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### Do Not Take Peace for Granted: Adam Smith's Warning on the Relation Between Commerce and War

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**Do Not Take Peace for Granted:**

**Adam Smith's Warning on the Relation Between Commerce and War**

**Maria Pia Paganelli & Reinhard Schumacher**

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***Abstract***

*Is trade a promoter of peace? Adam Smith, one of the earliest defenders of trade, worries that commerce may instigate some perverse incentives, encouraging wars. The wealth that commerce generates decreases the relative cost of wars; it increases the ability to finance wars through debts, which decreases their perceived cost; and it increases the willingness of commercial interests to use wars to extend their markets, increasing the number and prolonging the length of wars. Smith therefore cannot assume that trade would yield a peaceful world. While defending and promoting trade, Smith warns us not to take peace for granted.*

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## **Do Not Take Peace for Granted:**

### **Adam Smith's Warning on the Relation Between Commerce and War**

**Maria Pia Paganelli & Reinhard Schumacher**

#### Introduction

Contrary to what is commonly believed, one of the most famous promoters of the benefits of trade, Adam Smith, worries that commerce and the wealth it creates may not decrease, but actually increase international wars. This is because as commerce grows, the relative and perceived costs of war decrease, while the power of commercial interests increases. Understanding his contribution sheds light on the current and still open debate on the effects of commerce on warfare.

The rise of international trade brings hopes of a more peaceful world. But it also brings threats of a more belligerent world. It remains unclear whether such hopes or such threats are justified. There is still no consensus even among modern researchers about the answer to the question: Does trade increase or decrease wars?

Empirical studies have not yielded conclusive results. Although most empirical studies support the claim that commerce promotes peace, the studies and their research methods are not uncontroversial. Some studies even suggest that there is no relationship between economic interdependence and peace.<sup>1</sup> Theoretical studies also offer different interpretations of the relationship between trade and wars. Trade is frequently seen as either a continuation of war by other means<sup>2</sup> or as a means of peace. This second view is often labelled *doux commerce*.<sup>3</sup>

The *doux commerce* thesis has three dimensions, two domestic and one international. Commerce has civilising effects on the citizens of a nation, facilitating a peaceful coexistence among them and guaranteeing the rule of law. Commerce is a restraint on tyrannical and arbitrary leadership. And commerce leads to peace among nations, because gains from trade are a shared objective in peace. The best known representative of *doux commerce*, who discusses all three dimensions, is Montesquieu.<sup>4</sup> Most economists who argue in favour of free trade draw on the international dimension of the *doux commerce* thesis and advance as one of their arguments the peaceful effects of commerce, as can be read in most textbooks on international economics. We also focus only on this international dimension.

Adam Smith, one of the most influential thinkers of the Scottish Enlightenment and generally considered the father of economics, is often associated with commercial peace, as promoter and supporter of commercial societies. Smith is portrayed as a figurehead of “liberal pacifism” (Doyle and Recchia, 2011, p. 1434) and as assuming that “[g]lobalisation promotes peace” (Dunne and Coulomb, 2008, p. 15; see also Coulomb, 1998; Gartzke and Li, 2003). It is argued that “Smith hoped and expected commerce to become the universal alternative to war” (Hill, 2009, p. 72).<sup>5</sup> He is thereby depicted as one of the earliest proponents of the tradition that regards international trade “as an influence for peace” (Modelski, 1972, p. 234).<sup>6</sup> His pacifism is justified among other reasons by the assumed high opportunity costs of war (e.g., Goodwin, 1991; Anderton and Carter, 2009, p. 97) and by the presence of prudence and force (Manzer, 1996; on the relation between trade and war see also Hont, 2005). We suggest, instead, that Smith’s position on this issue is not as clear as is often supposed.<sup>7</sup> Mark Neocleous (2013) already shows that far from arguing that commercial and military virtues oppose each other, thinkers of the Scottish Enlightenment argue that military values are necessary for sustaining commercial

societies. We do not question that Smith is an adamant supporter of trade, convinced of the effects of *doux commerce* domestically: for Smith, commerce does bring peace, order, and justice *domestically* (WN III;<sup>8</sup> see also Paganelli (2013, 2017)). We do not question that Smith *wishes* that trade would bring more peace internationally. In commercial societies, one would ideally expect an increase in peace as people recognize that trade makes both countries better off. But what Smith observes is that *in practice* it seems to be the opposite, because of the prevailing mercantilist spirit present in commercial societies:

“nations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity” (WN IV.iii.c.9).

Since commerce “ought naturally to be ... a bond of union and friendship”, it should bring peace, but for Smith it does not necessarily do so because of a set of perverse incentives linked to a change in the cost structure of war and mercantilism’s interests. We can read the *Wealth of Nations*, in part, as a possible explanation as to why that is the case, and as a warning that, if mercantile interests are not constrained, they will continue to deform our neighbours from friends into enemies.

In practice, even if commerce makes wars less brutal, commerce does not guarantee peace among nations for Smith. In line with Edwin van de Haar (2009, 2010, 2013), we argue that Smith is less optimistic about trade and wars than his French contemporaries. But differently from Van de Haar, we show that even if he does not see trade as an extension of war, even if he sees trade as an instrument and

symptom of an advanced commercial society and civilization, Smith does not see in practice *doux commerce* as a promoter of peace.

Smith's worries are based on several developments that emerge with a commercial society. He argues that in commercial societies the presence of a professional military is not only necessary for national defense, but it also reduces the relative cost of war by taking out of productive activity only a small part of the population. Military expenses in commercial societies can be financed by debt, decreasing their perceived cost. This allows the general population to "dream of empire," encouraged by the increased power of commercial interests favouring war to establish and protect their monopolies. Commerce may therefore increase the chance that conflicts, while more effective and more humane, will be more frequent and last longer.

Smith is aware that both peace and war are complex and multi-causal phenomena. We do not suggest that he thinks commerce is the only deciding factor for war, or that commerce would inevitably cause war. But given the complexity of the situation, a change in the relative and perceived costs of war would change the quantity demanded of wars, and therefore the probability of a war.

### **Division of Labor Applies to Wars Too**

One of the effects of commerce that could potentially bring about peace is the decrease in martial spirit observed in commercial societies. But in the 18<sup>th</sup> century, this decrease in martial spirit is seen not as a benefit but as a concern – Adam Ferguson being a typical example of someone with these concerns (Robertson, 1985; Sher, 1989; Montes, 2009; Neocleous, 2013; Smith, 2014). Commerce makes soldiers more feminine – a positive characteristic associated with civility and

sociability – but also more effeminate – a negative characteristic associated with weakness (Montes, 2004; Sebastiani, 2013). Smith shares these concerns.

Because of the decline in martial spirit, commercial societies need to rely not on a militia but on a professional, standing army for defense. To understand why, consider a commercial society without a standing army. For Smith, in such a society, most people will give priority not to military exercises but to the specialized work they do to support themselves. Workers in a commercial society would lose their income if they spent their time mobilizing as a militia and fighting a war, so they would rather not serve in it. Commercial spirit, not martial spirit, would prevail among the members of such a militia. For Smith, this is a problem. Giving short shrift to military training and “having their minds constantly employed on the arts of luxury, they grow effeminate and dastardly.” Commerce has therefore the “bad effect [...] that it sinks the courage of mankind, and tends to extinguish martial spirit” (*LJB* 331). As a result, people become less prone to war, which, although generally a desirable quality, becomes a problem if the nation’s security is threatened (*WN* V.i.a.12-15; see also *LJB* 37). It diminishes a country’s strength, making rich commercial societies easy prey to poor barbaric ones due to “the irresistible superiority which the militia of a barbarous, has over that of a civilized nation” (*WN* V.i.a.36; see also Hanley, 2014).

The solution for commercial societies is to develop and rely on a professional military: a standing army. Smith describes standing armies as the only protection of a civilised society against barbarous nations (*LJA* iv.169, see also *WN* V.i.a.17-41). A standing army is militarily superior to a militia because of its greater skills and discipline (*WN* V.i.a.38-39, see also Sher, 1989).

To achieve this “degree of perfection” in the art of war, division of labor is necessary, that is, warfare must become its own branch of specialisation. Soldiers in a

professional and specialized army acquire greater skills due to the division of labor: they practice war exercises daily since that is now their job. As a result of the enhanced division of labor and its ensuing professionalization, war becomes an increasingly complicated science (*WN V.i.a.10-14*). In agrarian societies, “a strong wall” was often all a city needed to keep an enemy at bay. The enhanced division of labor leads both to more sophisticated tactics of war – e.g., “the ordering of zig-zag approaches” – and to technological improvements in weaponry – the development of “warlike engines” (*LJA iv.85-87, LJB 40-41*).

Even more importantly, professional soldiers are disciplined, thanks to their daily obedience to their superiors. Discipline is especially needed in modern warfare, as Smith – similar to David Hume (1983, Vol. II, p. 230, Vol. III, p. 81; 1987b, pp. 404-405; 2003, p. 55) – argues, because the invention of firearms changed the conduct of war.<sup>9</sup> The strength and skills of individual soldiers, such as the “strength and agility of body” and “the dexterity and skill of the soldiers in the use of their arms”, which were the main determinant of wars before the invention of firearms, become less important. Discipline becomes more important because of the noise and smoke of the firearms (*WN V.i.a.21-25*). Smith adds that the discipline of a standing army is also central since in an advanced commercial society, unlike in societies in other stages of development, the army will be formed by “the very meanest of people” (*LJA iv.169*; see also *LJB 334-336*). In agricultural societies, soldiers were mainly “gentlemen” or “men of honour.” These soldiers fought because of “their sense of honour and character” (*LJA iv.169*) and, thus, “there was no occasion for discipline” (*LJB 334-335*; see also *LJA iv.84*). However, in commercial states, individuals from higher ranks of society prefer to make money and thus engage in commerce not warfare (*LJB 335*). As a result, “defence of the state naturally became the province of the lower [ranks], because the rich can never be forced to do any



thing but what they please” (*LJB* 335). The lower ranks, according to Smith, lack the discipline and can acquire it only through subordination in a standing army.

Discipline is the result of “fear of their officers and of the rigid penalties of the martial law” (*LJB* 336; see also *LJA* iv.84). It is possibly for this reason that Smith argues in his *Theory of Moral Sentiments* that harsh punishments for breaches of military discipline are approved within a society, even though they might seem disproportionate to the misconduct (*TMS* II.ii.3.11). Only standing armies can provide the permanent practice required for such discipline (*WN* V.i.a.22). Smith’s historical evidence leads him to believe that a well-trained standing army must be superior to a militia (*WN* V.i.a.23-36).<sup>10</sup> He repeats the point even in the *Theory of Moral Sentiments*, suggesting that a standing army yields “good soldiers”, who are characterised by their discipline and obedience and “who both love and trust their general” to such a degree that they “frequently march with more gaiety and alacrity to the forlorn station, from which they never expect to return, than they would to one where there was neither difficulty nor danger” (*TMS* VI.ii.4).<sup>11</sup>

### **Decrease in Relative (not Absolute) Cost**

The presence of a standing army makes commercial societies militarily stronger; it also decreases the relative costs of their wars. To see that, we must trace how Smith, with a logic strikingly similar to Hume (1987a, pp. 260-262), describes different kinds of societies and their ability to wage war, especially in Book V of *Wealth of Nations* (*WN* V.i.a.1-10, and *LJA* iv.13-14).

In a society of hunters, every man is a warrior and a hunter. But when he fights, he cannot hunt. Therefore, their precarious subsistence during wars does not allow them to have large armies for long. Wars are short and relatively infrequent.

Shepherds can afford larger armies and longer wars because the herds which they take with them can maintain the armed population during war. So, for Smith, shepherds can afford to be quite belligerent.

In agricultural societies, every man has the fortitude to be a soldier. Cultivating the land exposes men to the ravages of the weather and readies them for the fatigues of war. But wars cannot be long: they cannot take place during harvest time because men need to return to their crops. While the actual cost of war may not be much – toughened by agricultural labor, men would need little training – the relative cost of war is quite high, since most of the population in these societies will have to be involved in fighting, reducing their ability to provide for themselves and others. People cannot afford long and frequent wars: wars have to be short to accommodate for harvesting, or people will not have enough to survive.

In contrast, a commercial society is not only generally larger and more populous than other kinds of societies, but with a standing army it has soldiers who can fight wars all year long. Frequent and long wars will not risk starving the entire population or even small portions of it. This lowers the relative (but not the absolute) cost of war. Given the lower relative cost, wars can now last longer, according to Smith.

In addition, new developments in the art of war, both tactically and technologically, make it unlikely that wars are decided by a single battle. Wars between commercial societies consist of several long-lasting campaigns (*WN V.i.a.10*). With the advent of commerce, therefore, wars can easily be more frequent and last longer due to their lower relative costs.

### **Decrease in Perceived (not Real) Cost**

A standing army is expensive, though. Even if the relative cost of war may decrease, the absolute cost of war and of maintaining a professional army is extremely high. Non-commercial societies are too poor to afford a standing army. Only commercial societies have the means to pay for it: public debt. But public debt hides the true cost of wars from the population, because it prevents the public from immediately facing the military costs. Military operations, for which great expenses are necessary, will seem cheap due to public debts, so it is easier for wars to be longer and more frequent. Here is Smith's reasoning.

Contemporary foreign wars are "the most expensive perhaps which history records" (*WN* IV.i.26), and wars are the largest expenses of great modern states. In Book V of the *Wealth of Nations*, Smith explains that wars become more expensive with economic and technological development for three reasons: the expense of a standing army, the development of more powerful and more expensive weapons, and the increasing duration of wars. If a nation has a standing army, as in commercial societies, the soldiers have to be paid in times of war as well as in times of peace (*WN* V.i.a.42).<sup>12</sup> The development of more powerful weaponry, especially of firearms, implies that the costs of building fortifications that are effective against artillery also increase (*WN* V.i.a.42-43). Finally, the longer duration of wars for reasons described below also adds to the increasing costs of wars.

How are those higher costs of war and defense paid for? Smith calculates that in commercial societies, national expenses increase threefold to fourfold as a result of war, and therefore cannot be financed from the normal budget. Nor can they be financed through new or increased taxes. A government is usually unwilling and unable to levy high taxes, "for fear of offending the people, who, by so great and so sudden an increase of taxes, would soon be disgusted with the war" (*WN* V.iii.37). And even if the government did raise taxes, the taxes would take too much time to

collect (*WN V.iii.4*). Furthermore, governments have scant knowledge of the amount of taxes needed to cover the unpredictable expenses of armed conflict. Therefore, during wars, tax revenues cannot increase much. It might be possible to increase revenues during times of peace and save for future wars, but Smith observes that this does not happen (*WN V.iii.3-4*).<sup>13</sup>

However, the development of commercial societies opens a new source of revenue for the state, namely debt:

“The same commercial state of society which, by the operation of moral causes, brings government in this manner into the necessity of borrowing, produces in the subjects both an ability and an inclination to lend. If it commonly brings along with it the necessity of borrowing, it likewise brings along with it the facility of doing so”  
(*WN V.iii.5*).<sup>14</sup>

During wartime a government cannot afford to wait for the slow returns of new taxes. It has no other choice than borrowing. And borrowing opportunities are now readily available (see Hont, 2005).

Here Smith explicitly questions the idea that commercial societies will be more peaceful. Debts decrease the perceived cost of wars, so it will be easier to have more and longer wars. Without debts, wars do not last long. If taxes were significantly increased to pay for a war, people would feel “the complete burden of it” and “would soon grow weary of it.” Wars would be “less wantonly undertaken,” because it would be harder for a government to raise the necessary money by taxes and the popular support for a war would be lower (*WN V.iii.50*).

In contrast to taxes, debts are no severe burden for the current population, which thus does not feel the inconveniences of war, at least if they do not live in the battle zone. As a matter of fact, Smith makes the remarkable claim that many people

actually “enjoy, at their ease, the amusement of reading in the newspapers the exploits of their own fleets and armies” and have “a thousand visionary hopes of conquest and national glory” so they are “commonly dissatisfied with the return of peace, which puts an end to their amusement” (*WN* V.iii.37)!<sup>15</sup> Debts can make wars more popular among the population and thus increase the possibility of longer and frequent international wars.<sup>16</sup>

Wars can be enjoyed as entertainment because the mass of people live far from the scene of action and thus do not feel the inconvenience of the war.<sup>17</sup> In non-commercial societies, on the other hand, war is very disruptive because without a professional army most of the population have to give up their occupations for the duration of the war and have to face the whole burden of it (*WN* V.i.a.9; see also *LJA* iv.79; and *LJB* 37-38). In commercial societies, most people are not involved in warfare directly. War affects only those serving in the standing army and those living near the battlefields, and its costs can be passed on to future generations. So, Smith worries, by decreasing the perceived cost of war, debt financing can increase the length and frequency of wars.

### **Increasing Commercial Interests**

But why engage in wars to begin with? For Smith, a commercial society will find itself engaged in defensive wars as well as in offensive wars. Defensive wars are fought often against neighbours seeking spoils. A successful war especially against a rich country promises booty: the winning side can conquer the capital and the treasure of the country (*WN* II.ii.87). With increasing riches, the potential booty increases, which makes war more likely. Rich nations are the likeliest to be the target of attacks by their aggressive, poor, and non-commercial neighbours. As a result, they may have to face more defensive wars (*WN* V.i.a.15; see also Hanley 2014).

Such attacks, however, become less likely with the introduction of a standing army and especially the invention of firearms. Those two developments make commercial countries a less enticing target for poor countries (*WN V.i.a.44*). Offensive wars are fought against both rich and poor countries. The latter are often at a disadvantage due to the inferiority of their weapons and are thus easily conquered (*WN V.i.a.44*).

But why do commercial countries conduct offensive wars in the first place when trade “ought naturally to be, among nations, as among individuals, a bond of union and friendship” (*WN IV.iii.c.9*)? Smith notices that such wars are generally instigated by domestic “merchants and manufacturers” seeking monopolistic profits. Rich commercial countries fall prey to the “mean rapacity [and] monopolizing spirit” (*WN IV.iii.c.9*) of merchants and manufacturers who have such “formidable” powers to be able to “intimidate the legislature” (*WN IV.ii.43*); so much that “the cruellest of our revenue laws, I will venture to affirm, are mild and gentle, in comparison of some of those which the clamour of our merchants and manufacturers has extorted from the legislature, for the support of their own absurd and oppressive monopolies. Like the laws of Draco, these laws may be said to be all written in blood” (*WN IV.viii.17*). Merchants and manufacturers are willing and able to steer the country away from the otherwise natural peaceful path of commerce into war just to have that increase in price which monopoly brings about.

Merchants and manufacturers try all they can to defend monopolies and to create new ones for themselves. Smith goes as far as saying that the empires of his days, including the British one, are the result of these special mercantile interests. The merchants engaged in colony trade are “the principal advisers” of colony regulations (*WN IV.vii.b.49*), and a government “influenced by shopkeepers” is a government whose statesmen “found a great empire for the sole purpose of raising up a people of consumers [...] employing the blood and treasure of their fellow citizens”

(*WN IV.vii.c.63*). From the very considerable naval force created to guard against pirates and smugglers to the last two wars, Smith asserts, the whole dominion of the British colonies has as “the principal, or more properly perhaps the sole end and purpose” the maintenance of mercantile interests (*WN IV.vii.c.64*).<sup>18</sup> In this way, consumers are made to pay for the increased profits of merchants and manufacturers which the empire creates: “For the sake of that little enhancement of price which this monopoly might afford our producers, the home-consumers have been burdened with the whole expence of maintaining and defending that empire. For this purpose, and for this purpose only, in the two last wars, more than two hundred millions have been spent, and a new debt of more than a hundred and seventy millions has been contracted over and above all that had been expended for the same purpose in former wars (*WN IV.viii.53*).

Smith observes that such private interests are often “unconquerable” (*WN IV.ii.43*). The competing commercial interests of large merchants and manufacturers engender national animosity. Neighbouring countries become enemies rather than friends (*WN IV.iii.c.13*),<sup>19</sup> and international wars become more likely.

### **Duty of Defense**

Since Smith does not assume that wars will become less frequent or that the world will become more peaceful with the increase of commerce, defense is of the utmost importance. Defense is one of the three duties of a sovereign (*WN IV.ix.51*).<sup>20</sup> And due to the importance of defense, commercial and economic interests have to take a back seat to matters of national security. International trade may be restricted for defense reasons. On this basis, Smith supports the British act of navigation (*WN IV.ii.24-30*), even though it “is not favourable to foreign commerce.” Likewise, Smith argues in favour of bounties on fisheries (*WN IV.v.a.27*) and trade restrictions

to protect certain domestic industries, such as the gunpowder industry, which are required for defending a society (*WN IV.v.a.36*). He even favours *temporary* monopolies to companies which, by opening favourable trades with some “barbarous” countries such as Africa or East India, face the expense of building forts and garrison for the defence of their warehouses (*WN V.i.e.30*).

For Smith, therefore, there are reasons to fear that the number and duration of wars may increase. It is true that commercial activities undermine the martial spirit of a society as a whole as well as military discipline, which is especially important since the invention of firearms. However, a standing army will counteract these developments. Soldiers in a standing army are characterised by their martial spirit and their discipline, which is also enforced by strict military laws. And, to his worry, the perceived cost of war decreases enough through debt financing to give more incentives to dream of larger and larger empires achieved through military enterprises.

### **A “Humane” Battlefield?**

While Smith seems to fear that *doux commerce* does not necessarily apply for international conflicts, he does see some “softening” on the battlefield. Smith explains the increase in humanity in wars, typical for contemporary European countries, in his *Lectures on Jurisprudence*. Brutality and bloodiness characterized wars in ancient societies. In contrast, Smith claims, in his time one can find more respect of both people and property even on the battlefield..

Smith uses changes in the treatment of prisoners of war to exemplify this point. But in contrast to, for example, Hume (2003, p. 28), Smith does not ascribe the more humane treatment of prisoners to the laws of nations. For Smith, this “superiour degree of humanity” (*LJB 347*) is less a result of the development of commercial



societies or of the laws of nations, which “are frequently violated without bringing [...] any considerable dishonour upon the violator” (*TMS* III.3.42). Smith observes that “[t]he regard for the laws of nations [...] is often very little more than mere pretence and profession” (*TMS* VI.ii.2.3, see also *LJB* 339). Rather, he concludes that the greater humanity is the result of Christianity, of “motives of policy [rather] than humanity”, and of the development of weapons (*LJB* 348).<sup>21</sup> Christians are “obliged” to treat other Christians in a humane way, which is why humane behavior in wars increased during the time of popery.<sup>22</sup>

In addition, Smith argues that the invading army of a commercial society may spare the population in the defeated country from destruction or barbarity – a fate they would usually encounter by an invasion of an army from a non-commercial society. Rather than robbing peasants, the invaders may instead buy from them provisions which the army cannot take with them, thereby also guaranteeing a stable supply.<sup>23</sup> There are cases in which “war is so far from being a disadvantage in a well cultivated country that many get rich by it” (*LJB* 349). This is especially true of peasants who provide food.<sup>24</sup>

Yet, this increase in humanity in international conflicts does not seem to reduce Smith’s concerns that international wars may not decrease in number or length.

## **Conclusion**

Does commerce bring about peace? Contrary to what is commonly believed, one of the most famous promoters of the civilizing role of commerce seems to answer the question with a negative warning. Commerce, and the wealth commerce creates, may not decrease international conflicts; they may actually increase them. This is not because commerce is an extension of war or because commerce does not

offer a “bond of friendship”. It is rather because of a set of perverse incentives: commerce and the wealth it brings about increase the power of commercial interest groups and decrease the relative and the perceived costs of wars.

Analysing the positions of Smith introduces an economic analysis and offers a fresh contribution to open a debate on the effects of commerce on warfare and the probability of current wars. For Smith, the development of commercial societies brings about justice and order at home, and more humanity both in peace and in war, but it also increases the likelihood and the likely duration of wars. Economic development, which varies from country to country, increases the inequality in international wealth – a possible motive for increasing the frequency of international wars, as richer countries become enticing targets of poorer countries.<sup>25</sup> In addition, for Smith, the likelihood of wars increases with the increase in commerce because the “mean rapacity” of merchants and manufacturers “intimidates” the legislature and wrongly convinces the population that establishing monopolies and higher profits for themselves is actually good for the country. The majority of the population supports more wars because it can “dream of empire” at a relatively low price. Soldiers can be taken out of productive work without affecting the subsistence of the rest of the population, differently from non-commercial societies, in which wars cannot last long because the country is too poor to support troops for long periods of time without starvation. For Smith, the relative price of war decreases with the increase in commerce, and as with all price decreases, the decrease in the price of war increases the quantity demanded of wars. In addition, for Smith, even if the absolute cost of war increases, the ability to pay increases too, thanks to the availability of debt financing of commercial societies. Debt financing decreases the perceived cost of war, generating increasing support for more frequent and longer wars.

So, while commerce is not an extension of war, as it is a “bond of union and friendship”, wars are not necessarily decreasing in a commercial era due to the perverse incentives of the decrease of relative and perceived costs combined with mercantile “rapacity”. While defending and promoting international trade, Smith gives us additional ways to analyze the effect of trade on warfare, warning us not to take peace for granted.

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<sup>1</sup> Recent studies that support the commercial peace thesis include Gartzke and Hewitt (2010), Hegre et al. (2010), Lektzian and Souva (2009), Polachek and Seiglie (2007), and Souva and Prins (2006). Other studies suggest that commercial peace holds only if certain conditions are met, for example concerning regime types or levels of development; see, e.g., Copeland (2015), Gelpi and Grieco (2008), and Martin et al. (2008). For a critical discussion of the research methods and possible research biases of these studies, see, e.g., Keshk et al. (2004) and Ward et al. (2007). Recent studies that find no empirical support for the commercial peace theory include Goenner (2004), Keshk, Pollins, and Reuveny (2004), Kim and Rousseau (2005), and Ward, Siverson and Cao (2007). For an overview of the literature see, among others, Barbieri (2002, pp. 43-48), Copeland (2015, pp. 51-69), Mansfield and Pollins (2001) and Schneider et al. (2003). For a more general account of the decline in violence over time, see Pinker (2011).

<sup>2</sup> This position is represented by, e.g., Barbieri (1996, 2002); Buzan (1984); Waltz (1970, 1979).

<sup>3</sup> The term *doux commerce* is derived from the French word *douceur*, which “conveys sweetness, softness, calm, and gentleness and is the antonym of violence” (Hirschman, 1997, p. 59).

<sup>4</sup> Montesquieu does not use the term *doux commerce*, but he writes that commerce leads to “gentle mores” (“mœurs douces”) and that “it polishes and softens barbarous mores” (“il polit & adoucit les mœurs barbares”) (1989, p. 338; 1950, pp. 445-446). Another early proponent of the “argument that trade was conducive to peace” was Robert Addison, with whose work Smith “was almost certainly familiar” as Schliesser (2017, p. 154) points out. The idea of *doux commerce* has been championed later most famously by Immanuel Kant (1903) and Norman Angell (1910). In his *Perpetual Peace*, Kant not only expound the famous republican peace thesis, but he also champions the commercial peace thesis arguing that “[t]he commercial spirit cannot co-exist with war” (1903, p. 157). Angell in his book *The Great Illusion* argues that wars are economically and socially irrational given modern commercial interdependence.

<sup>5</sup> Hill is not simply repeating the belief that Smith is part of the liberal peace tradition. She discusses Smith’s position in-depth, but she concludes that for Smith “commerce was ‘naturally’ a pacifying medium” (2009, p. 72).

<sup>6</sup> Many economists of the 19<sup>th</sup> and 20<sup>th</sup> centuries stand in the liberal peace tradition; see Silberner (1972).

<sup>7</sup> On the tensions and complexity of Smith’s thought in general, see Alvey (2003).

<sup>8</sup> The abbreviations of the references to Smith’s works are as follows: *The Theory of Moral Sentiments* (TMS), *Lectures on Jurisprudence* (LJ) and *An Inquiry into the Nature and Causes of the Wealth of Nations* (WN).

<sup>9</sup> Another possible influence on Smith’s views on war and peace was Grotius (2005) *The Right of War and Peace*. Thanks to an anonymous referee for pointing it out.



<sup>10</sup> For the Scottish debate about the “militia vs. standing army”-issue, see Robertson (1985) and Berry (2013, pp. 167-172); for Smith’s point of view on this issue, see Harpham (1984, pp. 768-770) and Montes (2004, pp. 61-69; 2009).

<sup>11</sup> Even though Smith does not approve of wars in general, he does argue in his *Theory of Moral Sentiments* that the effects of wars on the characters of soldiers are often rather positive. He sees war “as the great school both for acquiring and exercising this species of magnanimity. [...] In war, men become familiar with death, and are thereby necessarily cured of that superstitious horror with which it is viewed by the weak and unexperienced.” As a result, war “ennobles the profession of a soldier, and bestows upon it, in the natural apprehensions of mankind, a rank and dignity superior to that of any other profession” (*TMS* VI.iii.7). Smith continues to argue that “war and faction are certainly the best schools for forming every man to this hardiness and firmness of temper [and] they are the best remedies for curing him of the opposite weaknesses” (*TMS* VI.iii.20).

<sup>12</sup> This also limits the share of the population that can be employed as soldiers. Smith states that in “the civilized nations of modern Europe [...] not more than one hundredth part of the inhabitants of any country can be employed as soldiers” (*WN* V.i.a.11), while in agricultural nations a fourth or a fifth of the population can go to war (see also *LJA* 78-79). Since a commercial nation is much more populous than an agricultural society, this means that a commercial society would have absolutely more soldiers while their share of the population would decrease.

<sup>13</sup> For Smith’s doubts on the efficacy of a sinking fund, which would be a measure for such debt reduction, see Signorino (2016).

<sup>14</sup> Earlier in the *Wealth of Nations*, Smith discusses “three different ways” in which a nation can pay for a foreign war, namely “by sending abroad either, first, some part of its accumulated gold and silver; or, secondly, some part of the annual produce of its

manufactures; or last of all, some part of its annual rude produce” (*WN* IV.i.21). The best way to pay for a war is by producing large amounts of manufactured goods according to Smith. He concludes that “[t]he enormous expence of the late war, therefore, must have been chiefly defrayed, not by the exportation of gold and silver, but by that of British commodities of some kind or other” (*WN* IV.i.27).

<sup>15</sup> On Smith and his view on empire see Van de Haar (2013).

<sup>16</sup> Smith does not assume that trade decreases national prejudices and that patriotism decreases. Rather, “the noble [principle] of the love of our own country” will be present in commercial societies and it can lead to “most malignant jealousy and envy” (*TMS* VI.ii.2.3). For the role of patriotism in international relations in Smith’s theory, see Van de Haar (2009, 2013) and Wyatt-Walter (1996).

<sup>17</sup> Even today, many people might see war as a form of entertainment as long as they are not directly involved. Therefore, it might not be surprising that “[r]esearch on conflict coverage reveals a long-standing preference for war in the printed press, radio and television” (Shinar, 2013, p. 1).

<sup>18</sup> See also Schliesser (2017).

<sup>19</sup> See also Hanley and Paganelli (2014).

<sup>20</sup> The other two are justice and the maintenance of certain public institutions.

<sup>21</sup> See also Buchan (2006).

<sup>22</sup> This only holds true for war between two Christian countries. Smith observes that the degree of humanity shown by modern European nations is much lower in wars with non-Christian nations, as for example during the Crusades (*LJB* 347-8).

<sup>23</sup> This is not the case in a sea war, where “[a]n admiral seizes and plunders all the merchant ships” (*LJB* 348), because this booty can easily be carried around on one’s own ship.

<sup>24</sup> Others might lose, especially land owners: “This is indeed at the expence of the landlords and better sort of people, who are generally ruined on such occasions” (*LJB* 349).

<sup>25</sup> On Smith’s theory of economic progress and the varied development of different countries, see Schumacher (2016).