

MORAL CANALS: TRUST AND SOCIAL CAPITAL IN THE WORK OF HUME, SMITH AND GENOVESI

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It is a truism that a market economy cannot function without trust. We must be able to rely on other people to respect our property rights, and on our trading partners to keep their promises. The theory of economics is incomplete unless it can explain why economic agents often trust one another, and why that trust is often repaid. There is a long history of work in economics and philosophy which tries to explain the kinds of reasoning that people use when they engage in practices of trust: this work develops *theories of trust*. A related tradition in economics, sociology and political science investigates the kinds of social institution that reproduce whatever habits, dispositions or modes of reasoning are involved in acts of trust: this work develops *theories of social capital*. A recurring question in these literatures is whether a society which organizes its economic life through markets is capable of reproducing the trust on which those markets depend. In this paper, we look at these themes in relation to the writings of three eighteenth-century philosopher-economists: David Hume, Adam Smith, and Antonio Genovesi.

The writers we examine were contemporaries, writing in the period when modern economics was beginning to take shape. David Hume

We are grateful to Nicolò Bellanca, Marco Guidi, Howard Sobel, the participants at a Bologna–Harvard–Cambridge Senior Seminar held in Bologna in January 1999, and two anonymous referees for comments on a previous version of this paper. Robert Sugden's work on this paper was supported by the Leverhulme Trust.

(1711–1776) and Adam Smith (1723–1790) were the leading figures in the Scottish Enlightenment, Antonio Genovesi (1713–1769) the leading figure in the equally remarkable Neapolitan Enlightenment. Although the Scottish writers are now much better known, scholarly economists recognize Genovesi and his Neapolitan contemporaries as early proponents of the subjective theory of value and of welfare economics (e.g., Schumpeter, 1994, p. 1054). There is a particular interest in comparing Scottish and Neapolitan viewpoints. Two prominent modern writers on social capital, Robert Putnam (1993) and Diego Gambetta (1993), have used southern Italy – the area of the former Kingdom of Naples – as a case study of how economic development can be frustrated by the absence of trust-inducing institutions. Both argue that the lack of social capital in southern Italy can be traced back at least to the eighteenth century, blaming the long survival of feudalism there and the autocratic and arbitrary nature of the Neapolitan administration. If Putnam and Gambetta are right, we might expect to find in Genovesi's economics particular sensitivity to trust and social capital.

Our central concern will be with the theory of trust, and with the question of whether, and in what sense, trust is rational. We will consider this question against the background of the wider concerns that are raised in the literature of social capital. That is, we will ask what different theories of trust can tell us about the conditions under which practices of trust can emerge and survive.

The mainstream view in current literature is that these questions should be posed in relation to the instrumental conception of rationality which dominates modern economics and game theory. However, there are dissenting voices which argue that other understandings of rationality are more useful in explaining trust. One of the benefits of studying the history of thought is that we can go back to times when concepts which now have narrowly-defined meanings were interpreted more fluidly. We can then see the potential for a body of theory to have developed in other directions than it actually did, and this may help us to escape the limitations imposed by our current concepts. We shall argue that our eighteenth-century writers had a more open understanding of rationality than is characteristic of modern economics. Their accounts of trust rely on ideas about rationality which encompass both the current mainstream position and the positions of the dissenters.

1. MODERN THEORIES OF TRUST AND SOCIAL CAPITAL

Our focus will be on theories which treat trust as something which, under the right conditions, is reproducible within a community of rational or reasonable individuals. The theories we shall discuss are intended to be both descriptive and normative. They are normative in

that they characterize trust as rational: under appropriate conditions, trust can be recommended to rational persons. But they are also intended to explain the practices of trust that we find in the world. Thus, the conceptions of rationality that are built into these theories are offered as stylized or idealized representations of the forms of reasoning that ordinary people use when they engage in practices of trust.

The main modern account of the rationality of trust is based on the idea of *reputation*. It works by decomposing economic and social interaction into discrete *games*, each involving a relatively small number of individuals and occupying a relatively short stretch of time. Within a game, players choose whether to be cooperative (that is, to repay trust) or not; everyone benefits if everyone is cooperative, but each has a self-interested incentive to be uncooperative, even if the others are cooperative. Each individual plays the same type of game an indefinite number of times (perhaps with the same opponents, perhaps with different ones). If individuals know something about the previous behaviour of their fellow players, it is possible for them to follow conditional strategies – cooperating with, and only with, those who have been cooperative in the past. In many such models, conditional cooperation is a Nash equilibrium. The usual interpretation given to these results is that trust can be sustained by rational self-interest, by virtue of the private value of a reputation for trustworthiness.¹

Given this theory of trust, we can ask what institutional structures tend to sustain the kind of trust on which markets depend. A number of theorists of social capital, including Mark Granovetter (1985) and Putnam (1993), have argued that reputations for trustworthiness are most worthwhile in societies in which there are dense networks of civic engagement. ‘Civic engagement’ refers to all forms of association in which individuals cooperate as equals (or *horizontally*). Putnam’s examples include neighbourhood associations, choral societies, cooperatives, sports clubs and political parties (p. 173). The ‘density’ of civic engagement is measured by the number, size and range of associations, and by the extent to which membership is cross-cutting, so that most people are linked to most others by many different chains of association. In each association of which she is a member, a person gains benefits by having a reputation for trustworthiness. Reputations are transmitted along the links in the network by virtue of the transitivity of trust: in Putnam’s words, ‘I trust you, because I trust her and she assures me that she trusts you’ (p. 169). Thus a reputation earned in one association can be used to gain benefits in another. Conversely, a person’s opportunistic actions in one association may exclude him from benefits in others.

¹ Because the reputation-based approach is so conventional, it is hard to give key references. It has become standard textbook material (e.g. Binmore, 1992, pp. 347–82).

The social capital embodied in a network of associations is partly a private good and partly a public one. A network of associations has the same kind of publicness as a telephone network. Just as one person's telephone connection is more valuable to him, the more other people have connections, so each person's ability to gain information from his membership of associations is greater, the more other people are members. Similarly, a person's trustworthiness is more valuable to her, the more trustworthy people there are for her to cooperate with. Writers in the social capital tradition stress the publicness of trust, arguing that because social capital is a public good, we cannot rely on the market to supply it in optimal amounts (see e.g., Coleman, 1990, p. 317).

An apparent difficulty for this account is that efficient markets depend on impersonal institutions which reach beyond the range of civic engagement, such as the merchant codes of conduct which governed long-distance trade in the Middle Ages,² capital and insurance markets, and bills of exchange. As these examples show, reliance on such institutions is not just a recent development. Some critics have argued that the market has been able to privatize trust, so that *general* trustworthiness – the personal characteristic about which information is transmitted through networks of civic engagement – is not required. The market provides incentives for individuals and firms to build reputations which are specific to particular types of interaction. For example, Susan Shapiro (1987) points out that the principal–agent relationship, which is crucial to the institution of the firm, is an instance of trust as a marketable commodity.

Perhaps recognizing the need to respond to this kind of objection, theorists of social capital sometimes suggest that people who have learned the value of trust in one domain of economic or social life are better able to make use of trust in other domains. For example, Douglass North accepts that markets depend on impersonal commercial institutions, but argues that such institutions have developed most successfully in societies whose politics are based on informal norms of mutual restraint. On these grounds, North (1990, ch. 12; 1998, p. 503) endorses Putnam's account of the differences between northern and southern Italy, and suggests that a similar contrast can be made between the Americas north and south of the Rio Grande. Putnam (1993, p. 174) may be making a similar point when he suggests that networks of civic engagement provide 'templates' for subsequent cooperative ventures. However, the mechanism by which trust is supposed to spread from one domain to another is not altogether clear. We suspect that these arguments depend on an implicit assumption that trustworthiness is

² Grieff (1993) and Milgrom, North and Weingast (1990) describe the evolution of these codes and how they became the foundation of commercial law.

something more than a reputation, built and maintained for instrumental reasons.

An alternative account of the rationality of trust, which might provide the missing ingredient, has been developed by David Gauthier (1986) and Edward McClennen (1990). As the theories proposed by these two writers are not quite the same, and as Gauthier has been more centrally concerned with the issue of trust, we shall concentrate on his theory. The idea is that trustworthiness is a *disposition* which guides a person's behaviour in a wide class of situations. The rationality of a disposition is assessed in instrumental terms, but over the whole class of situations in which it gives guidance, rather than case by case. In any particular case, an action is judged to be rational if it proceeds from a rational disposition, irrespective of the instrumental value of the action itself. A person's trustworthiness is instrumentally valuable to him to the extent that the possession of this disposition induces others to trust him, and thus allows him to achieve benefits of cooperation that are denied to the untrustworthy. Given that the general utility of trustworthiness makes it rational to have the disposition, it is rational to repay trust even in those cases in which the benefits of cheating outweigh the costs to one's reputation.

The disposition-based account of trust has many of the same implications for social capital as the reputation-based account does. As Gauthier's critics have pointed out, his argument depends crucially on an empirical assumption for which he offers surprisingly little justification: that each person's dispositions are known, if only imperfectly, by others (Gauthier (1986, pp. 172–4); Binmore (1993, pp. 136–40) is among the critics). If we are credibly to fill out Gauthier's argument, we must surely recognize that people learn about other people's dispositions mainly by observing those people's words and actions. Thus, a person's disposition to be trustworthy is valuable to him, only if he is interacting with people who know enough about his past behaviour to infer that he has that disposition. A disposition to be trustworthy is more valuable, and so more worth acquiring, when information can be transmitted through a dense network of associations. On Gauthier's account, the individual does not switch her dispositions on and off according to the instrumental value of the actions they dictate. This stability of dispositions provides a mechanism, absent from the conventional theory of trustworthiness as reputation, by which trust can propagate from one domain to another. Networks of civic engagement might then be the seed beds of trust.

The reputation-based and disposition-based accounts of trust both depend on an *individualistic* conception of rationality. As Martin Hollis (1998, pp. 18–23) puts it, both accounts presuppose *philosophical egoism*: each person is moved only by what he or she wants. Although trust is an

interpersonal relationship, it is being explained and justified in terms of its separate benefits for each individual. In the corresponding accounts of the significance of social capital, a society is being understood as a network of relationships between egoistic individuals which generates the right kinds of incentives to make trust worthwhile. Hollis argues that this approach fails to capture the true nature of trust: in order to explain the rationality of trust, 'we need a more social conception of what persons are and a role-related account of the obligations which make the world go round and express our humanity' (p. 104). He develops a theory of rational trust which is radically different from the theories we have discussed so far.³

For Hollis, trust is a relationship of reciprocity. What he understands by reciprocity is something deeper than cooperation in the pursuit of self-interest. Thus, he looks for a theory of trust which can make it rational to repay trust, even when this is contrary to self-interest. But, for Hollis, trust is rational only among people whose relationships are based on reciprocity: the rationality of trust is not like a Kantian moral obligation. The expectation that the practice of trust will be generally followed, and that this practice will tend to work to everyone's advantage, is a precondition for the rationality of individual acts of trust.

Hollis suggests that we understand this kind of rationality as 'philosophical egoism in the first person plural' (p. 147). The idea is to develop a conception of rationality in which individuals can have reason to identify with the common interests of the social groups to which they belong. Then, in reasoning about a particular action that he might take, a person might think not 'This action has good consequences for me' or 'This action is prompted by a disposition which has good consequences for me', but 'This is my part of an action *by us* which has good consequences *for us*'. The possibility of *we-rationality* or *team thinking* – the possibility that collectives can be agents in a theory of rationality – has been suggested by Margaret Gilbert (1989), Susan Hurley (1989), Sugden (1993), and Raimo Tuomela (1995).⁴ The conditionality of rational trust corresponds with a distinctive feature of *we-rationality*: that a set of individuals cannot constitute a plural agent unless each of those individuals recognizes that he is a part of that agent, and unless there is some level of mutual awareness of that recognition.

One of the difficulties to be faced by a theory of *we-rationality* is to explain how the consciousness of being a plural subject – of being a 'we'

³ Hollis's brilliant but enigmatic book is perhaps best understood as the manifesto for an approach to understanding trust, rather than as a completed theory. Sadly, this manifesto amounts to his last words on trust: he died just as *Trust within Reason* was being published.

⁴ Elements of this idea can be found in some variants of rule utilitarianism: see e.g., Hodgson (1967) and Regan (1980).

– comes about. We cannot go into the subtleties of Hollis’s analysis here, but one element in the formation of a plural subject is a network of engagements and loyalties among the component individuals. This leads to an understanding of social capital which is markedly different from that of Granovetter, North and Putnam. Hollis agrees with these other writers that trust is embedded in social institutions. But for Hollis, a network of civic engagement encodes and reproduces a community’s consciousness of being a ‘we’, and so activates a form of reasoning within which trust is rational. Thus, social institutions do not merely set the parameters within which rational choices are made; they influence the content of rationality itself.

One distinctive feature of the we-thinking approach is that it allows recommendations to be addressed to collectives, as in the formulation ‘Let us do ...’. For example: ‘It would be good for us if we trusted one another; so let us trust one another’. This recommendation would have no force in a world of philosophical egoists. For a collection of egoists, a demonstration that each of them would be better off if they all performed some action A is not a reason for any one of them to do A; and since it does not provide any of them with a reason to do A, it does not provide any of them with a reason for expecting the others to do A, and so on. Notice that this impasse cannot be escaped merely by making different assumptions about individuals’ preferences – for example, by assuming altruism, or a preference for participating with others in cooperative ventures. As long as each individual is motivated only by his own preferences, none of them can be moved by the thought ‘It would be good for us if we did ...’.⁵ Thus, Hollis is able to sum up his theoretical strategy in the following passage, which to an adherent of the conventional, individualistic conception of rationality would be incoherent:

We cannot flourish without trust. This should be as plain to reason as it is to common sense. So reason should be able to show us what makes for a reliable social order, where people find it rational to trust one another. (p. 4)

In this section, we have sketched out three modern accounts of rational trust – a mainstream account and two marginalized alternatives. We now turn to our eighteenth-century writers, to see how they understood trust.

2. HUME ON TRUST

In examining Hume’s account of trust, our primary concern is with the argument of the *Treatise of Human Nature* (1740/1978). Hume’s later

⁵ For fuller arguments in support of this claim, see e.g., Hodgson (1967), Regan (1980) and Sugden (1993).

Enquiries (1777/1975) cover much the same ground but using an approach that is theoretically and philosophically less sharp. It seems that the older Hume wanted to qualify some of the more extreme claims of the *Treatise*; in doing so, he edited out much of the brilliance of the earlier work. Our main interest is in what the younger Hume had to say.

For Hume, the 'chief advantage of society' is to be found in its ability to provide us with increasing amounts of material goods (*Treatise*, p. 488); and such improvement is possible only if people respect the laws of justice. These rules are summarized as stability of possession, the transference of possession by consent, and the performance of promises (p. 566). Trust corresponds with the third of these laws.

Hume's accounts of the three laws follow a common pattern. He argues that there is no natural sentiment of justice. *Benevolence* is part of human nature, but benevolence springs from sympathy, and the force of sympathy depends on the closeness of the relationship between the people in question: we are benevolent to our family and friends, and to those whose happiness or misery is 'brought near to us, and represented in lively colours'. Justice is too impartial a concept to be governed by natural sentiments. While it is true that justice serves the public interest:

That is a motive too remote and too sublime to affect the generality of mankind, and operate with any force in actions so contrary to private interest as are frequently those of justice and common honesty. In general, it may be affirm'd, that there is no such passion in human minds, as the love of mankind, merely as such, independent of personal qualities, of services, or of relation to ourself. (p. 481)

According to Hume, 'self-interest is the original motive to the establishment of justice' (p. 499). He tries to show that the three laws of justice, in *de facto* form, would emerge spontaneously out of the repeated interaction of self-interested individuals. The whole of Hume's analysis of the emergence of justice is strikingly modern, prefiguring many features of game theory; it includes – as part of the explanation of how particular property rights emerge – a deep discussion of what would now be called the role of salience in equilibrium selection.⁶ Just as a modern theorist would, Hume finds more difficulty in explaining why people respect *de facto* property rights than in explaining why promises are kept. The difficulty is that respect for acknowledged property rights seems to require a convention of mutual restraint that is followed by everyone in a society, whereas promise-keeping requires only that the promiser and the promisee are parties to the same convention. Hume is able to show how self-interest would generate respect for property in very small societies – small enough that any one person's failure to respect other

⁶ Sugden (1986) and Vanderschraaf (1998) discuss Hume's use of game-theoretic ideas.

people's property has a significant chance of bringing down the society-wide convention of mutual restraint (pp. 497–98).

Hume explains promising as a practice that evolves out of bilateral practices of mutual assistance, based on reciprocal self-interest:

Here I learn to do a service to another, without bearing him any real kindness; because I foresee, that he will return my service, in expectation of another of the same kind, and in order to maintain the same correspondence of good offices with me or with others. And accordingly, after I have serv'd him, and he is in possession of the advantage arising from my action, he is induc'd to perform his part, as foreseeing the consequences of his refusal. (p. 521)

Around such practices there grows up a convention of marking promises by particular forms of words:

When a man says *he promises any thing*, he in effect expresses a *resolution* of performing it; and along with that, by making use of this *form of words*, subjects himself to the penalty of never being trusted again in case of failure ... After these signs [of promise-making] are instituted, whoever uses them is immediately bound by his interest to execute his engagements, and must never be expected to be trusted any more, if he refuse to perform it. (p. 522)

In this argument are all the essentials of the modern explanation of trust in terms of the value of reputation.

Having shown how self-interest is the original motive for justice, Hume goes on to explain 'Why we annex the idea of virtue to justice, and of vice to injustice' (p. 498). Hume appeals to 'sympathy with public interest' to explain our general approbation of acts of justice, in line with his more general theory that we naturally regard as virtuous, 'any action or sentiment [which] upon the general view or survey, gives a certain satisfaction' (p. 475). When the rules of justice are generally followed, we come to see their utility, and thus to approve of behaviour in accordance with them. It is important to recognize that, for Hume, this argument is intended only to explain why we regard justice as a virtue: it is not part of the explanation of why we obey the rules of justice. Since the utility of rules of justice is conditional on their being generally followed (that is why justice is an artificial virtue, not a natural one), the practice must exist before the sense of its virtue can develop; so we must be able to explain the emergence of the practice without appealing to a sense of virtue. Also, sympathy with public interest is not a passion, but what Hume classes as a *taste*: 'Sentiments must touch the heart, to make them controul our passions: But they need not extend beyond the imagination, to make them influence our taste' (p. 586).

There is then a final stage in the argument. Given that rules of justice have emerged, and given that we have a natural inclination to approve of acts of justice because of our sympathy with public interest, the strength of our approval can be increased by public praise and blame, and by education. But these effects depend on the self-interested motive to justice. Parents teach their children to observe the rules of justice because their observing those rules is in the children's and the parents' interests (pp. 500–501); the most that moralists can hope to do is to show us more effective ways of satisfying our natural appetites (p. 521).

Significantly, when Hume is dealing with respect for property, he adds a further twist to the third stage of his argument. Once the association between justice and virtue is firmly established in people's minds, this gives rise to a further *self-interested* motive to acts of justice – 'the interest of our reputation':

There is nothing, which touches us more nearly than our reputation, and nothing on which our reputation more depends than our conduct, with relation to the property of others. For this reason, every one, who has any regard to his character, or who intends to live on good terms with mankind, must fix an inviolable law to himself, never, by any temptation, to be induc'd to violate those principles, which are essential to a man of probity and honour (p. 501).

This is all that Hume has to say on this motive in the *Treatise*. It is not wholly clear how he intends us to understand 'the interest of our reputation'. Given the general thrust of the *Treatise*, it seems most natural to interpret the value of reputation instrumentally: a person's reputation for justice is valuable to him to the extent that it allows him to benefit from cooperation with others. On this reading, Hume is shoring up his explanation of respect for property by supposing that good and bad reputations can be transmitted between one domain of social interaction (respect for property) and another (promise-keeping). There is a parallel here with the idea of the transitivity of trust in the modern theory of social capital.

In the *Enquiries*, Hume returns to the issue of temptation which he touched on in the last quotation. Although, as we have said, we are mainly concerned with the *Treatise*, this particular passage in the *Enquiries* is Hume's frankest acknowledgement of a problem at the heart of his earlier account of trust. Hume is trying to prove that self-interest favours virtue in preference to vice. He thinks that this claim is easy to establish for what, in the *Treatise*, he called the natural virtues. But, he concedes, there is an apparent exception

... in the case of justice, where a man, taking things in a certain light, may often seem to be a loser by his integrity. And though it is allowed that,

without a regard to property, no society could subsist; yet according to the imperfect way in which human affairs are conducted, a sensible knave, in particular instances, may think that an act of iniquity or infidelity will make a considerable addition to his fortune, without causing any considerable breach in the social union and confederacy. That *honesty is the best policy*, may be a good general rule, but is liable to many exceptions; and he, it may perhaps be thought, conducts himself with most wisdom, who observes the general rule, and takes advantage of all the exceptions. (*Enquiries*, p. 283)

Here Hume seems to be recognizing that if the theory of justice is based on self-interest and on the instrumental value of reputation, we will not always have reason to act on the rules of justice (even though our tastes are such that we approve of ourselves when we do so).

Hume's first response to this objection is the assertion that 'inward peace of mind, consciousness of integrity, a satisfactory review of our own conduct' are 'circumstances, very requisite to happiness, and will be cherished and cultivated by every honest man' (p. 283). This response is consistent with other arguments in the *Enquiries*. The Hume of the *Enquiries* argues that 'love of fame' is a part of human nature, and one which 'brings a great addition of force to moral sentiment' – at least for those with 'noble natures'. In an argument which is echoed in Smith's *Theory of Moral Sentiments*,⁷ Hume proposes that in pursuing fame, we constantly consider how we appear in the eyes of others. This leads us to desire, not merely to be regarded as virtuous, but actually to be virtuous (p. 276). However, this line of argument would not cohere well with the *Treatise*, with its emphasis on the power of self-interest and other natural passions. Since the sensible knave is just as much a problem for the *Treatise*, we prefer to focus on Hume's second response. This is that, as well as enjoying the pleasures of reflecting on his own conduct, the honest man . . .

... has, besides, the frequent satisfaction of seeing knaves, with all their pretended cunning and abilities, betrayed by their own maxims; and while they purpose to cheat with moderation and secrecy, a tempting incident occurs, nature is frail, and they give into the snare; whence they can never extricate themselves, without a total loss of reputation, and the forfeiture of all future trust and confidence with mankind. (p. 283)

In this passage, Hume seems to be working in the domain of dispositions rather than of individual actions. The argument is that, given the instrumental value of reputation, a person's self-interest is best served by his acting on a *disposition* to be unconditionally trustworthy. In

⁷ The relevant part of the *Enquiries* was first published in 1751, before Smith's *Theory of Moral Sentiments*.

particular, this disposition serves long-term self-interest better than the disposition which leads the sensible knave to be trustworthy only when he calculates that trustworthiness will pay. This is exactly the claim by which Gauthier justifies his disposition-based theory of rational trust (although Hume sees dispositions as a means of self-control, while Gauthier sees them as a means of communicating commitments). Hume does not argue that trustworthy dispositions are chosen for instrumental reasons. For the honest man, the instrumental value of his disposition to honesty is not *his reason* for cultivating it. Nevertheless, because the satisfaction of seeing knaves discomfited is psychologically reinforcing, this instrumental value is part of the explanation of why in fact he has it. Thus, Hume offers a psychological theory to explain why dispositions towards trust are reproducible among self-interested individuals.

3. SMITH ON TRUST AND SOCIAL CAPITAL

In the *Wealth of Nations* (1776/1976) Smith clearly recognizes that justice – understood as the reliable enforcement of property rights and of contracts – is a precondition for the development of markets. However, most of his discussion of this topic works from the premise that justice is supplied by government. He says little about the spontaneous emergence of trust or mutual restraint; the idea that markets depend on informal trust is not stressed. Given Smith's general distrust of government and his fondness for invisible hand explanations, this omission may seem surprising. We shall argue that it is consistent with Smith's acceptance of a theory of rational trust which is remarkably close to what we have characterized as the mainstream modern position.

The importance which Smith places on justice is clear in his account of economic history. He traces the economic development of Europe back to the medieval towns. He sees the stability of property as an essential precondition for capital accumulation, since in the absence of such stability, no one has any incentive to acquire anything more than the bare necessities of life. He offers a political explanation of why the governments of the medieval towns gave more protection to property rights than did the feudal rulers of the countryside, and treats this factor as of primary importance in stimulating economic development (Smith, 1776/1976, pp. 397–427).

In his discussion of the proper role of government, Smith recommends 'the obvious and simple system of natural liberty' in which each person is free to pursue his own economic interests, subject only to the laws of justice (p. 687). But natural liberty is possible only if those laws are enforced, and for this, we need government. Smith also seems to endorse the role of government in certifying the quality and quantity of traded commodities, in the minting of coins, and in banking (he

comments favourably on the Bank of Amsterdam, which was a branch of that city's government (pp. 479–88)). It is clear that Smith sees good government as essential to the proper functioning of markets, and that a good government must be *trustworthy*: its administration of justice must be impartial, its public finance must be honest and prudent. But he does not put much emphasis on *informal* trust as a precondition for markets.

If markets depend on the trustworthiness of government, how is that trustworthiness to be guaranteed? Smith recognizes the importance of this question, but he does not relate government trustworthiness to informal trust or civic engagement. Instead, his answer is to propose schemes of what would now be called performance-related pay (pp. 718–23, 758–65). For Smith, it seems, the best means of ensuring that officials are trustworthy is to give them the right incentives.

Smith's most direct discussion of the economic significance of informal trust is the following passage in the *Lectures on Jurisprudence*:

Whenever commerce is introduced into any country probity and punctuality always accompany it. These virtues in a rude and barbarous society are almost unknown. Of the nations of Europe, the Dutch, the most commercial, are the most faithful to their word. The English are more so than the Scotch, but much inferior to the Dutch, and in some remote parts of this country they are far less so than in the more commercial parts of it. This is not at all to be imputed to national character, as some pretend . . . It is far more reducible to self-interest, that general principle which regulates the actions of every man, and which leads men to act in a certain manner from views of advantage, and is as deeply implanted in an Englishman as a Dutchman. A dealer is afraid of losing his character, and is scrupulous in performing every engagement. When a person makes perhaps 20 contracts in a day, he cannot gain so much by endeavouring to impose on his neighbours, as the very appearance of a cheat would make him lose. Where people seldom deal with one another, we find that they are somewhat disposed to cheat, because they can gain more by a smart trick than they can lose by the injury which it does their character. (1763/1978, p. 538–9)

This analysis reveals a sophisticated theory of trust. It is perhaps not clear whether Smith's concept of character is better translated into the modern game-theoretic concept of reputation or into Gauthier's concept of disposition; it seems possible to sharpen Smith's concept in either direction. But there is no doubt that this is a theory of individual self-interest.

The analysis also reveals a theory of social capital which in its fundamentals is quite similar to the modern theories of Granovetter and Putnam. Smith is arguing that reputations for trustworthiness are transmitted through networks of trading relationships; the denser the network of trading relationships, the greater is the value of reputation, and so – for purely self-interested reasons – the greater is the degree of

trust. The context strongly suggests that 'self-interest' for the trader is to be understood simply as profit. There is no suggestion in this passage that social approval is important in explaining the commercial virtues.

This is not to say that Smith does not recognize the motivating force of social approval. Much of the *Theory of Moral Sentiments* is devoted to an analysis of just this force. Even in the *Wealth of Nations*, Smith sometimes appeals to social approval to explain non-economic phenomena. At one point, for example, Smith discusses the social effects of the proliferation of small religious sects. In this discussion, he assumes that the main motive to moral behaviour is our desire for the approval of others. Thus, moral behaviour is sustained by the value of reputation, which in turn depends on there being a network of associations, so that contraventions of morality become generally known. By providing networks of association in anonymous cities, religious sects promote 'regular and orderly' morals among the common people (pp. 795–6). The logic of this analysis is very similar to that of the modern theory of social capital, but with the additional feature that networks of association provide channels for the transmission not only of information, but also of approval and disapproval.

Nevertheless, it is significant that in his discussion of the *commercial* virtues, Smith does not consider relationships other than trade. In the passage about the Scotch, the English and the Dutch, he seems to be arguing that in a developed market economy, trading relationships alone are dense enough to reproduce the trust that is necessary for the market to work, and that it is sufficient that those trading relationships are based on rational self-interest.

Far from seeing civic society as a precondition for markets, Smith tends to see commerce as the first stage in the development of civic society. This precedence is clear in Smith's economic history. In two chapters of the *Wealth of Nations*, he explains how during the Middle Ages, the order and good government of the towns gradually spread to the surrounding country, undermining previous relations of feudalism (pp. 397–427). Smith characterizes feudalism in terms of vertical relations of patronage and dependence. Feudal societies began to decay when, motivated by individual self-interest, the landed proprietors diverted their surplus from the maintenance of retainers to the purchase of luxuries that were manufactured in the towns. As an unintended consequence, the proprietors lost the basis of their former power and authority. Because of the division of labour in the market economy, purchasing power does not translate into political power as it does under feudalism:

Each tradesman or artificer derives his subsistence from the employment, not of one, but of a hundred or a thousand different customers. Though in

some measure obliged to them all, therefore, he is not absolutely dependent upon any one of them. (p. 420)

Thus, the extension of the market *makes possible* a society of horizontal relationships – a society in which relationships between people are based on equality and reciprocity.

However, it would be truer to the spirit of Smith's argument to say that the market *is* a network of relationships of equality and reciprocity: it is not so much a precondition for, as an essential constituent of, civic society. This idea comes over very clearly in the famous passage at the beginning of the *Wealth of Nations*, in which Smith says that, to get our dinner, we do not address ourselves to the benevolence of the butcher, the brewer or the baker, but to their self-love. Immediately after this, Smith says: 'Nobody but a beggar chuses to depend chiefly upon the benevolence of his fellow-citizens'. The message is surely obvious: market relations are *between equals*, and so allow us to achieve the benefits of the division of labour with dignity and self-respect. It is more consistent with human dignity for us to satisfy our wants through the market than through pre-market relations of generosity, patronage and dependence. For Smith, then, *the market itself* is a dense network of relationships within which individuals, motivated primarily by self-love, cooperate as equals for mutual benefit.

Thus, we suggest, Smith presents a theory of rational trust which is broadly similar to the modern theory of reputation. He also presents an account of social capital which, from a theoretical point of view, is similar to that proposed by modern writers such as Granovetter and Putnam. When there are dense networks of bilateral or multilateral associations, within which individuals cooperate as equals to secure mutual benefits, individuals are led by self-interest to build and maintain reputations for trustworthiness; and the trustworthiness so created is important for the functioning of markets. In principle, Smith's theoretical framework allows social approval to work as an additional factor in maintaining norms of trust, but he seems to think that commercial trust can be adequately explained in terms of self-interest alone. The main difference between Smith and the modern theorists of social capital is over the question of whether a market economy can create and sustain the informal trust on which it depends, without the additional support provided by non-economic networks of civic engagement. On this question, Smith seems to be on the side of the optimists.

4. GENOVESI'S *ECONOMIA CIVILE*

Genovesi's economics is grounded on the concept of *fede pubblica* – public faith or public trust. He presents a theory of trust and of social capital that is markedly different from those of Smith and Hume.

Like Smith, Genovesi began to study economics after teaching and writing philosophy. Just as in the case of Smith, scholars disagree about the degree of continuity between Genovesi's philosophy and his economics.⁸ The intellectual origins of Genovesi's work are in the debate in Naples between the *veteres* (old school) of Giovanbattista Vico, Pietro Giannone and Paolo Mattia Doria, and the *novatores* (new school) of Celestino Galiani and Bartolomeo Intieri. The *veteres* represented what Louis Baeck (1994) calls the Mediterranean tradition of economic and social thought. Drawing on the classical tradition of theology and philosophy from Aristotle to Descartes, they conceived of economics as embedded in a network of moral values. In contrast, the *novatores* were opposed to metaphysics, and advocated the experimental method of Newton and Galileo. In their social theory, they took Hobbes and Mandeville as their reference points, treating individuals' pursuit of self-interest as the gravitational law for economic life. As a disciple of Vico who had come under the influence of Intieri and his group, Genovesi attempted a mediation between the two schools.⁹

Genovesi's account of human nature and of human action uses some Newtonian motifs (such as the idea of equilibrium as a representation of the relationship between the passions), but in its fundamentals it belongs to the Mediterranean tradition. Genovesi does not try to reduce human motivation to self-interest. In his *Diceosina*, he argues that some passions are manifestations of self-love (*forza concentrativa*), but others reflect 'love of the species' (*forza diffusiva*). Love of the species is not altruism (that is, concern for the well-being of others); it is a matter of *relations* between people. Its most basic element is *sociality* – the desire for relationships with our fellows. Sociality is 'an indelible feature of our nature', common to all social animals. We are 'created in such a way as to be touched necessarily, by a musical sympathy, by pleasure and internal satisfaction, as soon as we meet another man'; no human being, not even the most cruel and hardened, can enjoy pleasures in which no one else participates (*Diceosina*, Book I, Ch. 1, §XVII, p. 42).¹⁰ Thus, it is

⁸ Venturi (1969) sees the passage from metaphysics to economics as a break in Genovesi's intellectual evolution; Pii (1984) and Bellamy (1987) argue for a consistent interpretation of Genovesi's whole system of thought.

⁹ Bellamy (1987) gives the fullest English-language account of the intellectual milieu in Naples in which Genovesi wrote his work.

¹⁰ In referring to Genovesi's works we have adopted the following conventions: for the *Lezioni di economia civile*, quoted as *Lezioni*, page references are to the 1820 edition, but we have also given chapter and section numbers, which are the same in the several different editions. '*Diceosina*' refers to Genovesi's *Della Diceosina o sia Della philosophe del giusto e dell'onesto per gli giovanetti* (*Diceosina*, that is, the philosophy of the right and the honest); page references are to the 1973 edition (Genovesi, 1766/1973). For the other books quoted, page references are to the reprints in *Scritti Economici* (Genovesi, 1984). All English translations are ours: as far as we know, there are no English editions of Genovesi's books.

essential to Genovesi's theory that social relations are not just means by which, or constraints within which, we satisfy self-interest. So far, of course, there is not a qualitative difference between Genovesi and Smith and Hume: both the Scottish writers are keenly aware of the ways in which human sentiments are responsive to interpersonal relationships. In Genovesi's work, however, there is a much stronger sense that these relationships are valuable in their own right: for Genovesi, it seems, the chief advantage of society is not to be found in its production of material goods, but in the enjoyment of social relationships.

Genovesi diverges more sharply from Smith and Hume in his emphasis on *reciprocal assistance*. For Genovesi, there is a uniquely human propensity for reciprocal assistance, which results from the interaction of rationality and sociality. Following the natural law tradition, Genovesi argues that each person has a natural right to the benefits of reciprocal assistance and a corresponding duty to provide them for others (*Lezioni*, I, Ch. I, §18, p. 27). Thus, a person's willingness to help those who stand in relations of reciprocity towards him is a virtue, analogous with the virtues of justice and honesty. In common with the *veteres*, Genovesi understands economic relations as relations of reciprocal assistance: in an economic system, each agent is helping others to satisfy their wants. On this conception of economics, engagement in economic relations is an exercise of virtue.

The contrast with Hume's *Treatise* and Smith's *Wealth of Nations* is evident. Hume's explanation of mutual assistance as the product of rational self-interest – the idea that we can help people without bearing them any real kindness – would be foreign to Genovesi's approach. So too would Smith's idea that the uniquely human trait which governs economics is the propensity to truck, barter and exchange. As we have said, Hume and Smith are sensitive to the ways in which sentiments are adjusted through interpersonal relations; these processes of adjustment are crucial for both writers' theories of the moral sentiments. Nevertheless, the Scottish writers effectively remove economic relations from the realm of sociality. They do this in three ways. First, their fundamental conception of economic relations is in terms of individuals' pursuit of self-interest within the constraints set by the rules of justice; there is no sense that *in their economic relations*, people act together or help one another. Second, the moral sentiments which make justice a virtue are presented as being only distantly related to the virtues of friendship and benevolence which bear on personal relations: the gap between the two is essential to Hume's distinction between natural and artificial virtues. Third, Hume and Smith play down the role of the moral sentiments in governing economic relations at all: as we have shown, they try to explain economic trust as the exercise of far-sighted self-interest. By drawing a distinction between private virtues, such as friendship and

benevolence, and the public utility of justice and the market, the Scottish writers open the way for invisible hand arguments: perhaps public utility does not require – perhaps even, is not best served by – private virtue. Genovesi explicitly rejects this idea, which he attributes to Mandeville.¹¹ (*Lezioni*, II, Ch. X, §29, p. 188)

The implications of Genovesi's more social account of economics become clear in his discussion of trust. To understand the significance of *fede pubblica* in Genovesi's theory, it is important to understand the history of the Kingdom of Naples. At the time that Genovesi was writing, many years of Spanish domination had destroyed the networks of civil society which had existed since the pre-Roman era.¹² It was only in 1724 that Naples had become an independent kingdom under Bourbon rule. The decades following this event were an era of new hope for a civil and enlightened government. Genovesi was one of a group of thinkers who tried to understand the failures of the old regime and to find new routes to economic and social development.

In his *Discorso sopra il vero fine delle lettere e delle scienze* (Discourse on the true end of letters and sciences) of 1754, a manifesto for the Neapolitan Enlightenment and for his own research programme in economics, Genovesi asks why Naples is not a developed nation like other states in Italy or the nations of northern Europe. Naples, he says, is well populated; it is 'a seminary of noble and gifted people'; it has one of the best climates in Europe; having good access to the sea, it is well-placed for the development of commerce (pp. 28–31). What has gone wrong?

Genovesi's answer, which comes at the end of his *Discorso*, is that Naples has lacked *buon costume*, 'the most efficacious ... cause of the wealth, power and happiness of a people' (p. 50). *Buon costume*, literally 'good custom', has no simple translation into English. The closest equivalent is probably 'common decency'. It signifies customary standards of acceptable or decent behaviour; it is that basic level of virtue which everyone is entitled to expect of everyone else. For Genovesi, then, virtue is an economic resource.

In his economic writing, Genovesi explains the role of virtue in promoting economic development. The most comprehensive statement of his ideas is the *Lezioni di commercio o sia di economia civile* (Lectures on commerce and civil economics), published during 1765–7. What is effectively a first draft of part of the *Lezioni* was published in 1757 as *Ragionamento sulla fede pubblica* (Reasoning on public trust). That Genovesi

¹¹ In the *Theory of Moral Sentiments*, Smith (1776/1976, pp. 179–87) presents an argument in the spirit of the *Fable of the Bees*: the motive power for economic development comes from an unworthy human desire for the 'baubles and trinkets' that the rich and great seem to (but do not really) enjoy.

¹² For more on this, see Pagden (1987).

should initially choose to publish just this part of his lectures signals that public trust is the starting point for his economics.

Genovesi's economics, like Smith's, is an enquiry into the nature and causes of the wealth of nations. The theoretical foundations of Genovesi's economics are significantly different from Smith's: Genovesi presents a subjective theory of value, in contrast to the labour theory of value used by Smith. Despite this difference, Genovesi reaches the same fundamental conclusion as Smith: trade is mutually beneficial, and the source of the wealth of nations. To understand how nations become rich, therefore, we must understand what facilitates commerce. Genovesi argues that the most important precondition for commerce is trust. For the economic and social development of a nation

... nothing is more necessary than public trust [*fede publica*] in a wide and easy circulation ... Trust is for civil bodies what the law of gravity is for natural bodies ... From the life of primitive people it is possible to realise how important it is to keep increasing trade. There, because of lack of trust, there is no reciprocal reliability, no society, no industry and no trade among peoples. (*Lezioni*, II, Ch. X, §1, pp. 148–9)

Genovesi devotes a chapter of the *Lezioni* to the topic of public trust. He subdivides public trust into *ethical trust*, *economic trust*, and *political trust*. Ethical trust is 'the reciprocal confidence that every citizen has in the probity and justice of the other, that is, simple conventions and promises'. Economic trust is 'the security which springs from the certainty of funds on which to ground debts'. Then 'finally [there is the trust which] comes from conventions and promises sustained by the civil law ... [and] by the wisdom and strength of the state; it is called *political*' (II, Ch. X, §3, p. 151). All three components of public trust are essential for the development of commerce and hence for the creation of wealth. However, Genovesi states several times that ethical trust is the foundation of all kinds of public trust. For example:

All these forms of trust have to be cultivated ... as fundamental for civic society, for the arts, industry and the spirit of the nation, for commerce, public peace and opulence. [But most importantly] the ethical form, since it is the basis of both [i.e. of economic and political trust]. (II, Ch. X, §3, pp. 151–2)

Similarly, in the *Ragionamento*: 'when the reciprocal love of families and peoples composing a state is extinguished, and in its place diffidence, distrust and reciprocal fear are born, there is no power that can sustain it' (*Ragionamento*, p. 499).

Genovesi's discussion of economic and political trust is broadly similar to Smith's discussion of the proper role of government in the

certification of traded commodities, the operation of banks, and the impartial administration of justice. Genovesi urges consistent and harsh punishment of all breaches of economic and political trust. His list of 'crimes against public trust' includes: the crimes of public officers; the modification of weights, measures and money; and the activities of *guastamestieri* (literally, wasters of occupations, i.e., people who undermine the reputations of their trades by individual acts of cheating) (*Lezioni*, II, Ch. X, §20, pp. 177–9). In punishing such crimes, there must be no discrimination by rank, since if there were such discrimination, the disfavoured individuals would learn not to contract with the favoured (II, Ch. X, §28, pp. 186–7).

The most important difference between Genovesi's and Smith's discussions of public trust is to be found in their different treatments of what Genovesi calls ethical trust. In the *Wealth of Nations*, as we have shown, Smith writes about the administration of justice as if it were a top-down process in which justice is supplied by government. Genovesi, in contrast, is arguing that justice (that is, formal justice, justice as administered by judges) is not something that can be *imposed* on people who do not trust one another in their informal relations. We take it that this is what Genovesi means in the passage, quoted above, in which he says that no power can sustain the state when its people distrust one another. Of course, we do not claim that Smith would actually disagree with this part of Genovesi's argument. It is a recurring theme in Smith's work that government must work with the grain of human nature. The point is simply that Smith does not treat trust among private individuals as an essential precondition for economic development, while Genovesi does.

Given his diagnosis of the causes of the Neapolitan disease, what cure can Genovesi recommend? Naturally, the solution has to be the cultivation of ethical trust. The main tool for this task is the civil and religious education of the people, adults as well as children, by the Church and in public schools (*Lezioni*, II, Ch. X, §7, pp. 156–60). As a true Enlightenment thinker – and in sharp opposition to Hume – Genovesi believes that true virtue is recommended by correct reason. Thus, the way to make people virtuous is to give them a rational education.

To complete this argument, Genovesi has to show *how* reason endorses ethical trust. He does this by way of what he calls the 'little catechism of natural law' (*Lezioni*, II, Ch. X, §10, pp. 161–4). The first presentation of this catechism in the *Ragionamento* (p. 857) is as the following sequence of eleven propositions (we are paraphrasing):

1. Nature and reason both push us to seek happiness.
2. No human condition is more unhappy than to be alone, separated from any relations with other people.

3. Thus, we must try to be sociable with one another and to cultivate the virtues which enable us to live companionable and friendly lives.
4. But sociability is not enough for human society; there is human society only when men are united by the will to be useful to one another.
5. The peculiarity of human society is that it is based on rationality, not reciprocal pleasure.
6. This kind of rational society cannot be achieved unless the people who compose it are reciprocally and sincerely friendly with one another.
7. Men cannot be sincerely friendly with each other unless they have sincere confidence in one another.
8. Only where everyone is persuaded of each other's virtue and piety can there be this sincere confidence.
9. As soon as any member of society is known to be ready to offend and deceive people, everyone sees him as one with whom it is impossible to deal or to communicate.
10. Such a person is excluded from all social relationships, and can get none of the comforts that make life pleasurable.
11. It is impossible that such a situation can last for long; the community will soon send that person away from civil and natural society.

One significant feature of this catechism is the close association it makes between friendship and trust. For a reader who is more familiar with the writings of Hume and Smith, or with the literature of modern economics, this association comes as a surprise. Friendship, one might think, is a private relationship among specific individuals who are linked by ties of affection, while trust – or at least, the kind of trust which underpins the market – is impersonal, and based on interest rather than affection. Genovesi does not accept this distinction. As the first three propositions in the catechism make clear, he postulates a universal human desire for social relationships and takes this to be the primary motive for social cooperation. Ethical trust – which, for Genovesi, is the foundation of economic and political cooperation – is rational in the same sense that friendship is: it is a precondition for social relationships. Thus, for Genovesi, trust is embedded in social relations in a much deeper sense than it is for Smith and Hume, or for modern theorists of social capital.

The catechism also reveals that for Genovesi, rationality is a property of dispositions and not of actions. Notice that Genovesi is recommending us to cultivate *sincere* friendship for one another, and the *will* to be useful to one another. The emphasis on dispositions is made still clearer when, in revising the catechism for the *Lezioni*, Genovesi inserts a new proposition between those formerly numbered 8 and 9, which declares

that 'It is not possible for men to be mutually persuaded of the virtue of their fellows if they are not really virtuous. In fact the simulation of virtue is sooner or later found out' (*Lezioni*, II, Ch. X, §10, p. 163). This revision seems to be Genovesi's response to the problem that Hume presents in the person of the sensible knave; like Hume, Genovesi responds to the problem by arguing that our interests are better served by settled dispositions towards trustworthiness than by instrumental reasoning at the level of actions.

What exactly is a disposition towards *friendship*? The logic of Genovesi's argument suggests that we should identify friendship with reciprocal assistance, reciprocity being understood in an individually non-instrumental, non-calculating way. A person with this disposition does not simply act in a way which is useful to others, expecting that they in return will act in ways that are useful to him: that would be the sort of mutual assistance analysed by Hume, which does not require any real kindness. But neither is he altruistic: the will to be useful is conditional on the confidence that that will is reciprocated. The friendly person *wants* to be useful to others, *having confidence in their wanting* to be useful to him. If we are to represent this mode of reasoning in modern terms, we suggest that the most useful framework to use is that of *we-rationality*, as advocated by Hollis.

If we think in these terms, we have to ask: *for whom* is the disposition of friendship rational – for people severally, for people collectively, or for both? Genovesi's catechism betrays some ambiguity on this matter, which is perhaps best resolved by taking his answer to be 'for both'. The content of the first eight propositions seems to be this: *We*, that is human beings collectively, can achieve happiness only in societies; societies are possible only among people who are disposed to be useful to one another; within any putative society, everyone's having that disposition is possible only if everyone is disposed towards sincere friendship, and confident that the others are so disposed. It would be a natural continuation to say: So let us all cultivate the disposition of friendship. This reading would cohere with Genovesi's diagnosis of the failure of Naples to achieve economic development as the result of a collective deficiency of *buon costume*. However, the final propositions of the catechism warn each individual that if *he* fails to cultivate the virtues of friendship, there will be adverse consequences for *his* happiness. (Significantly, these adverse consequences are in the currency of sociality rather than material self-interest: what the individual stands to lose are relationships with others.) We take it that Genovesi is addressing his readers both individually and collectively. Individually, each of us can best achieve happiness by being ready to form relations of friendship with others who are similarly inclined. Collectively, we can best achieve happiness by acting together in relations of friendship.

For Genovesi, then, social capital consists in *fede publica* – in a common and mutually-recognized commitment to the virtues of friendship and reciprocal assistance. Or perhaps we should say that social capital consists in a network of associations which are based on those virtues and which propagate them. Public trust is an essential precondition for the development of markets. The conclusion of his *Lezioni* provides an icon of this approach to economics. Markets, he says, depend on networks of communication:

The canals of communication are both physical and moral. Solid, easy, sure roads; rivers and ferries; pulling machines; and if there is sea, ports, the mechanisms of ships, the security of navigation, are the former . . . But we need moral canals too. (*Lezioni*, II, Conclusionone, §13, p. 274)

5. CONCLUSION

Having discussed these various eighteenth-century and modern theories so briefly, it would be presumptuous for us to try to adjudicate between them. Our aims are more modest. We hope that our reflections on the work of Hume, Smith and Genovesi have led readers to think more deeply about trust and social capital. More particularly, we hope we have made our readers more willing to consider what are now seen as unorthodox approaches to theorizing about these issues.

In the modern theory of rational choice, rationality is seen as a property of individual *actions*. We have suggested that, for our eighteenth-century writers, the concept of rationality was less narrowly defined, and could encompass dispositions as well as actions. A disposition guides a person's actions in a range of cases which, despite their differences, are treated as similar. If we assume that people tend to adopt dispositions which, on the whole, lead to desired outcomes, we may be able to explain how the virtue of trustworthiness can survive in a market economy, even though that virtue sometimes requires individuals to act contrary to their interests. If dispositions matter, there are also implications for the way we need to think about social capital. If trustworthiness affects both market and non-market relations, then the viability of trust in markets might depend on the existence of a sufficiently rich network of non-market associations in which that disposition can generate benefits. Or – as Smith may have thought – vice versa.

More fundamentally, the modern theory of rational choice is a theory of *individual* rationality. Hume, Smith and Genovesi were all concerned with people *in relation to one another* in a way that is foreign to most modern economics. But although Hume and Smith develop relational theories of the moral sentiments, their explanations of the practice of trust assume that people are primarily motivated by self-interest. It is to Genovesi that we must look to gain a sense of how a theory of trust

might be grounded on a relational theory of rationality. We have suggested that Genovesi's concept of reciprocal assistance is best understood in terms of a rationality of 'we-thinking' – of plural agents.

What of the question which lies behind so much of the continuing debate about social capital: Do markets undermine relations of trust? One important lesson to be learned from the eighteenth-century literature is that trust is not, as social commentators sometimes casually suppose, a survival from a pre-modern era of close-knit rural communities. From their different eighteenth-century perspectives, Smith and Genovesi both see trust as a *modern* phenomenon. Smith thinks that trust is a product of commercial society; Genovesi's concern is that an economically backward society may lack the trust that is a precondition for commerce. But to say that trust is modern in this sense is not to be confident about the reproducibility of trust in market economies at the beginning of the twenty-first century. All of the theories we have considered, whether based on reputation, disposition or reciprocal assistance, provide reasons for thinking that trust is propagated within networks of associations of people who cooperate for mutual benefit. If the expansion of the market causes such networks to decay, we should not be complacent.

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