Abstract

Is trade a promoter of peace? David Hume and Adam Smith were strong supporters of trade and commerce. In contrast to what is often believed, Smith and Hume do not claim that commerce promotes peace. Rather they suggest that commerce encourages wars. For Smith, public debt and its use to finance wars grows with economic development. Debt financing wars decreases their perceived cost, increasing their number and prolonging their length. For Hume, commerce increases the discipline of soldiers and promotes technological advances which facilitate martial activities. Neither Smith nor Hume assumes that international trade would yield a peaceful world.
More Commerce, More Wars: Adam Smith and David Hume on the
Effects of Economic Development on Warfare

Contrary to what is commonly believed, two of the most famous promoters of the benefits of trade, Adam Smith and David Hume, claim that commerce and the wealth it creates may not decrease, but actually increase, international conflicts. This is because of the decreased perceived cost of war financing. Understanding their contribution sheds light on the current and still open debate on the effects of commerce on warfare.

The rise of international trade brought hopes of a more peaceful world. But it also brought 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 research about the answer to the question: Is trade a cause of increasing or of decreasing international conflicts?
Empirical studies have not yielded conclusive results on the effects of trade on wars. Although most empirical studies support the claim that commerce promotes peace,¹ these studies and their research methods are not uncontroversial. The causal link remains a topic of debate. Keshk, Pollins, and Reuveny (2004) show that armed conflicts reduce trade, rather than that trade reduces conflicts. Most studies agree that war decreases trade,² but Barbieri and Levy (1999, 2003) do not find any relationship. Goenner (2004), Keshk, Pollins, and Reuveny (2004), Kim and Rousseau (2005), and Ward, Siverson, and Cao (2007), among others, even question whether there is any relationship between economic interdependence and peace.³

Theoretical studies also offer different interpretations of the relationship between trade and international wars. International trade is often seen as either a continuation of war by other means – a position represented by, for example, some proponents of Realism and Neo-Mercantilism (e.g., Barbieri 1996, 2002; Buzan 1984; Waltz 1970, 1979) – or as a means of peace: war and trade exclude each other. This second approach is often labelled as *doux*

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¹Recent studies that arrive at this result include Gartzke and Hewitt (2010), Hegre, Oneal, and Russett (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, Mayer, and Thoenig (2008).


commerce⁴ representing the classical liberal position of commercial peace. The doux commerce thesis has three dimensions, two domestic and one international. First, commerce has civilising effects on the citizens of a nation, facilitating a peaceful coexistence among fellow citizens and guaranteeing the rule of law. Second, commerce and international trade are seen as a restraining force on tyrannical and arbitrary leadership. And third, that international trade leads to peace among nations. The best known representative of doux commerce is Montesquieu,⁵ who expounds all three dimensions in his De L’Esprit des Lois (Montesquieu 1989 [1748], 338). Most economists, who argue in favour of free trade, propound as one of their arguments the peaceful effects of commerce, as can be read in most textbooks on international economics.⁶

David Hume and Adam Smith, two of the most influential scholars of the Scottish Enlightenment, are often associated with liberal commercial peace theory, as promoters and

⁴ 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 [1977], 59).

⁵ Montesquieu does not use the term doux commerce, but he describes that commerce leads to “gentle mores” (“mœurs douces”) and that “it polishes and softens barbarous mores” (“il polit & adoucit les mœurs barbares”) (1989 [1748], 338; 1950 [1748], 445-6).

⁶ The doux commerce thesis is often seen as an addition or supplement to the democratic peace theory, which dates back to Immanuel Kant and states that democratic societies to not engage in war with each other. In contrast to this view, some scholars have suggested, based on recent studies, that both are not complementary but that the trade and free markets can explain the peaceful relationship between democracies. These scholars suggest that there is no democratic peace, only a commercial peace (see, e.g., Gartzke 2007; Gartzke and Hewitt 2010; Polachek and Seiglie 2007)). A critique of this position can be found in Dafoe (2011).
supporters of commercial societies. Smith is often portrayed as a figurehead of “liberal pacifism” (Doyle and Recchia 2011, 1434) and as assuming that “[g]lobalisation promotes peace” (Dunne and Coulomb 2008, 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, 72). He is thereby portrayed as one of the earliest proponents of the tradition that regards international trade “as an influence for peace” (Modelski 1972, 234). 7 Similarly, Hume is portrayed in the tradition of thought that “free international trade promotes harmony in international relations and helps prevent wars” (Gomes 1987, 121). Their pacifism is justified among other reasons by the assumed high opportunity costs of war (e.g., Goodwin 1991; Anderton and Carter 2009, 97) and by the presence of prudence and force (Manzer 1996). 8

We suggest that their positions on this issue are not as clear cut as is often supposed: despite both of them being adamant supporter of trade and commerce, neither is optimistic about the advent of a peaceful era. To the contrary, they both seem to indicate that the increase of commerce increases the frequency and duration of wars. In line with Van de Haar (2009), 9 we argue that Smith and Hume are less optimistic about trade and wars than their French contemporaries. But different from Van de Haar, we show that even if they do not see international trade as an extension of war, even if they see international trade as an instrument and symptom of an advanced commercial society and civilization, neither Hume nor Smith advocates doux commerce as a promoter of peace. Their theories do not suggest that the world will become more peaceful as a result of economic progress and commerce. Their theories do

7 Many economists of the 19th and 20th century indeed stand in the liberal peace tradition; see Silberner (1972 [1946]).

8 On the relation between trade and war see also Hont (2005).

not even suggest that there will be fewer wars. Even if commerce and international trade make
wars less brutal, commerce and international trade are not promoters of peace among nations.
To the contrary, commerce and international trade are likely to lead to conflicts that, while more
effective and more humane, will be more frequent and last longer.\textsuperscript{10}

\textbf{Hume}

For Hume,\textsuperscript{11} commerce incentivizes war. By nature, our “selfishness and ambition”
(Hume \textit{THN} 3.2.11.1) and our sociability create conflicts since “[m]en cannot live without
society, and cannot be associated without government. Government makes a distinction of
property, and establishes the different ranks of men. This produces industry, traffic,
manufactures, law-suits, war, leagues, alliances, voyages, travels, cities, fleets, ports, and all
those other actions and objects, which cause such a diversity, and at the same time maintain
such an uniformity in human life” (Hume \textit{THN} 2.3.1.9). Commerce introduces wealth, which
gives us even more reasons for armed conflicts. The poorer a society is the lower are the

\textsuperscript{10} We are only concerned with the international dimension of the \textit{doux commerce} thesis in this
article that is the commercial peace thesis. We thus focus on what Keohane (1993, 271) labels
“commercial liberalism” and do not deal with “republican liberalism” on which the democratic
peace theory is build. There is a third liberal approach, namely “regulatory liberalism”
(Keohane 1990), which builds on (liberal) international rules and institutions. All three aspects
were included in Kant’s famous \textit{Perpetual Peace}. As to commercial liberalism, Kant states that
 “[t]he commercial spirit cannot co-exist with war” (1903 [1795], 157). A detailed analysis of
the democratic aspects of Kant’s theory can be found in Danilovic and Clare (2007).

\textsuperscript{11} The abbreviations of the references to Hume’s work are as follows: A Treatise of Human
Nature (\textit{THN}), Essays Moral, Political, and Literary (\textit{E}), An Enquiry Concerning the Principles
of Morals (\textit{EPM}), The History of England (\textit{H}) and Letters of David Hume (\textit{L}).
incentives that a neighbour would attack it, and the lower the need of regular defence institutions. In societies where each member has little possessions, wars are unlikely, due to the small gains that could be reaped. On the other hand, a rich society is a source of conflict. If the rich society is weak, it can become prey to its poorer but more powerful neighbours. If the rich society is powerful instead, it can dissipate its wealth in absurd projects (E, p. 321). Commerce is not able to eliminate wars but rather it gives incentives to increase their number and duration. What commerce can do is make wars more humane, even if commercial states become more powerful militarily and more effective in fighting wars.

For Hume, indeed, the nature and the devastation of wars vary and depend on historical circumstances: Wars in antiquity, even if motivated by the same drives as in modernity, differ from modern wars in ferocity and frequency. In line with the idea of the civilizing role of commerce described by promoters of doux commerce such as Adam Ferguson (1996 [1767]),¹² Hume sees commerce bringing about more humanity, even in the battlefield, but differently from them, he sees commerce also bringing about more wars rather than less.

Economic development and commerce increase not only the wealth and its unequal distribution which motivate wars, but also the military capability and the ability of a nation to conduct war. His reasoning is as following: Most people have to work in order to provide their means of subsistence. When they are called to arms they cannot work, and as a result they will not be able to provide for their livelihood. Thus, in cases in which the majority of people work

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¹² On Ferguson’s philosophy of war, see C. Smith (2014).
to maintain subsistence, there has to be a deficiency in military skills and sophisticated weapons (Hume E, pp. 260-261).\textsuperscript{13}

Economic and technological development, usually brought about by commerce, on the other hand, increases agriculture productivity, which means a smaller share of people has to work to produce what is needed to live and to live comfortably. Thus, fewer people are needed for the production of the provision of basic supply for a nation: There are more and more “superfluous hands [which] apply themselves to the finer arts, which are commonly denominated the arts of \textit{luxury}” (Hume E, p. 256) so that in times of peace, the surplus agricultural produce maintains manufacturers and the “improvers of liberal arts”.\textsuperscript{14} Whereas in times of wars, the surplus agricultural produce is used to support the war effort. Hume concludes that “[t]rade and industry are really nothing but a stock of labour, which, in times of

\textsuperscript{13} Hume does qualify his statement that “the public becomes powerful in proportion to the opulence and extensive commerce of private men”, because there might be exceptional cases, at least in theory: “I cannot forbear thinking, that it may possibly admit of exceptions, and that we often establish it with too little reserve and limitation. There may be some circumstances, where the commerce and riches and luxury of individuals, instead of adding strength to the public, will serve only to thin its armies, and diminish its authority among the neighbouring nations. Man is a very variable being, and susceptible of many different opinions, principles, and rules of conduct. What may be true, while he adheres to one way of thinking, will be found false, when he has embraced an opposite set of manners and opinions” (Hume E, p. 255).

\textsuperscript{14} In contrast, this opposition was not resolved accordingly in the republics in ancient Greece and Rome. Their strengths were rather due to the “want of commerce and luxury” (Hume E, p. 256). Such a situation was due to historical circumstances and forms an exception. A repetition of this situation in modern times is not feasible for Hume (E, pp. 258-260).
peace and tranquillity, is employed for the ease and satisfaction of individuals; but in the exigencies of state, may, in part, be turned to public advantage” (*E*, p. 262).

The difference between ancient and modern times, that is, the difference between non-commercial and commercial societies, is therefore that in non-commercial societies the more hands are employed as soldiers the fewer goods can be produced for consumption, creating a tension between the greatness of the state and the happiness of its people. In contrast, in commercial societies, manufacturing and commerce create “a kind of storehouse of labour” which “in the exigencies of state, may be turned to the public service” (*Hume* *E*, p. 272). So in commercial societies, it is easy to convert manufacturers into soldiers, making commerce and military strength two sides of the same coin. Different from pre-commercial societies, commercial societies generate enough wealth to support strong armies and long wars.

The evidence Hume offers is a comparison of European nations then and a few centuries earlier: France in Hume’s time was able to pay more than 400,000 soldiers during war, while a couple of centuries before it could barely afford to support an army of 20,000 men without exhausting the nation (*Hume* *E*, p. 273). The situation in ancient England was similar. The poverty of England and its lack of public credit made wars too expensive to sustain. And indeed 14th and 15th century wars in Europe were characterised by continual interruption in their hostilities due to the poverty of all the European princes (*Hume* *H*, Vol. II, p. 367). So, an economically developed nation, a nation whose economy is based on commerce, is much stronger and can maintain much larger fleets and armies than a less developed nation, making it easier to engage in conflicts.

Commerce, therefore, increases the number and the duration of wars rather than decreasing them. Commerce and the economic development that goes with it make more
expensive wars possible, not because wars are an extension of foreign trade, but because of the increased ability of the sovereign to collect taxes to pay for it and to recruit soldiers.

The move that Hume makes here is striking: commerce does not make a society *doux*, but it does make it *stronger and happier*. Hume tells us indeed that “[i]ndustry, knowledge, and humanity, are not advantageous in private life alone: They diffuse their beneficial influence on the public, and render the government as great and flourishing as they make individuals happy and prosperous” (Hume *E*, p. 272): commerce, military capabilities, as well as happiness, are destined to increase together.

The happiness that commerce brings about is not necessarily a softening one. A common and powerful criticism of *doux commerce* is that *doux* means softening of the martial spirit, a criticism to which even Adam Smith subscribes. Commerce not only makes soldiers more feminine – a positive characteristic associated with civility and sociability – but more effeminate – a negative characteristic associated with weakness (Montes 2004; Sebastiani 2013). Hume defends the civilizing effects of commerce and at the same time reverses the *doux commerce* criticism of effeminacy: commerce makes men, yes, more humane, but also a more effective soldier, not a weaker one.15

In pre-commercial societies, men are indolent and slothful because of their poverty does not motivate them to be productive or disciplined. Barbarous societies lack discipline and martial skill; wars are bloody and destructive, because they relied on brute force. In commercial societies, on the other hand, there is an increase in discipline which is partially a result of economic and technological development and which renders a nation’s soldiers more reliable.

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15 Cf. Adam Ferguson; see Robertson (1985) and Sher (1989).
and an army stronger. Increased discipline is also the consequence of human reason, which is employed more often and in more sophisticated ways in commercial societies, and thus acquires a higher level compared to pre-commercial societies. War becomes less bloody and less destructive (Hume E, p. 273).

The difference in the bloodiness of ancient and modern wars is in part due to changes in technology: a change in the weapons used. In pre-commercial societies, soldiers fought in close quarters against each other which led to great slaughter on both sides: It was mainly physical strength that mattered. In contrast, modern wars are fought at greater distance thanks to the introduction of firearms and gunpowder, making physical strength and dexterity less important. This invention changed the whole art of war and made wars less brutal and withdrawals easier. Plunder by soldiers becomes less common and civil societies experience greater stability, because of the smaller destruction a war entails.16

So Hume offers his paradoxical conclusion: with commerce the military is not weaker but more effective, even if its civility increases and its ferocity decreases. Honor replaces anger, and martial spirit increases.17 Great Britain’s success in recent wars against France is due to both her riches and her national spirit and vigour (Hume E, p. 338).

16 Hume concludes that the inventions of firearms means that “[s]uccess in war has been reduced nearly to be a matter of calculation: And any nation, overmatched by its enemies, either yields to their demands, or secures itself by alliances against their violence and invasion” (Hume H, Vol. II, p. 230). See also E, p. 404-405; EPM VI.26; H, Vol. III, p. 81; H, Vol. II, p. 230.

17 This effect is counteracted by the decrease of anger, “the whetstone of courage”, but the sense of honour is a “stronger, more constant, and more governable principle” (Hume E, p. 274).
This development of humanity in wars, despite their increased frequency, is also supported by what Hume refers to as the “Laws of Nations.” For Hume, the establishment of civil governments and their mutual exchange leads to a new set of duties among the neighbouring states. The laws of nations establish the sacredness of ambassadors and the humane treatment of prisoners of war (Hume *EPM*, IV.2; see also *THN* 3.2.11.1, and *L*, No. 200). Such “instances of humanity” were not to be found among ancient Greeks or Romans.

Commerce therefore increases humanity in peace and in wars, but it increases also the discipline of soldiers and it promotes technological advances which facilitate martial activities. Hume does not approve of wars – they are often absurd and interrupt societal life – but they are an incurable evil. For him, there is little reason to assume that the number of wars should decrease with economic progress. To the contrary, there are indications to believe that the more commercial a society becomes, the lower are the costs of war and therefore the greater the ability and willingness of such a society to conduct wars.

**Smith**

Adam Smith, like David Hume, has ambiguous positions regarding the effects of commerce on war. Like Hume, he indicates that commerce and more humane ways to conduct wars are observable at the same time. But he adds that this simultaneous presence does not necessarily imply that commerce is the cause of the increased humanity. Like Hume, he also indicates that commerce, may not bring about peace, but rather increase the number and the

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18 The abbreviations of the references to Smith’s work 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*).
duration of wars. In commercial societies, which are more conducive of a system of natural liberty, one would expect an increase in peace, but what we observe is the opposite: “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). We can read *Wealth of Nations*, in part, as a possible explanation as for why that is the case.

Smith explains the increase in humanity in wars, typical of commercial societies, in his *Lectures on Jurisprudence*. Brutality and bloodiness characterized wars in ancient societies. In contrast, modern customs are much more respectful of both people and things. Like Hume, Smith uses changes in treatment of prisoners of war to exemplify this point. Yet, Smith adds, this “superiour degree of humanity” is less a result of the development of commercial societies, it is less a result of the laws of nations, which are frequently violated, but rather it is the result of Christianity, of “motives of policey [rather] than humanity”, and of development of weapons (*LJB* 348). Christians are “obliged” to treat other Christians in a humane way, which is why humanity in wars increased during the time of popery. An invading army may now spare the population in the defeated country from destruction or barbarity, may not rob the peasants, but rather may buy from them the provisions needed which cannot be carried by an army, thereby

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19 See also Buchan (2006).

20 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).
guaranteeing also a stable supply:21 there are cases in which “war is so far from being a
dissadvantage in a well cultivated country that many get rich by it” (LJB 349), especially
peasants.22 And, in addition, while direct confrontation in sword fights led to a great violence
and thus to great slaughter, firearms keep fighting armies at a greater distance, which are
therefore “less irritated at one another” (LJB 350).

Even the decrease in martial spirit observed in commercial societies, which could in
theory increase peace, increases wars instead. In a commercial society most people have
specialised employment. Because of their occupations, the majority of the people cannot engage
in regular military exercises as they do not have the time to do them 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 making, and tends to extinguish martial
spirit” (LJB 331). As a result, the majority of the people becomes less prone to war (WN
V.i.a.12-15; see also LJB 37). But Smith does not end here.

For Smith, commercial societies that rely on traditional militia are militarily weak. Workers in a commercial society lose their income during their employment in war, so they do
not want to serve in a war. Commercial societies, unlike other societies, are characterised by
their civil, not by their military, spirit. This means, the commercial spirit would prevail among
the members of such a militia, not the martial spirit, denigrating its strength and making rich
commercial societies easy prey of poor barbaric ones (see Hanley 2014). The solution for

21 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.

22 Others might lose, especially land owners: “This is indeed at the expense of the landlords
and better sort of people, who are generally ruined on such occasions” (LJB 349).
commercial societies is to develop and rely on a specialized military profession: a standing army. Smith describes standing armies indeed 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 higher skills and discipline (see also Sher 1989).

To achieve a “degree of perfection” in the art of war, division of labour is necessary, that is, warfare must become its own branch of specialisation. Soldiers of a professional and specialized army acquire greater skills due to their division of labour: They practice war exercises daily since that is now their job. War becomes an increasingly complicated science because of technological development resulting from an enhanced division of labour and professionalization (WN V.i.a.10-14).

Even more importantly, professional soldiers are disciplined, thanks to their daily obedience to their superiors. Similar to Hume, Smith argues that the invention of firearms changed the conduct of war. In agrarian societies, “a strong wall” was often all it needed in a city to keep the enemy at bay. But with the development of modern weaponry, such a defence is not sufficient (LJA iv.85-87, LJB 40-41).23 Similarly military skills of single soldiers, which were the main determinant of wars before the invention of firearms, become less important. Discipline becomes much more important, even if it is harder to maintain because of the noise and smoke of the fire-arms (WN V.i.a.21-25). In his Lectures on Jurisprudence, Smith adds that 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

23 In his Lectures on Jurisprudence, Smith expounds in more detail these improvements. They consist of both tactical advances – e.g., “the ordering of zig-zag approaches” – and technological improvements – the development of “warlike engines” (LJA iv.85).
people” (*LJA* iv.169; see also *LJB* 334-336).\(^{24}\) Discipline “can be acquired only by troops which are exercised in great bodies” such as standing armies (*WN* V.i.a.22).\(^{25}\) Smith’s historical evidence leads him to believe that a well exercised standing army must always be superior to a militia (*WN* V.i.a.23-36).\(^{26}\)

\(^{24}\) In contrast, in agricultural societies, soldiers came mainly from higher classes – “gentlemen” (*LJB* 40) or “men of honour who would do their duty from this principle, there was no occasion for discipline” (*LJB* 334-335), while “cultivation of the ground would naturally fall to the meanest rank” (*LJB* 334). However, in commercial societies, the former prefer to make money and thus be employed in commerce: “But when arts and manufactures increased and were thought worthy of attention, and men found that they could rise in dignity by applying to them, and it became inconvenient for the rich to go out to war, from a principle of avarice” (*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).

\(^{25}\) Smith discusses also the complex relationship between standing armies and liberty. In some cases, a standing army can undermine liberty, in others it can be favourable to liberty (*WN* V.i.a.41, see also *LJB* 337-338). By educating “the great body of people” and thereby maintaining its martial spirit, a standing army is unlikely to undermine liberty because of the possible resistance from the people (*WN* V.i.f.59).

\(^{26}\) The debate whether a militia or a standing army would be the best defence for a commercial nation was lead in the 18\(^{th}\) century. It seems that Hume did not take an emphatic view in this debate. However, he sees standing armies as a necessary development: “On the continent, [...] the necessity of discipline had begotten standing armies” (Hume H, Vol. V, p. 18). For the Scottish debate about the “militia vs. standing army”-issue, see Robertson (1985) and Berry (2013, 167-72); for Hume’s point of view on this issue, see Stewart (1992, 288-9); for Smith’s point of view on this issue, see Montes (2004, 61-9; 2009).
There is, however, one exception to specialized military, namely sailors and their ships. In contrast to Hume and his concept of a store-house of labour, Smith does not assume that people employed in manufacturing and trade can easily be transformed to soldiers in times of war, a reason why he is in favour of standing armies while Hume is not. But the naval power of Britain is different: having many sailors and ships employed in foreign and carrying trade during peace times means that they can be put at the service of the king during war times. In this way, commerce directly increases the military capabilities. When a war ends, soldiers will easily find employment as merchant and will not become unemployed (WN I.x.b.45, see also WN II.v.30 and IV.ii.24-42).

So for Smith, the consequences of the developments in the arts of war brought about in commercial societies are not peaceful. In early societies, a war between two nations is determined by a single irregular skirmish or battle in which most of the population would participate: Since these nations are small, their wars cannot last long (WN V.i.a.10, and LJA iv.13-14). In contrast, the more soldiers there are, the longer wars can last. And the 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 are bound to be more frequent and to last longer.

A standing army is expensive though. Non-commercial societies are too poor to afford a standing army. Only commercial societies have the means to pay for a standing army: public debt. Debt makes the great expense of military operations feel cheap, so wars can 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 modern great 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 for an 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). The development of stronger 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 defence paid for? Smith calculates that in commercial societies, the national expenses increase three- to fourfold as a result of war, which cannot be paid from with the normal budget. Wars create an immediate and great expense. This cannot be paid by a new tax, because a government is usually both unwilling and unable to levy such a high war tax. Governments are unable to levy the necessary taxes because it takes time to collect them and are thus of no help for an immediate threat. And government have scant

27 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 could have absolutely more soldiers.

28 Smith calculates that new taxes “will not begin to come into the treasury till perhaps ten or twelve months after they are imposed” (WN V.iii.4).
knowledge of the amount of taxes needed to cover that unpredictable expense. In addition, governments are unwilling to levy an additional tax “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). Therefore, during wars, tax revenue cannot increase much. It could be possible to increase revenues during times of peace and save for future wars, but Smith observes that this does not happen.

However, the development of the commercial society 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).29 During war time a government cannot afford to wait for the slow returns of new taxes. It has no other choice than borrowing.

29 Earlier in the Wealth of Nations, Smith had discussed that there are “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). Here, Smith does not mention debts and his point is to argue against the view that only gold and silver constitute national wealth. However, it is somewhat contradictory to his later remarks that modern wars have to be paid for by debts.
Here is another strong and explicit denial that commercial societies will be more peaceful: debts decrease the perceived price of wars, so there will be more and longer wars. Without debts, wars will not last long. If severely higher taxes would have to be increased for a war, people would feel “the complete burden of it” and “would soon grow weary of it”. Wars would have been “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 population, which thus does not feel any inconveniences of war, at least if they do not live in the battle zone. As a matter of facts, Smith makes the strong 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). Debts lead to a higher popularity of wars among the population and thus to longer and frequent wars.

This entertainment can be enjoyed, because the people, who live in the capital and in the provinces remote from the scene of action, do not feel any inconveniency from the war. 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 occupation 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-

30 On Smith and his view on Empire see Van de Haar (2013).

31 Many liberal thinkers assume that trade decreases national prejudices and leads to cosmopolitanism. Smith does not assume 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).
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 their costs can be passed to future generations. So, by decreasing the perceived cost of war, wars can increase in length and frequency.

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. A successful war promises booty. The winning side can conquer the capital and the treasure of another 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 and to have to face more defensive wars (WN V.i.a.15).

But rich commercial countries will also fall prey to the “mean rapacity [and] monopolizing spirit” (WN IV.iii.c.9) of big 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). Big merchants and manufacturers are willing and able to bring the country into war just to have that little increase in price which monopoly brings about (IV.viii.53).

Big merchants and manufacturers try all they can to defend monopolies and to create new ones for themselves. Smith observes such private interest is often “unconquerable” (WN IV.ii.43). The competing commercial interests of big merchants and manufacturers often
inflame the violence of national animosity. Neighbouring countries become enemies (WN IV.iii.c.13).32

Since Smith does not assume that wars will become less frequent or that the world becomes more peaceful with the increase of commerce, to the contrary, defence is of utmost importance: Defence is one of the three duties that a sovereign has (WN IV.ix.51).33 Due to the importance of defence for a society, commercial and economic interests have to take a back seat to matters of national security. International trade may be restricted for defence reasons. On this basis, Smith supports the British act of navigation (WN IV.ii.24-30), bounties on fisheries (WN IV.v.a.27) and trade restriction to protect certain branches of domestic productions which are required for defending a society (WN IV.v.a.36).

For Smith, there are therefore no reasons to assume that the world will become more peaceful, but there are reasons to assume that the number and duration of wars will increase. It is true that commercial activities undermine the martial spirit of a society 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 the perceived cost of war financing through debt decreases enough to give more incentives to dream of larger and larger empires achieved through military enterprises.

Conclusion

32 See also Hanley and Paganelli (2014).

33 The other two are justice and the maintenance of certain public institutions.
Does commerce bring about peace? Differently from what is commonly believed, two of the most famous promoters of the civilizing role of commerce seem to answer the question with a no. Commerce and the wealth it creates not only may not decrease international conflicts. They may actually increase international conflicts because commerce and the wealth it brings about decrease the relative and the perceived cost of wars, while increasing the possible spoils.

Schneider and Schulze (2003, 103) note that “the standard version of the peace-through-trade hypothesis assumes away domestic politics and considers sectorial interests to be irrelevant in the constitution of trade preferences.” Analysing the positions of Smith and Hume reintroduces considerations of domestic politics and sectorial interests, and offers a fresh contribution to the current and still open debate on the effects of commerce on warfare. For Hume, economic development brings about military technology and discipline which increase martial spirit rather than decrease it, while decreasing the relative cost of war. For Smith, martial spirit does decrease in opulent societies, but it is more than compensated for by the development of a specialized military, which makes armies more formidable. Wars are not necessarily decreasing in a commercial era. To the contrary, the decrease perceived cost of wars thanks to debt financing, the use of firearms, the specialization of the military via a standing army, the entertainment value of “dreams of empire”, and the big merchants and manufacturers’ ability to create and defend monopolies via government force, all play a role in increasing both the number and the duration of international conflicts. Smith and Hume, while defending and promoting international trade, give us additional ways to analyse the effect of trade on warfare, warning us not to take peace for granted.
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