

# Political Theory

<http://ptx.sagepub.com/>

---

## **Adam Smith's Critique of International Trading Companies : Theorizing "Globalization" in the Age of Enlightenment**

Sankar Muthu

*Political Theory* 2008 36: 185

DOI: 10.1177/0090591707312430

The online version of this article can be found at:

<http://ptx.sagepub.com/content/36/2/185>

---

Published by:



<http://www.sagepublications.com>

**Additional services and information for *Political Theory* can be found at:**

**Email Alerts:** <http://ptx.sagepub.com/cgi/alerts>

**Subscriptions:** <http://ptx.sagepub.com/subscriptions>

**Reprints:** <http://www.sagepub.com/journalsReprints.nav>

**Permissions:** <http://www.sagepub.com/journalsPermissions.nav>

**Citations:** <http://ptx.sagepub.com/content/36/2/185.refs.html>

# Adam Smith's Critique of International Trading Companies

## Theorizing "Globalization" in the Age of Enlightenment

Sankar Muthu

*University of Chicago*

The interpretive strategy of this article is to identify the joint stock company as an independent unit of analysis in Adam Smith's theory of international political economy. Such companies, in Smith's view, had corrupted and captured many European and non-European governments and undermined their societies' ability to engage in peaceful transnational affairs and equitable self-rule. In contrast with Smith's well-known concerns about the rise of commerce in modern Europe in his four-stage account of social development—which were outweighed, in his view, by the many material benefits and personal liberties brought about by the eclipse of feudalism—his narrative of globalization offers a trenchantly critical appraisal of commercial practices that ultimately undermine many of the gains that the initial rise of modern commerce once made possible. Even in his rare moments of optimism about the future of global relations, Smith remained deeply ambivalent about globalization.

**Keywords:** *Adam Smith; commerce; globalization; corporation; Enlightenment*

Adam Smith was both a forceful advocate of global commerce and a staunch critic of its primary agents in his day, international trading

**Author's Note:** For helpful comments, criticisms, and suggestions, I thank Mary Dietz and the anonymous referees for *Political Theory* as well as Arash Abizadeh, David Armitage, David Bates, Ronald Beiner, Chuck Beitz, Jane Bennett, Richard Bourke, Joe Carens, Pheng Cheah, Theo Christov, Patrick Deneen, Joshua Dienstag, Richard Flathman, Sam Fleischacker, Knud Haakonssen, Istvan Hont, Duncan Ivison, David Johnston, Ellen Kennedy, Jacob Levy, John Marshall, Chris McClure, Kirstie McClure, Isaac Nakhimovsky, Eric Nelson, Fred Neuhouser, Anthony Pagden, Alan Patten, Philip Pettit, Jennifer Pitts, John Pocock, Emma Rothschild, Andy Sabl, Giulia Sissa, Rogers Smith, Shannon Stimson, Sanjay Subrahmanyam, Richard Tuck, and Bernie Yack.

companies. Smith wrote a significant portion of *An Inquiry into the Nature and Causes of the Wealth of Nations* in order to expose the irrationalities and injustices of companies in their operations both within their home countries and abroad. Such profit-seeking business firms were often publicly traded, joint stock companies that were chartered originally by European monarchs and legislative assemblies. By Smith's time, however, some of the most important of them acted in various degrees of independence from such states, a development that itself was often a source of great controversy. While these companies were headquartered in European capitals, they commanded truly global, transcontinental commerce. Although there were many such companies in the eighteenth century, some devoted narrowly to a few goods or to a relatively small number of trading routes, the largest and most lucrative of them, such as the VOC (Vereenigde Oost-Indische Compagnie, the Dutch East India Company) and the English East India Company, amassed enormous capital reserves and significant political and military power.

Smith's lengthy critique of these companies is often given perfunctory treatment and noted (if at all) as an example of his contempt for state intervention in commercial affairs. The distinctive interpretive strategy of this essay is to identify the joint stock company as an independent unit of analysis in Smith's theory of international political economy, rather than to assume (against the textual evidence, in my view) that such companies are simply subunits of states and thus analyzable solely as illustrations of the inefficiencies of state-driven mercantilist policies. Smith was alert to the abuses that could be generated from many sites of institutional power, such as states and churches, and his critique of international trading companies, in this sense, fits into his broader analysis of modern institutions. It is important to note, however, that, in Smith's view, joint stock companies concentrated, exercised, and abused their institutional power in unique ways. In addition, Smith believed that by his time, such companies had become in large part the prime movers in the system of global commerce and, thus, that they merited the extensive commentary he devoted to them. His analysis concerned both the severe economic distortions and the steep political costs, within Europe and abroad, that resulted from the increasing importance of companies in his time. To the extent that such companies not only colluded with states, but captured state power, the combined power of such institutions was both oppressive and reflected the distinctive pathologies of joint stock companies. In Smith's view, by the mid-eighteenth century, a state-driven mercantilist system of international political economy had been largely transformed into a company-driven mercantilist system.

For Smith, the unjust and corrupt features of modern global commerce were greatly overdetermined, and thus I will attempt to unravel the distinctive strands of the system of global commerce that he attacked and to understand their various connections, rather than to group them together (inaccurately) as simply indicative of a general concern about market inefficiency or monopolistic policies. In light of such an analysis, what emerges in this reading of the *Wealth of Nations* is a global narrative about the development of the modern world that stands in some tension with the account of economic and political progress that is often associated both with Smith's understanding of societal development and Enlightenment thought on commerce more generally.

While Smith's hatred of monopolies clearly plays an important role in his discussion of international trading companies, he offers a set of arguments about the very nature of such corporate entities and the peculiar role that they play in both domestic and international affairs that is qualitatively distinct from the other aspects of his theory of international political economy.<sup>1</sup> Such a reading complements some of the recent scholarship that casts Smith's enterprise in the *Wealth of Nations* in a different light than conventional assessments of his thought, which continue to portray him as an ideologist of free-trade capitalism *avant la lettre*.<sup>2</sup> My central concern, however, is to present the *global* aspect of Smith's thought. Contemporary scholarly writings about the international dimension of commerce debates in Enlightenment political thought have focused primarily upon writings that discuss the role of commerce in light of what was taken historically to be the specter of another Louis XIV, the associated fears about a future universal monarchy, and thus the need to foster a balance of commercial and political power among European nations—and sometimes also the need to create a European commonwealth—in order to prevent such a universal monarchy.<sup>3</sup> These are undoubtedly important features of the commerce debates among European political thinkers in the long eighteenth century, but there is additionally a global dimension to many Enlightenment writings about commerce that reaches beyond the concerns of European geopolitics and that was important to key contributors to these debates, such as Smith.<sup>4</sup>

One of the central institutions in this global dimension of the debate is not the feared universal monarchy within Europe or the proposed European commonwealth, but rather the international trading company and its controversial roles in both European and non-European societies. Some of the thinkers in such debates were very much concerned about what J. G. A. Pocock has characterized as an "obscure" or underrepresented theme in Enlightenment writings: namely, "the possibility that great navigational

corporations might establish universal empire by dominating the commerce and investment capital of the oceanic world.”<sup>5</sup> The global dimension of Enlightenment writings on commerce puts further into question the conventional notion that one of the defining features of the political thought of “the Enlightenment” is that transnational commerce—however much it might draw upon and even encourage selfish and acquisitive vices—helps nonetheless to redirect (or to lessen) destructive passions and prejudices and ultimately to engender social stability, widespread economic prosperity, and peace among nations.<sup>6</sup> As is commonly acknowledged, there is much in Smith’s account of the development of Western European societies in his four-stage theory of history that does not fit such a rosy view of an “enlightened” theory of commerce, but his theorization of global commerce in particular brings out a far deeper ambivalence about commercial life.

Smith’s account of international commerce offers an intriguing Enlightenment perspective about the early development of “globalization.” “Commerce” in the eighteenth century referred not only to the market-oriented manufacture and trade of goods, but also to interaction, exchange, and communication more generally. Since the contemporary use of the term “commerce” is far narrower, the concept of “globalization,” while obviously anachronistic in an eighteenth-century context, better captures the wide array of institutions, practices, and sense of flux that many Enlightenment thinkers had in mind when using the language of “commerce” in its transcontinental sense.<sup>7</sup> The concept of “globalization,” then, is conceptually more accurate as a means of understanding some Enlightenment theorizations of global interconnections than the term “commerce.” Accordingly, I occasionally use the term “globalization” in this essay to explicate these aspects of Smith’s theory (rather than to apply his arguments to current debates about analogous issues).<sup>8</sup> Many Enlightenment accounts of transnational commerce, as well as many contemporary uses of the concept of “globalization,” refer broadly to the frequent crossing of borders, to navigational and communications technologies that seem to draw the world closer together, and also to increased trade, capital flows, and the development of transnational social, economic, and political institutions or networks. Along these lines, Smith’s account of global commerce is very much a theory of “globalization,” yet one that is characterized not by the peaceful and economically productive aspects of a globalized world, but rather by the gross imbalances of power, destructive economic inefficiencies, and horrific cruelties that, Smith believed, went hand in hand with the increasingly integrated world of his day. In Smith’s account, international trading companies in the eighteenth century were the principal agents of these global injustices. These companies, in his view, had corrupted and captured many European and

non-European governments and undermined their societies' ability to engage in just and equitable self-rule. Smith ultimately presents a profoundly ambivalent understanding of globalization. He believed that the development of global commerce from 1492 through to his own time had been tremendously destructive—socially, economically, and politically—and had rested upon patently unjust practices and venal institutions. Yet he also believed that the ever more frequent exchanges of goods, technologies, and ideas across borders—even within a deeply unequal and unjust geopolitical context—were bound to foster developments in the long run that would begin to empower weak and vulnerable societies.

In what follows, I discuss in the first section Smith's commitment to commercial liberty as a human right. The idea of a right of commerce, broadly understood, lends Smith's analysis much of its moral force. I also show how this understanding of commercial liberty informs what I argue are the two historical narratives that Smith presents in the *Wealth of Nations*. In the following two sections, I then present two central features of Smith's critique of international joint stock companies. In the second section, I analyze Smith's argument that the companies themselves are inherently pathological because of their organization and economic structure, both of which help to create various forms of political corruption. As I show, it was along these lines that Smith argued that international trading companies undermined their home countries in Europe. In the third section, I examine Smith's contention that such companies have destroyed most of the non-European countries that they have dealt with, for reasons that have to do fundamentally with the very nature of these companies and the distinctive kinds of economic and political corruption to which they are prone. Finally, in the fourth section, I conclude by discussing Smith's conjectures about the possible connections between global commerce and some semblance of global justice. Ultimately, in Smith's view, only significant political changes in the international order could begin to address the injustices of global commerce. In the (notably few) optimistic passages about the development of global commercial and communicative ties across borders in the *Wealth of Nations*, Smith hoped that over time European states would lose their economic and political dominance while non-European peoples would gain significant power at Europe's expense. He argued that only with such an increasing equality of force among nations, and crucially with the mutual fear that it inspires, would European sovereign and corporate powers commit fewer injustices and begin to respect non-Europeans' rights. Yet Smith never predicted that the company-driven system of commerce that he detested would stop structuring and corrupting international political

economy. Thus, while even unjust flows of global commerce within such a system would yield some beneficial changes in geopolitical power in the future, the fundamental right of commerce and communication that Smith valued so greatly would be only partly and imperfectly realized.

### **Commercial Liberty as a Human Right, and Smith's Two Historical Narratives**

Smith's arguments about systems of political economy aim to demonstrate (among other things) that mercantilist policies that purportedly cultivate national advantage in the global marketplace are doomed to failure. Those policies and practices that set out to maximize a nation's standing in the world economy in fact weaken its economic health, at times disastrously so.<sup>9</sup> As he notes with deliberate understatement, "the mercantile system has not been very favourable to the revenue of the great body of the people, to the annual produce of the land and labour of the country . . . [or] to the revenue of the sovereign" (V.II.k.25; 881).<sup>10</sup> The subsidization of particular industries, import and export controls, and patterns of exclusive trade (whether in a colonial or noncolonial context) all conspire to hinder the flow of trade that ought to help meet a society's genuine needs and to enlarge its conveniences. In Smith's view, these failed policies are based upon national prejudices, faulty economic theories, and the inequities and injustices of the colonial and quasi-colonial relationships between many European states and the rest of the world. But most crucially they are the result of the power of merchants acting in concert in order to influence economic and foreign policy to the advantage of their companies, an advantage that, as Smith argues repeatedly, is often contrary to the actual public interest of British and foreign societies.

Smith's concerns about exclusive trading privileges, about the power of international trading companies both within Europe and abroad, and about monopolies as such are all rooted in a core moral commitment to liberty and basic rights that he saw as constitutive of humanity. In discussing manufacturing and trading restrictions upon the American colonies, for instance, he notes that

to prohibit a great people . . . from making all that they can of every part of their own produce, or from employing their stock and industry in the way that they judge most advantageous to themselves, is a manifest violation of the most sacred rights of mankind. (IV.vii.b.44; 582)

It should be noted that Smith's objection here is not to the restrictions upon liberty due to colonization itself (though this was also plainly one of his concerns), but to the restrictions upon transnational commerce, which in this case happened to occur in a colonial context. The idea that such impediments to commerce could constitute a fundamental violation of humanity has a long history in the modern era of theorizing rights. The rights of transnational exchange and communication, traditionally referred to as *ius commercii*, could refer to economic interactions across borders, but they were not restricted to such activities. The concept of the *ius commercii* was meant especially to deal with the increasing number of individuals and groups whose authority may have derived in part from the state but who, in some important respects, acted in a nonstate or extrastate capacity—merchants and missionaries, for instance, who traveled to the New World.

It is important to note, then, that precisely this ethical belief in commercial liberty, which earlier had grounded Francisco de Vitoria's defense of the natural right of partnership and communication and would later inform Kant's account of "cosmopolitan right" (*ius cosmopolitanicum*, or *Weltbürgerrecht*, the right of a world citizen), motivates some of Smith's sharpest moral condemnations in the *Wealth of Nations*, some of which might otherwise come across as bizarrely severe.<sup>11</sup> Consider, for instance, his telling description of colonial trade restrictions as "impertinent badges of slavery imposed upon them [in this case, American colonists] without any sufficient reason, by the groundless jealousy of the merchants and manufacturers of the mother country" (IV.vii.b.44; 582).<sup>12</sup> For Smith, liberty, rights, and communication—encompassing the sociable and free exchange of ideas, sentiments, and goods—are all deeply intertwined.

In a lecture on jurisprudence in 1762, Smith noted that it was commonly held by thinkers in the modern tradition that among the "natural rights" of humanity—"those rights that belong to a man as a man" (LJ[A]i.11; 8)<sup>13</sup>—is the liberty or right of commerce, that is, the "*liberi commercii*, a right of trafficking with those who are willing to deal with him" (LJ[A]i.12; 8). Smith argues that an infringement of "the right to free commerce" is an encroachment on "the right one has to the free use of his person and in a word to do what he has a mind when it does not prove detrimental to any other person" (LJ[A]i.13; 8). The right to commerce that Smith describes, then, is a right of using one's freedom as one sees fit within the limits of the rights of others, and the "traffic" or "commerce" concerns interaction generally. Immanuel Kant, in the *Metaphysics of Morals* (1797), would later describe this right—the right to freedom itself—as the one truly natural right of humanity; strikingly, the cosmopolitan right



of free commerce (on the grounds of which Kant criticized international trading companies and European colonialism) is simply the transnational rendering of this basic right.<sup>14</sup> Given the history of theorizing commerce and transnational contact, therefore, Smith's own sense that this constituted a "sacred right" of humanity was part of an extensive discourse about the relationship among cosmopolitanism, commerce, and freedom in modern political thought.<sup>15</sup>

Smith discussed the connection between freedom and commerce and some of its implications for an increasingly global economy well before the publication of *WN*, for in his lectures on jurisprudence, he notes that the exclusive commercial practices of international trading companies, "such as the East Indian, Turkey, and Hudsons Bay" companies (LJ[A]vi.88; 363), ultimately "prevent a free concurrence" (LJ[A]vi.87; 363) or, as he would later state, they impede the free "concurrence of different labourers" (LJ[B], 1766 lecture, 231; 431). A free concurrence, or a freedom of commerce, requires, as Smith argues at length in *WN*, a plurality of actors interacting across a wide variety of smaller markets and making their own decisions about how to interact with one another.

The industry of Great Britain, instead of being accommodated to a great number of small markets, has been principally suited to one great market. Her commerce, instead of running in a great number of small channels, has been taught to run principally in one great channel. But the whole system of her industry and commerce has thereby been rendered less secure; the whole state of her body politick less healthful, than it otherwise would have been. (IV.vii.c.43; 604)

Smith was especially concerned about large corporate entities that dictated the terms of commercial interaction across multiple markets or in artificially created large markets either directly or by pressuring the state to enact policies in favor of organized merchants' interests.

For Smith, since commercial liberty is nothing less than communication and exchange broadly understood, it encompasses the trade of goods, the crossing of borders, and the sharing of ideas and sentiments. Given Smith's belief in the fundamental sociability of human beings, the sociability of commerce both within and across societies simply puts into practice a core feature of what it means to be human.<sup>16</sup> Thus, when commerce becomes thwarted, subjected to the power of a few, and restricted by a wealthy elite, the consequences are not only materially damaging for domestic economies and international markets, but they are also, in a fundamental sense, dehumanizing.<sup>17</sup> In this sense, then, Smith's analysis of international trading

companies is straightforwardly a moral and humanistic critique, one that aims to show that the very humanity of countless individuals has been degraded by the actions of powerful companies and their client-states.

This is one of the key moral foundations, then, of many of Smith's arguments about international political economy, and it informs in an important way the *two* historical stories that Smith tells at great length in the *Wealth of Nations*.<sup>18</sup> The first of these is the one that is described as *the* historical narrative of WN and has been much discussed by scholars, no doubt in part because it fits very easily into popular understandings about Enlightenment theories of commerce and philosophies of history. This is the largely optimistic and familiar story with which Smith details the slow but steady liberation of the commercial spirit and of entrepreneurial energies from the shackles of guilds, debt bondage, and other forms of premodern and early modern practices and prejudices. This first story is also, in its latter stages in particular, a European one—the full narrative takes place in the domestic societies of western Europe, as Smith discusses at length in Book III of WN. Moreover, this is a narrative that has largely already unfolded, and it owes a great deal to the four-stage conjectural histories that Scottish Enlightenment thinkers sometimes theorized, a (usually) progressive set of changes from savage to barbarian to civilized, and finally to commercial societies.<sup>19</sup> The development that Smith discusses is meant to indicate that historically there has been an increasing realization of the right to free commerce within European societies.<sup>20</sup> For Smith, the rise of commercial societies in much of Western Europe is by no means a thoroughly positive development, but on balance the many gains outweigh the distinctive problems that characterize commercial communities.

Yet there is another narrative of historical development that Smith relates in the *Wealth of Nations*. In this tragic account of the development of the modern world, Smith situates himself in the midst of significant changes and notes that it remains far from clear where these developments will lead. This second historical narrative is not primarily European in focus but instead is genuinely *global* in scope, and for Smith it begins in the 1490s as a result of the Spanish conquests of the Americas and the opening of the first direct oceanic trade route to India. Smith's account is searingly critical, for he aims to analyze the injustices, inefficiencies, and moral calamities brought about over three centuries in light of the transcontinental and ultimately global interconnection of societies. This dark and pessimistic commercial narrative details the institutionalized prejudices and imperious practices of transnational merchants, international joint stock companies, and the governments that have increasingly become controlled by them.<sup>21</sup> It

is a historical narrative in which the right of commerce is not realized, but instead corrupted and turned toward destructive and irrational ends throughout the globe. Placing these two historical narratives together, then, the gains of a more equitable “order and good government” (III.iv.4; 412) at the domestic level as European societies moved from “feudal” and “civilized” modes of life to the commercial stage are now, Smith believes, fundamentally undermined by global developments: in particular, the rise of an increasingly company-driven mercantilist system of international political economy in which governments are beholden to narrow, private interests that almost never correspond with the public interest of any nation or with broader human welfare.<sup>22</sup> As I will later argue, even Smith’s one note of hope for the future of global relations works on the assumption that commercial liberties will still fail to be realized.

It is much noted that, above all, the *Wealth of Nations* affirms human liberty, but it is important to understand that what Smith called for was not simply liberty from, and thus an attack upon, the overweening power of traditional manufacturing and professional associations (such as guilds), feudal lords, orthodox religious institutions, and state regulations. Such battles had, for the most part, already been fought and largely won, in his view. Smith also called for liberty from, and thus an attack upon, the conjoined power of international trading companies and states—for him, this was the crucial *ongoing* moral, economic, and political issue that faced an increasingly interconnected globe. And on this issue, Smith believed, the cause of liberty appeared to be losing.

## **The Intrinsic Pathologies of International Trading Companies and Their Domestic Injustices**

Smith was concerned about the very organization of international trading companies, most of which were joint stock companies, in which “each member shar[es] in the common profit or loss in proportion to his share in this stock” (V.i.e.6; 733). As Smith notes, such companies are always managed by courts of directors who are, in effect, “managers of other people’s money” and so “it cannot be well expected, that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own” (V.i.e.18; 741). Even the proprietors who in some cases watch over the court of directors are often themselves appointed by the court of directors and are more interested in earning their yearly dividends than in actually scrutinizing the activities of these

companies with any care. Overall, this "total exemption from trouble and from risk, beyond a limited sum" creates an environment of negligence, corruption, mismanagement, and inefficiency that *compel* such companies to seek special favors from the government (V.i.e.18; 741). As Smith argues, "joint stock companies for foreign trade have seldom been able to maintain . . . competition against private adventurers."<sup>23</sup> Indeed, even after having been granted exclusive privileges, they tend to fail as business enterprises. He concludes that they have

very seldom succeeded without an exclusive privilege; and frequently have not succeeded with one. Without an exclusive privilege they have commonly mismanaged the trade. With an exclusive privilege they have both mismanaged and confined it. (V.i.e.18; 741)

It is crucial to note that Smith's argument is not, then, simply about the monopolistic trading practices of international trading companies—though, to be sure, he details those pathologies at great length—but rather about the intrinsic pathologies of the large, international corporations of his day, given their organization and the manner in which they operate. Such companies, given their very nature, *must* seek out monopolies in order to ensure their very survival—though even with subsidies and exclusive privileges, they tend to fail miserably, requiring ever greater bailouts from state coffers, as Smith details in Book IV. Thus, with *global* commerce in view, Smith's target is not primarily the stricture of governmental regulations, but rather a particular form of private enterprise that habitually lobbies for exclusive privileges in order to survive.<sup>24</sup>

Smith concedes that temporary monopolies in some limited conditions might be beneficial, and he notes that joint stock companies can perform well in markets based upon routine, predictable enterprises that can be mastered by a "uniformity of method." The only trades that clearly meet these criteria, in his view, are banking, insurance, water (in particular, municipal water supplies for large cities), and the building and maintenance of canals (V.i.e.32; 756). It should be noted that even in such trades exclusive privileges were not necessary and could be pernicious. Foreign trade, however, requires monitoring and participating in several markets, responding to "frequent variations in the competition," and assessing the supply and demand from a variety of sources. Global commerce requires a subtlety and a "dexterity" of judgment, and overall "an unremitting exertion of vigilance and attention, as cannot long be expected from the directors of a joint stock company" (V.i.e.30; 755). As we have seen, Smith even doubted the capacity of directors and proprietors of joint stock companies to follow their *own*

business activities closely and with any integrity and accuracy, let alone to know and to respond efficiently to the manifold details of national and foreign markets and competitors' activities.<sup>25</sup>

Ultimately, large companies of this kind "necessarily" generate "extraordinary waste" through "fraud and abuse." Whatever profits they earn not only derive from the exclusive trading privileges and financial subsidies for which they incessantly lobby, but also from the extraordinary abuses they commit, which are "inseparable from the management of the affairs" of such "great" companies (IV.vii.c.91; 631). Smith notes that in certain unusual cases, joint stock companies engaged in global commerce manage to perform somewhat well, but only in peculiar markets and when they consist of a "small number of proprietors, with a moderate capital." These joint stock companies, which are few in number in any case, generate healthful profits because they tend to approximate "a private copartnery, and may be capable of nearly the same degree of vigilance and attention" (V.i.e.21; 744). For Smith, the initial phases of the Hudson's Bay Company may have been an example of such a joint stock company, although even in this case, Smith doubts that it was as profitable as its backers usually claimed. More typical, in his view, is the notorious South Sea Company with its "immense capital divided among an immense number of proprietors" (V.i.e.22; 744). Even without knowing the details of its capital-raising schemes and egregious corruption, the very organization of such a company should lead one, Smith argues, to conclude "that folly, negligence, and profusion should prevail in the whole management of their affairs" (V.i.e.22; 745).

Joint stock companies that engage in global commerce necessarily turn to governments to buttress their inefficient and fraudulent enterprises. Such companies are so internally corrupted and so incapable of doing well in and open and fair competition against other merchants that they seek subsidies and, ideally, exclusive trading privileges. Smith contends that most of the European Indies companies originally had exclusive trading privileges merely *de facto* as they often were the companies to pioneer direct trade with the West or East Indies. Over time, however, they sought royal proclamations and parliamentary statutes to have their monopolies formally protected by sovereign power from competitors. Moreover, after the granting of *de jure* monopolies, international trading companies and the domestic merchants allied with them continued to corrupt governmental power by influencing public policy to their specific advantage. Smith argues that

of the greater part of the regulations concerning the colony trade, the merchants who carry it on, it must be observed, have been the principal advisers.

We must not wonder, therefore, if, in the greater part of them, their interest has been more considered than either that of the colonies or that of the mother country. (IV.vii.b.49; 584)

In WN, Smith had earlier mocked the idea that imperial powers were genuinely interested in religious affairs when they justified land seizures and colonial policy according to the needs of Christendom and spreading the faith. The real motive was gold and profit, in his view, and such ends continued to shape imperial decision making. By the eighteenth century, the American colonies provided to Britain more than anything else a destination for its manufactured goods. The economic rationale for such a global trade is patently nonsensical, as Smith argues forcefully throughout Book IV, but the policy itself should come as no surprise, he contended, for the British state had been captured by a coterie of its own transnational companies, merchants, and domestic manufacturers.<sup>26</sup>

Smith notes that this "single order of men" truly benefit from such policies, which are "in many different ways hurtful to the general interest of the country" (IV.vii.c.62; 613). Repeatedly in WN, he decries the exorbitant wealth and the high rates of profit of the international trading companies and their economic allies at home. This shimmering wealth offers only the illusion of genuine economic and political health, for it is the result of a series of inefficiencies and injustices—from the very organization of joint stock companies, to the corrupt subsidies and exclusive privileges granted to them, to the wasteful and needless colony building and imperial maintenance that undergirds the global economy—all of which, when put together, ultimately endanger "the whole body politick" (IV.vii.c.43; 605). Yet wealthy merchants put the blame so often, Smith notes, on high wages paid to common workers, when the truth is that the absurdly inflated rate of merchants' and companies' profits best symbolized Britain's ultimately self-defeating policies. As he notes,

Our merchants frequently complain of the high wages of British labour as the cause of their manufactures being undersold in foreign markets; but they are silent about the high profits of stock. They complain of the extravagant gain of other people; but they say nothing of their own. (IV.vii.c.29; 599)<sup>27</sup>

Indeed, Smith later argues that if one compares the plight of cities in Spain and Portugal with less profitable urban markets that at least offer some semblance of open and fair competition, it becomes clear "how differently the conduct and character of merchants are affected by the high and by the low profits of stock" (IV.vii.c.61; 613). Or, as Smith asks sarcastically, "Have the

exorbitant profits of the merchants of Cadiz and Lisbon augmented the capital of Spain and Portugal? Have they alleviated the poverty, have they promoted the industry of those two beggarly countries?" (IV.vii.c.61; 612). Smith's unstated warning is that Britain's partial commitment to conditions of economic and political liberty was under threat and that the glittering imperial grandeur but ultimate human misery of older capitals like Lisbon could represent the future of London or Bristol.

In a striking passage, Smith makes clear that it is wealthy merchants, with their foreign enterprises and the domestic markets that they have linked to them, who propel the British state to sink its citizens' fortunes and lives in its ongoing—and what must ultimately be its disastrous—imperial exploits.

To found a great empire for the sole purpose of raising up a people of customers, may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers. Such statesmen, and such statesmen only, are capable of fancying that they will find some advantage in employing the blood and treasure of their fellow citizens, to found and to maintain such an empire. (IV.vii.c.63; 613; cf. IV.viii.53; 661)

The "contrivers of this whole mercantile system," he would later add in a new section of the second edition of *WN*, are "the producers whose interest has been so carefully attended to [by the government]; and among this latter class [of producers] our merchants and manufacturers have been by far the principal architects" (IV.viii.54; 661). As Smith would detail, among such merchants and manufacturers were most importantly those who purveyed the goods of the East Indies to Europe and to American colonists, including tea to be sold exclusively at artificially heightened prices—that is, the English East India Company, which was quickly becoming the most important of all the international trading companies. In addition to playing the part of the sovereign at home by effectively capturing British state power and influencing trade to, and foreign policies about, America, Asia, and Africa, the global merchants of this international trading company were playing the part of the sovereign in India with, in Smith's view, especially tragic results.

### **Injustices Abroad: The Impact of International Trading Companies outside Europe**

Smith had been following the intensifying debates over the East India Company in the 1760s and 1770s with great interest, and had even hoped

to travel to India as part of a commission of supervision that the Company had proposed in 1772 to investigate its administration in Bengal and to determine to what extent it had engaged in illegal or unjust conduct. In the end, however, due to objections from Parliament, which wanted to inquire further into the Company's activities itself, the Company shelved its commission plans.<sup>28</sup> Smith continued to follow the affairs of the Company closely and studied the history and the economic and political character of other international trading companies as well. The most substantial addition made to WN, after its initial publication in 1776, was a section on the organization and development of such companies in Britain that was inserted in the third edition of 1784.<sup>29</sup>

Smith in effect took sides in the pamphlet wars about the East India Company by treating its operations abroad as imperial, as wielding sovereign power. He thus tacitly affirmed the notion that many of the princely realms of India were client-states of the Company and denied the claims of the Company's defenders at the time that its activities in the East Indies were purely commercial and that its role in Indian affairs was conducted by way of treaties with independent Indian rulers. Indeed, the "late war" (the Seven Years' War), which as he notes constituted a world war, "was altogether a colony quarrel" among the leading European states (IV.vii.c.64; 615), though they fought not only to secure sovereign power, but crucially, since such power was now intimately bound up with global commerce and the influence of the transnational merchants, also to safeguard and to enlarge the interests of international trading companies. As Smith discusses, the East India Company's own security forces—that is, its armies—fought in the Indian theater of the war, which put to an end any significant French presence in India and helped to establish the dominance of the Company in the subcontinent. The institutions of global commerce were now helping to fuel global wars, hardly the enlightened *doux commerce* that transnational trade was sometimes said to promote.

Smith contends that the true character—or, as he sarcastically describes it, the "natural genius"—of international trading companies reveals itself most fully in their role as sovereigns abroad. Commenting upon both the English and Dutch companies and their "considerable conquests in the East Indies," he asserts that "the manner in which they both govern their new subjects" demonstrates the inherent pathologies of transnational companies and their exclusive privileges (IV.vii.c.101; 635). It is both the imperial character that they have taken on and the underlying flaws of such companies, as happen to be exemplified in their imperial exploits, that Smith intends to examine. The destructive tendencies of these companies is a



recurring theme. He details the eradication of property and agricultural produce abroad and the effects that this has upon not only the price and supply of goods in international markets but also upon non-European peoples' livelihoods. By destroying local goods, prohibiting indigenous forms of commerce and agriculture, and limiting native populations in the Spice Islands, the VOC represents a stark, but in Smith's view a nevertheless representative, model of the attitudes and practices of eighteenth-century corporate practitioners of global commerce.<sup>30</sup> Smith cautions his British readers that while the "English company" has "not yet had time to establish in Bengal so perfectly destructive a system," the "plan of their government, however, has had exactly the same tendency" (IV.ii.c.101; 636). Thus, he relates accounts from India of destroyed crops and overturned agricultural practices that were intended explicitly to boost the profit of the English East India Company. Not only foreign trade, but even inland trade among Indians, he notes, has been monopolized by the Company, making local economies of production less able to meet indigenous demands.<sup>31</sup>

Smith argues that it is generally in the sovereign's interest to increase the productivity of his people, for this simply boosts the revenue of the Crown; allowing "the most perfect freedom of commerce" best achieves this by letting farmers, manufacturers, and traders make a variety of economic decisions about what is their own local interests. But the English East India Company—and indeed other international trading companies that have taken on the mantle of political rule—is no regular sovereign, for it is also a profit-seeking joint stock company with a desire to maximize revenue from its trade and exclusive privileges. Merchants who are sovereigns can never act as sovereigns ought to act, for their very role as global merchants is in fundamental tension with their newfound titles as sovereigns. As Smith argues,

a company of merchants are, it seems, incapable of considering themselves as sovereigns, even after they have become such. Trade, or buying in order to sell again, they still consider as their principal business, and by a strange absurdity, regard the character of sovereign as but an appendix to that of the merchant, as something which ought to be made subservient to it, or by means of which they may be enabled to buy cheaper in India, and thereby to sell with a better profit in Europe. (IV.vii.c.103; 637)

This "strange absurdity", of course, simply affirms Smith's own analysis of the relationship between international trading companies and sovereign power in their home countries, for as he argues, such companies tend to view their *own* sovereigns as appendices to their mercantile interests. The public interest in Britain has already been subverted by the English East India

Company and its economic and governmental allies, and thus their actions in India simply mirror their domestic behavior: merchant interests take precedence over larger societal interests, especially so after sovereign power, whether domestic or foreign, is ceded by force or fraud to the Company.<sup>32</sup>

Smith argues that when merchants engage in political rule, it can only ever be in the form of a militaristic and tyrannical government. Part of the problem is that "as merchants their interest is directly opposite" to the interest "of the country which they govern" (IV.vii.c.103; 638).<sup>33</sup> But another disadvantage is that merchants themselves, in Smith's view, lack the authority needed to govern without brutal force. Those unfortunate subjects under the power of international trading companies understand, he implies, that their masters are interested simply in extorting profit and that they cannot, even in the best circumstances, be made to turn their activities toward anything even resembling the public interest, except perhaps when their commercial interests happen by chance to overlap with broader social needs. Smith concedes that these companies are capable of the occasional "momentary fit of good conduct" (V.i.e.28; 753), but the directions that global merchants receive from their metropolitan headquarters are "essentially and perhaps incurably faulty" (IV.vii.c.103; 638). Within the foreign realms over which they have gained *de facto* sovereign power, only military rule can foster obedience from indigenous subjects who understand that their rulers could not possibly have their best interests and liberties in mind.<sup>34</sup> When such powers go hand in hand, what ultimately results is likely the worst possible political regime: "the government of an exclusive company of merchants, is, perhaps, the worst of all governments for any country whatever" (IV.vii.b.11; 570).

The injustices of international trading companies in their activities abroad result, as we have seen, both from their organizational form and from the overlapping and sometimes contradictory powers that they aim to possess and increasingly exercise. For Smith, such corporate power is antithetical to the sympathetic identification with a community's needs that a genuine membership in a society tends to breed. When merchants have little or no social connections to the areas in which they work, and if they can leave with their enlarged capital to a region or to a new country that offers a greater prospect of profit, they will generally do so. Capital flight, in effect, is a constant risk for countries whose commerce is captured by such global merchants. As he argues,

A merchant, it has been said very properly, is not necessarily the citizen of any particular country. It is in a great measure indifferent to him from what

place he carries on his trade; and a very trifling disgust will make him remove his capital, and together with it all the industry which it supports, from one country to another. (III.iv.24; 426)

There are investments that can be encouraged, of course, to offset this risk, in particular if large parts of that capital are bound up with the land or with other fixed improvements. In Smith's view, such investments are much less likely in the case of international trading companies that engage in far-flung, transcontinental commerce, for extractable and moveable wealth is the principal currency, as it were, of such global enterprises. Smith argues that Company servants are primarily interested in returning to their home countries with a personal fortune. Thus, the governmental powers that they exercise abroad are particularly pernicious, for they are wholly divorced from any connection with the peoples whom they govern. "It is a very singular government," Smith writes of the English East India Company rule in India,

in which every member of the administration wishes to get out of the country, and consequently to have done with the government, as soon as he can, and to whose interest, the day after he has left it and carried his whole fortune with him, it is perfectly indifferent though the whole country was swallowed up by an earthquake. (IV.vii.c.106; 640)

In such passages, Smith does not concentrate upon—as Edmund Burke would at length—the differences in customs, habits, appearance, and language that might also make sympathetic bonds between the British and Indians less likely. Given Smith's account of sympathy, which is most easily stoked by connections to what is familiar and proximate, he may well have agreed with at least some aspects of such an analysis of European injustices committed abroad that focused upon company merchants' perceptions of foreignness in their dealings with non-Europeans.<sup>35</sup> Ultimately, however, his view was that the structural organization and corrupt character of such companies were more than sufficient on their own to yield the kinds of pathological behavior that fundamentally harmed both non-European and European societies.

## Global Commerce and Global Justice

Smith believed that what he considered to be the two most important events of human history—the discoveries of America and of a direct oceanic trade route from Europe to India—created a kind of global community, yet

they failed to produce conditions that brought about genuine communicative and commercial liberties across borders. Smith's understanding of the modern world was that it fostered the distinctively human capacity for interaction and exchange, which all societies in their laws and practices ought to honor, in an astonishingly far-reaching and historically unprecedented manner, "uniting, in some measure, the most distant parts of the world" (IV.vii.c.80; 626). Yet Smith's arguments show that this very capacity was also degraded as a result of the way in which globalization developed, and not only in light of the "dreadful misfortunes" that non-European societies suffered (IV.vii.c.80; 626). A significant portion—though not typically the most interpreted sections—of the *Wealth of Nations* aims to analyze what went wrong and attempts to show in great detail how even the most powerful, imperial, slave-trading, and company-driven nations themselves suffer far more costs than gain benefits as a result of the system of global commerce that they put into place.

Smith's defense of the freedom of commerce is linked to an ideal of a global plurality of independent and interactive agents. What often lies behind his concerns about international joint stock companies, monopolies, guilds, churches, and states is an aversion to the excessive concentration of power, whether it is held by governments or nonstate institutions, since this often leads to the severe abuse of those who are unfortunate enough to become subject to such power. Overall, for Smith, the most pernicious threats to commercial liberty, which are threats ultimately to human welfare and to the communicative and sociable aspects of humanity itself, arise most often when institutions become bolstered by—or, in egregious cases, when such institutions themselves effectively capture—modern governments.

In Smith's analysis, the development of global relations both helped to create and depended upon such concentrations of power. Yet could global commerce nonetheless, in Smith's opinion, help to bring about at least some small share of global justice? There is no doubt that Smith was deeply pessimistic about whether joint stock companies, and the vast system of global inequality and corruption that they helped to build in league with their client states, could ever be challenged effectively from within European countries.<sup>36</sup> Smith argues emphatically, in a discussion about European colonial policy, that the British colonies in America—and, by implication, the public interest of both European and non-European nations more broadly—have been "sacrificed to the interest of *those* merchants," namely, the merchants of the international trading companies (IV.vii.b.49; 584, emphasis added). Smith understood that such companies and their governmental allies would not easily be reformed. Of course, eliminating

the colonial context within which they operated would be a significant improvement. Smith states explicitly that European powers should simply stop engaging in imperial fantasies and focus instead on their own societies' problems. He concluded the *Wealth of Nations* by calling upon Britain to stop building imaginary great empires—"if the project cannot be completed, it ought to be given up" (V.iii.92; 947)—and instead (in the final words of WN) to "endeavour to accommodate her future views and designs to the real mediocrity of her circumstances" (V.iii.92; 947). Yet only a "visionary enthusiast," he argues, could seriously entertain any hope that such a plan would be adopted (IV.vii.c.66; 617). Smith assumed that such hopes were wildly utopian, even though the freeing of all colonies would be not only just but also beneficial for all concerned, even for the metropolitan powers of his day.

In addition, establishing treaties of commerce that would genuinely bring about free trade—not in name only, but truly open and fair competition—would no doubt be "more advantageous to the great body of the people, *though less so to the merchants*" (IV.vii.c.66; 617, emphasis added), and he thus realized that any proposal to shore up the economic health of European countries, which had ravaged themselves and others by their imperial exploits and mercantilist policies, would have to take on powerful corporate interests. Smith assumed that this was highly unlikely, especially in light of his own analysis that states had increasingly become the clients of joint stock companies.<sup>37</sup> Even with regard to Britain specifically, the country that Smith believed had once made the most progress toward instituting a system of natural liberty, the corruption of powerful company and merchant interests made the goal of a truly free commerce an impossibility.

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the publick, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. (IV.ii.43; 471)

Accordingly, the idea that European states, merchants, and multinational firms would somehow reform themselves, as a result of adopting more enlightened ideas of the kind that Smith himself sought to propagate in WN, was, in his own view, a fanciful hope.<sup>38</sup>

In the final analysis, Smith believed that only a greater equality of political power among nations throughout the world could yield conditions of respect. Equity of political force would help to bring about some semblance

of moral equity and international justice, even in the context of a corrupt company-driven, mercantilist global economy. Smith's hope was that Europe would become less powerful and that non-European nations would grow more powerful at Europe's expense.<sup>39</sup> Perhaps as the inhabitants of non-European countries grow stronger, or as "those of Europe . . . grow weaker,"

the inhabitants of all the different quarters of the world may arrive at that equality of courage and force which, by inspiring mutual fear, can alone overawe the injustice of independent nations into some sort of respect for the rights of one another. (IV.vii.c.80; 626)

In light of Smith's own critique of the ravages of global commerce, how might the powerful countries of the world become less powerful, in his view, and how would non-European peoples and states attain sufficient power to stand alongside European states increasingly as equals, as entities that European nations would *fear* and whose rights would thus be (at least grudgingly) acknowledged and respected?

In contrast to the hope that a contemporaneous thinker such as Diderot derived from his cyclical account of historical change, Smith did not assert that less powerful countries would naturally grow stronger and that the most powerful empires were bound to dissolve. Rather, Smith believed that the mutual communication that generally accompanies global commerce would help weak and vulnerable nations to withstand the forms of institutionalized power that had made global commerce for three centuries the source of such dismal injustices and cruelties, and would thereby help to bring about a greater equality of political circumstances.<sup>40</sup> As we have seen, the moral basis of Smith's economic arguments is an understanding of human liberty and of a basic right of all humanity to interact, communicate, and exchange with one another. The human ability to engage in such contact and communication, even in a limited fashion—limited in light of the oppression of coercive political and economic institutions such as the international trading companies of Smith's day and their sovereign clients—will gradually foster an increasing equity of power, from which such institutions can be more effectively challenged.

Nothing seems more likely to establish this equality of force than that mutual communication of knowledge and of all sorts of improvements which an extensive commerce from all countries to all countries naturally, or rather necessarily, carries along with it. (IV.vii.c.80; 627)

Such a comment constitutes, among other things, an "enlightened" or progressive narrative of global commerce, although one rooted—as such

Enlightenment accounts so often were—in another narrative of global commerce, one that is deeply ironic, cynical, and bitter and that seeks to illuminate the institutional and ideological sources of bloody exploitation. Indeed, Smith follows the passage above by bringing the reader back to modern, grim realities. “In the mean time,” he writes, “one of the principal effects of those discoveries [of the New World and of a direct oceanic route to Asia] has been to raise the mercantile system to a degree of splendor and glory which it could never otherwise have attained to” (IV.vii.c.80; 627). As we have seen, Smith believed that venal state officials were routinely corrupted by companies into thinking that the national interest was synonymous with the interests of the companies that were headquartered in their lands. Surviving within that company-driven mercantile system in a less oppressed manner would require the weakest and most vulnerable populations to acquire—by means of cosmopolitan (if unequal) exchanges across borders—the goods, technologies, and ideas that could eventually be used, or threatened to be used, against the most powerful companies and their governmental clients.<sup>41</sup>

Smith’s arguments about international trading companies exemplify a particular strand of eighteenth-century thought that cannot be captured by the standard portrait of “the Enlightenment” ideology of commerce, which is said to justify the rise of modern commerce and to trumpet its pacifying and enlightening effects. Destructive passions on this standard view are said to be replaced by peaceful commercial interests. For Smith, the rise of global commerce and communication presents both great possibilities and gross injustices because it unleashes its own distinctive passions and interests, a variety of forces that might stand in tension with one another—a tension, he hopes, that could gradually, over many generations, politically empower the weak and disempower the strong. Achieving a rough approximation of global justice, in his view, requires a balance of equal political forces, and the ever more frequent exchanges and communications across borders—“from all countries to all countries”—might themselves help to bring this about. Smith’s hope, then, was that global commerce over many centuries (or perhaps over millennia) will yield a greater equality of political power internationally that could begin to realize what he took to be the sacred right of commercial and communicative liberty. Such a right, after all, is for Smith a genuinely *human* right, one that ought to span widely across borders, oceans, and continents—across “all the different quarters of the world”—and that should be as global in its reach as humanity itself. Yet this will be partly realized, in his view, not because of the harmonious and invisible economic effects of self-interested actors or due to the enlightening

tendencies of commerce upon European mores, but rather due to what Smith envisioned as the *geopolitical* changes internationally, especially the greater power of non-European nations, that global communication would eventually foment.<sup>42</sup> Only this could start to confront the power of international trading companies and their client states: globalization would thus produce less inequitable conditions internationally that would begin to mitigate—primarily by the threat of violence—the long train of severe inequities and injustices that globalization itself had produced for centuries.

Given that Smith's enlightened narrative about global commerce works within a still unfree, corrupt, and oppressive system of colluding companies and states, the prospect of mutual fear, rather than mutual friendship, does much of the work of ensuring that nations exploit one another less often and less severely. Under ideal conditions, Smith argues that "commerce . . . ought naturally to be, among nations, as among individuals, a bond of union and friendship." In a nonideal context—that is, in the world that Smith saw himself inhabiting and that he assumed would continue into future generations—he notes bluntly that commerce is instead "the most fertile source of discord and animosity" (IV.iii.c.9; 493). The greater equality of force among nations that he envisions in the future, then, would produce not a union of friendship, but a second-best alternative that depends upon the countervailing animosities that geopolitical equity makes possible. Thus, even in his sole optimistic prognosis about the future of global relations, one in which companies and states will begin to offer "some sort of respect" for others, Smith remained deeply ambivalent about the effects of globalization upon human welfare.

## Notes

1. For a recent example of the standard monopoly-based understanding of Smith's criticism of international trading companies, see Deepak Lal, *Reviving the Invisible Hand* (Princeton, NJ: Princeton University Press, 2006); for instance, at p. 196: "Most of the companies were chartered monopolies, and as such they roused the ire of Adam Smith."

2. For two of the best recent critiques of this conventional view, see Emma Rothschild, *Economic Sentiments: Adam Smith, Condorcet, and the Enlightenment* (Cambridge, MA: Harvard University Press, 2001); and Samuel Fleischacker, *On Adam Smith's Wealth of Nations* (Princeton, NJ: Princeton University Press, 2004). See also the following essays in *The Cambridge Companion to Adam Smith*, ed. Knud Haakonssen (Cambridge: Cambridge University Press, 2006): Pratap Bhanu Mehta, "Self-Interest and Other Interests," 246-69; and Knud Haakonssen and Donald Winch, "The Legacy of Adam Smith," 366-94.

3. For a nuanced and detailed interpretation along these lines that begins to link these European concerns to the global scale of production, consumption, manufacturing, and trade in the eighteenth century, see Istvan Hont, *Jealousy of Trade: International Competition and*



*the Nation-State in Historical Perspective* (Cambridge, MA: Harvard University Press, 2005), especially the introduction.

4. Donald Winch's fine contributions to the study of Smith's views about international political economy, for example, tend to focus upon the European and the Euro-American (broadly speaking, the Atlantic) aspects of Smith's interests, rather than upon Smith's keen interest in the complex interrelations among the Americas, Europe, Asia, and Africa. See D. Winch, *Classical Political Economy and Colonies* (Cambridge, MA: Harvard University Press, 1965), 6-24; and D. Winch, *Riches and Poverty: An Intellectual History of Political Economy in Britain, 1750-1834* (Cambridge: Cambridge University Press, 1996), 127-65. For one of the few attempts to place Smith's *global* interests at the centre of his political economy, see Emma Rothschild, "Global Commerce and the Question of Sovereignty in the Eighteenth-Century Provinces," *Modern Intellectual History* 1, no. 1 (2004): 3-25; see also the brief discussion of Smith on global merchants in Emma Rothschild and Amartya Sen, "Adam Smith's Economics," in *The Cambridge Companion to Adam Smith*, 340-49.

5. J. G. A. Pocock, *Barbarism and Religion*, vol. 1 (Cambridge: Cambridge University Press, 1999), 109.

6. The classic and still influential study of intellectual history along these lines remains Albert Hirschman, *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph* (Princeton, NJ: Princeton University Press, 1977). Cf. Ellen Meiksins Wood, who differentiates the English and French contexts into "capitalist" and "bourgeois" societies that shaped differing Enlightenment ideologies of commerce. E. M. Wood, "Capitalism or Enlightenment?" *History of Political Thought* 21, no. 3 (2000): 405-26.

7. On the use of the concept of globalization in studying history generally and the history of political thought in particular, see Emma Rothschild, "Globalization and the Return of History," *Foreign Policy* 115 (1999): 106-16; David Armitage, "Is There a Prehistory of Globalization?" in *Comparison and History: Europe in Cross-National Perspective*, ed. Deborah Cohen and Maura O'Connor (London: Routledge, 2004); Mark Bevir and Frank Trentmann, "Markets in Historical Contexts: Ideas, Practices and Governance," in *Markets in Historical Contexts: Ideas and Politics in the Modern World*, ed. M. Bevir and F. Trentmann (Cambridge: Cambridge University Press, 2004), 1-24; and Duncan S. A. Bell, "History and Globalization: Reflections on Temporality," *International Affairs* 79, no. 4 (2003): 801-14.

8. For two recent examples of works that connect some of Smith's theories about global commerce to contemporary globalization debates, and that thus attempt to offer what might be described as Smithian perspectives on current affairs, see Giovanni Arrighi, *Adam Smith in Beijing: Lineages of the Twenty-First Century* (London: Verso, 2007); and Nick Robins, *The Corporation That Changed the World* (Ann Arbor: University of Michigan Press, 2006), chaps. 6 and 9.

9. For an overview of this aspect of Smith's thought, see A. W. Coats, "Adam Smith and the Mercantile System," in *Essays on Adam Smith*, ed. Andrew S. Skinner and Thomas Wilson (Oxford, UK: Clarendon, 1975), 218-36.

10. Citations of the *Wealth of Nations* are in the main text and follow the standard practice of listing book, chapter, section, and paragraph numbers; I have also cited the page number(s) from the Oxford/Liberty Classics edition. I have not modernized Smith's spelling. In the text, I will sometimes refer to the *Wealth of Nations* as WN. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 2 vols., ed. R. H. Campbell and A. S. Skinner, textual ed. W. B. Todd (Indianapolis, IN: Liberty Fund, 1981; Oxford, UK: Clarendon, 1976).

11. In his relectio on Amerindians (delivered in 1539), Francisco de Vitoria was one of the earliest modern thinkers to characterize transnational forms of partnership, communication, and exchange—which were often gathered together under the concept of "commerce"—as a

natural right. See Francisco de Vitoria, "De Indis," in Vitoria, *Political Writings*, ed. Jeremy Lawrance and Anthony Pagden (Cambridge: Cambridge University Press, 1992), esp. 278-84. For contrasting interpretations of the right to travel and transnational hospitality in Vitoria's thought, see Georg Cavallar, *The Rights of Strangers* (Aldershot, UK: Ashgate, 2002), 107-12; and Antony Anghie, *Imperialism, Sovereignty, and the Making of International Law* (Cambridge: Cambridge University Press, 2005), chap. 1.

12. Cf. "The monopoly is the principal badge of their dependency, and it is the sole fruit which has hitherto been gathered from that dependency. Whatever expence Great Britain has hitherto laid out in maintaining this dependency, has really been laid out in order to support this monopoly" (IV.vii.c.64; 614-15).

13. Adam Smith, *Lectures on Jurisprudence*, ed. R. L. Meek, D. D. Raphael, and P. G. Stein (Indianapolis, IN: Liberty Fund, 1982; Oxford, UK: Clarendon, 1978), referred to in text as LJ.

14. For my interpretation of Kant's theory of cosmopolitan right along these lines, see S. Muthu, *Enlightenment against Empire* (Princeton, NJ: Princeton University Press, 2003), 184-98. For a detailed comparative analysis of political judgment and at times its relation to commerce in Smith and Kant, see Samuel Fleischacker, *A Third Concept of Liberty* (Princeton, NJ: Princeton University Press, 1999), 120 ff.

15. On the Scottish, and more broadly European, intellectual context of Smith's understanding of natural rights, see James Moore, "Natural Rights in the Scottish Enlightenment," in *The Cambridge History of Eighteenth-Century Political Thought*, ed. Mark Goldie and Robert Wokler (Cambridge: Cambridge University Press, 2006), esp. 307-10.

16. Cf. Nicholas Phillipson, "Language, Sociability and History: Some Reflections on the Foundations of Adam Smith's Science of Man," in *Economy, Polity, and Society: British Intellectual History, 1750-1950*, ed. Stefan Collini, Richard Whatmore, and Brian Young (Cambridge: Cambridge University Press, 2000), 70-84. On Smith's understanding of the virtues that inform such sociability, see Leonidas Montes, *Adam Smith in Context* (New York: Palgrave Macmillan, 2004), chap. 3. Although he does not discuss Smith, see also, for a more general theoretical account of these connections, Laurence Dickey, "Doux-Commerce and Humanitarian Values: Free Trade, Sociability and Universal Benevolence in Eighteenth-Century Thinking," *Grotiana* 22, no. 3 (2001-2002): 271-318.

17. Indeed, as Emma Rothschild has well noted, "Freedom of commerce, in the *Wealth of Nations*, is an emancipation from personal, political, and sometimes physical oppression." E. Rothschild, *Economic Sentiments*, 27.

18. As James Alvey has noted, seemingly deep tensions in Smith's account of history can be found not simply across his works, but within both the *Theory of Moral Sentiments* and the *Wealth of Nations*. See James E. Alvey, *Adam Smith: Optimist or Pessimist? A New Problem concerning the Teleological Basis of Commercial Society* (Aldershot, UK: Ashgate, 2003).

19. On both the progenitors and also the distinctiveness of Smith's four-stage history, see J. G. A. Pocock, "Adam Smith and History," in *The Cambridge Companion to Adam Smith*, 270-87.

20. Since this continues to be the single historical framework within which Smith's thought is generally interpreted, the significant forms of oppression and corruption that I discuss below are at most noted in order to indicate simply that Smith's theory of progress highlights a "slow development" that is not a "uniformly good development" (James R. Otteson, *Adam Smith's Marketplace of Life* [Cambridge: Cambridge University Press, 2002], 277). As I aim to demonstrate below, this greatly understates the force and depth of Smith's criticisms of the extant commercial practices and institutions of his day, which he never explicitly envisioned as becoming nonmercantilist in the future.

21. To the extent that the topic of commercial pessimism in Smith is addressed, it is usually discussed exclusively by way of his ambivalence toward commercial society itself, rather than in light of his views about global political economy. About the former, see James E. Alvey, *Adam Smith: Optimist or Pessimist?* 177-213.

22. On the possible "kinship" between commercial society itself and mercantilism, see Peter Minowitz, *Profits, Priests, and Princes: Adam Smith's Emancipation of Economics from Politics and Religion* (Stanford, CA: Stanford University Press, 1993), 103-09.

23. Cf. "That a joint stock company should be able to carry on successfully any branch of foreign trade, when private adventurers can come into any sort of open and fair competition with them, seems contrary to all experience" (V.i.e.25; 746).

24. In contrast, for the view that Smith's criticism of the English East India Company was diagnosing not a form of corporate or market failure, but an example of "government failure," see Gary M. Anderson and Robert D. Tollison, "Adam Smith's Analysis of Joint Stock Companies," *Journal of Political Economy* 90, no. 6 (1982): 1237-56, esp. 1249-54. It should be noted that Anderson and Tollison defend the core of Smith's criticism of joint stock companies as part of what they take to be a sensible theory of the firm, although they are at pains to argue that it is purely an empirical and not a "moralistic" critique—such a distinction likely tells us more about the contemporary discipline of economics than it does about the philosophical nuances of the *Wealth of Nations*.

25. On the importance of the scale of a company's operations and the size of the company itself in Smith's critique, and whether this makes his arguments more or less applicable to contemporary corporations, see Samuel Fleischacker, *On Adam Smith's Wealth of Nations*, 239.

26. Along these lines, Iain McLean has argued that "for Smith, the enemy of freedom and prosperity was not government *per se*, but what we now label *rent-seeking government* . . . a government that is captured by rent-seeking interests." I. McLean, *Adam Smith, Radical and Egalitarian* (New York: Palgrave Macmillan, 2007), 80.

27. Cf. "It is the industry which is carried on for the benefit of the rich and the powerful that is principally encouraged by our mercantile system. That which is carried on for the benefit of the poor and the indigent, is too often, either neglected, or oppressed" (IV.viii.4; 644). About Smith's concerns that mercantilist policies especially harmed weaker social groups at the expense of the wealthy and powerful, see David Lieberman, "Adam Smith on Justice, Rights, and Law," in *The Cambridge Companion to Adam Smith*, 239-43.

28. Adam Ferguson had also been considered for a position on the commission. See William J. Barber, *British Economic Thought and India, 1600-1858: A Study in the History of Development Economics* (Oxford, UK: Clarendon, 1975), 88-89; and Ian Simpson Ross, *The Life of Adam Smith* (Oxford, UK: Clarendon, 1995), 358.

29. As Smith noted in a letter to his publisher William Strahan in 1783, his intent in doing so was to provide "a full exposition of the Absurdity and hurtfulness of almost all our chartered trading companies" (Letter 227; WN 731).

30. He notes, for example, that the VOC "burn[s] all the spices which a fertile season produces beyond what they expect to dispose of in Europe with such a profit as they think sufficient" (IV.vii.c.101; 636). Such policies, in conjunction with various "arts of oppression" that limit local resources (and thus the food supply), function as a kind of hideous population control scheme so that the number of inhabitants on the Spice Islands approximates as closely as possible "the number which is sufficient to supply with fresh provisions and other necessities of life their own [the VOC's] insignificant garrisons, and such of their ships as occasionally come there for a cargo of spices" (IV.ii.c.101; 636; see also IV.vii.c.105; 639).

31. Along these lines, Smith argued that the English East India Company most likely turned what would have been a dearth into the full-fledged famine in Bengal in the 1770s (IV.v.b.6; 527). On Smith's analysis of famines, as compared with Turgot's and Condorcet's views, see Emma Rothschild, *Economic Sentiments*, 72-76.

32. For a detailed account of the connections between the English East India Company and the British government, and the ways in which these connections were debated in the late eighteenth century, see H. V. Bowen, *The Business of Empire: The East India Company and Imperial Britain, 1756-1833* (Cambridge: Cambridge University Press, 2006), 53-83.

33. As Joseph Cropsey has noted, Smith's position is that *any* form of political rule by a mercantile class is contrary to the public interest. Joseph Cropsey, *Polity and Economy: With Further Thoughts on the Principles of Adam Smith* (South Bend, IN: St. Augustine's Press, 1957/2001), 78. Cf. Charles Griswold, *Adam Smith and the Virtues of Enlightenment* (Cambridge: Cambridge University Press, 1999), 264.

34. The Company administration in India, Smith argues, "is necessarily composed of a council of merchants, a profession no doubt extremely respectable, but which in no country in the world carries along with it that sort of authority which naturally over-awes the people, and without force commands their willing obedience. Such a council can command obedience only by the military force with which they are accompanied, and their government is therefore necessarily military and despotic" (IV.vii.c.104; 638).

35. For a treatment of the various connections between proximity and sympathy in Smith, see Fonna Forman-Barzilai, "Sympathy in Space(s): Adam Smith on Proximity," *Political Theory* 33, no. 2 (2005): 189-217.

36. Economic inequality as such, of course, did not constitute a social problem, in Smith's opinion. Yet Smith was genuinely disturbed by Rousseau's writings on inequality, and while he ultimately argued in WN that economic inequality could be compatible with real and meaningful improvements in the lives of the poorest members of modern commercial societies, such inequality was nevertheless morally corrupting. See, for instance, the chapter that Smith added to the 1790 edition of *The Theory of Moral Sentiments* (I, iii, 3). See also John Robertson, *The Case for the Enlightenment: Scotland and Naples 1680-1760* (Cambridge: Cambridge University Press, 2005), 392-96; and Donald Winch, "Scottish Political Economy," in *The Cambridge History of Eighteenth-Century Political Thought*, 464.

37. Indeed, Smith argues that even simply to increase the tax on such companies would be "extremely impolitick" (IV.vii.c.67; 618).

38. As Emma Rothschild and Amartya Sen have noted, "this is the conflict implicit in the image of the invisible hand. On the one hand, they [merchants] should be left to pursue their own interests as they themselves perceive them. On the other hand, they are likely to pursue these interests by political importunity. The 'commercial system' is the characteristic objective of commercial societies, and it is at the same time subversive of commerce itself." E. Rothschild and A. Sen, "Adam Smith's Economics," in *The Cambridge Companion to Adam Smith*, 346-7. As I note below, Smith hoped that future geopolitical changes that result from a highly imperfect system of global commerce might serve as external (though only partial) correctives to such subversions.

39. The theme of the future decline of European power and the rise of non-European societies, which Smith hoped for, appears in another noteworthy moment of WN. Even Smith's proposed solution to the grievances of British colonists in America—a union of Britain and America that would eliminate any colonial relationship—included the prediction that the capital and Parliament of this new entity would "in the course of little more than a century" move to America, on the assumption that Britain's power, relative to America's, would surely decline over time (IV.vii.c.79; 625).

40. On some of the connections in Smith's thought between communication and the formation of more egalitarian concerns, see Sandra J. Peart and David M. Levy, "Sympathy and Approbation in Hume and Smith: A Solution to the Other Rational Species Problem," *Economics and Philosophy* 20 (2004): 331-49; Sandra J. Peart and David M. Levy, *The "Vanity of the Philosopher": From Equality to Hierarchy in Postclassical Economics* (Ann Arbor: University of Michigan Press, 2005), 131-41; and Fonna Forman-Barzilai, "Smith on 'Connexion,' Culture and Judgment," in *New Voices on Adam Smith*, ed. Leonidas Montes and Eric Schliesser (New York: Routledge, 2006), 89-114.

41. Smith never argued that the powerful company and merchant interests that formed the driving engines of the mercantilist system of international political economy would eventually "find themselves" in a system of relatively free competition that would keep "unfair business activities . . . at a minimum," although I agree with Werhane that he certainly would have preferred such an outcome (Patricia Werhane, *Adam Smith and His Legacy for Modern Capitalism* [Oxford: Oxford University Press, 1991], 163, 173-75). As Teichgraeber has well noted, Smith sought to emphasize repeatedly in WN that "those who would defend . . . [a] policy necessary to establish free trade in the first place must see that this policy represented a radical challenge to an established socio-political order—and a challenge whose prospects of full success were at best uncertain." (Richard F. Teichgraeber III, *"Free Trade" and Moral Philosophy: Rethinking the Sources of Adam Smith's Wealth of Nations* [Durham, NC: Duke University Press, 1986], 167; cf. Jerry Z. Muller, *Adam Smith in His Time and Ours* [Princeton, NJ: Princeton University Press, 1993], 81-82). Muller describes what I have characterized above as Smith's enlightened narrative of global commerce as an example of his "cosmopolitan but pragmatic moralism" (p. 82).

42. For a reading of the promise of international commerce in Smith that sees it operating "without external coercion" in a manner that "emulates sympathy on a global scale"—an interpretation that draws primarily upon the *Theory of Moral Sentiments*—see Fonna Forman-Barzilai, "Adam Smith as Globalization Theorist," *Critical Review* 14, no. 4 (2000): 391-419.

**Sankar Muthu** is an associate professor of political science at the University of Chicago and the author of *Enlightenment against Empire* (Princeton University Press, 2003). He is writing a book about globalization in Enlightenment political thought.