



Trust in modernity: The case of Adam Smith

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journals.sagepub.com/home/est**Jack Barbalet** *Australian Catholic University, East Melbourne, Victoria, Australia*

Abstract

Recent examination of Adam Smith's mention of trust and his understanding of the role of trust in interpersonal relations add to his standing as a theorist of modernity. Smith's development of the notion of trust is confined to an account of trustworthiness, which is consistent with his theory of moral agency based on the principle of the impartial spectator. In addition, it is demonstrated that the predominance of trustworthiness in Smith's understanding relates to the significant presence of cottage industry in a globalised commercial economy, through which reliance on others is foregrounded. At the same time Smith was unable to grasp the disposition and agency of a trustor, a person giving trust, and their confidence in choosing to balance the risk of depending on strangers with the advantage such dependence might provide. In this way both Smith's understanding of trust and the nature of trust itself are explicated.

Keywords

Cottage industry, obligation, promise keeping, trust, trustworthiness

It is widely agreed that trust is particularly significant in late modernity (Giddens, 1990, pp. 29–36, 79–83), where trust 'is a basic fact of social life' (Luhmann, 1979, p. 4). This is not to deny that trust has a 'silent presence' in classical social theory (Misztal, 1996, p. 1). The silence is broken, though, regarding the eighteenth-century writer Adam Smith, through a growing consensus regarding his treatment of trust and its continuity with current developments in the field (Bruni and Sugden, 2000; Evensky, 2011; Rathbone, 2022; Seligman, 1997; Silver, 1985; Tomaselli, 2022; Zouboulakis, 2010). It will be considered here whether Smith in fact did anticipate current

Corresponding author:

Jack Barbalet, Institute for Humanities and Social Sciences, Australian Catholic University, Level 3, 250 Victoria Parade, East Melbourne, Victoria 3002, Australia.

Emails: jack.barbalet@acu.edu.au; barbaletjack@gmail.com

conceptualisations of trust, as claimed by these authors, while his understanding of trust is comprehensively revealed in what follows. Apart from his consideration of trust, Smith's contribution is undeniable in the intellectual construction of modernity and a corresponding social science outlook. His major works, *The Theory of Moral Sentiments* (hereafter *TMS*) and *The Wealth of Nations* (hereafter *WN*) articulate the conditions of civic and economic modernity in a manner that continues to inform our appreciation of their current relevance (Burgio, 2023; Sagar, 2022). *TMS* and *WN* report the role of trust in interpersonal relations, including facilitating co-operation and surety between otherwise unconnected persons.

'Trust' and related words ('trusting', 'distrust', etc.) appear sparingly in Smith, 26 times in *TMS* and 61 in *WN*, similar rates of mention given the different size of these works. As the word 'trust' has many meanings a relevant consideration is the degree to which Smith indicates the modern notion of interpersonal trust, a fragile social connection insofar as trust is given by one self-interested person to another, with the trustor unable to control or manage the future behaviour of the trusted, and therefore at risk of their possible incompetence or malfeasance. Some of Smith's references to 'trust' have no interest for discussion here, as when he writes with biblical resonance of trusting to a 'superior power' or a 'superior wisdom' (Smith, 1976, pp. 277, 290, 236), that those warriors going to war 'will not trust their herds and flocks to the feeble defence of their old men', or that in places where 'it is dangerous to travel on horseback . . . mules are the only conveyance which can be safely trusted' (Smith, 1979, pp. 690, 729). Smith (1979, p. 789) also refers to 'trust rights', rights in the management of the property of others or 'trusteeship' (Smith, 1979, pp. 726–728, 759), which should not be confused with interpersonal trust, although the two are sometimes muddled (Rathbone, 2022, p. 100; Tomaselli, 2022, pp. 41–42). The more modern notion of trust in institutions is also mentioned by Smith when he notes that for commerce and manufacture to 'flourish' there is required 'confidence in the justice of government . . . to trust their property to the protection of . . . government' (Smith, 1979, p. 910).

The discussion to follow will address Smith's grasp of the relevance of trust for interpersonal relations, in which reliance or dependence on another is accepted in order to realise an outcome otherwise difficult to achieve. This examination of Smith's account of interpersonal trust raises several issues not only regarding Smith's contribution to our understanding of trust but also limitations in his approach, due to the nature of his broader social theory and, additionally, because of the social and economic structure of what he calls 'commercial society'. The contribution of the discussion to follow is to clarify Smith's understanding of the notion of trust, including its theoretical and socio-historical context. This is begun in the following two sections, first in general terms and then regarding his argument about the relationship between occupational remuneration and trust. This discussion provides a more detailed assessment of Smith's formulation than found elsewhere in the literature. It also shows that in his apprehension of trust Smith grasps only trustworthiness, a word linguistically unavailable to him, and that he neither addresses nor conceptualises trust-giving. The third section examines Smith's treatment of the moral gravity of promising and its obligatory responsibilities, which fill out his approach to trustworthiness. Finally, the theoretical and social structural background to Smith's understanding of trust is outlined. It is shown that his theory of the

impartial spectator effectively limits Smith's formation of a sense of a trustor's resolve to trust, which rests on an underlying confidence in a decision about balancing the risk of broken trust against the advantage of dependence on a stranger. Smith's account of uncompromised self-interested exchange and the system of natural liberty ironically implies supra-individual elements, in the form of economic sectors and state provision of public institutions, coextensive with trustworthiness. Finally, while global trade characterised eighteenth-century commercial society the predominant site of production was the rural cottage, where familiarity between persons encouraged trustworthiness while low levels of individualisation meant that the autonomous trustor's singular perspective was not yet articulated.

Trust in Smith

According to Smith (1976, p. 166), 'being trusted and believed' are entailed in the 'practice of truth, justice, and humanity' so that the 'trust and good opinion of . . . friends and neighbours' is the basis of a sense of well-being, whereas 'their distrust and unfavourable opinion' is felt as social injury (Smith, 1976, p. 122). The context here is an account of the significance of the opinion of others for a person's recognition of proper conduct, and in these statements is the idea that being believed is associated with being trusted. This connection is explicit in Smith's discussion, in *Lectures on Jurisprudence* (hereafter *LJ*), of the behaviour of traders in commercial societies. He says that such traders 'are the most faithfull to their word', not because of 'national character' but out of 'self interest, that general principle which regulates the actions of every man . . . from views of advantage' (Smith, 1978, p. 538). Because a trader in a commercial society 'makes perhaps 20 contracts 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', and he must therefore – out of self-interest – be 'scrupulous in observing every engagement' because to act otherwise would lead him to be 'afraid of losing his [good] character', and if his good character is doubted by his trading partners, he will lose them as well. This idea, of the functionality of trustworthiness in relations embedded in social networks, is core to a modern understanding of trust (Bruni and Sugden, 2000, pp. 33–35; Granovetter, 1985, pp. 487–493).

Cheating is rational only when 'people seldom deal with one another', continues Smith (1978, pp. 538–539), because under these circumstances 'they can gain more by a smart trick than they can lose by the injury it does to their character'. The significance of veracity, truthfulness and reputation underlie the statement in *WN* that home trade is preferred to foreign trade because with the former the merchant 'can know better the character and situation of the person whom he trusts' (Smith, 1979, p. 454). In these statements is an implicit assumption of a calculus of reliability of the other in one's trust of them, the evidence of which is in the verbal honesty or behavioural rectitude of the person being trusted, which for Smith is a feature of commercial exchange. Smith (1976, pp. 222–223; 1979, p. 412) distinguishes 'commercial countries' and 'pastoral countries' partly in terms of the strength of family bonds. In pastoral countries, strong intergenerational bonds provide protection against the encroachment of other families in the absence of state provided security. In commercial countries, on the other hand, the 'authority of

law' is sufficient so that 'the descendants of the same family, having no such motive [of protection] for keeping together, naturally separate and disperse, as interest or inclination may direct . . . [and they] cease to be of importance to one another' (Smith, 1976, p. 223). In commercial society, then, the defensive solidarity of intergenerational families is replaced by what Smith (1976, p. 23) in another context calls 'an assembly of strangers'. In addition to the structure of family relations, dependency in feudal society derives from a 'state of villanage' in which not only a serf or retainer is 'in every respect . . . dependent upon the great proprietor' but so also are the 'tenants at will, who paid a rent . . . [but nevertheless] must obey him with as little reserve' (Smith, 1979, p. 414).

The seeds of commerce within agricultural societies, and therefore the rudimentary architecture of liberty, according to Smith, derive from the great proprietors' employment of trades and craft workers:

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. (Smith, 1979, p. 420)

The reduced dependency of tradesmen through contractual or commercial employment is at the same time their acquisition of liberty through market exchanges. Market relations in commercial society are between persons detached and solitary, in the sense that they are dependent neither on familial bonds nor feudal ties (Smith, 1979, pp. 22–23, 276–277). This absence of dependency, though, does not leave a person without relational support. Smith (1979, p. 26) acknowledges that a person 'has almost constant occasion for the help of his brethren', but goes on to warn that it is 'vain for him to expect it from their benevolence only'; this is because of the positive role of self-interest, to 'shew them that it is for their own advantage to do for him what he requires of them'. In commercial society, then, the necessities of life are provided by others 'not [from] their humanity but [from] their self-love, and . . . their advantages' (Smith, 1979, p. 27). Whereas feudal society ensures adherence to prevailing norms and mores through hierarchical control, in commercial society the horizontal relations between self-interested persons need a different form of regulation. It is here that trust between social or economic participants is required for the maintenance of their interaction and co-operation.

Earning trust

Smith effectively provides a case study supporting the general proposition that trust underlies co-operative relations, with his discussion of how trust is implicated in earnings differences. He begins by noting that the 'value which the workmen add to the materials . . . resolves . . . into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced' (Smith, 1979, p. 66). He immediately adds that the wages of a supervisor or manager are determined 'not only [by] his labour and skill, but [by] the trust which is reposed in him'. The profits of the employer, on the other hand, derive from 'his capital' so that in 'the price of commodities, therefore, the profits of stock constitute a

component part altogether different from the wages of labour, and regulated by quite different principles' (Smith, 1979, p. 67). When 'a person employs only his own stock in trade, there is no trust . . . [and therefore] the different rates of profit . . . in the different branches of trade cannot arise from the different degrees of trust reposed in the traders' (Smith, 1979, p. 122). It is true, then, as Tomaselli (2022, p. 35) says, that 'on Smith's account, trust . . . diffused itself into the blood lines of the economy through wages', but not through 'profits and fees' as she goes on to claim. We have seen how Smith excludes in this context trust from a consideration of profit and it will be shown below how fees derive from trust relations only in a qualified manner. First, though, Smith's argument concerning the relevance of trust to the level of wages will be considered.

In his account of the factors which explain the 'inequalities arising from the nature of the employments' Smith (1979, pp. 116–117, 122) points to the agreeableness or otherwise of the work, the costs of acquiring relevant skills, the regularity of employment and 'the small or great trust which must be reposed in those' who are employed. The editors of the Glasgow edition of *WN* note that Hume similarly held that 'the trust reposed' in a worker is related to what they 'should be paid' (Smith, 1979, p. 122 note 16). The idea that wages vary with the trust 'reposed' in the wage earner is not confined to the eighteenth-century Scottish writers. In the following century, and without reference to Smith's discussion, Mill (1977, pp. 109–110) wrote:

The moral qualities of the labourers are fully as important to the efficiency and worth of their labour, as the intellectual . . . [It] is well worthy of meditation, how much of the aggregate effect of their labour depends on their trustworthiness. All the labour now expended in watching that they fulfil their engagement . . . is so much withdrawn from the real business of production, to be devoted to a subsidiary function rendered needful not by the necessity of things, but by the dishonesty of men. Nor are the greatest outward precautions more than very imperfectly efficacious, where, as is now almost invariably the case with hired labourers, the slightest relaxation of vigilance is an opportunity eagerly seized for eluding performance of their contract. (see also Mill, 1977, p. 380)

Mill says that a reliable worker saves their employer the cost of supervision; such workers can be attracted to employment by being paid more than unreliable workers, the added cost covered by savings on supervision. The 'moral' quality of the worker to which Mill refers, their reliability to work effectively with low levels of supervision, he describes as their 'trustworthiness', a term not available to Smith because the words 'trustworthy' and 'trustworthiness' did not appear in English until 1808 (SOED, 1992, p. 2375).

Smith does not refer to savings on supervision as underlying the higher wages of trustworthy workers, although it is implicit in his example of goldsmiths and jewellers, whose wages are much higher than 'many other workmen . . . on account of the precious materials with which they are intrusted' (Smith, 1979, p. 122). Earlier in *WN* Smith notes the unsettled nature of labour markets and the subsequent unreliability of large sections of the workforce, not only through poverty and infirmity but also through competition for workers by 'rival manufacturers', and a return of workers to self-employment including in the domestic industries of the rural economy (Smith, 1979, pp. 100–103). When

workers were learning factory discipline for the first time, the preoccupation of employers with the ‘character and morals’ of their workforce ‘became a marked feature of the early stages of industrialisation’ (Pollard, 1968, p. 226). At this time, in which high labour turnover partly resulting from a disdain for factory work among workers unused to a prolonged working day (Pollard, 1968, pp. 202–204), the ‘concept of industrial discipline was new’ (Pollard, 1968, p. 217). What Smith calls the ‘trust reposed’ in workers and what Mill describes as the workers’ ‘trustworthiness’ others have identified as employees’ ‘commitment’ to work (W. E. Moore quoted in Pollard, 1968, p. 204). Regarding analogous situations, a present-day economist refers to workers’ ‘norms’ (Akerlof, 2005). If Smith had available Mill’s vocabulary he would have referred to the relevant increment of a worker’s wage as resulting from their trustworthiness, the quality of reliability in the worker. More will be said below about the difference between ‘trust’ and ‘trustworthiness’, but in making clear an aspect of the notion of trust absent from recent discussions of Smith’s account (Rathbone, 2022, p. 213; Tomaselli, 2022, pp. 34–36; Zouboulakis, 2010, p. 213) it is necessary to return to his argument concerning the relations between trust and remuneration.

After arguing that the ‘small or great trust . . . reposed’ in workers affects their wages, Smith (1979, p. 122) provides further examples of the impact of trust on remuneration:

We trust our health to the physician; our fortune and sometimes our life and reputation to the lawyer and attorney. Such confidence could not safely be reposed in people of a very mean and low condition. Their reward must be such, therefore, as may give them that rank in society which so important a trust requires.

It is of interest that Smith says both that we ‘trust’ the doctor and the lawyer and that we have ‘confidence’ in them. This distinction, as we shall see, raises questions concerning whether these terms are interchangeable or meaningfully different. Smith (1979, p. 129) makes a similar case regarding the earnings of apothecaries, ‘the physicians of the poor’, who are paid proportionally ‘to his skill and his trust’. While Smith (1979, p. 129) refers to the apothecaries’ trust, ‘his trust’, the ‘trust which is reposed in him’, we shall see that Smith in fact means, rather, the trustworthiness which the apothecary’s patients attribute to the dispenser of their treatments. This matter will also be developed below when differences between ‘trust’ and ‘trustworthiness’ are clarified.

The distinction between trust and confidence is in the fact that while confidence is predicated on a knowledge of contingent factors or circumstances, trust is an engagement concerning outcomes that cannot be known at the time that the trust is given. A patient will consult a physician because they have confidence in the physician’s professional competence and knowledge-base. Unlike a trust relation, in which a breach of trust leads the person who suffers the incompetence or malfeasance of the breacher to experience not only disappointment with the breacher but also with their own misjudgement of the person they trusted, the incompetence of a medical practitioner cannot rationally lead to the patient’s self-reproach but can justifiably lead to professional censure and possibly legally enforced compensation. Physicians as healing professionals, since the third-century BC through the Hippocratic Oath, have fiduciary obligations and responsibilities to their patients. While Barber (1983, pp. 14–17) treats this as a particular form of trust,

Luhmann (1990, p. 102) points out that trust pertains to interpersonal relations whereas 'participation in functional systems', including systems of professional expertise, is not 'a matter of personal relations . . . [and therefore] requires confidence but not trust' (see also Seligman, 2011, p. 338). Also, persons chose to give trust but confidence is not dependent on the agency of the person who has confidence. As Hartmann (2015, p. 19) says, 'having a bank account does not necessarily imply trusting the bank'.

The trust or confidence given to physicians and lawyers, Smith wrote, 'could not safely be reposed in people of a very mean and low condition. Their reward must be such, therefore, as may give them that rank in society which so important a trust requires'. This proposition is in fact the reverse of his argument concerning wages. Higher wages go to workers who can be trusted without supervision to perform their labour or, as with goldsmiths, to not steal from their employer. Physicians and lawyers, on the other hand, in order to provide a sense of confidence to their clients – impossible if they were 'of a very mean and low condition' – require remuneration sufficient to 'give them that rank in society which so important a trust requires'. Their social position of 'trust' requires for its justification high fees. This is to say that professionals will be trusted if they are well paid, which is to suppose that if their fees are high enough then they will be seen as reputable or trustworthy (Mill, 1977, pp. 398–399). In his account of the level of fees expected of physicians and lawyers Smith draws on principles that are not continuous with those regarding the wages of workers, with different bases of trustworthiness implicated in each case.

None of the meanings of 'trust' employed by Smith mentioned above refer to the act of trusting. To trust another necessarily puts one at risk regarding the trusted party's future behaviour. Trust-giving, then, 'in the broadest sense [is] confidence in one's expectations' (Luhmann, 1979, p. 4). Trust must be understood in terms of the trust-giver's capacities and not the other's qualities. The other's trustworthiness is a factor in trust-giving, of course, but it cannot be determinative. As Hardin (1996, p. 27) indicates, prior experiences may make a person optimistic or pessimist about trusting a new person; the person is the same in both cases, the difference is the trustor's expectation. Relatedly, trust is given before the other's relevant actions can be known or appraised. Trust is thus conditional on a self-based capacity of the trustor or trust-giver to be confident about their own judgement regarding the other's probable future behaviour. It is on this basis that a choice to trust is made and why, if the trust is broken, there may be anger not only against the trust breaker but also and more significantly self-reproach and self-blame for misplaced trust. Luhmann (1990, p. 98) refers to this when he says that trust involves 'an internal attribution' and that one may 'regret [one's] trusting choice' (see also Möllering, 2001, pp. 414–415). Similarly, Hartmann (2015, p. 20) notices that 'what it means to trust is . . . to trust our own judgement as to where to put our trust and where to refrain from doing so'; we see ourselves as 'the source of the act of trust and put the blame on ourselves if we place trust naively'. Hartmann (2015, p. 17 note 2) distinguishes the act of trusting, 'first-order trust', from trusting oneself to 'place trust wisely', what he calls 'metatrust'. It could be argued that this idea of metatrust is redundant if a person's self-confidence in taking the risk of giving trust is understood to be internal to the act of trusting (Barbalet, 2009, pp. 375–376). In any event, the act of trusting another requires a

‘capacity for reflective self-evaluation’ (Frankfurt, 1971, p. 7) which is irrelevant in consideration of trustworthiness.

Whether it is possible for Smith to conceptualise trust in the sense set out above will be discussed soon. Trust, then, is an act a person engages regarding another. It is based on their accepting the vulnerability of dependence on the other. For this reason, trust is arguably in the trustor not the trusted. The trust relation, though, which is between the trustor and the trusted is always dyadic. A person’s trustworthiness, on the other hand, is prior to any current trust engagement and, as it is based on a reputation for reliability or social esteem, derives from third-party evaluation. This is not affected by the possibility that trustworthiness reflects a character trait or personal disposition (Kelp & Simion, 2023) because a trait or disposition could be known only through behaviour which generates a reputation for trustworthiness. Whereas trust as trust-giving is a practical undertaking, of acting in the face of risk to achieve a self-interested purpose, trustworthiness entails moral considerations of responsibility, which if breached injures the trustor (Hardin, 1996, p. 28; Tullberg, 2008, p. 2069). While the distinction between trust-giving and trustworthiness is clear cut, many discussions of trust ‘run trust and trustworthiness together’, as Hardin (1996, p. 28) puts it, ‘with claims about trust that might well apply to trustworthiness but that seem off the mark for trust’. This is true of the discussion of Smith, in which the terms ‘trust’ and ‘trustworthiness’ are used interchangeably, and without attention to Smith’s lexical situation (Bruni & Sugden, 2000, p. 23; Evensky, 2011, p. 250; Rathbone, 2022, p. 103; Tomaselli, 2022, p. 35; Zouboulakis, 2010, p. 212).

The certainty of trustworthiness

While Smith develops the concept of ‘trustworthiness’ the word was not available to him, as noted above. Nevertheless, Smith demonstrates the ethical gravity of trustworthiness through the notion of promise-making and its connection with justice, ‘the main pillar that upholds . . . the immense fabric of human society’ (Smith, 1976, p. 86; see also 163). He writes that the ‘reward . . . for promoting the practice of truth, justice and humanity . . . [is] in being trusted and believed’ (Smith, 1976, p. 166). Smith (1976, p. 175) goes on to remark that the rules of justice ‘are accurate in the highest degree, and admit of no exceptions or modifications’ and that one who departs from them ‘is no longer to be trusted’. Justice is distinguished from other moral virtues, prudence, charity, generosity, gratitude and friendship, which are ‘loose and inaccurate, admit of many exceptions, and require so many modifications, that it is scarce possible to regulate our conduct entirely by a regard to them’ (Smith, 1976, p. 174). A violation of justice, though, causes ‘injury . . . to some particular persons’, with ‘punishment’ the appropriate response (Smith, 1976, p. 79). This is because while society ‘may subsist among different men . . . from a sense of its utility, without any mutual love or affection . . . [it] cannot subsist among those who are at all times ready to hurt and injure one another’ (Smith, 1976, p. 86). In this case trustworthiness is a primary civic value. An injustice that holds Smith’s attention is therefore the breaking of a promise.

The ‘obligations which arise from contract or agreement’, Smith (1978, p. 87) says, relate to ‘an open and plain declaration that he desires the person to whom he makes the

declaration to have a dependence on what he promises' and because a 'promise produces an obligation, [then] the breach of it is an injury' (Smith, 1978, p. 472). While contracts today are typically understood as formal (Qi, 2022, pp. 599–601) for Smith (1978, p. 89) they may be 'verborum obligations or verbal contracts'. He clarifies the significance of an agreement and the promise implicit in it by distinguishing between a 'breach of a contract or promise . . . [and] a breach of veracity', with breaking a promise 'a much greater crime' than departing from the truth. Whereas 'veracity can extend to . . . what is past or what is present . . . with regard to what is future veracity can have no effect, as knowledge does not extend to it' (Smith, 1978, p. 93). A promise, though, entails the dependence of the person to whom the promise was made on the future actions of the promise-maker. If the promise is broken, then the person dependent on it is injured and a broken promise is thus 'a much greater crime' than a falsehood, a departure from the truth. Lies bring shame to the perpetrator but 'frequently do hurt to nobody' (Smith, 1976, p. 335; see 335–337).

Smith (1976, pp. 330–332) considers the importance of promise-making not only in *LJ* but also in *TMS*, where its gravity is considered through 'a trite example':

... a highwayman, by fear of death, obliges a traveller to promise him a certain sum of money. Whether such a promise, extorted in this manner by unjust force, ought to be regarded as obligatory, is a question that has been very much debated. (Smith, 1976, p. 330)

Smith (1976, p. 300) says that legally there can be no doubt that the highwayman's 'use of force to constrain the other' must mean that the 'obligation of such promises' cannot be sustained. He goes on to say, though, that 'if we consider it as a question of casuistry, it will not be so easily determined'. The idea that a promise, made to a highwayman under threat of death, raises questions concerning the principles permitting resolution of moral problems indicates the significance to Smith of promises and the obligations entailed in them. Smith (1976, p. 331) writes that a 'man who was . . . easy in making promises of this kind, and who violated them with as little ceremony, we should not chuse for our friend and companion'. Indeed, Smith's insistence on the high moral responsibility of keeping promises and honouring the obligations they generate confirms their importance to him in the standards of justice he proposes. He says that 'in general-exact propriety requires the observance of all such promises, wherever it is not inconsistent with some other duties that are more sacred' and adds for good measure that a 'brave man ought to die, rather than make a promise which he can neither keep without folly, not violate without ignominy' (Smith, 1976, p. 332).

The obligation arising from a promise, in Smith's account, has two properties that it shares with the present-day understanding of trust, namely the dependence of the trustor on the trusted and the orientation of the trust-giver to the future behaviour of the trusted. There is another element of Smith's discussion in *LJ* of contract which also aligns with present-day treatments of trust, namely that trust-giving requires a judgement of the trust-giver regarding the qualities of the trusted. Smith (1978, p. 89) writes that 'one who enters into a contract trusts to the fidelity of the person and is supposed to have trust in him [so that he] has himself to blame therefore if he is deceived'. But this is as close as Smith gets to an appreciation of the mechanisms of trust-giving.

No trust in Smith

It has become clear that while Smith has important things to say about trustworthiness, he does not address the act of trust-giving. It is not sufficient to say the trustworthiness of others encourages our trust in them: ‘We trust the man who seems willing to trust us’ (Smith, 1976, p. 337). This captures an obvious aspect of interpersonal trust relations, the trustor’s perception of the other’s trustworthiness. It was shown above, though, that this is not sufficient as it leaves out what Luhmann calls the trustor’s ‘internal attribution’. The reliability of the other in a trust relation is appraised through a confidence regarding the trustor’s own assessment of the other’s trustworthiness (Barbalet, 2009, p. 376). Concerning this discernment, Smith has nothing to say. Why this is so can be explained in terms of both Smith’s intellectual apparatus and the nature of the society in which he lived.

The mechanism of moral appraisal identified by Smith is an internalised impartial spectator: ‘We suppose ourselves the spectators of our own behaviour, and endeavour to imagine what effect it would, in this light, produce upon us’ (Smith, 1976, p. 112, see also 130–132). Not only behaviour but also a person’s disposition, including their self-appraisal – ‘estimating their own merit’ (Smith, 1976, p. 249) – is assessed by this imagined moral arbiter (Smith 1976, p. 247). Trusting requires a self-appraisal which balances the risk of being dependent on another and the realisation of a self-interested purpose such dependence might achieve. This is not a judgement of the other’s trustworthiness but a self-confidence regarding one’s own assessment of it. The requirement of self-appraisal through the imagined eyes of others provides Smith (1976, p. 112) with access to what is appropriate in behaviour, through the inter-subjectivity of a ‘looking-glass self’, but denies him understanding of the inflections required in one trusting another. As Griswold (1999, p. 105) says, if we ‘always see ourselves through the eyes of others... [we] are not transparent to our own consciousness; indeed, without the mediation of others, we have no determinate moral selves “there” waiting to be made transparent’. Smith says that the consciousness required to confidently trust another cannot itself be trusted, warning of the:

over-weening conceit which the greater part of men have of their own abilities... [and the] absurd presumption in their own good fortune... [by which]... the chance of gain is by every man more or less over-valued, and the chance of loss... undervalued. (Smith, 1979, pp. 124–125)

Smith (1979, pp. 125, 918) refers here to the ‘universal success of lotteries’, but the claim arguably applies to trust-giving as well.

Smith is correct to warn against the dangers of wishful thinking. Commitment to a trust relation predisposes the trustor to its success and contrary signals may be misread (Duttler, 2016). Overestimation of the reliability of a partner in whom trust has been given is always possible and is an obvious factor underlying a wilful betrayal of trust, classically represented by Goffman (1952). For Smith, though, the problem is not the precariousness of trusting the other, which is a feature of trust itself. Rather, it is that Smith’s theory of the moral mind only understands the trans-subjectivity of

trustworthiness and his theory of self-interested agency does not have the element of self-appraisal that is core to the practice of trusting another. Why this is so can be related to the nature of eighteenth-century European society and his theory of it.

Regarding the latter point above is Smith's statement of the 'system of natural liberty' and elements within it which reinforce the significance of trustworthiness, as we shall see. Smith's theory of natural liberty is predominantly regarded as an intellectual framework concerning the economic benefit of uninhibited pursuits of individual self-interest in market relations. In fact, though, the 'system of natural liberty' expounded by Smith relates to an economic structure that includes distinct sectors, the proper or 'natural' development of which contribute to a general social interest, as well as the intervention of sovereign authority which supports that general interest which market relations themselves cannot achieve. The outcome of atomised market relations is explained by Smith in the following terms:

... every individual ... endeavours as much as he can both to employ his capital in the support of domestick industry, and so to direct that industry that its produce may be of the greatest value ... He generally ... intends only his own gain, and he is in this ... led by an invisible hand to promote an end which was no part of his intention ... By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. (Smith, 1979, p. 456)

It cannot be forgotten, though, that for Smith economic society comprises three distinct sectors, land generative of rent, labour generative of wages and stock generative of profit (Smith, 1979, pp. 69–71, 265). A 'natural' pursuit of self-interest in each sector contributes to the general interest of society, but an 'unnatural' pursuit detracts from it. This latter prospect reveals a supra-individual imperative that seems to contradict the possibilities of an effective 'invisible hand' as it is understood by later *laissez-faire* advocates, but it provides an element of the surety of trustworthiness characteristic of early modernity in enforcing 'predictability in judging the intention and action of others' (Silver, 1985, pp. 53–54).

Smith explains that the individual's pursuit of profit contributes to the total profit of society only if employment of their capital – land, labour or stock – is unconstrained. Smith (1979, p. 687) writes that:

... every system which endeavours, either, by extraordinary encouragements, to draw towards a particular species of industry a greater share of the capital of the society than what would naturally go to it; or, by extraordinary restraints, to force from a particular species of industry some share of the capital which would otherwise be employed in it; is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labour. (see also Smith, 1979, pp. 374, 629–630)

Manufacturers and traders may benefit by 'narrow[ing] competition' so that their 'interest is never exactly the same with that of the publick' (Smith, 1979, p. 267),

a complaint much-repeated (Smith, 1979, pp. 144, 145, 467, 493–494, 496). Such situations derive from the formation of ‘factions’ (Smith, 1976, pp. 230–232; 1979: 267, 421) and monopolies (Smith, 1979, pp. 642, 896).

Modern economists regard Smith’s account of natural liberty, including the mechanism of the invisible hand, as an early expression of equilibrium theory (Schumpeter, 1997, pp. 308–311). But Smith’s emphasis on a public interest contrasted with the interests of self-serving individuals expresses a view continuous with thinkers of the previous century who he otherwise criticised. Fortrey (1673, pp. 218–219), for instance, indicates that ‘private advantages are often impediments of publick profit’ (see also North, 1691, pp. 511–512). For Smith, society is not a hyper-individualised aggregation of radically unconnected persons. As we have seen, unconstrained self-interested market exchanges generate an optimal social outcome only if the sectoral development of the economy is not disrupted by faction or monopoly (see Brown, 1994, pp. 182–183). There is a second qualification to the system of natural liberty, namely its necessary supplementation through sovereign intervention.

In describing the exercise of natural liberty Smith (1976, p. 687) says that:

... as long as he does not violate the laws of justice [every man] is left perfectly free to pursue his own interests his own way, and to bring both his industry and capital into competition with those of any other man.

He immediately adds, though, that:

According to the system of natural liberty, the sovereign has... the duty of erecting and maintaining certain publick works and institutions, which it can never be for the interest of any individual... to erect and maintain; because the profit could never repay the expense to any individual. (Smith, 1976, pp. 687–688)

This acknowledgement, that natural liberty cannot emerge naturally, has been described as a ‘paradox’ (Sagar, 2022, p. 110). More significant than the logical form of the argument is the substantive point that in Smith’s system of natural liberty individualised and self-interested market relations can be maintained only through institutionalised state regulation.

These qualifications regarding the system of natural liberty, which, first, acknowledge the requirement of sectoral balance over individual pursuits of self-interest and therefore a consideration of a group- or collective-interest over individual self-interests, and, second, recognition that natural liberty is insufficient to realise its postulated purpose and requires state intervention to provide necessary ‘publick works’ that self-interested market actors will not produce, refer to supra-individual imperatives. Thus, individuals acting on their own behalf necessarily require supplementations to the natural liberty of market exchanges. These latter consummate a public interest that does not arise from an aggregation of individual interests. These supra-individual factors supporting optimum outcomes in commercial society are commensurate with a trustworthy-focussed outlook of its market actors. It will be shown that not only Smith’s theory of commercial society but also its empirical nature in eighteenth-century Europe underlies a predominance of

trustworthiness in relations between market actors. Before indicating the social economy of cottage relations, through which interpersonal relationships of trustworthiness predominate, it is necessary to outline the eighteenth-century global economy described by Smith.

While Smith's economic science focused on the nature and consequences of capital accumulation under conditions of industrialisation and free markets, Europe in his day remained markedly agricultural even though manufacturing industry was established and growing. For instance, linen export was significant for Smith's Scotland, but linen production remained 'a domestic and cottage industry . . . [as] there simply were no large manufactories in Scotland; the growth points of the economy lay in the cottage' (Smout, 1985, p. 63). Although Scotland's agricultural sector was marketised, it retained familial and local forms of social relations. Much is written about Smith's association with Glasgow merchants and what he learned from them, and they from him (Gherity, 1992), but Smith possessed extensive knowledge of the rural economy and does not conceal his admiration for aspects of it (Smith, 1979, pp. 143–144, 363–364). A significant portion of rural earnings were generated by women employed in cottage industries, especially linen spinning and weaving. Referring to the manufacture of linen in Scotland, Smith (1979, p. 103) comments that employment was unstable and that:

... women return to their parents, and commonly spin in order to make cloaths for themselves and their families [and that] independent workmen do not always work for publick sale, but are employed by some of their neighbours in manufactures for family use.

This contrasts with the relations of commerce that Smith reported and theorised in *WN*. But the two, global commerce and cottage industry, were not remote from each other.

Smith (1979, p. 626) writes that the 'discovery of America . . . and the passage to the East Indies . . . are the two greatest and most important events recorded in the history of mankind'. He understood that the expansion of markets produced not only extensions of bilateral trade but an economic globalisation involving many countries. In addition to the augmentation of industry in those countries that traded directly with American colonies, similar benefits accrued to countries that traded 'through the medium of other countries' (Smith, 1979, p. 591). There is also a less visible consequence that 'encourage[s] the industry of countries, such as Hungary and Poland, which may never, perhaps, have sent a single commodity of their own produce to America' insofar as American products – sugar, chocolate, tobacco – are consumed in these countries and 'must be purchased with something which is either the produce of the industry of Hungary and Poland, or with something that has been purchased with some part of that produce' (Smith, 1979, pp. 591–592). Each of these societies, though, possessed a rural sector which was both commercialised and, for want of a better term, 'cottage-ised', subject to familial and traditional relations in support of global commerce. Smith demonstrates this implicitly when indicating the extent of the division of labour and its global reach.

Smith (1979, p. 22) notes that 'the accommodation of the most common artificer or day-labourer in a civilized and thriving country' is not local or even regional but in 'exceed[ing] all computation' is global. He recommends consideration of the 'woollen

coat, for example, which covers the day-labourer . . . [that] is the produce of the joint labour of a great multitude of workmen'. Smith provides a list of types of workmen whose independent economic activities are connected through commercial exchanges which effectively contribute to the production of the woollen coat. The list is impressively long, referring to those involved in transport, the construction of the means of transport, the toolmakers and the miners who provide the iron and coal to make the tools and so on (Smith, 1979, pp. 23–24). More directly related to the woollen coat itself, Smith (1979, p. 22) mentions the 'shepherd, the sorter of the wool, the wool-comber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser . . . [who] join their different arts in order to complete even this homely production'. The industries referred to here, including mining, the conversion of raw fleece to yarn, and then fabric, and so on, were all at the time of Smith's writing cottage industries, in which production was commercially directed but family-based and rural.

There is thus in Smith's account of commercial society not only a detailed exposition of the way in which independent economic actors motivated by self-interest drive economic growth through an extensive division of labour which is not confined to a single site of production but to the global economy, and an acknowledgement that a significant area of economic activity is undertaken in what he calls 'domestic industry'. Smith's commercial society thus includes the 'activity of households engaged in both industry and agriculture, partly for the market, partly for home consumption' (Mendels, 1972, p. 258). Production for the market performed by rural families in conjunction with their agricultural engagements, complementing the agricultural cycle and supplementing family income, maintained the societal presence of familial or traditional rather than fully individualised social relationships, practices and orientations.

From Smith's time to the mid-nineteenth-century domestic and industrial production operated together (Dobb, 1972, pp. 144–146). Mill (1977, pp. 392–394, 691) argues that 'domestic manufactures' involving family labour are paid at a lower rate than 'labourers who devote themselves entirely to [that] employment', with the consequence that 'peasant families' engaged in subsidiary employment and therefore working 'not for an employer but for themselves' are effectively obliged to maintain over time their participation in cottage production and the lifestyle and social arrangements it entails. This situation, of the continuation of domestic production, persisted as 'late as 1870 [when] the immediate employer of many workers was not the large capitalist but the intermediate sub-contractor . . . of outwork and domestic production' (Dobb, 1972, p. 266; see also Mendels, 1972, pp. 258–259; Pollard, 1968, pp. 50–51). This pattern corresponds to Polanyi's distinction within the historical development of markets, from the time when the economy was 'embedded in social relations' to one in which 'social relations are embedded in the economic system' (Polanyi, 1957, p. 57). According to this schema Smith wrote in the first of these periods and in his theory of free markets projected to the second.

Smith held that relations between self-interested persons constituted the basis of a successful commercial society, in which a person 'stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons' so that support does not come from the 'benevolence' of others but rather will 'prevail if he can interest their self-love in his favour'

(Smith, 1979, p. 26). In these circumstances we ‘never talk to them of our necessities but of their advantage’ (Smith, 1979, p. 27). Commercial society is thus ‘upheld by a mercenary exchange of good offices according to an agreed valuation’ (Smith, 1976, pp. 85–86). What is required here according to Smith, as shown above, is the trustworthiness of workmen, physicians, lawyers, apothecaries, merchants and so on. When ‘social relations are embedded in the economic system’, to use Polanyi’s term, in the late modernity of the twentieth and twenty-first centuries, individualisation reaches a level Smith could not conceive. Participants in late-modern trust relations are highly attuned to the risk of trust-giving and the trustor’s vulnerability, theorised in an extensive specialist literature. The temper of trust relations in Smith’s time, when the economy was still ‘embedded in social relations’, meant that the default sense of trust was trustworthiness. The irony is that absence of the word, ‘trustworthiness’, has meant that accounts of Smith’s discussion of trust are invariably incomplete.

Conclusion

It has been shown that Smith’s approach to interpersonal trust focuses on trustworthiness and its reliability. This contrasts with the understanding of interpersonal trust in late modernity, which prioritises the risk faced by a trustor and their confidence in appraising the future reliability of a prospective partner. There are several paradoxes here. First, recent commentary recommends Smith’s discussion of trust as representative of a modern understanding of the way in which self-interested and independent persons co-operate in achieving mutually beneficial outcomes. It has been shown that rather than providing a modern account of trust Smith’s treatment of interpersonal relations devolves on trustworthiness, commensurate with a social economy of commodified cottage production rather than industrialised let alone computerised factories. Trustworthiness is based on the reliability of persons, evidence of which is in their past and current behaviour and the reputations such behaviour supports; trust, as a relation that deals with the risk of dependence on strangers whose future behaviour is unavoidably uncertain, is not the subject of Smith’s consideration.

Smith’s social psychology of moral agency, in which the capacity of persons to imaginatively construct how they may be seen by others, and therefore what may be construed as socially acceptable and morally commendable behaviour, adequately explains the social presence of moral norms and cohesive relations between self-interested persons, including their obligations to keep promises, their trustworthiness. Smith did not develop a sufficiently individualised notion of self-reflection, through which the confidence persons have in their own appraisal of risk in being dependent on another, and therefore the capacity to choose to trust another, is expressed. Also, Smith’s approach to natural liberty, in both presupposing sectoral balance and state intervention, introduces supra-individual factors commensurate with trustworthiness. Additionally, the economic society in which Smith lived, while thoroughly commercial and global, included a predominant cottage sector in which familiarity and custom privileged trustworthiness in maintaining relations of co-operation between participants in trade and production, and their social relations in general.

Smith's contribution to our understanding of modernity is of continuing value and interest. His projection of commercial relations between self-interested persons to globalised capital accumulation readily transports him intellectually from the eighteenth to the twenty-first century. When his treatment of trust is the focus of attention, though, a characteristically eighteenth-century quality of his theorising is dominant. This does not reduce Smith's importance but contextualises it. Consideration of his account of trust and its characteristic qualities repay examination because they indicate the differences between the social and economic organisation of early and late modernity, a difference which amplifies the significance of another difference, that between trustworthiness and trust. Smith's account of trustworthiness is important; so too is recognition of Smith's inability to address the individualised mechanism of trust-giving.


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ORCID iD

Jack Barbalet  <https://orcid.org/0000-0002-4212-7929>

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