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# The Forgotten Legacy of Bernard Mandeville

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Bret T. Tuley

Bernard de Mandeville, an eighteenth century Dutch radical thinker, was widely condemned in his day for his views, but is important to us today because many of his ideas have had an influence on subsequent economic thought. Mandeville (1670-1733) was a precursor to Adam Smith, who has been dubbed the father of classical economics. Contrary to popular belief, it was Mandeville and not Smith who first described the seeming paradox that through individuals pursuing their own self-interests, the good of the public as a whole is increased. Also, Mandeville was one of the first proponents of free trade and specialization as keys to economic growth. To a more limited extent, Mandeville might also be considered a precursor to John Maynard Keynes, often referred to as the father of macroeconomics. Keynes concurred with Mandeville's vision of the effect on the economy of too little consumption, i.e., too much savings. It is lamentable that despite these noteworthy contributions, to most people Mandeville remains an obscure figure in the evolution of economic thought.

Although Mandeville published thirteen separate works, only the two most pertinent to his economic views will be discussed here. They are *The Fable of the Bees: Or, Private Vices, Public Benefits* and his *Modest Defence of Publick Stews. Or, an Essay Upon Whoring as it is Now Practiced in These Kingdoms*. *The Fable of the Bees* is Mandeville's most well-known work and has received the most scholarly attention and criticism. *The Fable* grew out of an allegorical poem, *The Grumbling Hive: Or, Knaves Turn'd Honest*, which Mandeville published as a six-penny pamphlet in 1705.<sup>1</sup> It remains today, as when it was written, quite controversial. Indeed, the book was declared a public nuisance by the grand jury of Middlesex in 1723.

“PRIVATE VICES, PUBLIC BENEFITS”:  
SELF-INTEREST & THE INVISIBLE HAND

“The Grumbling Hive” is a thinly disguised story about English society, written in verse. In this allegory, a productive but corrupt society thrives. However, through the teachings of Jove the society becomes honest and virtuous—and all economic activity comes to a halt. In the poem, Mandeville underscores the close relationship between economic growth and the well-being of the hive. He also frankly acknowledges the negative aspects of human nature. His main theme is that without individuals acting in their own self-interests, which arguably leads to corruption and vice, the economy would collapse.

One can see why this upset many of his contemporaries, for Mandeville’s narrow definition of vice (as self-love) depicted morality and religion in constant conflict with worldly demands (Cook 1974, p. 95). Mandeville asserts that Greed, Luxury, and Prodigality provide pressure for the creation of goods, and thus create employment:

The Root of Evil, Avarice, . . .  
Employ’d a Million of the Poor,  
And Odious Pride a Million more:  
Envy itself, and Vanity,  
Were Ministers of Industry;  
Their darling Folly, Fickleness,  
In Diet, Furniture and Dress,  
That strange and ridic’lous Vice, was made  
The very Wheel that turn’d the Trade  
(1924, vol. I, p. 25)

Clearly, what Mandeville saw as the driving force of the economy and the modus operandi of the people differed greatly from many of his contemporaries who argued that hard work and virtue propelled the economy. According to Mandeville, excessive vice actually made nations great:

Thus every part was full of Vice,  
Yet the whole Mass a Paradise; . . .  
. . .  
Such were the Blessings of that State;  
Their Crimes conspir’d to make them Great  
(p. 24)

In Mandeville’s vision once the hive becomes honest we see a much

different society, one in which all trades are driven either to depart or retire. Mandeville insists that in a society in which humans do not indulge their passions — that is, one in which “Vain cost is shunn’d as moral Fraud” (p. 31) — all industry would cease, for no demand would propel it. One of the many examples Mandeville uses is that taverns would lose business because the virtuous would shun them, and pawn brokers would be bankrupt, for “No Honor now could be content, / To live and owe for what was spent” (p. 31).

Mandeville further asserts that society directly benefits from a vice-propelled rising standard of living. He writes:

Thus Vice nurs’d Ingenuity,  
Which join’d with Time and Industry,  
Had carry’d Life’s Conveniences,  
It’s real Pleasures, Comforts, Ease,  
To such a Height, the very Poor  
Lived better than the Rich before  
(p. 26)

While one may admire the audacity of Mandeville’s argument, one must also not overlook the historical context in which it was made. In early eighteenth century England, production depended upon the conspicuous consumption of luxury goods by a small, wealthy, leisured elite (Speck 1975, p. 70). It was the spending habits of this minority, and not the patterns of consumption of the lower classes, which generated economic activity in this period (p. 70). In such a society one can see more clearly how the “impure” motives of the upper class played a significant role in economic growth.

Adam Smith also addressed the paradox of vice leading to virtue in his theory of the “invisible hand,” which asserts that through individuals’ following their own self-interests, the common good is achieved more effectively than is generally understood. Mandeville recognized this paradox some fifty years earlier; Smith simply used different terminology and reasoning to reach his conclusions. Indeed, in Mandeville’s own words, “The worst of all the Multitude / Did something for the Common Good” (1924, vol. I, p. 24). The difference is that Smith’s theory is rooted in his stoic philosophy which asserts that Nature (God) is always good, so everything that happens is for the best. In contrast, Mandeville’s reasoning is based on the belief that humans are inherently flawed.

Thus, the two do not differ regarding the basic principle of the paradox, but in their concept of human nature. Mandeville seems to insist that all human action can ultimately be traced to self-love and, therefore, to vice. Smith asserts that humans can exhibit behavior not motivated by self-love. In

his *Theory of Moral Sentiments*, Smith offers the example of “losing your little finger to save a hundred million of your brethren who would otherwise die tomorrow” (1976b, p. 234). Smith assumes that one would make such a sacrifice. His reasoning lies in his theory of the “impartial spectator”:

It is reason, principle, conscience, the inhabitant of the breast, the greater judge and arbiter of our conduct. It is he who, whenever we are about to act so as to affect the happiness of others, calls to us, with a voice capable of astonishing the most presumptuous of our passions, that we are but one of the multitude, in no respect better than any other in it. (p. 235)

Smith asserts it is not self-love, but a stronger love that prompts us to act virtuously in such situations. It is “the love of what is honorable and noble” (p. 235). Thus, to Smith, humans are capable of virtuous action for its own sake, a point which Mandeville seems unwilling to acknowledge.

Charges by Mandeville’s critics that he advocated vice almost certainly inspired him to explain at greater length in a series of “Remarks” how he had reached his conclusions. In *Remark Q*, Mandeville asserts that social processes which promote greedy emulation of one’s neighbor’s wealth, such as unequal division of land and expansion of trade, stimulate unending innovations and profitable changes (Bianchi 1993, p. 212). However, institutions are subject to a legal and political environment which functions to discipline individual drives and channel them into cohesive behavior for the well-being of society as a whole (p. 212). Mandeville viewed institutions and laws as evolving slowly and experimentally, changing as human beings following their own self-interests find ways around old laws. This illustrates the thesis of his *Fable*, that, “Private Vices by the dextrous Management of a skilful Political may be turned into Publick Benefits” (Mandeville 1924, p. 131). Thus, one may conclude that Mandeville does not necessarily encourage vice, but recognizes its critical role in the economy. One might say he is simply being realistic.

In *Remark O*, Mandeville condemns the clergy for hypocrisy. He observes that the doctrine of virtue preached by the church cannot even be adhered to by the clergy itself. He thus argues that the church’s high ideals are just that, and can not possibly be attained. Mandeville’s contention is that sins we commit do not spring so much from indifference to religion as from our inability to subdue our passions (Cook 1974, p. 80). Such attacks on the church did not go unnoticed, however, and earned Mandeville a reputation as a Deist, which in his day was nearly equivalent to being called an atheist (p. 79).

More than any other section in the *Fable of the Bees*, “An Essay on Charity and Charity-Schools” helped to earn Mandeville the reputation as an enemy

of virtue (p. 125). This essay was a direct attack on the British Societies for the Reformation of Manners. These Societies were royally encouraged and by 1700 some twenty of them existed in London alone (Speck 1975, pp. 66-7). Along with being concerned with the reformation of manners, they also participated in the charity-school movement (p. 67). According to Cook, the sponsors of these schools were concerned with improving the poor morally rather than intellectually (1974, p. 125). Instruction in most schools, therefore, was limited to reading the Bible and to learning the catechism, though occasionally simple arithmetic was also taught (p. 125). These schools had other critics besides Mandeville, but most preferred not to go on record as enemies of "Christian benevolence" (p. 125). This, however, did not deter Mandeville.

In the opening of his essay, Mandeville defines charity as "that Virtue by which part of that sincere Love we have for ourselves is transferred pure and unmix'd to others . . ." (Mandeville, in Cook 1974, p. 125). Mandeville insists that no action can be considered genuinely charitable if done to try to win the good opinion of others or to think well of oneself (pp. 125-26). He admits charity is an amiable quality; however, he asserts it is not to be called a virtue "since it derives ultimately from a self-indulgent wish to spare ourselves the mental anguish of unpleasant sights and feelings" (p. 126). Once again private vices incidentally lead to public benefits (p. 126).

However when charity becomes "too extensive," Mandeville asserts that its bad effects soon outweigh its good (p. 126).<sup>2</sup> Mandeville argues that "To lavish charity on the poor . . . is to remove their sole incentive for working at all . . ." (p. 126). This is the major point of Mandeville's essay, that such ill-advised benevolence is "but to breed Drones and destroy Industry" (Mandeville, in Cook 1974, p. 126). Clearly, Mandeville recognized the disincentive to work provided by welfare which allows the recipient to purchase leisure. No doubt he would heartily condemn the former U.S. welfare system.

Mandeville also believed that if laborers are to remain tractable in their humble station in life, they must be kept ignorant as well as poor (p. 126).<sup>3</sup> The crux of Mandeville's case rests on his contention that "such schools by fostering unrealistic ambitions and desires, effectively ruin their pupils for the laborious roles to which society has assigned them" (p. 126). Mandeville makes no apologies about his stand, nor does he shift the blame to God as many of his contemporaries did; Mandeville's argument is that pure economic efficiency justifies keeping the lower orders in their place in society (p. 127).

## DIVISION OF LABOR AND SPECIALIZATION

According to Adam Smith, one of the key determinants of a nation's wealth is the skill, dexterity, and judgment of its workers. Furthermore, division of labor is the key to improving the skill, dexterity, and judgment of the labor force. However, the degree of specialization depends on the extent to which trade is possible. Several scholars have noted that although one can choose among a number of possibilities as to Adam Smith's precursors with respect to his view of the division of labor, it is well known that Smith had read Mandeville very carefully (Rosenberg, 1987, p. 298). Indeed, while Smith neither praised Mandeville nor gave him proper credit, Smith did choose to devote a chapter to Mandeville in his *Theory of Moral Sentiments*. He titled the chapter "Of Licentious Systems."

Mandeville regarded the division of labor as crucial for economic growth. In 1728, roughly fifty years before Smith penned *The Wealth of Nations*, Mandeville wrote:

. . . if one will wholly apply himself to the making  
of Bows and Arrows, whilst another provides  
Food, a third builds Huts, a fourth makes  
Garments, and a fifth Utensils, they not only  
become useful to one another, but the Callings  
and Employments themselves will in the same  
Number of Years receive much greater  
Improvements than if all had been promiscuously  
follow'd by every one of the Five.  
(1924, vol. II, p. 284)<sup>4</sup>

It is possible that Smith was inspired by Mandeville to create his famous pin factory example; that is, Smith used Mandeville's description of specialization of trades, and extended it to the division of labor within a single firm or industry. Smith's pin factory example illustrates the importance of the division of labor in even something as simple as producing a pin. In *The Wealth of Nations*, Smith asserts that because most workers are not proficient in the making of pins nor acquainted with pin-making machinery, a person probably could not make more than one pin in a day working alone, and definitely not twenty (1976a, p. 14). Smith observed that the production of a pin had eighteen separate operations, and he had occasion to visit a factory where ten workers were employed to perform these tasks (p. 15). According to Smith, by dividing the labor, those ten persons could produce up to forty-eight thousand pins per day, while one person working alone could at best produce twenty pins, or one-two hundred fortieth of his or her potential productivity (p. 15). It is clear from the preceding example—as well as from Smith's foot-

note regarding Mandeville in his *Wealth of Nations* which is placed at the beginning of his discussion of the division of labor (p. 13)—that Mandeville had a profound influence on Smith's thought.

In addition to improving productivity through division of labor, Smith also recognized that a precursor to economic growth is free trade. Mandeville realized the importance of free trade as well, and in this respect the two bear another similarity. In the *Fable*, Mandeville expands his discussion of free markets to the international arena. Specifically, in *Remark L*, he addresses the implications of restricting trade with Turkey. If England buys less, Turkey's economy shrinks and it will buy fewer English goods. England's economy will then also shrink, so it will buy even fewer Turkish goods, and so on (Mandeville 1924, vol. I, pp. 111-13). Thus, Mandeville was, in some important respects, an early advocate of free trade.

### OVER-SAVING OR UNDER-CONSUMPTION

Mandeville also asserts that when there is over-saving, there is insufficient demand for output and hence, high unemployment and economic stagnation.<sup>5</sup> According to Mandeville's *Remark Q*, most people believe that the way to increase their estate is through saving (1924, vol. I, p. 182). However, as *The Grumbling Hive* demonstrates, when this is applied to an entire nation, insufficient demand for goods and services results. In contemporary language, this leads to a decline in the gross national product (GNP). According to Mandeville, in contrast to the prevailing mercantilist view, "for let the Value of Gold or Silver rise or fall, the Enjoyment of all Societies will ever depend on the Fruits of the Earth, and the Labour of the People" (p. 197). That is, the key to a rising standard of living (GNP) for an entire nation is not saving, but rather employment and consumption.<sup>6</sup>

It is interesting to note that John Maynard Keynes, the father of macroeconomics, writing his *General Theory* more than 200 years after *The Grumbling Hive*, based his central tenant upon Mandeville's statement. It is well known that, according to Keynes, too little consumption (over-saving) may reduce output and employment, as it would destroy the motives for production. In the *General Theory*, Keynes quotes Mandeville at length to emphasize his conclusions regarding the value of consumption for the economy; that is, that consumption is critical to the level of output and employment (1936, pp. 359-61). Indeed, Keynes's use of Mandeville to illustrate this point indicates that he recognized Mandeville as an important influence on his thinking, and sought to give him proper credit.

### THE ROLE OF GOVERNMENT AND COMPETITIVE MARKETS



Another provocative work, Mandeville's *Essay Upon Whoring* (1724), reveals his views on the economic role of government, and strikes us today as far from out of date. Indeed, the issue of legalizing the oldest profession was recently brought to public attention by a 1994 San Francisco proposal to do just that. The reasoning behind San Francisco's proposal parallels Mandeville's.<sup>7</sup>

Mandeville takes a hard-line mercantilist approach to the subject, as if to poke fun at his contemporaries whom he knows will be morally outraged (Cook 1974, p. 94). His argument for government-regulated brothels is that if prostitution cannot be eliminated, it should at least be controlled and its social costs minimized (p. 94). The state would benefit from increased revenues, regulation would eliminate the city's crime-ridden red-light districts (given that independent prostitutes or brothels would not be allowed), and the prostitutes would attach a sense of value to their profession. Also, in such a system the patrons would be spared the risks of disease and robbery (p. 99). According to Mandeville, the government's overriding concern must be for the good of the public as a whole. "And therefore we may with Confidence affirm," he wrote, "that no sinful Laws can be beneficial, and *vice versa*, that no beneficial Laws can be sinful" (Mandeville, in Cook 1974, p. 95). Noteworthy here is the fact that Mandeville recognized that the appropriate role of government in the economy is correction of market failures and achievement of social harmony. Even the most avid free-market oriented economists of today generally accept this precept as a necessary condition.

## CONCLUSIONS

Although Bernard de Mandeville was not an economist, his writings served as an important impetus for ideas of later economists, and thus he helped shape the direction of economic thought. One of his greatest achievements may have been his separation of economic and social systems from the restrictions of religious and moral systems and codes. Once this has been done, he pursues his arguments in a purely logical, utilitarian manner.

Mandeville articulated the importance of division of labor in society, and was far ahead of many of his contemporaries in the way he looked at evolutionary processes. As he asserts about governments, laws, and even the concept of virtue itself, "I think of all Inventions of this sort . . . that they are the joint Labour of Many. Human Wisdom is the Child of Time" (Mandeville, in Cook 1974, p. 124). With this in mind, he thought not only about today, but indeed about what is good for society as a whole in the future. The concepts of a rising standard of living and the role of specialization are but two concepts which bring future public benefits. Mandeville's thoughts on what brings about social cohesion are equally to be noted. On the one hand, according to Mandeville, a viable social order can emerge out of our sponta-

neous and purely egoist impulses which require neither interference by the government nor altruistic behavior (Rosenberg 1987, p. 298). On the other hand, private property and institutions are intimately combined with a legal and political framework whose task it is to convert individual drives into cohesive behavior (Bianchi 1993, p. 212). According to Mandeville, vice should only be discouraged when it becomes criminal. "So Vice is beneficial found, / When it's by Justice lopt and bound" (Mandeville 1924, vol. 1, pp. 36-7). Thus, contrary to some people's views, when Mandeville refers in the *Fable* to "the dextrous Management of a skilful Politician," he is not advocating interventionism in the economy. He is merely advocating that government correct market inadequacies. As noted earlier, Mandeville was one of the first proponents of free trade and saw a wise government as the only way to bring about social harmony.

Bernard de Mandeville is also important for quite another reason. According to Keynes, Mandeville, along with Malthus and a few others, is one in the "brave army of heretics" who should be remembered for "following their intuitions, [and] prefer[ing] to see the truth obscurely and imperfectly rather than to maintain error" (1936, p. 371). Although Adam Smith did not agree with Mandeville's moral vision, even he, a moral philosopher, conceded that, "But how destructive this [socioeconomic] system may appear, it could have never imposed upon so great a number of persons, nor have occasioned so general an alarm among those who are the friends of better principles, had it not in some respects bordered upon the truth" (1976, p. 495).

The above quotations suggest that not all ideas are well received or even well respected in their day, but they may be, nonetheless, important and influential. The prevailing majority view is not always correct and should never be taken as sacrosanct. It is interesting to note that Friedrich Nietzsche, the nineteenth century German philosopher, who, like Mandeville, preferred to follow the less traveled path, observed that, "Something might be true while being harmful and dangerous in the highest degree" (1966, p. 49). Mandeville himself notes that, "One of the greatest Reasons why so few People understand themselves, is, that most Writers are always teaching Men what they should be, and hardly ever trouble their Heads with telling them what they really are" (1924, vol. I, p. 39).

## NOTES

- 1 Some nine years later, the first edition of the *Fable* appeared. Mandeville reissued this work several times over the next fourteen years, making additions and even publishing a second volume in 1728.

- 2 Friedrich Nietzsche (1844-1900), a German philosopher, and an unconventional thinker like Mandeville, observed, "This is the hardest thing of all: to close the open hand out of love, and keep modest as a giver" (1967, p. 135).
- 3 Laws in many U.S. states prohibited the education of slaves until the 1863 abolition of slavery.
- 4 Adam Smith suggests, in his *Wealth of Nations*, that Sir William Petty was the first to use the term division of labor: "For in so vast a City Manufactures will beget one another, and each Manufacture will be divided into as many parts as possible, whereby the work of each Artisan will be simple and easie: As for Example. In the making of a Watch, If one Man shall make the Wheels, another the Spring, another shall Engrave the Dial-plate, and another shall make the Cases, then the Watch will be better and cheaper, than if the whole Work be put on any one Man" (Sir William Petty [1683], in Smith 1976b, p. 13).
- 5 According to Adam Smith, a society cannot save too much (Keynes 1936, p. 363). However, Smith may have failed to recognize that there would be no incentive to invest if there were excessive saving, as no one would intend to buy any products or services.
- 6 However, while Mandeville recognized the important role of consumption, he may have failed to recognize the crucial relationship between savings and investment. That is to say, if saving is extremely low, there may be little investment because there will be no funds to borrow, or the cost of capital (the interest rate) will be too high. Thus there would be little capital accumulation and, hence, little or no economic growth. Again, the result would be economic stagnation.
- 7 As John Maynard Keynes asserts in his *General Theory*, ". . . the ideas of economists and political philosophers, both when they are right and wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. . . . so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest" (1936, pp. 383-84).

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