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Hume on Economic Policy and Human Nature

EDWARD SOULE

Subsequent to publishing *A Treatise of Human Nature*,¹ Hume wrote nine essays concerning political economy.² His analysis, reflections, and policy proposals respond to a transitional³ period in British social and commercial life.⁴ On the eve of the industrial revolution Hume would have observed an ascendant merchant class, primitive manufacturing activity, increased agricultural productivity, burgeoning foreign trade, and growing urban population centers. These developments were evident throughout Hume's formative years, a time of relative peace and prosperity, notwithstanding bouts of crippling inflation.⁵

Hume penned his economic essays before the emergence of a comprehensive account of classical economic theory.⁶ *The Wealth of Nations* would clarify the relationship between national power⁷ and the affluence of individual citizens. Although we still argue various aspects of this relationship, Smith at least defined many of the terms of the debate. But Hume confronted a period of greater economic and intellectual uncertainty concerning this fundamental issue of political economy. Some pre-classicists advocated protectionist tariffs and low wages as a way to bolster national treasuries and power.⁸ These proposals justified state intervention on the basis of nation-building. And the intellectual climate of this period retained vestiges of the seventeenth-century denunciation of ostentatious wealth as immoral. The so-called religious "enthusiasts" worried about spiritual or religious corruption in a period of rising affluence.⁹ Still others, of a more liberal bent, addressed these issues

through the lens of individual liberty and resisted both state and church involvement in commercial affairs.

These unsettled intellectual currents gave rise to several questions of political economy. How should private commercial affairs be balanced with the needs of a state? Should the state exercise any authority over the level of wages or tax goods typically consumed by one group but not another? And what (if any) are the moral and economic issues attendant to non-essential or luxury goods? Should the state encourage or discourage their production? “Of Commerce” is Hume’s attempt to reconcile these questions in one fell swoop. He is sympathetic to nation-building but he is suspicious of state interference in commercial affairs. His project can be understood as an attempt to place nation-building on a foundation that is both economically realistic and morally justified. In Section I, I explicate two of the many arguments Hume makes in “Of Commerce.” In Section II, I critically analyze one of them in order to examine and validate Hume’s methodology. Finally, in Section III, I will suggest the relevance of Hume’s methodology for crafting contemporary economic policy.

I. “Of Commerce”: Two Arguments

“Of Commerce” advances two arguments with widespread economic policy implications.¹⁰ In the first, Hume details a complex connection between “luxury goods”¹¹ and a vibrant economy.¹² Based on this connection, he argues for the production and consumption of luxury goods as a means to national power. His second argument is an appeal for fairness in compensating members of the laboring class. These two arguments overlap such that fair compensation also serves the interest of the state. From a policy standpoint, these arguments would endorse free markets in terms of production and consumption decisions. And they would counsel states to intervene in labor relations only for the purpose of ensuring that workers be paid fairly and that they not be denied the fruits of their labor.

The first argument—that luxury goods spur commercial activity—is best understood in its eighteenth-century context. Hume would have observed a proliferation of luxury or “ornamental” goods and the migration of agricultural workers to urban centers of production. He (rightfully) attributed this phenomenon to the productivity of British agriculture. Moreover, he realized that such productivity would make many agricultural workers “superfluous” to the production of food. Hume was optimistic that these developments would contribute to human welfare by

afford[ing] to many the opportunity of receiving enjoyments, with which they would otherwise have been unacquainted. (256)

But he acknowledged that some would argue for pressing the superfluous agricultural laborers into the service of the state. By swelling the ranks of the armed forces, the British Empire would expand its range of influence and power, not to mention the ability to protect English liberties. Hume identifies a natural tension between the demands of state and the commercial exploits of private citizens.

Here therefore seems to be a kind of opposition between the greatness of the state and the happiness of the subject. A state is never greater than when all its superfluous hands are employed in the service of the public. The ease of convenience of private persons requires that these hands should be employed in their service. The one can never be satisfied, but at the expense of the other. As the ambition of the sovereign must entrench on the luxury of individuals; so the luxury of individuals must diminish the force, and check the ambition of the sovereign. (257)

Hume the historian observed that in times past, this tension had been resolved in favor of the state. He notes that in ancient times, armies were proportionately larger than they were in the eighteenth century. Nations enhanced their power at the expense of “musicians, painters, cooks, players and tailors” (258). Hume criticized this as contrary to “the more natural and usual course of things” (259). The creation of militaristic states collides with the “human nature” of its citizens because it demands sacrifices they are not naturally inclined to make. Material sacrifices might be acceptable in small states threatened by belligerent neighbors but not in the relative tranquility of eighteenth-century Britain. Rather, he says that

Sovereigns must take mankind as they find them. . . . It is his best policy to comply with the common bent of mankind, and give it all the improvements of which it is susceptible. . . . And the less natural any set of principles are, which support a particular society, the more difficulty will a legislator meet with in raising and cultivating them. (260)

But it remains for Hume to reconcile the competing forces of human nature with the needs of state. How, it might be asked, are states supposed to mount an effective defense, if citizens are bent on consuming luxury goods? How does the sovereign respect human nature *and* retain power? Hume harmonizes these goals through a series of observations and hypotheses. First, he supposes that agricultural productivity would suffer without a vibrant manufacturing sector. Hume is not necessarily thinking about advanced agricultural tools or productive technologies. Rather, he has in mind the individual agri-

cultural laborer. Without the widespread availability of luxury goods, he sees no way to kindle their sense of industry. Hume views luxury as a “temptation” (261) or, in the nomenclature of modern economics, an incentive for farmers to take the risks associated with increased productivity. And he worries that unproductive land hobbles the state’s ability to marshal a large military force. He reasons that in the event of war, crucial time would be lost increasing agriculture productivity to the point where the sector could spare a great number of workers:

Hume conceives of the nascent manufacturing sector as a storehouse of labor that could be pressed into military service in times of war. So the production and consumption of luxury items serves the national interest because

the more labour, therefore, is employed beyond mere necessaries, the more powerful the state; since the persons engaged in that labour may easily be converted to the public service. . . . Thus the greatness of the sovereign and the happiness of the state are, in a great measure, united with regard to trade and manufactures. (262)

And later he emphasizes that

trade and industry are really nothing but a stock of labour, which, in times of peace and tranquility, is employed for the ease of satisfaction of individuals; but in the exigencies of state, may, in part, be turned to public advantage. (262)

So the production of luxury goods serves the public interest. And, most importantly for Hume, this happy convergence accords with human nature—it agrees with the “natural bent of the mind[s]” (263) of ordinary people. Accordingly, it is in the state’s interest to allow production decisions to be made by producers based on consumer demands or desires.

As Hume elaborates this argument he makes no distinction between domestic production and international trade. Indeed, he believes that foreign luxury goods might stimulate even more productivity on the part of domestic producers. At least in this essay, Hume does not advance this claim based on international macroeconomics. Rather, he is methodologically individualistic; focused on the special incentives of imported luxury goods. Imported goods can provide novel and exotic “delicacies and luxuries” that “gratify the senses and appetites” (263). They can “rouse men from their indolence” by exposing them to things “never before dreamed of” (264). In all cases—domestic production and foreign trade—Hume is interested in the incentives to work and the natural inclinations of people. The power of the state is a natural by-product of an industrious workforce. And if imported goods provide an extra-special incentive, then so much the better.

Hume's second argument—that workers should be paid fairly—is a necessary condition for realizing the first one. He recognizes that laborers must be paid fairly in order for luxury goods to provide any real incentive. To understand why Hume finds it necessary to argue this point it is important to understand a strain of eighteenth-century commercial thought. During this period, some thinkers embraced a severe and deprecating view of laborers (generally, everyone in the commercial sector who was neither a merchant nor a manufacturer). Dubbed “the utility of poverty” (hereafter, UP), this dictum argued for paying subsistence level wages and for taxing heavily those goods typically consumed by workers (alcoholic beverages in particular). Laborers, it was thought, were indolent and inclined toward licentious behavior. Their only motivation to work was to satisfy their most basic needs. Anything above a subsistence wage would encourage their profligate behavior and destroy their productivity. Anything below a subsistence wage provided an extra incentive to work even harder. And, it was argued, the state had an interest in backing this scheme. Lower wages meant higher profits, and wealthy firms meant a stronger national economic base. So the UP was not just a good thing for employers but bolstered state power as well.

Hume's project of harmonizing the production of luxury goods with national power cannot coexist with the UP. If luxury goods are to serve as incentives, then workers have to be able to buy them. Subsistence wages and onerous taxation, by definition, preclude such a possibility. So he counters that

every person, if possible, ought to enjoy the fruits of his labour, in a full possession of all the necessaries, and many of the conveniencies of life. . . . Such an equality is most suitable to human nature. (265)

In this argument, as in the last, the individual laborer is the starting point. He states that “everything is purchased by labor” (261), and labor is stimulated by desires for valued things. But this only works if workers can exploit their own labor. Otherwise, commercial development is stymied. Moreover, the nation suffers because, according to Hume's model, a primitive commercial sphere diminishes the power of the state. Therefore, national power depends upon laborers being paid fairly. This would presumably mean that they should be allowed to bargain freely with their employers. And it means that states ought not impose any constraints on their wages or onerous taxes on their consumption to the point of undermining individual initiative.

To sum this section up, Hume claims that commercial activity is consistent with—indeed reinforces—state power. He further endorses this relationship as being in agreement with human nature. Hume's unit of analysis in this grand scheme is the individual worker, made productive with material incentives. The UP underwrites a regulatory model that is in direct conflict with

Hume's. But Hume's model occupies the moral high ground because it satisfies or is aligned with the needs of states *and* human nature. Finally, Hume flatly rejects the corrupting nature of luxury goods. Rather, individual welfare and state power depend upon these goods—they are the engine for economic prosperity.¹³

II. A Critical Assessment

Both of Hume's arguments employ a curious methodology. They have a distinct utilitarian flavor, but only indirectly. Hume does not argue directly that his policies will bring about consequences that increase human happiness. Rather, he argues that his policies are justified (morally and otherwise) on the basis of "human nature." The essay is shot through with this sort of appeal: denying workers the fruits of their labor is wrong because it does violence to *human nature*; foreign trade is good because it stimulates *desires*; luxury is good because it incites a *sense of industry* or because it *gratifies the senses* or the *appetites*; sovereigns must respect the *common bent of mankind* or the *mind*; and so forth. Hume's use of psychological reasons could be read as simple substitutes for utilitarian ends of happiness or pleasure. After all, gratifying the senses sounds a great deal like pleasure. But this reading would misread the way Hume appeals to these terms and misconstrue his understanding of human psychology. He does not appeal to human psychology as a desirable consequence or an outcome of actions but as *facts* about people. And (as I will explain shortly) in Hume's psychology, these facts are antecedent to consequences of pleasure or pain. His policy prescriptions are not based directly on utilitarian considerations of whether people are better off or not. Rather, he starts with the way people *are* and builds his policies accordingly. This does not mean that Hume denies a connection between these facts of human psychology and pleasure or happiness. He surely does acknowledge a relationship, and his argument is ultimately utilitarian. However, these arguments neither begin with consequences nor do they make them the only justificatory reasons. Rather, they begin with the fact of human psychology and make it a strong premise in the argument.¹⁴

I want to further illuminate this point by analyzing this methodology in greater detail. I also want to determine whether it has any merit vis-à-vis the opposing position advanced by friends of the UP. Either argument would serve this purpose, but I choose the more fundamental one—that workers ought to be fairly compensated. As stated in the text, I formalize this argument as follows.

First Formulation

1. Denying the fruits of a worker's labor is contrary to human nature.

Conclusion: Social policies that deny workers the fruits of their labor are unacceptable.

At first blush, this argument appears to violate Hume's admonition that an 'ought' cannot or should not be coaxed directly from an 'is'. For purposes of this discussion, I take this to mean that moral judgments should be based on moral principles and should not just emerge from facts of the matter. But Hume does treat human nature as a fact of the matter, advising sovereigns how they should treat citizens: as they find them. And he seems to move directly from the *fact* of human nature to the *ought* of an economic policy prescription. A charitable reconstruction of his argument is in order—one that makes explicit the implied moral principle that runs throughout the essay. I impute a utilitarian moral principle because of the connection or association Hume makes between human nature and human welfare.¹⁵ So my reconstruction inserts a general utilitarian moral principle as well as a premise making explicit the connection between human nature and human happiness.

Second Formulation

1. Morally acceptable social policies are those that increase net happiness (or some other measurement of human welfare).
2. Social policies that violate human nature reduce human happiness.
3. Denying workers the fruits of their labor violates human nature.

Conclusion: Social policies that deny laborers the fruits of their labor are unacceptable.

The above reconstruction fills out Hume's argument so that it obeys his 'is-ought' admonition. However, logically valid as this new version might be, the argument is not necessarily sound. First, it is not clear that the second premise is true. For instance, some have recently argued that evolutionary forces incline men toward coercive and violent behavior toward women.¹⁶ So it would appear that Hume's utilitarian argument is vulnerable to a variation of the naturalistic fallacy objection. That is, it does not follow that every deep-seated psychological inclination is conducive to human happiness; therefore, some aspects of human nature *should* be discouraged because they are harmful or destructive. On utilitarian grounds, it might be right for some social policies to violate human nature—something Hume argues against in this essay.

But secondly, absent some agreement about the meaning of "human nature," Hume's argument invites disagreement. This problem is exemplified in Hume's quarrel with the UP. Proponents of this doctrine couch their case in the same human psychological terms as Hume does. The UP advocate arrives at a different conclusion based on the same methodology—that human nature is an important consideration in crafting economic policy. Like Hume, these

proponents assessed the issue through utilitarian lights, but for them, indulging the laborer's human nature would *diminish* her happiness. So the same argument can serve the purposes of two different, mutually exclusive, and antagonistic conclusions.

These are serious problems, but ones that Hume can overcome. In the first case—that human nature is not always a good thing—a qualification should suffice. Hume is only addressing economic affairs in this essay, and even then, a relatively narrow portion of commercial life. Consequently it is not necessary that his argument, or the policy recommendations it endorses, withstand every possible criticism across the whole spectrum of human behavior. For this argument to go through, he only needs to consider human nature relative to the portion of economic behavior concerned with satisfying basic wants and needs. So it seems legitimate that he restricts his psychological assumptions to those of the economic agent. This qualification means modifying the second premise as follows.

Third Formulation

1. Morally acceptable social policies are those that increase net happiness (or some other measurement of human welfare).
2. Social policies that violate one's natural inclination to improve one's economic well-being reduce human happiness (or some other measurement of human welfare).
3. Denying workers the fruits of their labor violates their natural inclination to improve their economic well-being.

Conclusion: Social policies that deny laborers the fruits of their labor are unacceptable.

The second problem, that this argument can support antagonistic conclusions, is more problematic. Solving this problem requires a determination as to which account of human nature—Hume's or that assumed by the UP—is more compelling. As mentioned above, these accounts need only be applicable to the economic domain. I begin with Hume's. Of course the nature of mental life is at the heart of Hume's work and forms the basis for several of his most important philosophical works. I only want to develop here a brief sketch that will demonstrate its applicability to the economic agent.¹⁷ That is, I want to show that Hume's account of human nature can explain a great deal of economic behavior. Accordingly, I will only focus attention on a few features. In particular, I would draw attention to the way Hume explains human agency in terms of the sub-rational or noncognitive aspects of human nature.¹⁸ This is confusing and potentially damaging in the context of economic behavior. Normally we think of commercial activity as the epitome of rational behavior (as in modern rational choice theory). Economists treat economic behavior as

an expression of one's preferences, prompted by reasoned calculations. Hume's focus on the sub-rational seems the wrong way to go about explaining behavior that seems so obviously cognitive.

However, on closer examination it is apparent that his approach does not pose an obstacle to the means-ends rational explanations of economics. Hume would readily acknowledge that human actions normally correlate with one's interests and that we pursue those interests through reasoned deliberations. That is, he recognizes that we rationally deliberate about how to satisfy a preference. But, he rejects the idea that reason alone can motivate us to act or that our preferences are determined by reason alone. Hume's psychological account is an explanation of the belief-, interest-, or preference-forming process. His model allows that once a preference is sub-rationally determined, reason could point the way to satisfy it. So Hume's account of human nature does not conflict with modern economic theory; rather, it supplements it by explaining the source of preferences.

In Hume's work, the passions are the attributes or features of human nature most closely associated with¹⁹ preference formation.²⁰ Passions can be understood most generally, as Da Fonseca explains, as any "passive (same Latin root *passio*: to suffer) mental process that takes place in the human mind, that is to say, that which it 'suffers' or undergoes ('the horses') as opposed to that which it does when it tries to assert itself and exercise free choice ('the rider')." ²¹ The passions represent natural human appetites or basic drives that are neither learned nor in some other way acquired from experience. They are irreducible natural features of human psychology. They are not the same as pleasure and pain, although antecedent experiences (pleasant or unpleasant) can incite or arouse them. Hume speaks of passions as "bodily wants or appetites . . . which necessarily precede all sensual enjoyment, and carry us directly to seek possession of the object" (EPM, 301–302). In other words, our beliefs, our preferences, and our interests are preceded and mediated by fixed features of our psychological makeup—"original existences" in Hume's words—that are not based on reason or intellectual calculation.²²

I now want to suggest that this psychological account has a great deal of merit in terms of explaining economic behavior. As Hume baldly states, "every thing in the world is purchased by labor; and our passions are the only causes of labour" (261). That is, our propensity to work is first a natural inclination based on satisfying some passion. The possibilities, in terms of specific passions, are numerous: perhaps *ambition*, the *fear* of destitution, the *joy* of accomplishment, the *security* of material wealth, the *pride* of owning things,²³ or the *vanity*²⁴ we gain from the approbation of others. Hume's list of passions is broader than those I emphasize here (in italics). The point is that a great deal of economic behavior makes sense in terms of this passion-based model of human volition. Obviously it explains where economic actors find the motivation to support their basic needs. It also explains why we continue to work

once those needs have been satisfied. It even explains why some continue to toil when there is no obvious material gratification from acquiring more wealth. In other words, Hume's psychological account is a useful explanatory model of economic behavior.

It is not important for this discussion whether Hume's account of human psychology is right or wrong or true or false.²⁵ The important question is whether it is generally possible to fit the behavior of economic agents into his model. Alternatively, it is important that we not encounter too much economic behavior that cannot be easily assimilated into his account. As discussed above, Hume's psychological account seems plausible. I now turn to the psychological assumptions contained in the UP. Of course, those who advocated this position did not articulate anything as explicitly as Hume did, and it is possible that they could accept any number of psychological accounts. However, whatever their understanding of human nature was, it made a significant assumption that warrants attention. To endorse the UP, one must assume an account of human nature that varies according to one's socio-economic group membership—a concept I will refer to as psychological heterogeneity. That is, this account claims that laborers are imbued with a specific psychological nature that inclines them to behave in a particular way. Friends of the UP suggest that merchants and other members of the non-laboring group are equipped with another psychological make-up that inclines or motivates them differently. I say this because their argument for subsistence wages is made on the basis of the *nature* of the laboring class and their degenerate response to affluence. This reaction contrasts with the way merchants will likely respond to higher profits, and the difference is rooted in a difference in psychology. So without knowing exactly what their psychological account is, we know that the UP must embrace psychological heterogeneity.

I assume for purposes of this discussion that such an account of human psychology could be developed. But I also think that it will fall short of Hume's account in terms of goodness of fit and explanatory power. That is, any account of human nature that assumes psychological heterogeneity will have a difficult time explaining some fundamental economic phenomena. Specifically, the UP advocate has to explain away the emergence of a merchant class from the ranks of labor. If psychological heterogeneity is right, then how can widespread migration between groups be possible? What would explain how the laborer creates a small manufacturing or trading firm? Why would this happen if laborers are naturally (psychologically) indolent? It would not be enough to dismiss this evidence as aberrant or anecdotal. These were not isolated cases, since a significant portion of the eighteenth-century merchant class emerged from agricultural and trade workers. This account might be further undermined by widespread instances of industrious and ambitious laborers who did not overindulge in licentious behavior. In other words, the utility of poverty rests on a psychological account that clashes with empirical

evidence. In terms of its "goodness of fit," the UP is not a particularly good explanatory or predictive theory.

Hume's account of human nature does not depend on psychological heterogeneity. Indeed, its naturalistic bent cannot accommodate such distinctions. Hundert aptly points out that Hume makes a significant departure from traditional social understandings and a major contribution to economic theory in what he terms "psychological egalitarianism." That is, Hume the empiricist noticed that "workers had the avaricious desires of other men." Hume's psychological project is predicated upon the idea of a "community of psychic equals."²⁶ The point is that Hume's psychological account underwrites a more robust explanatory model of economic behavior than does the UP. Hume's model can accommodate significant economic phenomena that his disputant's model cannot. His argument is more compelling than the one that must rely on psychological heterogeneity. But this is not a function of Hume having demonstrated a greater amount of future net happiness or welfare—something notoriously difficult to measure. Rather, these arguments turn on a factual or a theoretical assumption about human psychology.

III. The Relevance of Hume's Methodology

Hume accomplishes several things in "Of Commerce." He dispels the myth of the utility of poverty and he makes a compelling case that private commercial affairs and nation-building are mutually reinforcing. Without getting bogged down in the spiritual concerns of the religious enthusiasts, he persuasively convinces his readers that luxury goods can contribute positively to individual and social welfare. But perhaps more importantly, he provides a good example of making psychological realism—or the accuracy of one's assumptions about human nature—a ground rule in arguing economic policy. This, I believe, is a potentially more enduring contribution of this essay. Many contemporary disputes over economic policy pit utilitarians against utilitarians. Should the minimum wage be increased? Should the United States liberalize trade with its North American neighbors? How should multinationals treat third world labor, and so forth? I do not mean to imply that utilitarianism exhausts the moral considerations of these debates—only that it is one routine way of thinking about economic policy. But as we observed in Hume's eighteenth-century debates, two utilitarians can come to very different conclusions. The virtue of Hume's methodology is its ability to reset the terms or the ground rules of some utilitarian arguments. He forces the disputants to reveal their assumptions about human nature before leaping into the quagmire of estimating future happiness or welfare. Sometimes, and this is clearly the case in "Of Commerce," a careful examination of psychological assumptions makes estimating happiness unnecessary.

By no means does this resolve all utilitarian arguments or make it clear what good we should pursue. It does not make all the other notorious problems of utilitarianism go away. The value of Hume's methodology would seem to have restrictive applicability to just those cases where the disputants disagree over the nature of human motivation. However, this is not a trivial number of cases. The spirit behind the utility of poverty is not dead, although it is dressed differently than it was in the eighteenth century. Some advocate changes to welfare programs, citing some psychological feature peculiar to the chronically unemployed. Some argue positions on third world sweatshops based on a psychological characterization of impoverished third world workers that is different from that offered of workers in the West. This thinking runs in the other direction as well. Some advocate tax policies by imputing different psychological make-ups to various groups depending on their income bracket. I think Hume would be quite comfortable in these debates. I believe he would turn his skeptical eye on any argument whose soundness depends upon differences rooted in human nature.

NOTES

Joel Anderson and Pauline Kleingeld were kind enough to review earlier versions of this paper scrupulously. I am particularly indebted to the thoughtful if sometimes trenchant comments of (an) anonymous reviewer(s).

1. David Hume, *A Treatise of Human Nature*, ed. L. A. Selby-Bigge, 2nd ed. revised by P. H. Niddich (Oxford: Clarendon Press, 1978). Subsequently referred to as "T."

2. Originally published in *Political Discourses*, a twelve-essay collection of 1753. All parenthetical references are to page numbers assigned to "Of Commerce" in David Hume, *Essays, Moral, Political, and Literary*, ed. Eugene F. Miller (Indianapolis: LibertyClassics, 1985). T. Velk and A. R. Riggs provide a good synopsis of Hume's economic project in "David Hume's Practical Economics," *Hume Studies* 11 (1985): 154-165.

3. This much overworked and potentially misleading word is the term of choice for Marcus Arkin, "The Economic Writings of David Hume: A Reassessment," *South African Journal of Economics* 24 (1956): 204-220; reprinted in Mark Blaug (ed.), *Pioneers in Economics: David Hume (1711-1766) and James Stewart (1712-1780)* (London: Edward Elgar, 1991), 71-87. Arkin takes note of contrasting modes of production such as "enclosures and open-fields, nascent factories and 'putting-out' industries."

4. Joyce Appleby focuses on two stunning developments during this period: the "freedom from famine" and the fact that the supply of goods grew faster than the population. See her "Consumption in Early Modern Social Thought," in John Brewer and Roy Porter (eds.), *Consumption and the World of Goods* (London: Routledge, 1993), 162-176.

5. See W. W. Rostow, *Theories of Economic Growth from David Hume to the Present* (Oxford: Oxford University Press, 1990) and William Doyle, *The Old European Order 1660–1800*, 2nd ed. (Oxford: Oxford University Press, 1992).

6. This is not to say that elements of classical economic theory were not available to Hume. But Smith formalized these disparate concepts in such a way that they could constitute a comprehensive theory. Any actual influence Hume might have had on Smith is historically debatable. See Robert W. McGee, "The Economic Thought of David Hume," *Hume Studies* 15 (1989): 184–204.

7. In this context, "power" is not limited in meaning to military prowess and the influence and prestige of foreign exploits. At least in the seventeenth and eighteenth centuries (and probably today) it also implied national security or the protection against foreign aggressors. It was perfectly rational for eighteenth-century British thinkers like Hume and Smith to posit national power as an end in itself insofar as their political and religious freedoms depended on it. See Jacob Viner, "Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries," *World Politics* 1 (1948): 1–29; reprinted in Mark Blaug (ed.), *Pioneers in Economics: The Later Mercantilists* (London: Edward Elgar, 1991), 77–105.

8. Recognizing that generalizations in this area are imperfect at best and misleading at worst, advocates of this approach are loosely referred to as "mercantilists." As Mark Blaug describes them, mercantilists promoted policies of "protective duties on imported manufactured goods; encouragement of exports, particularly finished goods; and an emphasis on population growth, keeping wages low." Mark Blaug (ed.), *Economic Theory in Retrospect* (Cambridge: Cambridge University Press, 1991), 11. In his essays "Of the Balance of Trade" and "Of the Jealousy of Trade," Hume elaborates a technical criticism of protectionism based on his "specie-flow" mechanism. I do not address Hume's much commented-upon technical analysis, as I am more concerned with the moral case he makes in "Of Commerce."

9. Appleby claims that these moralists gained the "discursive high ground in England," inveighing against the "goods they saw in haberdashery shops and food stalls as dangerous signs of corruption and degeneration" ("Consumption in Early Modern Social Thought," 165). Also, see L. P. Curtis, *Anglican Moods of the Eighteenth Century* (Archon Books, 1996), 4.

10. This essay contains many more arguments that, in the interest of space, I do not address. I focus on these to illustrate how Hume makes human psychology a moral requirement for setting economic policy.

11. Today we think of luxury goods as costly things that exceed our essential needs. The eighteenth-century usage is similar but not identical. Hume's usage would denote these modern meanings but also suggests an implicit judgment of immorality. See Lorna Weatherill, "The Meaning of Consumer Behaviour in Late Seventeenth and Early Eighteenth-Century England," in John Brewer and Roy Porter (eds.), *Consumption and the World of Goods* (London: Routledge, 1993), 207.

12. History would prove Hume correct in the connection he makes between consumption and economic output. Based on contemporary economic research, "it was domestic consumption, not foreign trade, that sustained England's manufacturing expansion in the eighteenth century" (Appleby, "Consumption in Early Modern Social Thought," 165).

13. It should be noted that Hume does not argue, as Mandeville and others did, that luxury *always* contributes to social welfare. In his essay "Of Luxury," he distances himself from extreme views that treat luxury as always good or always bad. For purposes of his arguments in "Of Commerce," it is sufficient that luxury goods can provide incentives, even though they might not contribute to social welfare in each and every case.

14. This reading recognizes the project that consumed Hume's life. In his introductory remarks to his edition of Hume's *History of England*, Kilcup says the following: "The new method of experimental reasoning which he brought to bear on moral subjects presumed and revealed the universal regularity and uniformity of nature, including human nature, and it supplied a method for obtaining knowledge as certain as the faculties of man make possible. This methodologically guaranteed understanding of human nature and of human institutions provided an autonomous vantage point from which the dogmas, political and historical, of the partisan factions could be judged and exposed." David Hume, *The History of England*, abridged and with an introduction by Rodney Kilcup (University of Chicago Press, 1975), xx.

15. Hume speaks about the "pleasing feeling" that ensues from satisfying a passion. In this same passage he defines passions as the source of our "good and happiness." David Hume, *An Enquiry concerning the Principles of Morals*, ed. L. A. Selby-Bigge, 3rd ed. revised by P. H. Nidditch (Oxford: Clarendon Press, 1975), 301–302, hereafter referred to as "EPM." As I will discuss shortly, the passions are at the heart of Hume's account of human nature.

16. One of the bolder recent accounts is Randy Thornhill and Craig Palmer, *A Natural History of Rape: Biological Bases of Sexual Coercion* (Cambridge, Mass.: MIT Press, 2000).

17. For an expansive account, see Eugene Rotwein (ed.), *David Hume: Writings on Economics* (Madison: University of Wisconsin Press, 1955), xxxiii. It is arguable that it is unfair to attribute Hume's psychological views in the *Treatise* to his economic writings. However, Rotwein makes a persuasive case that Hume viewed these works as part and parcel of one comprehensive project. For this argument, see Eugene Rotwein, "David Hume, Philosopher-Economist," *Southwestern Journal of Philosophy* 7 (1976): 117–134. This position is echoed in Arkin, "The Economic Writings of David Hume," and as well in Henry Aiken (ed.), *Hume's Moral and Political Philosophy* (New York: Hafner Press, 1948).

18. See T II, "Of the Passions."

19. For obvious (Humean) reasons I will not refer to passions as the cause of our preferences, even though sometimes Hume does. For an expansive discussion of this point and a defense of Hume's psychology as being immune to the criticism that it is "merely" associationist, see Francis Snare, *Morals, Motivation, and Convention* (Cambridge: Cambridge University Press: 1991), especially ch. 4, "The Humean Theory of Motivating Reasons." Also, in his introduction, Aiken (*Hume's Moral and Political Philosophy*, xvi) mounts a similar, if more succinct, defense.

20. For an elaboration of this point see Eduardo G. Da Fonseca, *Beliefs in Action* (Cambridge University Press, 1991).

21. *Ibid.*, 91.

22. This does not mean that reason plays no role in human behavior. Reason is necessary in satisfying passions. But the passions are not something that we bring about or decide upon intellectually. The passions are more basic than our reasoning about them.
23. Hume explains this and provides a detailed account of private property and our desire for material possessions. His account can be found in T II x. Much of this is repeated but also amplified in his *A Dissertation on the Passions*, found in *Essays and Treatises on Several Subjects*.
24. It may appear from this reference to vanity that Hume's account is hedonic in nature. Hume is not an ethical or a hedonic hedonist, and I do not mean to make him one. He rejects and ridicules such notions in Appendix II ("Of Self Love") to EPM. But I do believe that it is fair to attribute to Hume the more modest claim that, in the limited realm of economic affairs, agents are in part motivated to action by the good feelings of approbation made possible by a passion of vanity.
25. Psychological accounts need not be true to serve a useful purpose in economic analysis. Rational choice theory assumes that agents maximize their utility. Supported by a burgeoning literature in psychology and decision theory, Herbert Simon earned a Nobel Prize in economics for disproving the utility maximization assumption in rational choice theory. But rational choice theory remains a fundamental model of economic behavior because, although its foundation is shaky, it explains and predicts a great deal of economic behavior. See Herbert Simon, *Models of Bounded Rationality* (Cambridge, Mass.: MIT Press, 1982).
26. E. J. Hundert, "The Achievement Motive in Hume's Political Economy," *Journal of the History of Ideas* 35 (1974): 139–143.