financial dealings in the context of his difficult relationship with King Frederick the Great of Prussia in Robert Asprey, *Frederick the Great: The Magnificent Enigma* (New York: Ticknor & Fields, 1988).

46. Pierre Manent, *Modern Liberty and its Discontents*, ed. and trans. Daniel J. Mahoney and Paul Seaton (Lanham, Md.: Rowman & Littlefield, 1998), 222.

47. Guy de Montesquieu, *The Spirit of Laws*, ed. David Wallace Carrithers (Berkeley: University of California Press, 1977), bk. 3, chap. 3.

48. This is not to underestimate the differences between different contributors to Scottish Enlightenment thinking about commerce. The implicit atheism and philosophical skepticism of a David Hume contrasts sharply with the Christian belief and acceptance of natural law by a William Robertson or a Francis Hutcheson.

49. Lord Kames, *Sketches of the History of Man*, vol. 2, 3d ed. (Dublin: 1779), 85.

50. David Hume, "Of Commerce," in *Selected Essays*, ed. Stephen Copley and Andrew Edgar (New York: Oxford University Press, 1993), 196.

51. See Adam Smith, *Glasgow Edition of Works and Correspondence of Adam Smith*, vol. 2, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. R. H. Campbell and A. S. Skinner, rev. ed., (Oxford: Oxford University Press, 1979), I.x.c.13-14.

52. Montesquieu, *Spirit*, bk. 20, chap. 22.

53. Jerry Z. Muller, *Adam Smith in His Times and Ours: Designing the Decent Society* (Princeton: Princeton University Press, 1993), 31.

54. See Smith, *Wealth of Nations*, I.x.c.17.

55. *Ibid.*, I.ii.2.

56. Cited in Arthur Herman, *How the Scots Invented the Modern World* (New York: Crown Publishers, 2001), 186.

57. Adam Ferguson, *An Essay on the History of Civil Society*, 6th ed., (London: 1763), 183-84.

58. *Ibid.*, 220.

59. Adam Ferguson, *An Essay on the History of Civil Society* (Edinburgh: Edinburgh University Press, 1978), 65.

60. See Rojas, *Rise and Fall of the Swedish Model*, 19.

61. Francis Fukuyama, *The End of History and the Last Man* (New York: Avon Books, 1993), 48.

62. David Henderson, *The Changing Fortunes of Economic Liberalism: Yesterday, Today and Tomorrow* (London: Institute for Economic Affairs, 1998), 11.

63. See Paul Kelly, *The End of Certainty: Power, Politics & Business in Australia* (Sydney: Allen & Unwin, 1994), 418-20.

Part 1

FOUNDATIONS

Neither Angel nor Beast

At what ethical level, in general, must we situate the economic life of a society that puts its trust in the market economy?

It is rather like the ethical level of average man, of whom Pascal says: "L'homme n'est ni ange ni bête, et le malheur veut que qui veut faire ange fait la bête." To put it briefly, we move on an intermediate plane. It is not the summit of heroes and saints, of simon-pure altruism, selfless dedication, and contemplative calm, but neither is it the lowlands of open or concealed struggle in which force and cunning determine the victor and the vanquished.

—Wilhelm Röpke

Perhaps one of the greatest outcomes of commercial society is the manner in which it provides greater wealth to increasing numbers of people and progressively diminishes poverty at an unprecedented rate.¹ It is not a coincidence that Adam Smith's *Wealth of Nations* begins by highlighting the state of those nations that have not yet embraced commercial order. They are, he writes, "so miserably poor, that, from mere want, they are frequently reduced, or, at least, think themselves reduced, to the necessity sometimes of directly destroying, and sometimes of abandoning their infants, their old people, and those afflicted with lingering diseases, to perish with hunger, or to be devoured by wild beasts."²

Commercial society's impact upon poverty is, however, not simply a result of the unintended consequences of market exchange. It owes much to commercial society's particular moral foundations. By *moral foundations*, we mean particular values and habits of action indispensable for the workings of commercial society. This is an area of much controversy, not least because as Michael Novak remarks in his *Spirit of Democratic Capitalism* (1982), many contemporary reflections about commercial life are still "disproportionately colored by the values of the ancient, aristocratic order."³ This does not necessarily mean that values viewed by many as characteristic of pre-1789 Europe such as honor ought to be dispensed with. Rather Novak avows that much modern reflection upon what principles ought to shape the moral culture of civilized society tended to be barely tolerant if not dismissive of the values that Novak associates with commercial order.

This may owe something to the tendency to reduce the worth of commercial society to its economic efficiency and wealth-creating ability. Neither economic efficiency nor wealth creation are unimportant in themselves; but the moral foundations of commercial society are more complex and numerous.⁴ Man does not live by utility alone. What follows is an attempt to describe commercial society's basic moral foundations. Taken together, these habits and values do not suffice for a society that wishes to merit the title humane or civilized. Nor are they exclusive to commercial society. Trust and peace, for instance, can exist in a range of social orders. The values identified below should therefore be understood as distinctly pronounced in commercial society, while their absence compromises a society's capacity to be recognized as commercial in character and reality.

Self-Interest, Rightly Understood

Any system of social and economic life that aspires to be truly humane needs to reflect the nature of human beings. Communism imploded, at least in part, because it denied certain truths about humans, most notably the fact that we possess the unique ability to make free choices. By attempting to replace market mechanisms of supply and demand with a top-down command approach, both socialist and communist economic theory ascribed abilities to humans that are possessed by no individual or group. One was the assumption that any one of us can look ahead and foresee all the possible needs of an entire society at any one point of time in the near or distant future. No matter how sophisticated the available methods of economic modeling, such foresight is beyond any human intelligence. There are good reasons why economic forecasting is often described as more of an art than a science.

Another failure of real socialism to comprehend human nature was its inability to appreciate the observable fact that at most times, the vast majority of people prefer to place the ownership of things in private hands. This is not to claim

that people are never willing to ascribe ownership of certain things to wider associations of people (such as businesses with multiple shareholders) or even the state. In some situations, such as wartime, people are willing to accept certain restrictions on their ownership. Nonetheless, private ownership remains the preferred norm in virtually all societies. With its in-principle opposition to private ownership, communism was unable to account for this reality.

Why then do people tend to favor private over communal ownership? One reason is that they are aware, as Aristotle and Aquinas witnessed long ago, that when things are owned in common, the responsibility and accountability for their use disappears, precisely because few are willing to assume responsibility for things that they do not own. Our everyday experience reminds us of the tragedy of the commons. The early advocates of socialism were well aware of these objections. Their response was to hold that all that was needed was a change of mind and heart on the part of people as well as profound structural change: a change that would not only produce a new system of ownership, but also a "new man"—the socialist man much trumpeted by the former Soviet Union.

Commercial society rejects this vision of man as well as the means proposed for realizing such an economic order. For the understanding of humans that pervades commercial society is one of *realism*. It does not assume that human beings can always be other-regarding when it comes to acts of economic exchange. Many of commercial society's legal and economic structures are thus predicated on a decidedly non-altruistic understanding of humans and their world. Contracts exist, in part, because there will always be some people who will unreasonably decide not to fulfill their promises. Likewise, the network of free exchange assumes that people normally engage in exchanges in order to meet their own needs rather than from a specific concern for the well-being of those with whom they are exchanging goods and services. The type of exchange characteristic of commercial society thus differs from the system of mutual obligation from that which existed in some medieval societies whereby peasants, for instance, were required to pay money to the nobility in return for the protection accorded by the nobility against brigands and foreign invaders. Commercial society requires *free* exchanges into which people enter in pursuit of their *own* interests.

Commercial society does not therefore attempt to eliminate human fallibility. Instead it holds that there is nothing unnatural about self-interest. To speak about self-interest, as Manent notes, is to "designate a powerful and universal resort of human action."⁵ It is not an abstract principle without grounding in reality. Those who followed commercial society's early development noted its ability to align human weakness and self-regard with a society's overall progress toward a more prosperous state of well-being. Adam Smith's reference to the "invisible hand" perplexes some, but is simply a metaphor for the idea that through allowing people to pursue their self-interest, unintended but beneficial social consequences for others will follow. As individuals pursue profit, they unintentionally add to the sum total of the wealth in society, unintentionally

allow people from different nations to come to know each other, unintentionally promote civility and peace, unintentionally allow others to benefit from more and better jobs, and unintentionally contribute to technological development.⁶ None of this means that commercial society does not afford opportunities for people to act altruistically. Rather, it is precisely because increasingly large numbers of people in commercial society are able to accumulate sums of capital that exceed their immediate needs and acquired responsibilities, they begin to develop opportunities to be generous to others.

Despite this, the pursuit of self-interest by individuals and groups alike remains perhaps the most controversial moral-cultural feature of commercial societies. As suggested in Chapter 1, there was considerable disagreement among Scottish Enlightenment thinkers about the meaning of self-interest. When twentieth-century economic historians such as R. H. Tawney portrayed the age of commerce as the age of acquisitiveness, they associated the pursuit of self-interest with the indulgence of greed, the effective endorsement of depravity, and a type of ruthlessness when it comes to achieving the ends chosen by individuals. Such observations rarely account for the fact that the "self" is capable of being other-regarding and even critical of his own behavior. Nor do they acknowledge that every self is enveloped in a web of relationships, ranging from the contractual to the familial and communal, all of which moderate and check our acquisitive instincts. It is also worth considering that hedonism, decadence, and greed are hardly unique to commercial societies. They are present at all times and places where human beings exist. As noted by Max Weber:

The impulse to acquisition, the pursuit of gain, of money, of the greatest possible amount of money, has in itself nothing to do with capitalism. This pursuit exists and has existed among waiters, physicians, prostitutes, dishonest officials, soldiers, brigands, crusaders, gamblers, and beggars—among all sorts and conditions of men, in all times and in every land on earth where the objective possibility of it has existed or exists. This naive conception of capitalism ought to be given up once and for all in the nursery school of cultural history. Unbridled avarice is not in the least the equivalent of capitalism, still less of its "spirit." Capitalism may actually amount to the restraint, or at least the rational tempering, of this irrational impulse.⁷

Properly understood, self-interest has little in common with such features. It is even possible to speak of a reasonable self-love. When Aristotle, Aquinas, and other thinkers of the classical moral tradition underlined the imperative of people pursuing virtue, they did so because they regarded this as a natural result of people engaging in a reasonable form of self-regard. This is, for Aquinas, a reasonable love of self.⁸

Tocqueville's observations of the American commercial society of the 1830s echo similar themes. In *Democracy in America*, Tocqueville presented his readers with the paradox that self-interest properly understood was the primary means

by which Americans combated radical individualism. He recorded that the tendency in pre-commercial societies was for the very rich and powerful to despise self-interest.⁹ In the new post-aristocratic world of America, Tocqueville was adamant that all people, rich and poor, believed that "by serving his fellows man serves himself and that doing good is to his private advantage."¹⁰ Hence, far from objecting to people pursuing their own interests, the Americans "do all they can to prove that it is in each man's interest to be good."¹¹ The efficacy of self-interest properly understood, according to Tocqueville, is that it is "within the scope of everyone's understanding," not least because "it is wonderfully agreeable to human weaknesses."¹² Self-interest properly understood, Tocqueville stresses, also sets people against what might be their narrowly selfish concerns. "Every American," Tocqueville insisted, "has the sense to sacrifice some of his private interests to save the rest."¹³ Though self-interest rightly understood does not immediately produce virtue, it does exert a "discipline" that "shapes a lot of orderly, temperate, moderate, careful, and self-controlled citizens."¹⁴ While its prevalence may lead to less moral heroism in a society, Tocqueville asserted that self-interest properly understood would make "gross depravity" less common. It was, in Tocqueville's view, a moral outlook peculiarly suited to "men of our time" and their "strongest remaining guarantee against themselves."¹⁵

More contemporary figures such as the economist Kenneth Arrow have indicated that no one's choices and preferences need be determined by an emaciated concept of self-interest.¹⁶ There are many good reasons, he demonstrates, why people may prefer a marginal rather than a large immediate increase in their own material well-being. The self-interest of a rational businessman indicates that, rather than immediately acquiring vast wealth by cheating his shareholders before fleeing to a safe haven, he should ensure that his firm meets its fiduciary responsibilities to its shareholders if he is serious about growing the company, becoming wealthier in legal ways, and leading a peaceful existence rather than that of a fugitive. Likewise, rational self-interest suggests that we should abide by all legitimate law, even if we disagree with the content and aims of a particular law, for no reasonable person would want to encourage contempt for legitimate law. Considered in these terms, we see the wisdom of Tocqueville's remark that while self-interest properly understood may not be a "sublime doctrine,"¹⁷ its workings in commercial society can have more than material benefits.¹⁸

In practical terms, there are a number of ways in which the pursuit of rational self-interest is stimulated by commercial society. First, commercial society contains fewer of those social conventions and organizational structures that inhibit both aristocrat and peasant from pursuing their rational self-interest. Second, commercial orders provide wider scope than other societies for people to make choices about what—in light of their particular skills, education, and circumstances—is truly in their economic self-interest to pursue. Third, the competition associated with commercial society encourages people to think ahead as they pursue their self-interest and consider the financial and extra-financial costs and

benefits of different choices over the short and long term. Last, people's self-interest in the success of their commercial enterprises pushes them toward common sense rather than wild speculation, prudent risk-taking rather than foolishness, and self-reliance rather than excessive dependency.

The Liberty of Commerce

The pursuit of self-interest rightly understood is preconditioned upon our ability to discern what that self-interest in particular circumstances might be and then to act freely in order to bring about the realization of that chosen end. Liberty is thus essential for commercial society in the same way that the negation of freedom is fundamental to the workings of a socialist or communist economic system.

In notes written during his travels in England and Ireland, Tocqueville underscored this ultimate dependence of commercial society upon liberty. "Considering the world's history," he wrote, "I can find some free peoples who have been neither manufacturers nor traders. But I can find no example of a manufacturer and, above all, a trading people who have not been free ... there must be a hidden relationship between those two words: *liberty* and *trade*."¹⁹ Interestingly, Tocqueville added that he disagreed with Montesquieu's contention that it was commercial society that leads to the expansion of human freedom. "People say," Tocqueville jotted down, "that the spirit of trade naturally gives people the spirit of liberty. Montesquieu asserts that somewhere." While conceding that Montesquieu was partly right, Tocqueville held that "it is above all the spirit and habits of liberty which inspire the spirit and habits of trade."²⁰

The essence of Tocqueville's argument is that particular moral qualities essential for freedom are also conducive to commercial success. "To be free," he claims, "one must have the capacity to plan and persevere in a difficult undertaking, and be accustomed to act on one's own; to live in freedom one must grow used to a life full of agitation, change and danger; to keep alert the whole time with a restless eye on everything around; that is the price of freedom. All those qualities are equally needed for success in commerce."²¹ Tocqueville goes on to describe how the spirit of commerce flows from those who rely upon themselves, who are inspired by a sense that they can do anything and who look restlessly at the present and imagine how it can be transformed. Hence, Tocqueville writes, "I am in no hurry to inquire whether nature has scooped out ports for him, and given him coal and iron. The reason for his commercial prosperity is not there at all: it is in himself."²²

While commerce may contribute to the spread of freedom, there is no possibility of widespread commerce without liberty. This becomes more evident when we consider the ways in which commerce relies upon people exercising a variety of liberties. If, for instance, there is not a considerable degree of freedom concerning what people can buy and sell, then trade and free exchange are impossi-

ble for both potential consumers and vendors. Likewise, unless people are free to associate with whom they choose, there is no possibility of commercial legal mediums such as contracts. The freedom to decide to discontinue one form of commercial association and to opt for another is essential for the type of competitive behavior that underlies a free market. Competition also relies upon the liberty of people to offer a similar good or product at the same or less expensive price as other individuals and organizations. So too does the system of free movement of prices that enables consumers to judge for themselves the relative availability and competitiveness of goods and services and which permits producers to set their own prices. The very essence of economic entrepreneurship is a high degree of freedom of private initiative. Indeed, if people are to take advantage of new opportunities, their ability to realize their objectives may depend upon their freedom to move from their current place or even country of residence.

While these liberties are often taken for granted in much of the modern world, this was not always the case. Many of these freedoms, such as the relatively free movement of prices, existed in many pre-commercial societies. Nonetheless, most such liberties were strictly limited in their application or largely denied to entire categories of people. In pre-revolutionary Europe, most social groups were severely limited in their ability to exercise some of the freedoms listed above. Not only were those who subsisted in the status of serfdom only allowed to engage in the most basic forms of commerce, but it was common for the nobility in countries such as France, Prussia and Russia to be prohibited from engaging in bourgeois-like activities—the expectation being that they would engage in some form of service to the state, either in the military or civil service, or live the life of a semi-feudal landowner. Prior to 1789, an aristocrat in France could even temporarily lose his noble status if he engaged in commercial activity in order to restore his family's wealth.²³ Likewise the ability of serfs, peasants, and aristocrats to travel was often limited by law throughout much of pre-revolutionary Europe. Observing Czarist Russia, Montesquieu commented:

As all the subjects of the empire are slaves, they can neither go abroad themselves nor send away their effects without permission ... Commerce itself is inconsistent with the Russian laws. The people are composed only of slaves employed in agriculture, and of slaves called ecclesiastics or gentlemen, who are the lords of those slaves; there is then nobody left for the third estate which ought to be composed of mechanics and merchants.²⁴

This is not to imply that the liberties underpinning commercial society somehow involve people being free "from" law. It is simply to note that commercial society is impossible without people being able to exercise a particular range of liberties. It follows that a state that seeks to place unreasonable limits upon these freedoms, either through excessive coercion or failure to uphold key institutions such as rule of law, is likely to inhibit the growth of commercial society.

The Creative Imperative

A key freedom associated with the emergence of commercial society and the undermining of legal and social obstacles to such a society is that of entrepreneurship. Private initiative rarely occurs unless considerable incentives exist to encourage people to exercise it. At the same time private initiative is closely associated with another habit of action essential for commercial society—creativity. Marx was aware of this connection:

The bourgeoisie cannot exist without constantly revolutionizing the instruments of production, that is to say productive conditions, and thus all social conditions. Preservation intact of the old mode of production, by contrast, was the first precondition for all earlier industrial classes. The ongoing revolution in production, the uninterrupted shaking of all social conditions, the perpetual uncertainty and motion characterize the epoch of the bourgeoisie in contrast to all others.²⁵

Man, it seems, is designed in such a way that his very capacity for survival depends upon his unique ability to create new objects as well as to discover how to create and use things already in existence in faster, more efficient, and cost-effective ways, which can be further transformed through the further application of man's creative insight. The created world, it seems, is full of potentialities to be actualized by human reason and insight. Thus, while the natural world can produce much food of its own accord, there is tremendous scope for humans to accelerate the growth, augment the amount, and transform the character of man's material sustenance. The sources of wealth and economic growth in commercial society depend far less upon the possession of natural resources and much more upon human insight and creativity.

Creativity is not a morally neutral activity. We can certainly question the worth and prudence of creating any number of substances, objects and organizations. The fact that man has used his mind to discover new, more effective means of destroying his fellow human beings does not acquire moral redemption by virtue of the creative insights that allowed such things to be produced. The moral worth of creativity is rather demonstrated by reflection upon its opposite—passiveness and excessive dependency.²⁶ It concerns the attitude of being unwilling to look beyond one's present circumstances or even consider whether change might be necessary. In some cases, passivity can reflect an instinctive opposition to change for sake of resistance to change or an excessive and unthinking dependence upon the past. The resilience of commercial society does, as we will see, require a high degree of trust in, and even dependence upon, long-established institutions and conventions with which we tamper at our peril. But quietism results in the slow suffocation of the human ability to foresee new possibilities, including those of a commercial character.

Creativity of thought, action, and association literally transforms humanity's outlook from one of a static or cyclical view of history and life to a vision of the

world as open to transformation and uplifting through human endeavor. It permits people to break out of set and sometimes stagnant patterns of life. Creativity allows people to imagine a future different from the present in which they exist—a future in which their well-being and that of their children in terms of tangibles such as material wealth and education have all multiplied. This creativity is not limited to one choice or one action on the part of one individual. It invariably involves building upon the creative choices and insights of people living now and those long dead. This collaborative creativity can occur informally or in a more structured environment such as a business. Many such organizations even possess entire departments devoted exclusively to creative purposes. The creativity that flourishes in commercial society is thus rarely that of an isolated individual. It is invariably social in character.

Practical Wisdom

Human insight and creativity spring from the human mind and are thus inseparable from human intelligence. They nonetheless require the disciplined ordering of practical intelligence that allows creative insights to become real. Innovation in itself is not enough for commercial society. For a service or good to become real, we need people who possess the habits of long-term strategic thinking, organizational ability, and the capacity to think about *how* to realize a new product, efficiency, or industry. Centuries ago the medieval theologian Bernardino of Siena wryly observed, "Very few are capable of doing this."²⁷

Reason and rationality have many facets, ranging from the capacity to think abstractly (such as in the realm of physics) to people's ability to know the nature of good and evil. Another manifestation of reason is the ability to understand which form of reason is appropriate for resolving the problem at hand and which is not. Instrumental or scientific reason is not, for example, capable of resolving moral dilemmas. Nor is moral wisdom capable of discerning the nature of the laws of gravity.

Practical wisdom is an especially important moral habit for commercial society. Success in commerce requires a high degree of common sense, thrift and self-reliance; the capacity to make sound business judgments; a strong sense of prudence; an attention to efficiency; a determination to overcome obstacles; the capacity to assimilate knowledge of prices, qualities and costs quickly; attentiveness to detail; and the ability to assess risks and estimate profit opportunities. A particularly important element of practical wisdom is the use and organization of time. The expression "time is money" reflects the awareness that we need to organize ourselves and others in ways that allow many moments of our lives to be directed toward transforming the future in effective and efficient ways. Early voyagers to the United States noticed the extent to which the young American republic embodied this practical wisdom. Everyone, Tocqueville wrote, was calculating, weighing, and computing.

They like order, without which affairs do not prosper, and they set an especial value on regularity of mores which are the foundation of a sound business; they prefer the good sense which creates fortunes to the genius which often dissipates them; their minds, accustomed to definite calculations, are frightened by general ideas; and they hold practice in greater honor than theory.²⁸

One reason for this state of affairs, according to Tocqueville, was the tendency of people in commercial America to distinguish between three types of science. "The first," he wrote, "comprises the most theoretical principles and the most abstract conceptions whose application is either unknown or very remote. The second comprises general truths which, though still based in theory, lead directly and immediately to practical application. Methods of application and means of execution make up the third."²⁹ In Tocqueville's view, the practical instincts of Americans led them to place a high value on the second and third of these sciences. "But," he added, "hardly anyone in the United States devotes himself to the essentially theoretical and abstract side of human knowledge."³⁰ For people of a commercial frame of mind, Tocqueville writes, "every way of getting new wealth more quickly, every machine which lessens work, every means of diminishing the costs of production, every invention which makes pleasures easier or greater, seems the most magnificent accomplishment of the human mind."³¹

Practical wisdom, then, is wary not only of wild speculation but also of tendencies to utopianism. Nor is it the stuff of mundane activity. Among the Americans who obeyed its maxims, Tocqueville thought they "put something heroic into their way of trading,"³² especially in the way that Americans were willing to engage in significant privations in order to match or outbid their competitors. Tocqueville drew a parallel here between the bravery of Americans engaged in business and the courage displayed by the French in time of war.³³

Trust

While a society may embody great resources of creativity and practical wisdom, commercial development is equally dependent upon a more commonplace moral quality. For all its reputation for rugged individualism, commercial society is very reliant upon the element of trust. In commercial terms, trust refers to an aspect of a *relationship* between two or more parties in which a given situation is mutually understood and commitments are made toward different actions designed to produce one or more desired outcomes. The trust required in commercial society extends to faith in people as well as a confidence that certain rules will always, save in exceptional circumstances, be followed and that certain institutions such as courts will follow consistent patterns of behavior.

In pre-commercial societies, trust was not unknown. Nevertheless, it tended to remain relatively weak outside families and to be grounded in expectations attached to different social roles. In feudal society, there was a strong sense that

clergy, nobles and commoners would fulfill various responsibilities ascribed to them by customary and feudal law. While this qualified as a form of trust, it was more limited in scope and application than the type of trust essential for commercial society. Loyalty and trust in pre-commercial situations might well be expanded to a broad concept of family of the type that existed in the Scottish Highland clans or even some of the banking houses of Renaissance Italy. Outside these confines, deep suspicion of the stranger is often the rule.

The emergence of commercial society requires an extremely widespread diffusion of the willingness to trust others, even total strangers, and to make and keep promises. The legal philosopher Roscoe Pound did not exaggerate when he wrote, "Wealth, in a commercial age, is made up largely of promises."³⁴ The economist Wolfgang Kasper neatly summarizes the place of trust in commercial society:

Whenever individuals interact with others they have to trust that their counterparts will behave in predictable ways, fulfilling the promises they made. This fact is so fundamental that we frequently lose sight of it. When you hand a sum to a bank teller to pay an account, you trust that the teller will not steal the money and the bank will remit the funds to their intended destination. When you sign an employment contract, you trust that many matters which are not spelt out in the contract will be handled reasonably and without your boss exerting undue arbitrary power. When you order a book from an overseas supplier over the Internet and give your credit card number to pay for it, you rely on a large number of people, whom you have never met and will never meet. When foreign exchange dealers conclude telephone contracts worth billions of dollars every day, they often deal with complete strangers in other countries whom they must trust.³⁵

Adam Smith traces this fostering of trust to the workings of rational self-interest: "Whenever dealings are frequent, a man does not expect to gain so much by any one contract as by probity and punctuality in the whole, and a prudent dealer, who is sensible of his real interest, would rather choose to lose what he has a right to than give any ground for suspicion . . ."³⁶

The growth and spread of banking practices exemplify the importance of trust for everyday commercial life.³⁷ Depositing one's surplus capital in a bank instead of storing it in one's house demands an act of trust on the part of depositors in that bank. The same depositors have to be willing to trust bankers who want to make loans and sometimes grant unsecured credits to people that the original depositors will never know. The same trust permits banks to assume the roles of remitting money and supplying paper circulation within a country. While this may reflect a widespread realization that an efficient way of circulating money in a society is to allow banks to issue bank notes that complement (and perhaps even eventually supersede) metal currencies, it also requires people to trust banks to do so in a responsible manner.

Modern commercial banking is based on a peculiar and unprecedented trust that exists on a massive scale between thousands of people, depositors and debtors who usually do not know each other. To this extent, bankers are mediators of trust. As institutions, banks are founded on a series of promises to pay certain amounts of money that exist between the bank, its depositors, its debtors, and other clients. While the bank prospers on the basis of its ability to make a profit on the spread between lending and borrowing rates that have been contracted between the various parties, such prosperity would be impossible without trust.

Some societies are quicker to develop this factor of trust than others. This in turn has economic consequences for a community's ability to build the surplus capital that any commercial society needs for expansion and growth. In nineteenth-century Britain, for instance, there were many banks and many depositors. By contrast, checkbooks in France were rare, as was the practice of keeping running accounts at banks. While savings for major investments were often lodged at banks, most individuals and families in France made separate arrangements for the storage of their money. Thus Walter Bagehot was moved to remark in 1872:

If a "branch," such as the National Provincial Bank in an English country town, were opened in a corresponding French one, it would not pay its expenses. You could not get any sufficient number of Frenchmen to agree to put their money there.... Deposit banking is a very difficult thing to begin, because people do not like to let their money out of their sight, and especially do not like to let it out of sight without security—still more, cannot all at once agree on a single person to whom they are content to trust it unseen and unsecured.

Trust is equally essential to a medium as characteristic of commercial society as the forming and fulfillment of contracts. While legal guarantees secure some protection against unreasonable failure to fulfill the contract, the contract itself is unlikely to come about unless there is a minimum of trust. When people make a contract, they are engaging in a commercial convention and a recognized legal practice. Such an activity presupposes a basic exercise in promise-making in which we make a reasoned choice to commit ourselves to perform certain actions while relying on others to bind themselves to doing particular things. Contracts are in fact null and void without such prior commitments. They therefore enlist our willingness to trust others and to merit their trust.³⁹ If commercial society required all agreements to receive formal contractual endorsement, its ability to prosper would be limited. By necessity, trust in commercial society extends beyond what is formally endorsed by commercial law. Most economic exchanges do in fact involve making promises which carry only minimal and sometimes no legal weight. Most things are bought and sold in commercial society without extensive checks that the goods and services being exchanged are in fact what the buyers and sellers hold them to be. There is a prevailing expecta-

tion that, in most situations and most of the time, people will do what they said they would do and there will generally be little need to have recourse to legal remedies.

But perhaps the importance of trust in commercial society is best understood by considering how people in commercial orders deal—both legally and informally—with those who demonstrate through words or deeds that they are in fact untrustworthy. Investors, entrepreneurs, and everyday consumers who break promises made during various transactions (and thus violate the trust of others) are often severely restricted by law from being allowed to engage in a wide range of activities. Others who incur even the suspicion of being guilty of fraud or breaking the rules that govern commercial life are often isolated and shunned (often even in the absence of formal legal sanctions) by others precisely because they have broken the bonds of trust. It is little wonder that many commercial enterprises will go to significant lengths to ensure that a buyer who finds himself burdened with a faulty product or service is more than adequately compensated for the business's failure to provide what it promised. The reason is simple: the desire to protect the company's reputation for being worthy of trust, both with the aggrieved consumer and anyone to whom the consumer might mention his disappointment.

Civility and Restraint

The giving and receiving of trust assumes a certain willingness to treat others in particular ways until they prove that they are unworthy of such trust. It thus involves behaving toward others in a certain manner—not necessarily in the way that people interact with close friends but certainly in a manner best described as *civil*. Scottish Enlightenment thinkers viewed this as especially characteristic of commercial order, often associating it with the habit of politeness. They saw commercial society as bound together not only by market relations underpinned by rational self-interest, but also a culture of civility, gentleness, and mutual respect that paid no heed to a person's background or status in society. The historian of ideas J. G. A. Pocock employs the phrase "commercial humanism"⁴⁰ to describe this aspect of the Scots' understanding of commercial society.

While figures such as Adam Smith and William Robertson drew upon the Aristotelian and Christian attention to the importance of a virtuous citizenry in describing the content of commercial society, they emphasized that the type of virtues developed often depended upon the culture in which people lived. "In general," Smith wrote, "the style of manners which takes place in any nation, may commonly be said to be that which is most suitable to its situation."⁴¹ Hence while their conception of civility did embrace the habit of being polite to each other while engaging in competition in the market place, it also encompassed a range of characteristics and habits that soften and facilitate the business of commerce.

In the pre-commercial world, the type of behavior commonly regarded as civil was normally linked with lifestyles often associated with the nobility. Reflecting upon this, Tocqueville ventured that, "Among an aristocratic people each caste has its own opinions, feelings, rights, mores, and whole separate existence. Hence its members are not at all like members of all the other castes. They have not at all the same way of thinking or feeling, and they hardly manage to think of themselves as forming part of the same humanity."⁴² This did not mean that the different groups, Tocqueville hastened to add, did not provide each other with mutual support or were invariably rude to each other. A certain degree of brutishness, however, was often assumed to be an aspect of the life of those who were not aristocrats.

In commercial society, civility is no longer associated with an inherited social caste. The civilizing project effectively moves away from a small group and embraces increasing numbers of people as levels of wealth rise across society. In commercial society, many people have for the first time the possibility of having sufficient means to be generous, to learn to defer immediate gratification, to follow lives marked by graciousness, and to abstain from rude or coarse behavior. It is precisely, as Smith remarked, because every person "becomes in some measure a merchant"⁴³ in commercial society that commerce leads increasing numbers of people to acquire habits of order and economy. In his lectures on jurisprudence, Smith commented that "When the greater part of people are merchants, they always bring probity and punctuality into fashion, and these therefore are the principal virtues of a commercial nation."⁴⁴ People experience a sense of what Tocqueville called "real sympathy"⁴⁵ with others in commercial society precisely because the set social roles of pre-commercial society have broken down. They may not be ready to sacrifice themselves quickly for each other, but people are careful with each other. "It makes no difference," Tocqueville wrote, "if strangers or enemies are in question."⁴⁶ The capacity to behave in a civilized fashion is regarded as something of which all people are capable. The idea of self-improvement thus looms powerfully throughout commercial society's understanding of civility. As the growth of commercial society breaks down structures of caste and inherited hierarchy, more people become capable—and understand themselves of being capable—not only of searching for knowledge, but also, Tocqueville envisaged, of receiving and assimilating knowledge.⁴⁷

The spread of this desire for education in commercial society and the subsequent growth of access to education has in turn powerful civilizing effects. The importance of sound education begins to be recognized throughout all sectors of society, especially by those who perceive a certain utility in education for successful commercial enterprises. Examples include the development of skills such as accounting, not to mention the acquisition of languages. Moreover, the spread of high expectations for oneself and others in commercial society begins to undermine social, economic, and political practices that slowly became understood as unjust, unreasonable, and unworthy of civilized people. The idea that

one group is endowed with more political power than others by virtue of hereditary privilege, for example, becomes viewed as unacceptable. So too do barriers to free exchange.

Another feature of civility in commercial society is the quality of self-restraint. "Self-command," Smith wrote, "is not only itself a great virtue, but from it all the other virtues seem to derive their principal lustre."⁴⁸ The emphasis upon self-control flows, in part, from the realization that self-improvement in commercial orders requires much delayed gratification. To exercise initiative in any field, but especially in commerce, is not simply to select an object to pursue. It means staying firm in our choices despite the obstacles, temptations, and adversities encountered as we pursue certain objectives, and obeying an order that we impose on ourselves and therefore to discipline our passions. In commercial society, the civilized person is distinguished from the uncivilized at least in part because of the former's ability to suppress impulses for immediate pleasure in order to achieve longer-term social and economic goals. These restraints are thus found within rather than imposed from without.⁴⁹

In commercial society, the self-restraint associated with civility is closely linked to the pursuit of self-interest, self-improvement, and especially prosperity. It extends, for example, from entrepreneurs deferring much satisfaction if they are to accumulate the capital that they need for a loan, to those in a small business who need to work long and disciplined hours if their business is to grow significantly, to middle class property owners who voluntarily put aside considerable resources to fund their retirement or to help their children acquire the expensive education they need if they are to enhance their chances of success in a market order. The incentives for self-restraint in commercial society are thus more considerable and also accessible to larger numbers of people than any previous social order. Thus while it is true that in commercial society, as Helmut Kuzmics writes, "the society of the working bourgeois adopts the rituals of courtly society,"⁵⁰ this is partly because manners and habits of politeness smooth the process of market exchange and the daily intensity of business and often become broadly associated with the achievement of prosperity.

But having attained a certain degree of wealth, many people in commercial society find themselves able to spend time and energy on activities ranging from patronage of the arts, philanthropy, and the pursuit of hobbies previously perceived as the preserve of aristocracy. The irony is that civility in commercial society often begins as a means to the end of material prosperity, a prosperity that in turn allows more people than ever before to engage in activities that, while often bringing them little to no personal monetary gain, are regarded as reflective of man's higher aspirations to truth, goodness, and beauty: the truly civilized man. Commercial society alone, of course, will not make men moral—no society can do that as long as people have free will. Yet, as Muller remarks, commercial order does "hold out the potential of a society in which most men would be decent, gentle, prudent, and free."⁵¹ This is no small achievement.

Peace and Tolerance

Part of the vision of civility in commercial society involves people refraining from using violence to achieve their ends. In the pre-commercial world, war was perceived on the part of figures ranging from Alexander the Great to Napoleon as the path to greatness and glory. By contrast, commercial society thrives upon and inculcates the value of peace. Though it is true that commercial societies have engaged in war, they do tend to accord higher worth to peace more than their predecessors. This owes much to their commercial character. War is commercially beneficial for industries such as arms manufacturing, but generally disruptive to free trade, the forging of commercial links, and society's overall material well-being. As Archbishop François Fénelon of Cambrai (1651-1715) wrote to King Louis XIV toward the end of the Sun King's many wars:

Your peoples die of hunger. Agriculture is almost stationary. Industry languishes everywhere, all commerce is destroyed ... Your victories no longer cause rejoicing. There is only bitterness and despair ... You relate everything to yourself as though you were God on earth.⁵²

Commercial society's ability to promote peace is closely associated with its undermining of the false notion that one person's gain is always at another's expense. Part of Smith's critique of the mercantile practices of his time was their assumption that one's country's gain could only be at the expense of others. Such theories facilitated much aggressive behavior of nations against each other as they fought to secure colonies and exclusive trading rights. "Each nation," Smith wrote, "has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity." In Smith's view, "a nation that would enrich itself by foreign trade is certainly most likely to do so when its neighbors are all rich, industrious, and commercial nations."⁵³

Considerable incentives thus exist for commercial societies to avoid war. "Peace is the natural effect of trade," Montesquieu writes. "Two nations who traffic with each other become reciprocally dependent; for if one has an interest in buying, the other has an interest in selling; and thus their union is founded on their mutual necessities."⁵⁴ Tocqueville underscored the manner in which commerce undermined incentives for war when observing that "The ever-increasing number of men of property devoted to peace, the growth of personal property that war so rapidly devours, mildness of mores, gentleness of heart, that inclination to pity which equality inspires, that cold and calculating spirit which leaves little room for sensitivity to the poetic and violent emotions of wartime—all these causes act together to damp down warlike fervor."⁵⁵ The less-appreciated paradox is that commerce and trade allow nations to achieve many of the objec-

tives they had previously pursued through war. This was apparent to the nineteenth-century French liberal, Benjamin Constant:

We have finally reached the age of commerce, an age which must necessarily replace that of war, as the age of war was bound to precede it. War and commerce are only two different means to achieve the same end, that of possessing what is desired. Commerce is ... an attempt to obtain by mutual agreement what one can no longer hope to obtain through violence....

War then comes before commerce. The former is all savage impulse, the latter civilized calculation. It is clear that the more the commercial tendency prevails, the weaker the tendency to war must become.⁵⁶

Commercial society's reluctance to embark upon war is not simply a matter of resenting the financial restrictions and potential losses associated with the prosecution, winning, or losing of war. It also concerns protecting the fabric of freedoms upon which commercial societies depend. War has a reorganizing logic all of its own. Societies at war take on forms directed to the successful prosecution of war. The difficulty, as Tocqueville pointed out, is that "All those who seek to destroy the freedoms of the democratic nations ought to know that war is the surest and shortest means to accomplish this."⁵⁷ "Any long war," he wrote elsewhere, "always entails great hazards to liberty."⁵⁸ When nations go to war, governments are given the authority to do things that they are forbidden from undertaking in peacetime and often allowed to expand their powers in those realms where they already exercise considerable authority. This can include acquiring powers that diminish the protections afforded by private property and the rule of law, permitting the raising of taxes to exorbitant levels, and redirecting commercial society's creative energies into areas of a decidedly non-commercial character. Perhaps the greater long-term problem that war creates for commercial societies is that the state is often reluctant to relinquish its newly acquired powers, thereby reducing the sphere of freedom that underpins commercial society and allows it to flourish.

Commercial society's aversion to the use of force is not confined to the sphere of war and foreign relations. It also applies to relations between people within a commercial society and the desire to minimize conflict within this society. As Adam Smith explained, it was not a coincidence that as commercial relations developed between towns and rural areas, "order and good government, and with them, the liberty and security of individuals became more pronounced among the inhabitants of the country, who had before lived almost in a continual state of war with their neighbors, and of servile dependency upon their superiors. This, though it has been the least observed, is by far the most important of all their effects."⁵⁹ Few would question that the religious wars of the sixteenth and seventeenth centuries facilitated developments in the idea of tolerance, permeations that we find in the works of figures ranging from Locke to the seventeenth-century Huguenot (then Catholic, then Protestant again) theologian Pierre Bayle.

Though these wars often had more to do with the emergence of nation-states than religious differences *per se*, the devastation caused by these events caused many to become wary of the consequences of persecuting people for their religious beliefs.

At the same time, there is little question that the emergence of commercial society created particular incentives for the value that many began—albeit slowly and not without significant regressions—to attach to tolerance. Commercial society's emergence and continued growth is very dependent upon a high degree of openness to new ideas and endeavors. A society that closes itself to concepts and investment from people whose political and religious beliefs differ from the dominant culture places itself at a potential economic disadvantage from those communities open to such people. Moreover, many of the tools, institutions, and mechanisms of commercial society depend upon people distancing themselves from assuming hostile positions toward people with differing views. As modern commercial societies began to assume their present form during the seventeenth and eighteenth centuries, wealth became far more mobile, as did banking and trading practices. Businesses became less family-orientated and thus far less uniform in their linguistic, ethnic, and religious composition. Even the language of commercial society—capital, profit, loss, property, markets—though rooted in the Western tradition, has showed a remarkable capacity to transcend cultural and religious boundaries. The mediums of credit and money were able to communicate, as A. J. Conyers points out, certain human needs, wants, and desires across the very same boundaries. With the growth of joint-stock companies, there were increasing numbers of people who had financial interests in enterprises and organizations that engaged in commerce across a variety of areas with different cultural, political, and religious traditions. In short, the spread of markets brought people from very different backgrounds into contact with one another through their mutual pursuit of wealth. With good reason therefore, Montesquieu declared:

Commerce is a cure for the most destructive prejudices; for it is almost a general rule, that wherever we find agreeable manners, there commerce flourishes; and that wherever there is commerce, there we meet with agreeable manners.

Let us not be astonished, then, if our manners are now less savage than formerly. Commerce has everywhere diffused a knowledge of the manners of all nations: these are compared one with another, and from this comparison arise the greatest advantages.⁶⁰

The desire for free trade necessitates links across regions, oceans, and national boundaries. Through engaging in trade, people are forced to encounter the traditions and habits of others, a process that often leads to people comparing and learning more about their respective customs and practices. Montesquieu suggests that this leads to people becoming more tolerant, less attached to obs-

lete traditions of the past, and less violent in their treatment of others and strangers. Tocqueville echoes these reflections:

Trade is the natural enemy of all violent passions. Trade loves moderation, delights in compromise, and is most careful to avoid anger. It is patient, supple, and insinuating, only resorting to extreme means in cases of absolute necessity. Trade makes men independent of one another ... it leads them to want to manage their own affairs and teaches them how to succeed therein. Hence it makes them inclined to liberty but disinclined to revolution.⁶¹

The common desire to create wealth in ways that can be permanently sustained encourages people to soften the intensity of their cultural, political, and religious differences and conflicts, not least because the erection or persistence of such obstacles over time is likely to encourage people to trade elsewhere. This need not mean that they should consider their differences to be irrelevant. Nor does it suggest that tolerance implies that people ought to embrace a type of indifference or syncretism. Indeed, there are many things that no society, commercial or otherwise, can or should tolerate.

Neither peace, tolerance, nor civility is sufficient for commercial society. Nevertheless, taken together and integrated with trust, practical wisdom, creativity, and self-interest rightly understood, they are surely indispensable for societies that wish to move away from static or impoverished economic arrangements. They need not exclude other, more communal habits of choice and interaction. Altruism is not something foreign to commercial order. Commercial society has actually created the material basis for altruism to occur on a scale unprecedented in history. But this ought not blind us to the fact that a society that lacks trust, or disdains creativity, or is dismissive of the workings of rational self-interest is not a social order in which commerce can flourish, even if the very same societies possess some or all of the economic and legal institutions conducive to commercial order.

This becomes more evident when we turn to the economic foundations of commercial society and begin to see just how much features ranging from free exchange to the division of labor presuppose that people will, for instance, be able to pursue their self-interest, develop special forms of creativity, and possess the wisdom to organize people in practical ways. It soon becomes apparent that these habits require the existence of particular economic institutions if they are to realize their promise. Self-interest pursued in a market of free exchange is, all other things being equal, likely to lead to prosperity not for the few but the many. Self-interest that has no alternative but to be pursued in statist or collectivist arrangements normally produces the opposite.

Notes

1. A concise summary of this may be found in J. Norberg, *In Defense of Global Capitalism* (Sydney: Centre for Independent Studies, 2005).
2. Smith, *Wealth of Nations*, I, intro. 4.
3. Michael Novak, *The Spirit of Democratic Capitalism* (London: IEA Health and Welfare Unit, 1991), 166.
4. Certainly utility and efficiency are—all things being equal—better than disutility and inefficiency. But the basic immorality of, for instance, a Communist labor camp is not diminished by the fact that it is less efficient at killing people than a Nazi concentration camp.
5. Pierre Manent, "Situation du libéralisme," *Les Libéraux*, vol. 1 (Paris: Hachette, 1986), 20.
6. Many theologians associated with the Jansenist movement in seventeenth- and eighteenth-century Catholicism spoke about a type of self-interest being integral to many acts of charity. The theologian Jean Domat insisted, for example, that: "The fall of man not having freed him from wants, and having on the contrary multiplied them, it has also augmented the necessity of labor and commerce, and of ties; for no man being sufficient of himself to procure the necessities and conveniences of life, the diversity of wants engages man in an infinite number of ties, without which they could not live. This state of mankind induces those who are governed only by a principle of self-love, to subject themselves to labor, to commerce, and to ties which their wants render necessary. And that they may reap advantage from them, and persevere in them both their honor and the interest, they observe in all those intercourses, integrity, fidelity, sincerity . . . We see, then, in self-love, that this principle of all the evils is, in the present state of society, a cause from whence it derives an infinite number of good effects . . . And thus we may consider this venom of society as a remedy which God makes use of for supporting it . . ." Jean Domat, *Lois Civil dans leur ordre naturel, le droit public, et legum defectus*, Nouv. éd. (Paris: 1713), xx.
7. Max Weber, *Gesammelte Aufsätze zur Religionssoziologie*, 2d ed. (Tübingen: 1922), 22.
8. See ST, II-II, q.44, a.8, ad.2, q.26, a.5. As John Finnis notes, if a person is truly a friend to himself, then he should want a superabundance of the goods of reason and virtue for himself. Moreover, Finnis adds, given that the goods of reason and virtue are goods for any human being, and that they include friendship and every form of harmony between persons, then this reasonable self-love helps to facilitate the realization of moral goods common to all. See John Finnis, *Aquinas: Moral, Political, and Legal Theory* (Oxford: OUP, 1998), 113.
9. See Alexis de Tocqueville, *Democracy in America*, vol. 2, ed. J. P. Mayer, trans. G. Lawrence (London: Fontana, 1994), 525.
10. *Ibid.*, vol. 2, 525.
11. *Ibid.*, 526.
12. *Ibid.*, 526-27.
13. *Ibid.*, 527.
14. *Ibid.*
15. *Ibid.*
16. See Kenneth Arrow, *Social Choice and Individual Values*, 2d ed. (New Haven: Yale University Press, 1963), 114-15, n. 26; and Amartya Sen, "Rational Fools: A

Critique of the Behavioral Foundations of Economic Theory," *Philosophy and Public Affairs*, 6 (1977): 317-44.

17. Tocqueville, *Democracy*, vol. 2, 526.
18. The key is the influence of reason upon each self's pursuit of its particular interests. Tocqueville, for one, was concerned about what would happen if people's pursuit of private interest was not shaped by reason. Cheryl Welch notes that Tocqueville "dis-trusted what he perceived as a tendency to confound wealth with happiness." See Cheryl Welch, *De Tocqueville* (Oxford: OUP, 2001), 69. Tocqueville also worried about the pursuit of self-interest by people who chose to remain "ignorant and coarse." Tocqueville, *Democracy*, vol. 2, 526. It would, he wrote, "be difficult to foresee any limit to the stupid excesses into which their selfishness might lead them, and no one could foretell into what shameful troubles they might plunge themselves for fear of sacrificing some of their own well-being for the prosperity of their fellow men." Tocqueville, *Democracy*, vol. 2, 526-27.
19. Alexis de Tocqueville, *Journeys to England and Ireland*, ed. J. P. Mayer, trans. G. Lawrence and J. P. Mayer (New Brunswick and London: Transaction Publishers, 2003), 115-16.
20. Tocqueville, *Journeys to England and Ireland*, 116.
21. *Ibid.*, 116.
22. *Ibid.*
23. See William Doyle, *The Oxford History of the French Revolution* (Oxford: Clarendon Press, 1989).
24. Montesquieu, *Spirit*, bk.22, chap. 14.
25. Karl Marx, *The Communist Manifesto*, 19-20.
26. Passivity is not to be confused with contemplation. Contemplation involves the active use of the mind for purposes of reflection and renewal.
27. Bernardino of Siena, *Opera Omnia* (New York: Fordham University Press, 1591/1928), 292; Raymond de Roover, "The Scholastic Attitude toward Trade and Entrepreneurship," *Explorations in Entrepreneurial History*, 2 (1963): 76-87.
28. Tocqueville, *Democracy*, vol. 1, 285.
29. *Ibid.*, vol. 2, 459.
30. *Ibid.*, 460.
31. *Ibid.*, 462.
32. *Ibid.*, vol. 1, 403.
33. See *ibid.*, 402.
34. Roscoe Pound, *An Introduction to the Philosophy of Law* (New Haven: Yale University Press, 1954), 236.
35. Wolfgang Kasper, *Property Rights and Competition: An Essay on the Constitution of Capitalism* (Sydney: Centre for Independent Studies, 1998), 6.
36. Adam Smith, *Glasgow Edition of Works and Correspondence of Adam Smith*, vol. 5, *Lectures on Jurisprudence*, ed. Ronald L. Meek, D. D. Raphael, and Peter Stein, *Glasgow Edition of Works and Correspondence of Adam Smith* (Oxford: Oxford University Press, 1978), (B), 539.
37. This commentary on banking draws upon Samuel Gregg, *Banking, Justice, and the Common Good* (Grand Rapids, Mich.: Acton Institute, 2005), 39-45.
38. Walter Bagehot, *Lombard St: A Description of the Money Market* (Homewood, Ill.: Richard D. Irwin, Inc., 1962), 38.

39. For a more detailed treatment of this subject, see Samuel Gregg, *On Ordered Liberty: A Treatise on the Free Society* (Lanham, Md.: Lexington Books, 2003), 101.

40. See J. G. A. Pocock, "Virtues, Rights, and Manners: A Model for Historians of Political Thought," in *Virtue, Commerce, and History: Essays on Political Thought and History, Chiefly in the Eighteenth Century* (Cambridge: CUP, 1985), 50.

41. Adam Smith, *Glasgow Edition of Works and Correspondence of Adam Smith*, vol. 1, *A Theory of Moral Sentiments*, ed. A. L. Macfie and D. D. Raphael, rev. ed. (Oxford: Oxford University Press, 1979), V.2.13.

42. Tocqueville, *Democracy*, vol. 2, 561.

43. Smith, *Wealth of Nations*, I.iv.1.

44. Smith, *Lectures on Jurisprudence* (B), 539.

45. Tocqueville, *Democracy*, vol. 2, 562.

46. *Ibid.*, 564.

47. See *ibid.*, 459–68.

48. Smith, *Theory of Moral Sentiments*, VI.iii.11.

49. This is not to suggest that the emphasis upon self-restraint did not exist before the rise of commercial society. Evidently many of the rules of chivalry—not to mention the taking of monastic vows by thousands of men and women before the eighteenth century—involved the voluntary suppression of passions and appetites, sometimes for the entirety of one's life.

50. Helmut Kuzmics, "The Civilizing Process," in *Civil Society and the State: New European Perspectives*, ed. John Keane (London: Verso, 1988), 162.

51. Müller, *Adam Smith in His Time and Ours*, 137.

52. François Fénelon, "Lettre secrète à Louis XVI," *Correspondance de Fénelon*, vols. 16–17, *Les dernières années* (Paris: Droz, 1972–1999). Montesquieu was equally devastating in his critique of the effects of war upon society's economic well-being: "Great princes," he wrote, "not satisfied with the hiring or buying of troops of petty states, make it their business on all sides to pay subsidies for alliances, that is, generally to throw away their money. The consequence of such a situation is the perpetual augmentation of taxes; and the mischief which prevents all future remedy is, that they reckon no more upon their revenues, but in waging war against their whole capital. It is no unusual thing to see governments mortgage their funds even in time of peace, and to employ what they call extraordinary means to ruin themselves..." Montesquieu, *Spirit*, bk. 13, chap. 17.

53. Smith, *Wealth of Nations*, IV iii.c.9, 11.

54. Montesquieu, *Spirit*, bk. 20, chap. 2.

55. Tocqueville, *Democracy*, vol. 2, 646. Note that Tocqueville does not suggest that commerce rules out war. While it does diminish the incentives for war, we should acknowledge that some commercially orientated societies have employed war-like force in order to open up new trading opportunities. A good example is America's use of implied force to compel Japan to open up its markets in the mid-nineteenth century, as well as the intervention of European powers into China during the same century.

56. Benjamin Constant, "The Spirit of Conquest and Usurpation," in *Political Writings* (Cambridge: Cambridge University Press, 1988), 53.

57. Tocqueville, *Democracy*, vol. 2, 650.

58. *Ibid.*, 649.

59. Smith, *Wealth of Nations*, III.iv.4. This is not to claim that the pre-commercial societies of the West did not possess an idea of toleration. When Christianity emerged in

the ancient world, it conducted a significant internal debate about whether there was anything worth preserving from the world of Greece and Rome. Some early Christian thinkers such as Tertullian famously wondered, "Quid Athenae Hierosolymis?" What has Athens to do with Jerusalem? Others such as Clement of Alexandria (150–215 A.D.) labored to illustrate that there was much in Greco-Romano philosophy and literature that could be incorporated into orthodox Christian faith. Over the centuries, Christianity proved remarkably open to absorbing the thought of pagan philosophers such as Plato and Aristotle. During the Middle Ages, for example, the Christian world did not try to cut itself off from the rest of the world in a manner akin to the path taken by Japan and China. The period of the Crusades, for example, was marked by the influx of materials and trade from the East into Europe. The remarkable intellectual and economic creativity of the Christendom of the High Middle Ages, in which disciplines such as the sciences as we know them today first emerged, was due in part to Christianity's relative openness to the influx of Aristotelian ideas into the West via Islamic Spain through the work of Jewish philosophers in Cordoba such as Maimonides and Muslims such as Avicenna. Christian Europe did not, of course, accept every idea that entered its environment. Indeed, the secular arm was charged with suppressing, sometimes with violence, those ideas that directly contradicted Christian truth or, more often, the stability of the body politic. Nonetheless, it proved able to assimilate many ideas of non-Christian origin, precisely because they were understood to complement, even bolster, the claims of the Christian Church. In other words, a type of attitude and practice prevailed throughout Christian Europe that, as A. J. Conyers writes, "left the lines of communication open among believing and thinking communities." See A. J. Conyers, *The Long Truce: How Toleration Made the World Safe for Power and Profit* (Dallas, Tex.: Spence Publishing, 2001), 39.

60. Montesquieu, *Spirit*, bk. 20, chap. 1.

61. Tocqueville, *Democracy*, vol. 2, 637.