

2017-12-02

Hirschman's "The Passions and the Interests" from the perspective of political philosophy: Athenian philosophers, American Founders, and an Austrian-British economist on human nature and money-making

J Swanson. "The Passions and the Interests from the Perspective of Political Philosophy." For a Better World. Excerpts from the First Conference on Albert Hirschman's Legacy: Theory and Practice.. First Conference on the Legacy of Albert Hirschman: Theory and Practice. Boston University, Boston, MA USA, 2017-10-06 - 2017-10-07

<https://hdl.handle.net/2144/28880>

Downloaded from DSpace Repository, DSpace Institution's institutional repository

First Conference on Albert Hirschman's Legacy: Theory and Practice
Panel IV: Revisiting Texts
Friday, October 6th, 4:30-6:00 p.m.

**Hirschman's *The Passions and the Interests* from the Perspective of Political Philosophy:
 Athenian Philosophers, American Founders, and an Austrian-British Economist
 on Human Nature and Money-Making**

September 10, 2017 Draft (9,805 words; 17 pages)

Judith A. Swanson, Associate Professor, Department of Political Science, Boston University
 jswanson@bu.edu

Introduction

The goal of Hirschman's *The Passions and the Interests* is to challenge conventional wisdom about a particular episode in the history of ideas. That episode is the book's subtitle, *Political Arguments for Capitalism before Its Triumph*. He says that "both critics and defenders of capitalism" could raise the level of debate by understanding better the arguments that led up to the emergence of capitalism. (135)¹ Conventional wisdom about those arguments derives, he says, from Marx and Weber, who both viewed "the rise of capitalism and of its 'spirit' as an assault on preexisting systems of ideas and of socioeconomic relations." Hirschman presents "evidence that the new arose out of the old to a greater extent than has generally been appreciated," and thus reconstructs "a sequence of linked ideas." (4-5) If we forget old arguments, then we are condemned to repeat them he says, acknowledging Santayana. (134) But Hirschman may moreover imply that, if we fail to recognize the linkage of ideas and cling to the old Marxian and Weberian narratives, then we risk deluding ourselves about the reasons for capitalism.

One goal of this paper is to reinforce Hirschman's theme of linked ideas by adding more links to his chain; links to, in particular, the beginning and end of his history of ideas, by including Plato's, Aristotle's, and Friedrich Hayek's ideas. It will also fortify a link that Hirschman makes to the American Founders'. Extending Hirschman's narrative back to Plato and Aristotle and forward to Hayek, I will set aside a tie that Hirschman maintains, namely, the tie between history and the history of ideas. My purpose in doing so is not to deny any connection, though even Hirschman seems to loosen it to foster his thesis, but to underscore my thesis, namely, that ideas underlying capitalism reflect human nature. The inevitability of capitalism that Marx attributes to historical materialism and Weber to religion, may be due to human traits that transcend history, traits that other political philosophers characterize as natural even if responsive to circumstances.

The possibility of learning from political philosophers of the past, and not just about them, opens the possibility of a shared human nature—in other words, the possibility of timeless human attributes. If certain human attributes endure, then human beings are not completely shaped by the age in which they live; a claim put forth first by Hegel, who said that "each individual is the son of his people and, at the same time, insofar as his state is in development,

¹ Numbers in parentheses in the body of the paper refer to pages of *The Passions and the Interests* (Princeton, NJ: Princeton University Press, 1977).

the son of his age,” from which he concludes that “all thought is a child of its time.”² In other words, if arguments of past political philosophers are worthwhile to us now, then it is doubtful that all knowledge is historically conditioned. While Hirschman does not seem to subscribe to radical historicism, insisting as he does on a linkage of ideas, he does characterize political philosophers as victims as well as critics of their age, vulnerable to semantic trends or drifts. (40) The view taken here regards them as more independent and self-conscious.³

Hirschman’s book is a dialectical narrative, with twists and turns, that illuminates the origins and permutations of doctrine on the passions and the interests. Recognized as “surely the starting point for scholarly investigation of the doctrine,”⁴ it proposes several themes. This paper focuses on three of them: 1) interest, with particular attention to the difficulty of defining it and to the narrowing of its connotation to economic matters; 2) passions and interests as countervailing forces—i) within a person, ii) within government, and iii) united together, against government; and 3) money-making as a calm passion and money-making as a virulent passion. While Hirschman and others argue that the doctrine at issue “is distinctly modern,”⁵ what bears out more specifically, it seems to me, is that the conception of passions and interests *as countervailing forces* is distinctly modern. Whereas Plato and Aristotle, I will argue here, did take an interest in the concept of interest and in the question of the relative importance of money-making to individuals and to society. Hence the vantage point of political philosophy may reveal even more of a philosophical continuum in the history of ideas than Hirschman acknowledges, albeit one that links ancient to modern ideas while skipping over medieval political thought.

The Difficulty of Defining Interest Forecasted by Plato

According to Hirschman, the idea of interest originated in Machiavelli. Machiavelli did not use the term “interest,” but he sought to identify a rational will that would guide the prince and replace the guidance of religion and morality, which Machiavelli ridiculed as unrealistic and useless. (33) The concept of interest as guider of the ruler traveled from Italy to France and England. In 1638, a Huguenot statesman, the Duke of Rohan, proclaimed ‘the prince rules the people, and interest rules the prince.’ Ironically, “the new doctrine of princely interest,” like the old moral and religious precepts, also warned and inveighed against indulging the passions. While the intention of the new doctrine was to constrain the prince, Hirschman says that “it soon revealed itself as rather unhelpful” because “interest turned out to be . . . difficult to *define*.” In that respect the doctrine of interest stood in contrast to “the traditional standards of virtuous behavior,” which “were difficult to *attain*.” (34-35)

In the first book of Plato’s dialogue *The Republic*, one of the interlocutors, the blustery sophist Thrasymachus, barks out his definition of justice: it is “the advantage of the stronger, and the unjust is what is profitable and advantageous for oneself.”⁶ Thus a ruler, he says (as

² G.W.F. Hegel, *Reason in History: A General Introduction to the Philosophy of History*, trans. Robert S. Hartman (Indianapolis: The Liberal Arts Press, 1953), 66.

³ As one scholar put this view: “I believe that the philosophers knew what they were doing.” Harvey C. Mansfield, “Self-Interest Rightly Understood,” *Political Theory*, Vol. 23, No. 1 (February, 1995): 48-66; 63n2.

⁴ *Ibid.*, 49.

⁵ *Ibid.*

⁶ *The Republic of Plato*, trans. Allan Bloom (New York: Basic Books Inc., 1968), 344C. The Greek word translated here as “advantage” is *xympheron*. It is sometimes translated as “interest.” But for the

Hobbes will also say), would be motivated only by his own self-interest to pay regard to the well-being of his subjects. In reply, Socrates disagrees: rulers don't rule for their own benefit and they are not selfish. To prove his point, he makes a startling and initially confusing move: he introduces the subject of wages, and argues that practitioners of arts—whether for example the art of medicine, carpentry, or rule—“ask for wages” because every art is by definition devoted to the good of the art's object, be it the health of the sick, the sturdiness of a house, or the justice of a city. Doctors, carpenters, and rulers need wages to care for themselves. No practitioner of art who receives wages is a selfless servant; he practices two arts—the art of money-making and his other art, and there is a perpetual conflict between the demands of his selfish art and the demands of his selfless one, the demands of his bank account and the demands of his craft.⁷ Socrates clarifies that rulers who are good and decent men seek a different kind of wage, because they “aren't willing to rule for the sake of money or honor.” The only wage or compensation for which they are willing to rule is “not being ruled by a worse man.” Good men thus do not *want* to rule but “enter on it as a necessity and because they have no one better than or like themselves to whom to turn it over.”⁸

Three points are to be noted. One, Plato raises the subject of advantage to oneself, or what is in one's interest. Two, he connects it to need—the need for self-interest and the need for money. Three, he connects to necessity even the selfless devotion to public service. According to Harvey Mansfield, “the concept of necessity was the first essential to the construction of interest” and it was “the realism of Machiavelli . . . [that] put ethics under the discipline of necessity.”⁹ While it would be mistaken to say that Plato subordinates ethics to necessity, it is pertinent to note that he acknowledges the physical needs of even the man who orients his life by virtue (the man has to stay alive in order to be virtuous), as well as the pull of a higher necessity felt by the good man (which Thomas Aquinas calls “conscience” and Kant, “duty”). The overall point being here that Plato recognized the complexity of the problem of defining one's interest and, in the process of doing so, exposed the false exclusionary dichotomy, presupposed by Thrasymachus, between egoism and altruism, the assumption being that if a human being is not egoistic then he must be altruistic and vice versa.

Plato did more of course than recognize the problem of defining one's interest. It is his answer to it¹⁰ that made him famous and set the stage for medieval and modern political philosophers who would challenge it. The answer being the activity of philosophy itself: contemplation about what constitutes a well-lived life best addresses conflicts between need and virtue. A philosophical perspective helps human beings establish priorities between the selfish demands of money-making and all other selfless arts. As Allan Bloom explains, money being “the common denominator running through all the arts,” it is “a sort of architectonic principle” . . . but “manifestly an inadequate architectonic or regal principle” because it artificially “subordinates the higher to the lower.” Bloom continues:

And the man who serves for money becomes the slave of the most authoritative voices of his own time and place, while renouncing the attempt to know, and live according to, the

purposes of this paper I will rely on herein-acknowledged published translations of Plato's and Aristotle's works, instead of engaging in philological debates.

⁷ Bloom, “Interpretive Essay” in his translation of *The Republic*, 332-33.

⁸ Plato, *Republic*, 347b, d.

⁹ Mansfield, “Self-Interest Rightly Understood,” 50.

¹⁰ Developed in the rest of Book I and throughout *The Republic* and his other dialogues.

natural hierarchy of value. He is always torn between the demands of his art and the needs of the marketplace. . . . The wage-earner's art is a kind of political substitute for philosophy. The intention of philosophy is to understand the nature of the arts and order them toward the production of human happiness, and to educate men to desire those things which most conduce to happiness.¹¹

Plato on Oligarchy and Hirschman on Capitalism: Money-Making Helps the Human Soul

Plato nonetheless has more to say about money-making and thus engages his interlocutors in the subject later in *The Republic*, in Book VIII, after they have constructed an ideal city-in-speech in Books V-VII and are talking about a lesser type of regime, namely, oligarchy. The discussion pertains to one of the most influential critiques of capitalism noted by Hirschman, which stressed its negative effect on the human spirit and personality—its “repressive and alienating effect.” (132) Hirschman argues however that that was exactly what capitalism was supposed to accomplish because it arose amidst concern over the destructive forces of all other passions except avarice, which was thought to be benign. In Hirschman's words, “*capitalism was supposed to accomplish exactly what was soon to be denounced as its worst feature.*” (132, emphasis in original)

“As soon as capitalism was triumphant and . . . the world suddenly appeared . . . boring . . . the stage was set for the Romantic critique of the bourgeois order as incredibly impoverished in relation to earlier ages—the new world seemed to lack nobility, grandeur, mystery, and, above all, passion.” (132) Traces of this critique can be found in, for example, Fourier, Marx, Freud, and Weber. These critiques of capitalism failed to appreciate that, in the eyes of earlier times, the world was *too full of full* human personality! Unrepressed human personality was a menace! (133)

Consider now Plato's placement of oligarchy in *The Republic*. The ideal city constructed in speech by Socrates and his interlocutors is one ruled by philosopher-kings, the best men, and thus an aristocracy. Unable to sustain its alleged perfection, it decays, by stages, first into timocracy, then oligarchy, then democracy, and last, tyranny. Third in line, oligarchy, a regime that values wealth above all, ranks lower than timocracy, which values victory and honor above all. Thus oligarchy through the eyes of Plato and capitalism through the eyes of its critics are both seen as comedowns from a world more noble, honorable, and spirited.¹² Yet Plato, unlike such critics of capitalism as Marx and Weber, ranks the wealth-centered regime above democracy, which emphasizes freedom to such an extreme that it welcomes into its culture all values and impulses, even those which want to overtake it. Wealth provides an orientation and set of values that the relativism of freedom-loving democracy does not.

The benefits of oligarchy emerge in Plato's account of the transition from timocracy to oligarchy. He gives a generational explanation that again mirrors Hirschman's juxtaposition of ancient courage and modern caution. A change of regime type occurs because the sons of warriors are frightened by their fathers' utter devotion to military pursuits at the cost of their own and their families' financial well-being—and even at the cost of dying—and rebel against their

¹¹ Bloom, “Interpretive Essay,” 333.

¹² According to Hirschman, Adam Smith thought that one of the unfortunate consequences following in the wake of nascent capitalism from the division of labor and commerce in general was the loss of martial spirit and virtues. The uniformity of daily life imposed by the division of labor and the luxury afforded by commerce, make men timid, rigid, soft, corrupt, and effeminate. (106)

fathers' way of life: "The son . . . thrusts love of honor and spiritedness headlong out of the throne of his soul; and, humbled by poverty, he turns greedily to money-making; and bit by bit saving and working, he collects money."¹³ The identical fear that Hobbes says is our deepest and most commonly-shared, namely the fear of sudden, violent death, is also said here by Socrates to awaken in human beings a fervent desire for self-preservation.

This fervent desire to avoid a sudden, violent death and keep oneself alive manifests itself in two ways in the offspring born under a timocracy: namely, industriousness and miserliness. Determined to ward off the impoverished fates of their fathers, they not only toil but live austere. Satisfying only their needs and never spending money to satisfy other desires they are, in a word, stingy.¹⁴ Socrates's further description of the oligarchic man identifies not only his bad qualities but also his good qualities. Forcibly holding down his desires by his general diligence, the oligarchic man acquires a good reputation in contractual relations, "because he seems to be just." "Some decent part of himself" controls his "bad desires"—including his desires to sponge off of, and to rob, others. Clearly the oligarchic man has the virtue of self-control. The problem is why he has it or how he comes by it: not by education but by necessity and fear. Not taming his bad desires with persuasion and argument, he is not truly one with himself but divided, "in some sense twofold."¹⁵

The internal turmoil experienced by the oligarchic man, which makes his whole being tremble, nonetheless proves that "for the most part his better desires . . . master his worse desires." "Such a man would be more graceful than many," Socrates says, even though "the true virtue of the single-minded and harmonized soul would escape far from him."¹⁶ Hence Plato's account of oligarchy and Hirschman's of capitalism both suggest that the demands of money-making helps more than hurts the human soul.¹⁷

Aristotle on Wealth and Happiness

Overall, Aristotle agrees with the conclusions of his teacher Plato, differing from him mainly in approach and emphasis. He agrees for example that while making money is necessary, it is not the best way of life: "The life of money-making is one undertaken under compulsion, and wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else."¹⁸ Yet one cannot be happy without some wealth because happiness entails acting nobly towards others which requires the use, loan, or gift of goods and property.¹⁹ A good man will not neglect his own material well-being then, "since he wishes by means of this to help others." Moreover, Aristotle says, "he will refrain from giving to anybody and everybody, that he may have something to give to the right people, at the right time, and where it is noble to do so."²⁰

¹³ Plato, *Republic*, 553c.

¹⁴ *Ibid.*, 554a.

¹⁵ *Ibid.*, 554a, d-e.

¹⁶ *Ibid.*, 554e.

¹⁷ Accordingly, many in America today think that more jobs would reduce urban crime.

¹⁸ Aristotle, *The Nicomachean Ethics*, trans. David Ross, rev. ed. (Oxford: Oxford University Press, 1987), 1096a6-7.

¹⁹ *Ibid.*, 1099a31-b1.

²⁰ *Ibid.*, 1120b3-4.

Yet even those who do not do so and are not generous enough Aristotle does not simply denounce. First he says that they may have understandable motivations, such as the “experience of want,” which is more likely among those who have made their wealth rather than inherited it.²¹ Second, like Plato, he perceives within them worthy qualities: although they “fall short in giving” and “are called by such names as ‘miserly’, ‘close’, ‘stingy’,” they at least have the virtue of not coveting the possessions of others, which Aristotle attributes in some “to a sort of honesty and avoidance of what is disgraceful (for some seem, or at least profess, to hoard their money for this reason, that they may not some day be forced to do something disgraceful; to this class belong the cheapskate and everyone of the sort; he is so called from his excess of unwillingness to give anything).”²²

The theme of self-restraint returns us to Hirschman’s analysis.

Calm Passion or Virulent Passion? Aristotle saw Money-Making’s Dual Potential

Among the many contrasts that Hirschman makes, is that between money-making as a calm passion and money-making as a virulent passion. According to him, both views emerged in the 1700s in the work respectively of David Hume and Adam Smith, his leading examples. According to Hume, money-making represses and diminishes unruly and unrestrained passions²³ whereas, according to Smith, money-making feeds vanity and the desire for recognition that motivates it in the first place. But well before Hume and Smith, Aristotle saw this dual potential in money-making, and made a point of discussing it in the first book of *The Politics* (chapters 8-11).²⁴ There he differentiates natural from unnatural ways of acquiring wealth, natural from unnatural amounts of wealth, and even natural from unnatural uses of money.²⁵

Aristotle raises the question of work, or modes of acquisition—questioning what kind is most natural to man. He identifies three kinds: farming, harvesting things from the earth (chiefly lumbering and mining), and commerce. Their relative naturalness to the life of man does not evidently correspond to their use of the land or their proximity to the physical environment, but rather to the extent to which they preserve the mind and body. The best sort of

²¹ Aristotle, *Nicomachean Ethics*, 1120b11-12.

²² *Ibid.*, 1121b22-26. I changed Ross’s “cheeseparer” to “cheapskate.”

²³ Hirschman attributes this new line of thought, of money-making as a calm passion, to “the so-called sentimental school of English and Scottish moral philosophers, from Shaftesbury to Hutcheson and Hume,” who were reacting critically primarily to Hobbes. Hume says for example that “industrious professions . . . make . . . the love of gain prevail over the love of pleasure.” According to Hirschman, “Hume’s statement can stand as the culmination of the movement of ideas that has been traced: capitalism is here hailed by a leading philosopher of the age because it would activate some benign human proclivities at the expense of some malignant ones—because of the expectation that, in this way, it would repress and perhaps atrophy the more destructive and disastrous components of human nature.” (64-66)

²⁴ My commentary relies mainly on Carnes Lord’s translation of *The Politics* (Chicago: The University of Chicago Press, 1984).

²⁵ For a discussion related to the following and with responses to secondary literature, see my book *The Public and the Private in Aristotle’s Political Philosophy* (Ithaca: Cornell University Press, 1994), Chapter Four, “The Economy: A Public Place for Private Activity,” and for my discussion of all of Book 1 of *The Politics* see pages 15-35 of *Aristotle’s Politics: A Reader’s Guide* (Continuum, 2009), with C. David Corbin.

work requires the most skill, and can afford least to leave matters to chance; the most vulgar sort damages the body most; the most slavish sort relies most on physical strength; and the most ignoble sorts of work are least in need of virtue or goodness. Though Aristotle does not tie each of the three kinds of work precisely to one of the foregoing descriptions, he may respect commerce as much as or more than farming inasmuch as he says that while plenty of handbooks about agriculture exist, more on business are needed.

At any rate, he thought that money and commerce were reasonable developments because they derive from barter or exchange which itself derives from need. Once foreigners began importing necessary goods and exporting surplus, money was devised and commerce replaced exchange. Over time, through experience, commerce became the art of making a profit, which divorced money from need or natural sufficiency. The utility of money and commerce for natural sufficiency is paradoxically the origin of their abuse. We need them to bring goods into the city and to facilitate exchange among households, but they can be directed to the accumulation of money. Just as gluttony stems from the fact that we need some food and cannot abstain from eating, commerce for profit stems from the fact that we need some things to live and cannot abstain from commerce to obtain them. But by way of an investigation of the arts, Aristotle shows that, just as eating is not the cause of gluttony, commerce is not the cause of unnecessary accumulations of money.

The cause is desire. For every art is limited by its end, as Socrates pointed out in *The Republic*. Health limits the art of medicine; once a wound is healed or a cold cured, there is no further need for treatment. The same could be said of wealth and the art of commerce except that wealth, unlike health, has two forms, namely sufficiency and superfluity (though a similar dichotomy with respect to health has developed with the invention of cosmetic and other elective surgeries). Accordingly, there are two different arts, one productive of each end. Commercial or business expertise productive of natural wealth and that productive of money are again very close and often confused (like eating and gluttony) because money (like food) is a means common to both. Consequently some persons think that the art of household management is to increase money or even just to hold onto it. The purpose of money, however, according to Aristotle, is to use it for useful things. Desire unsatisfied by sufficiency misuses business expertise to circulate money for the sake of more money. Money and business expertise are thus not themselves blameworthy or the root of all evil.

As if to confirm that the management of money requires both intelligence and good character, including gumption or courage, Aristotle recounts an anecdote about Thales of Miletus. Thales, having devoted his life to studying the cosmos and the pursuit of scientific knowledge, was poor. But when he was chided for his poverty he decided, in response, to make a lot of money fast. Using his knowledge of astronomy, he predicted a good harvest and rented out all the available olive presses in advance, making a killing. He thus proved that although he could make a lot of money, he did not want to spend his life doing so.

Knowing how to make a lot of money fast is useful—to households and even more so to cities, Aristotle says. Political rulers should have that sort of practical knowledge to raise revenues; some in government even appropriately concern themselves exclusively with it.

Aristotle thus establishes two points here: money-making should not be a priority, but neither should it be eschewed. If all households and cities did were to raise money, then presumably they would not have any need to know how to raise it fast. At the same time, the stark alternatives presented by Thales, between a life devoted to the pursuit of knowledge lived in poverty, and one devoted to making a quick buck, make us wonder if they are the only

alternatives. Indeed Aristotle notes that although the business scheme Thales devised was attributed to his knowledge of astronomy, the principle of monopoly is business expertise that is universally available. If political rulers and household managers alike readily commanded such business expertise, then perhaps they could avoid the need to make money fast.

Thus Aristotle's discussion of modes of acquisition begins by suggesting that limited wealth in the form of goods generated by agriculture promotes a good life, and ends by suggesting that a reserve of wealth in the form of money generated by commerce does. The question of what mode of acquisition is best or most natural for man requires consideration of his constitution as a whole and his proper end. But before that he maintains that not all human beings are identically constituted and thus have different ends or functions. Evidently then which mode of acquisition is best depends on the characteristics of the person in question.

Aristotle on the Just Price Versus the Natural Price

Aristotle's endorsement of the use and accumulation of money through commerce requires a marketplace for exchange, which raises the question of how prices should be determined. In *The Nicomachean Ethics*, Aristotle discusses "justice in exchange" or "transactional justice," and makes a distinction between a just price and a natural price. This distinction, which concerns both spending and getting money, parallels the distinction between money-making as a calm passion and money-making as a virulent passion inasmuch as it shows that consumers can spend money well or rashly, and sellers can be duly or unfairly rewarded.

A just price is one that reflects the caliber of a good or service, such as a table, a lecture, or a cure; a producer is responsible for the quality of what he produces—a sturdy table, an organized lecture, a fraudulent cure, and thus should be rewarded proportionately for that quality. Aristotle also suggests that products have a kind of inherent metaphysical value apart from circumstances and relative to their contribution to living well; such that a book, for example, ought to command a higher price than a sandwich. But he also identifies need as the basis of price: money is merely "the exchangeable representation of need." Different things cannot in fact become commensurate—or "commensurate enough" for exchange—except "in relation to our needs."²⁶ Thus while a book should command more money than a sandwich, it may not if one is hungry. A natural price then is determined by the buyer's estimate of his need and of the capacity of an item or a service to fulfill it, and by the seller's estimate of his need(s) and of the capacity of an amount of money (its purchasing power) to fulfill them.

The concept of the just price then is an ideal, one that presumes that consumers consider their true or civilized needs. Demand should be a function of the requirements of virtue. Aristotle recognizes however that wants do not always reflect virtue or the interests of individuals or the community but nonetheless do set prices.²⁷ The bargained or "natural" price prevails because only individuals can determine their wants and pay to satisfy them accordingly.

Montesquieu and American Founders on Money-Making, Commerce and Domestic Politics

The eventual identification of interest with one particular passion, the love of money, maintained a positive reputation because, Hirschman says, it was endowed with the quality of harmlessness. "Looking after one's material interests was innocent . . . innocuous." Money-

²⁶ Aristotle, *Nicomachean Ethics*, 1133a26-29, 1133b19-20.

²⁷ *Ibid.*, 1133b1-3.

making was not thought capable of “either good *or evil* on a grand scale.” It was regarded as a retreat from the pursuit of greatness. Hence Hirschman says, “In a sense, the triumph of capitalism, like that of many modern tyrants, owes much to the widespread refusal to take it seriously or to believe it capable of great design or achievement.” (56-59)

To the view of money-making and commerce as innocuous, Montesquieu fused his own theory of countervailing power—that “power must be stopped by power.” (78) Commerce and constitutional safeguards complement one another, inasmuch as both contribute to political equilibrium. The American Founders adopted the counter-vailing passion paradigm. Hirschman discusses two of *The Federalist Papers* for illustration. First Number 72, where Hamilton argues against the proposal for a one-term presidency and in favor of the possibility of re-election, on the grounds that the latter would temper the avarice, ambition, and vanity of the man: “if he could expect to prolong his honours by his good conduct, he might hesitate to sacrifice his appetite for them to his appetite for gain.” Here, while the incentive is outside the man, the countervailing passions lie within him. Hirschman then discusses the more famous Number 51, where Madison justifies the separation of the branches of government on the grounds that the ambition of one branch will counteract the ambition of another. Hirschman contends, however, that while Hamilton and Madison cloaked the principle of the division of powers in the garb “of the widely accepted and thoroughly familiar principle of countervailing passion,” they did not do so consciously—“it was not a conscious stratagem of course.” (30)

Moreover, Hirschman says, the author of Number 51 “appears to have become the first victim of the confusion it fostered,” namely between the pessimistic idea that government should be structured to neutralize “man’s evil impulses”—an idea “insulting to human nature,” and the more optimistic principle of the division of powers. Hirschman concludes:

It looks therefore as though by writing the lapidary sentence ‘ambition must be made to counteract ambition’ its author persuaded himself that the principle of countervailing passion, rather than that of checks and balances, was the foundation of the new state.

Speaking more generally, it seems rather plausible that the former principle laid the intellectual groundwork for the principle of the separation of powers. In this manner the train of thought studied here returned to its point of departure: it had started with the state, whence it turned to consider problems of individual conduct, and in due course the insights yielded by this phase were imported back into the theory of politics. (30-31)

Could it rather be the case that the authors of *The Federalist Papers* were not confused and deluded about whether government depends, on the one hand, on the personal dynamic of the human beings in office or, on the other hand, on the powers conferred by its structure but rather recognized that only human beings exercise powers? Could it be that they discovered that “a more perfect structure”²⁸ is better structurally because it capitalizes on the passions and the interests of statesmen? That in fact we cannot talk sensibly about powers and structures, institutions and offices, in abstraction from the human beings who act and make choices within them?

In any case, it is surprising that Hirschman does not even mention the Federalist Paper which features the words “passions” and “interests” and makes them central to its argument. In Federalist Number 10 Madison defines a faction as “a number of citizens . . . who are united and actuated by some common impulse of passion, or of interest,” adverse to the rights or interests of

²⁸ A phrase from Federalist Paper Number 9.

other citizens.²⁹ Moreover, he argues that factions are inevitable because the reason of each man is attached to his self-love, and because the faculties of men result in their having different amounts and kinds of property and therefore different interests. The passage could not more clearly illustrate Hirschman's claim that the concept of interest was distinguished from other passions by its economic meaning:

As long as the connection subsists between [man's] reason and his self-love, his opinions and his passions will have a reciprocal influence on each other; and the former will be objects to which the latter will attach themselves. The diversity in the faculties of men, from which the rights of property originate, is not less an insuperable obstacle to a uniformity of interests. The protection of these faculties is the first object of government. From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results; and from the influence of these on the sentiments and views of the respective proprietors ensues a division of the society into different interests and parties.

Madison continues on the inevitability of conflicting passions and interests:

The latent causes of faction are thus sown in the nature of man . . . So strong is this propensity of mankind to fall into mutual animosities that where no substantial occasion presents itself the most frivolous and fanciful distinctions have been sufficient to kindle their unfriendly passions and excite their most violent conflicts. But the most common and durable source of factions has been the various and unequal distribution of property. Those who hold and those who are without property have ever formed distinct interests in society.³⁰

Madison concludes that since "the causes of faction cannot be removed . . . relief is only to be sought in the means of controlling its *effects*." Those means are to be found in the principle of countervailing passion which, according to Madison, operates most effectively the more passions and interests there are, and the way to increase them is by enlarging their orbit: "Extend the sphere and you take in a greater variety of parties and interests; you make it less probable that a majority of the whole will have a common motive to invade the rights of other citizens; or if such a common motive exists, it will be more difficult for all who feel it to discover their own strength and to act in unison with each other."³¹ Hence Madison says at the end of Number 10: "In the extent and proper structure of the Union, therefore, we behold a republican remedy for the diseases most incident to republican government."³² On the one hand, then, Number 10 corroborates Hirschman's thesis about the narrowing of interest to its economic connotation and about the incorporation of the principle of countervailing passion into the Founders' theory of politics. On the other hand, its direct command of these ideas, its clarity and forcefulness, undermines Hirschman's impression of the author's delusion and confusion.

²⁹ Alexander Hamilton, James Madison, John Jay, *The Federalist Papers*, ed. Clinton Rossiter (Penguin Books, 2003), 72.

³⁰ *Federalist Papers*, 73-74.

³¹ *Ibid.*, 78. See also Number 9, page 67.

³² *Ibid.*, 79.

Montesquieu and American Founders on Commerce, War and Peace

Montesquieu extended his views on money-making to international politics. “The natural effect of commerce is to lead to peace,” he says, because “two nations that trade together become mutually dependent.”³³ Hirschman regards this as an instance of a dramatic change in opinion in the eighteenth century, from the seventeenth century opinion that commerce is “perpetual combat,” and thinks it may be related to Montesquieu’s “thought on the domestic political consequences of economic expansion.” (80)

Hirschman does not note however that the authors of *The Federalist Papers* were an exception; they did not go along with their eighteenth-century peers’ opinion that commerce tends to peace, and forthrightly criticized it as utopian. In Number 6, Hamilton says:

there are still to be found visionary or designing men, who stand ready to advocate the paradox of perpetual peace between the States, though dismembered and alienated from each other. The genius of republics (say they) is pacific; the spirit of commerce has a tendency to soften the manners of men and to extinguish those inflammable humors which have so often kindled into wars. Commercial republics, like ours, will never be disposed to waste themselves in ruinous contentions with each other. They will be governed by mutual interest, and will cultivate a spirit of mutual amity and concord. . . . Has it not, on the contrary, invariably been found that momentary passions, and immediate interests, have a more active and imperious control over human conduct than general or remote considerations of policy, utility, or justice? . . . Has commerce hitherto done anything more than change the objects of war? Is not the love of wealth as domineering and enterprising a passion as that of power or glory? Have there not been as many wars founded upon commercial motives since that has become the prevailing system of nations, as were before occasioned by the cupidity of territory or dominion? Has not the spirit of commerce, in many instances, administered new incentives to the appetite, both for the one and for the other?³⁴

Hamilton then discusses historical examples of warring commercial republics: Athens, Carthage, Venice, Holland, Britain, France, and Spain.³⁵

The solution, according to the Founders, is not however to stop commerce. Isolationism is not the answer. National strength and unity are. In Federalist Paper Number 4, John Jay says that foreign nations will view America “exactly as it is” and “act towards us accordingly”: if the country exudes efficiency, order, strength, freedom, and unity it will win their respect and friendship; if it is on the contrary disorganized, divided, and ineffectual, it will elicit their contempt and outrage. In other words, foreign nations would not risk commerce with America unless, Jay says, “they see that our national government is efficient and well-administered, our trade prudently regulated, our militia properly organized and disciplined, our resources and finances discreetly managed, our credit re-established, our people free, contented, and united.”³⁶

³³ *Essai politique sur le commerce* (1734) quoted by Hirschman, *The Passions and the Interests*, 80.

³⁴ *Federalist Papers*, 50-51.

³⁵ *Ibid.*, 51-53.

³⁶ *Ibid.*, 43-44.

Adam Smith, on the Economic and Political Consequences of the Desire to Make Our Own Condition Better

Another link in Hirschman's sequence of ideas consists of those of Adam Smith. According to Hirschman, while Smith presents in *The Wealth of Nations* both an economic and a political justification for the pursuit of self-interest, he presents the political justification "at greater length and with more relish than any other writer had done up to his time." (100) The increase in wealth that is the economic consequence of the pursuit of self-interest, causes a retrenchment of political power. As wealth increases, power recedes.

Smith invokes the nature of man to explain the relation of economics and politics. Nature has instilled in us the desire to preserve ourselves and make our own condition better. (103) And that desire is so powerful that it alone can not only make a society wealthy and prosperous, but can surmount obstructions to it put in place by human laws. Indeed, Smith says that "the wisdom of nature has fortunately made ample provisions for remedying many of the bad effects of the folly and injustice of man." (103) According to Hirschman, "Smith affirms here that economics can go it alone: within wide limits of tolerance, political progress is not needed as a prerequisite for, nor is it likely to be a consequence of, economic advance . . . In this view, . . . politics is the province of the 'folly of men' while economic progress . . . can be cultivated with success provided such folly does not exceed some fairly ample and flexible limits." (103-104)

Smith nonetheless thinks that vanity motivates men to pursue riches. Their "craving for honor, dignity, respect, and recognition" preoccupies them, even more than do their basic needs and desire for pleasure. (107-108) Whereas Hobbes and Rousseau clearly separate and contrast need and vanity (*amour de soi, amour propre*)—need has limits, vanity has none—and thereby reduce "drives and passions, into just two categories," Smith according to Hirschman takes the "final reductionist step of turning two into one," fusing the previously autonomous drive for economic advantage to the desire for recognition; "the noneconomic drives are no longer independent but feed into and reinforce the economic ones." (108-109) In Hirschman's words,

By holding that ambition, the lust for power, and the desire for respect can all be satisfied by economic improvement, Smith undercut the idea that passion can be pitted against passion, or the interests against the passions. . . . Smith himself virtually equates the passions with the interests." (110)

According to Hirschman then, Smith's *Wealth of Nations* put an end to the dialogue about the relation between the passions and the interests by collapsing them and concluding therefrom "that the general (material) welfare is best served by letting each member of the society pursue his own (material) self-interest." (112)³⁷

³⁷ While this proposition successfully eclipsed the older problem in intellectual history, its success and "the disappearance from view of the Montesquieu-Steuart speculations must also be traced to more general historical factors: it is hardly surprising," Hirschman says, "that their optimistic ideas on the political effects of expanding commerce and industry did not survive the age of the French Revolution and Napoleonic Wars." (112-113)

Where did the Montesquieu-Steuart vision go wrong? Hirschman asks. He answers that Adam Ferguson perceives "correctly" that Steuart's metaphor of the economy as a delicate watch "can be invoked as a key argument for authoritarian rule, as indeed had already been done by the Physiocrats and as was going to happen over and over again during the next two centuries." Alexis de Tocqueville

“By the middle of the nineteenth century the experience with capitalism had been such that the argument about the benign effects of *le doux commerce* on human nature had totally changed. . . . property was now seen as a wild, boundless, and revolutionary force.” It was Proudhon, Hirschman adds, who “gave it the role of countervailing the equally terrifying power of the state” and thus Proudhon who originally put forward the argument for capitalism later put forward by such authors as Mises, Hayek, and Milton Friedman.” (128)

Hayek on the Pursuit of Unknown Individual Purposes

Hirschman does not however discuss the ideas of his contemporary, Austrian-British economist, philosopher, and Nobel Laureate Friedrich A. Hayek, who takes another approach to the subject of passions and interests and their effects in society and government. Hayek invites us to rethink the subject in different terms. Neither passions, nor interests, nor their fusion is quite what human beings pursue throughout their lives; they pursue purposes, with the knowledge they have. Hayek says, “I prefer the expression ‘each being allowed to use his own knowledge for his own purposes’ to the essentially equivalent expression of Adam Smith that everyone should be free ‘to pursue his own interest in his own way’ . . . The reason is that to the modern ear Smith’s phrase suggests a spirit of selfishness which is probably not intended and certainly inessential to the argument.”³⁸

The purposes that people pursue change throughout their lives, as their own circumstances and their perception of them changes. Thus we all have “unknown individual purposes.”³⁹ We don’t know exactly, from day to day, from week to week, or from year to year, what options we will have and what choices we will make. Our future purposes are unknown because we are ignorant of the information we will have in the future. In the present, then, individuals “mostly aim not at some ultimate ends but at procuring means which they think will

similarly pointed out that if the citizens become absorbed by the pursuit of their private interests, it will be possible for a ‘clever and ambitious man to seize power.’” Hirschman notes that “Here the interests are far from taming or chaining the passions of the rulers.” Indeed, such citizens, by focusing on their interests and neglecting public affairs, make it easier for rulers to dominate politics. Tocqueville says, “*These people think they follow the doctrine of interest*, but they have only a crude idea of what it is, and, to watch the better over what they call their business (*leur affaires*), they neglect the principal part of it which is to remain their own masters.” (122-123)

Hirschman says, “the uneasiness of Ferguson and Tocqueville over the Montesquieu-Steuart doctrine can be summarized in two points. First of all, so they showed, there is another side to the insight that the modern economy” makes impossible “despotic government.” “If it is true *that the economy must be deferred to*, then there is a case not only for constraining the imprudent actions of the prince but for repressing those of the people, for limiting participation, in short, for crushing anything that could be interpreted by some economist-king as a threat to the proper functioning of the ‘delicate watch.’ Secondly, Ferguson and Tocqueville implicitly criticized the older tradition of thought that had seen in the pursuit of material interest a welcome alternative to the passionate scramble for glory and power.” The pursuit of material wealth by most, facilitated by “social arrangements that substitute the interests for the passions,” can kill the civic spirit and thereby open the door to tyranny. (124-25)

³⁸ Friedrich A. Hayek, *Law, Legislation and Liberty*, Vol. 2: *The Mirage of Social Justice* (Chicago: The University of Chicago Press, 1976), 153-54n7.

³⁹ *Ibid.*, 1.

help them to satisfy those ultimate ends.” Those means are, typically in an advanced society, financial means—“money, which will serve for the procurement of most of his particular ends.”⁴⁰ To acquire money, an individual responds to signals in the form of prices and wages that he can get for the goods or services he can produce or offer.⁴¹

In this way, the individual responds to the needs of others, which are made known by prices and wages. What occurs is an exchange of knowledge concerning available goods and services, and available prices and wages. Such dispersion of knowledge characterizes spontaneous orders, and a free market economy is Hayek’s chief example of such an order. If government interferes in a free market by prohibiting individuals to set prices and wages or to buy and sell certain goods and services, it curtails their options and diversity of knowledge:

It is because the circumstances in which the different individuals find themselves at a given moment are different, and because many of these particular circumstances are known only to them, that there arises the opportunity for the utilization of so much knowledge—a function which the spontaneous order of the market performs. The idea that government can determine the opportunities for all, and especially that it can ensure that they are the same for all, is therefore in conflict with the whole *rationale* of a free society.⁴²

It might be said then that Hayek replaces the doctrine of the passions and the interests with his conception of a free market economy as a spontaneous order; the countervailing forces are individual purposes and available knowledge, both of which are constantly in flux.⁴³ The fundamental values of society have become ingrained over time in rules of just conduct (in a process he calls “evolutionary rationalism”) that make known to participants in the free market

⁴⁰ Though a virtue of Hayek’s formulation is that it includes the pursuit of purposes that are not dependent on the procurement, or the dogged procurement, of money; for example, a person might take a vow of poverty or commit to a frugal way of life to fulfill such purposes, be they religious, artistic, cerebral, or environmentally-conscious.

⁴¹ Hayek, *Mirage of Social Justice*, 9.

⁴² Ibid. “The case for individual freedom,” Hayek explains in an earlier book, “rests chiefly on the recognition of the inevitable ignorance of all of us concerning a great many of the factors on which the achievement of our ends and welfare depends. If there were omniscient men, if we could know not only all that affects the attainment of our present wishes but also our future wants and desires, there would be little case for liberty. . . . It is because every individual knows so little and, in particular, because we rarely know which of us knows best that we trust the independent and competitive efforts of so many to induce the emergence of what we shall want when we see it.” In F. A. Hayek, *The Constitution of Liberty* (Chicago: The University of Chicago Press, 1960), 29.

⁴³ “In a society whose wealth rests on prompt adaptation to constantly changing circumstances, the individual can be left free to choose the directions of his efforts only if rewards fluctuate with the value of the services he can contribute to the society’s common pool of resources. If his income is politically determined, he loses not merely the incentive but also the possibility of deciding what he ought to do in the general interest.” In F. A. Hayek, *New Studies in Philosophy, Politics, Economics and the History of Ideas* (Chicago: The University of Chicago Press, 1978), Chapter Twenty, “Socialism and Science,” 295-309; 307.

what they can count upon and what they may not do.⁴⁴ Apart from those rules, individuals are free to determine what they value and “there is strictly no such thing” as “a ‘value to society.’” Hayek explains:

Services can have value only to particular people (or an organization), and any particular service will have very different values for different members of the same society. To regard them differently is to treat society not as a spontaneous order of free men but as an organization whose members are all made to serve a single hierarchy of ends. This would necessarily be a totalitarian system in which personal freedom is absent.⁴⁵

In such a system, according to Hayek,

the state ceases to be a piece of utilitarian machinery intended to help individuals in the fullest development of their individual personality and becomes a ‘moral’ institution—where ‘moral’ is not used in contrast to immoral but describes an institution which imposes on its members its views on all moral questions, whether these views be moral or highly immoral. In this sense the Nazi or any other collectivist state is ‘moral,’ while the liberal state is not.⁴⁶

The separation of powers established by the American Founders to ward off the problem of totalitarianism has had and can have only limited success, according to Hayek, because it pits two arbitrary powers, the executive and the legislative, against one another.⁴⁷ Designed to depend on the countervailing passions of the men in office to protect the freedom of everyone, the distinct powers in fact serve distinct interests—special interests, organized interests—aided by political parties. According to Hayek, though, the problem is not the men in office but systemic—attributable to the single legislature which prevails by making laws instead of being limited by them. Hayek thus proposes a new system, “demarchy,” designed to ensure a distinction between the two types of laws that the interests of U.S. legislators blur—namely, on the one hand, general rules or principles of conduct and, on the other, enactments of government concerning particular matters—bills or measures.⁴⁸

⁴⁴ Hayek, *Mirage of Justice*, 4-61. In further explanation (on page 27), Hayek says, “there are, undoubtedly, many forms of tribal or closed societies which rest on very different systems of rules. All that we are here maintaining is that we know only of one kind of such systems of rules, undoubtedly still very imperfect and capable of much improvement, which makes the kind of open or ‘humanistic’ society possible where each individual counts as an individual and not only as a member of a particular group, and where therefore universal rules of conduct can exist which are equally applicable to all responsible human beings. It is only if we accept such a universal order as an aim, that is, if we want to continue on the path which since the ancient Stoics and Christianity has been characteristic of Western civilization, that we can defend this moral system as superior to others—and at the same time endeavour to improve it further by continued immanent criticism.”

⁴⁵ Hayek, *Mirage of Social Justice*, 75-76.

⁴⁶ F. A. Hayek, *The Road to Serfdom* (Chicago: The University of Chicago Press, 1944, 1994), 85.

⁴⁷ Friedrich A. Hayek, *Law, Legislation and Liberty*, Vol. 3: *The Political Order of a Free People*, 21, 105, 178-79n10.

⁴⁸ *Ibid.*, 4-39. The “Law” and “Legislation” respectively in the title of his three-volume work.

With reference to Hirschman's insights, it may be concluded then that, while Hayek does not trust the passions and interests of those in office to protect freedom, he does trust the purposiveness and knowledge of the people in a market economy to do so. For the moves they make generate competition, which in turn increases their knowledge and skills and discovers "the lowest costs at which a thing can be produced." Competition does not presuppose a collection of rational actors but rather induces rationality: "competition will make it necessary for people to act rationally in order to maintain themselves."⁴⁹ Thus Hayek identifies the connection between reason and necessity that many others political philosophers—including Plato, Aristotle, Machiavelli, and Hobbes—identify.

Hayek on the Growth of Advanced Civilization

Nonetheless, Hayek does not justify a free market economy only because it protects the freedom of individuals to maintain themselves according to their own best judgment. He does so also because "the principle of individual freedom" is "the only moral principle which has ever made the growth of an advanced civilization possible."⁵⁰ Indeed, the growth resulting from the application of this principle best satisfies "the laudable desire" motivating advocates of social justice "to abolish destitution."⁵¹ Free market economies have "brilliantly succeeded in abolishing poverty in the absolute sense." For "it has been this market mechanism which has created the increase of aggregate income, which also has made it possible to provide outside the market for the support of those unable to earn enough."⁵²

Hayek would not then be surprised by the following statistics, stated in the year 2016:

Did you hear the breaking news? Yesterday, 138,000 people rose out of extreme poverty. Another 138,000 rose out of extreme poverty the day before. And the day before that, too. Of course you didn't, because a plane crash or a terrorist attack is news, but slow and steady progress is not. Even 50 million people rising out of poverty in a single year is not news.

But this happens to be the most important story of our time: poverty, as we know it, is disappearing from our planet.

Since 1990, when social critic Naomi Klein claimed that global capitalism lapsed into its most savage form, the proportion who live in extreme poverty—according to a \$1.9-a-

⁴⁹ Hayek, *Political Order of a Free People*, 69-75.

⁵⁰ *Ibid.*, 151.

⁵¹ "But, Hayek adds, "the abolition of absolute poverty is not helped by the endeavour to achieve 'social justice'; in fact, in many of the countries in which absolute poverty is still an acute problem, the concern with 'social justice' has become one of the greatest obstacles to the elimination of poverty." In *Mirage of Social Justice*, 139.

⁵² Hayek, *Mirage of Social Justice*, 139. According to Hayek, government in an advanced society should provide for "those who for various reasons cannot make their living in the market, such as the sick, the old, the physically or mentally defective, the widows and orphans . . . The assurance of a certain minimum income for everyone, or a sort of floor below which nobody need fall even when he is unable to provide for himself, appears not only to be a wholly legitimate protection against a risk common to all, but a necessary part of the Great Society." In *Political Order of a Free People*, 54-55.

day poverty line, adjusted for local purchasing power and inflation—has been reduced from 37 per cent, to less than 10 per cent.

At the United Nations Millennium Summit in 2000, the world's countries set the goal of halving the 1990 incidence of extreme poverty by 2015. This was met five years ahead of the deadline. And even though the world population grew by more than two billion between 1990 and 2015, the number of people who live in extreme poverty was reduced by more than 1.25 billion people.

This marks a historic rupture. For the first time in human history, poverty is not growing just because population is growing. As a result, the number of people in extreme poverty is now slightly less than it was in 1820. Then it was around one billion; today it is 700 million.

If this does not sound like progress, you should note that in 1820, the world only had approximately 60 million people who did not live in extreme poverty. Today more than 6.5 billion people do not live in extreme poverty. So the risk of living in poverty has been reduced from 94 per cent in 1820 to about 10 per cent today.⁵³

Conclusion

Hirschman makes an important contribution to the history of political philosophy by identifying and exploring a thread of thought that induces us to consider why it persisted. I have suggested that this thread goes back earlier in the history of political philosophy than he says, and appears later, in the work of one of his contemporaries. I have also suggested a respect in which the middle of his history could be supplemented. The permutations of this entire thread notwithstanding, it may have persisted—and may persist in future works of political philosophy—because aspects of human beings persist; they cannot be dissolved or reconstructed by social engineering or any non-miraculous efforts on our part. However they are characterized—negatively, neutrally, or positively—passions and interests, or something like them, are here to stay. By indicating as much, Hirschman's *The Passions and the Interests* paves the way for their normative assessment.

⁵³ Johan Norberg, *Spiked Review* (December, 2016). Reprinted in "Notable & Quotable: Poverty Is Going Extinct," *The Wall Street Journal*, January 5, 2017.