

# The Economy of Esteem

## An Essay on Civil and Political Society

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GEOFFREY BRENNAN AND PHILIP PETTIT

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# Preface

One of the authors of this book is an economist, the other a philosopher, but we are each ill-disciplined enough to have interests in the large set of theoretical and normative questions that connects our subjects. As colleagues for fifteen years at the Research School of Social Sciences, Australian National University, we got into the habit of meeting for a weekly lunch to discuss questions of common interest. And somewhere around 1990, we stumbled across the topic of esteem. The upshot, many lunches later, is this book.

We were pressed into thinking about the role of esteem in social life by a number of prompts. First, a sense of dismay at the strengthening political assumption that there were only two disciplines on which government could rely in seeking to spend the tax dollar wisely: tough management or resort to the market. Second, a feeling, nurtured by rereading Adam Smith, that even if economics and game theory did well to focus on self-interested motivation, they had lost sight of the rich resources of self-interest associated with the desire for esteem. And third, disappointment at finding that, despite the long history of emphasis on the importance of this desire, the other social sciences did not offer anything approaching a systematic theory of esteem or an agreed set of findings on the topic.

Prompted by these motives, we stuck with our lunchtime conversations about esteem and later, as our commitment stiffened, spent many sessions poring over blackboard jottings together. We drew shamelessly for advice and references on our colleagues in disciplines other than our own, ranging from history to criminology to psychology. And gradually, bit by bit, we found that we had something we thought was worth saying. We hope that readers will share our sense that however well or badly we ourselves handle the topic, there are enormous riches to be mined in and around this area.

One colleague whose advice, direction, and encouragement played a crucial role in keeping us at this book is our friend, John Braithwaite. He himself gave enormous importance to what he described as 'reintegrative shaming' in his influential work on *Crime, Shame and Reintegration* (Braithwaite 1989), and the theory developed there was itself an important factor in leading us to give attention to social esteem. Conscious of the extent of our debt—and of the

pleasure of many conversations—we are delighted to be able to dedicate this book to him.

The themes and theses of the book are common property that we are each happy to own and for which we each expect to be held to account. But the actual writing of the book posed something of a problem, given natural differences of disciplinary and individual style. Our solution was to give the penning of the long middle part of the book to Brennan—this goes into some detail in looking at the economics of esteem—while leaving the rest of the material, which has a more philosophical, scouting character, to Pettit. We hope that any differences of style in the presentation are reasonably justified by differences in the sort of material covered.

We are conscious of the length and relative complexity of the book. With a view to making things easier for readers, we provide a short concluding section at the end of each chapter. We have a preamble at the beginning of each of the three parts of the book to give overall guidance on how the argument goes. And we use the Introduction to set the scene and to orient readers to the issues we cover.

Apart from John Braithwaite, three people read much or all of an earlier version of the manuscript for us: Dharmika Dharmapala, Richard McAdams, and Michael Wenzel, and we are most grateful to them for their advice. More generally, we are indebted to a large number of colleagues at the Research School of Social Sciences and elsewhere, and to an even larger number of Australian and international visitors to the School. At the risk of overlooking someone, we would like to mention in particular Michael Baumann, Valerie Braithwaite, Arudra Burra, Conal Condren, Bob Cooter, Steve Dowrick, Jon Elster, John Ferejohn, Frank Foreman, Bruno Frey, Bob Goodin, Knud Haakonssen, Alan Hamlin, Russell Hardin, Richard Holton, Susan James, Harmut Klient, Martin Krygier, Niki Lacey, Melissa Lane, Rae Langton, Julian Le Grand, Margaret Levi, Christian List, Iain McCalman, Victoria McGeer, Tim O'Hagan, Mark Philp, Quentin Skinner, Michael Smith, David Soskice, Kim Sterelny, Steve Stich, Bob Sugden, Wojciech Sadurski, Jean-Fabien Spitz, Tom Tyler, Bruno Verbeek, and David Vines. We are also grateful to Nic Southwood for preparing an excellent index. And, finally, we must mention Andrew Schuller, who was the model of an enthusiastic, insightful, and patient editor. Wittingly or unwittingly, all of these people did something to shape this book. We hope they won't be embarrassed to discover the fact.

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# Introduction: Rediscovering the Economy of Esteem

## *The third desire*

The three ruling passions in human life are often said to be the desire for property, the desire for power, and the desire for prestige or status or esteem (Ricoeur 1965: 168 ff.). The effects of the first desire are charted in standard economics, the effects of the second in political science—and of course in the annals of history. But the effects of the desire for esteem have escaped the sustained attention of social scientists. It is almost as if there were a conspiracy not to register or document the fact that we are, and always have been, an honour-hungry species.

The drives for property, power, and prestige have all figured in the books of the moralists. It has been standard, and standard within a variety of traditions, to observe that each of these passions is hard to moderate in the soul of the individual and that each, therefore, can lead a person into a pattern of behaviour that is destructive of the personality and of good interpersonal relations. On this front there is no discrimination against the third desire. But whereas the disciplines of economics and politics have grown up around the study of the competition for property and power, nothing of that systematic kind has occurred with esteem.

What economics and politics reveal in the domain of property and power is that the unintended consequences of people's desires congeal into aggregate patterns that affect in turn what individuals can and choose to do. The competition for property dictates the prices at which individual goods can be obtained, for example, while the competition for power dictates the opportunities for individuals to find a place among others and to exercise influence. Both disciplines, however, have a normative as well as a positive or empirical side. They not only seek to reveal how things actually turn out as a result of people's interactions, but also try to identify ways in which they might be made to turn out better. Thus economics specialises in identifying more efficient systems of



production and distribution, politics in charting more stable ways of organising the dispensation whereby power is allocated among individuals and groups. And specialists in each discipline equally argue for improvements that would have beneficial consequences, not just for endogenous ideals like efficiency and stability, but also for ideals—perhaps more controversial ideals—like freedom, community, and equality.

We see no reason why there shouldn't be a study that serves these same positive and normative ends in regard to the system generated by people's desire for esteem. Were it distinct enough to earn a Greek name on a par with 'economics' and 'politics', we might call it 'kudonomics': the study of the laws governing the system of *kudos* or renown. We tend to think of it ourselves as an extension of economics, however, since the discipline of economics has been extended in recent times beyond the realm of things that can strictly be bought or owned—commodities and services—to include other goods, including indeed the goods associated with power. There is an economy in property, an economy in power, and there is also, so we believe, an economy in esteem.

### *The economy of esteem*

Economies are systems whereby scarce resources are allocated among competing parties. In particular, they are systems of allocation that have an interactive or aggregative dimension. What individual agents do gives rise to aggregate patterns that feed back in turn into the things that determine what individual agents do; they feed back, for example, into the determination of people's opportunities and expectations.

This more or less standard account of an economy is completely general, abstracting from the sorts of resources that are allocated. But the generality is often moderated in the practice of identifying and analysing economies. The resources within the remit of economic studies have been extended greatly in recent decades to include even resources of power, as already mentioned. But they are still usually restricted to goods of an action-centred kind: goods that materialise via the things people do and are disposed to do. They do not include goods, like esteem, that come into being by virtue of what people think and feel about the person esteemed: that is, by virtue of their attitudes rather than their actions.<sup>1</sup>

<sup>1</sup> For some notable exceptions, see Akerlof 1984; Frank 1985; Levy 1988; Hollander 1990; McAdams 1992, 1995, 1997; Bernheim 1994; Klein 1997; Kuran 1995; Akerlof and Kranton 2000; Le Grand 2000; Ellickson 2001; O'Neill 2001; Cowen 2002.

Our aim in this book is to look at the scope for studying, in the manner of an economics, the system whereby perhaps the most important resource of this attitudinal kind—esteem—is allocated among individuals. Esteem in the sense intended includes the positive asset of approbation and the negative liability of disapprobation. We describe the negative liability as ‘disesteem’ but we often use the term ‘esteem’ to describe the positive asset as well as the generic entity; the context will make our intentions clear in such cases.

Esteem cannot be given away or traded in the ordinary manner, for there is no way that I can buy the good opinion of another or sell to others my good opinion of them. We shall be seeing later why this is so. But though it is non-tradable in that sense, esteem is still a good that is allocated in society according to more or less systematic determinants; and it is a good whose allocation has an interactive, aggregative aspect. Thus there is room, at least on the face of it, for studying both the positive results of that emerging pattern and the normative prospects for changing that pattern in a way that is generally beneficial.

The fact that there is an interactive, improvable system for the allocation of esteem, despite esteem not being a fully tradeable resource, suggests that the economy of esteem ought to be an intriguing area of investigation. And so indeed we think it is. We hope that our book will show that the economy of esteem is a system that economists and other social scientists ought to be actively investigating. It has received a little attention in the sociological study of social exchange (Blau 1964; Heath 1976; Coleman 1990: 129 ff.). But it is deserving of a lot more analysis, in particular analysis of an economically oriented variety.

Some economists will say that esteem is taken into account in standard theory to the extent that reputation—say, the reputation for delivering on time or for delivering at a certain level of quality—is seen as an important resource for someone in the market. But reputation is distinct from esteem in our sense. Esteem may accrue to someone who is not reidentifiable—someone who lacks a recognisable name or face—whereas reputation presupposes reidentifiability. And the two notions come apart even where reidentifiability is assumed. Esteem does not entail market reputation, since it may often be given for properties that are irrelevant to market behaviour. And market reputation does not entail esteem. It is often equivalent to brand or name recognition, for example, and can be purchased by a new producer, and provided by consumers, without any connection with esteem. Consumers may reason that the new producer will try to maintain the quality of the old brand or name, without in any way esteeming that company or person. And the new producer can reckon that that fact gives market value to the reputation involved.

The tendency among economists who discuss the value of reputation is to see it as deriving entirely from the value of the commodities it enables an agent to secure. Like money, esteem is taken to give an agent a certain purchasing power in the domain of consumption goods—an expectation of being able to use it to obtain such goods—and that is assumed to be the reason it is attractive. We do not think that this reductionist view of market reputation carries over to esteem more generally. We seek esteem or shrink from disesteem among people we are very unlikely to meet again; we even seek esteem or shrink from disesteem among those who will live after our time and whom we will never meet. It is hard to see how this could make sense if esteem had no value for us other than as a means of securing consumption goods. We will return to this point—and indeed to other observations registered here—later in the text.

### *Two reasons for investigating the economy of esteem*

There are two main reasons for investigating the economy of esteem. The first consideration, which is purely theoretical or intellectual in character, is that there is something truly strange and wonderful about the way the economy of esteem works as a matter of positive or empirical fact. We try to make this vivid in the first and second parts of our book, where we look at the nature of esteem, the way it is supplied, the basis on which it is demanded, and some of the interactive, aggregative effects of the strategies whereby individuals try to pursue it.

The second reason for investigating the economy of esteem, however, goes deeper in our own way of thinking. The economics of any system of allocation tries not just to understand the system, as mentioned, but also to see how far it can be made to work better and to work for the better promotion of what is regarded as the common good. It constitutes a normative as well as a positive economics. And there is enormous scope, it turns out, for exploring the normative potential of the economy of esteem.

It is common nowadays to think that there are only two reliable controls available for ensuring that people will act in a manner that conduces to the common good: the one is the invisible hand of the market, the other the iron hand of law and administration—the iron hand of the state. The assumption that there are just two forms of social discipline shows up in the directions of government over the past decade or so. Governments have tried to market more and more of the services that used to be provided in the non-marketed sector of the economy—services in education, research, health, counselling,

and the like. And, where marketing is impossible or problematic, they have sought to impose a tougher regime of monitoring and management: they have tried to subject those providing the services to ever more intrusive forms of surveillance and accounting.

We think that this dichotomous picture of regulatory possibilities is misconceived. In particular, we think that it overlooks the possibility of subjecting people to a quite different sort of discipline: that involved in being required to act so as to secure esteem and escape disesteem. We think of this discipline as an intangible hand that complements the invisible and iron hands that have monopolised the attention of regulators (Brennan and Pettit 1993; Pettit 1993, 1997). The forces of esteem are distinctively associated, not with the market, and not with the state, but with what is nowadays often described as civil society. One of the most interesting projects in institutional design is to investigate the conditions under which the intangible hand can be expected to work well and, in particular, to work for the production of what is generally seen as the common good.

The distinction between the iron hand, the invisible hand, and the intangible hand is analytically well grounded. The iron hand involves actions that intentionally sanction agents—reward or punish them—so that they behave in a certain way; it is represented, for example, in the legal and regulatory initiatives of the state. The invisible hand also involves actions that serve to sanction agents—for example, the actions of consumers in seeking out the cheapest provider of a certain good—but those actions are not designed intentionally to elicit a certain pattern of behaviour, such as competitive pricing; they serve as rewards and penalties that elicit that pattern but they are not necessarily intended by their agents in that role. The intangible hand is like the invisible hand, and unlike the iron hand, in deploying non-intentional sanctions of this kind. But it is unlike the invisible hand, in that the sanctions deployed involve the formation of attitudes—rewards of esteem, penalties of disesteem—not, or at least not necessarily, the performance of actions.

The third and final part of the book is explicitly focused on the normative as distinct from the positive study of the economy of esteem though much relevant material already surfaces in the second part. This normative study amounts, in effect, to an examination of the ways in which we might expect the intangible hand to be made to work for good in our societies. We look at how far the economy of esteem might work efficiently: that is, how it might work well by standards inherent in the system. And, more importantly, we look at how it might work effectively in the production of other socially endorsed values: how it might work to promote conformity with certain ideals, and in particular how it might encourage politicians and

professionals and those who serve on various public bodies to stick faithfully to their assigned briefs.

We mentioned that governments often try nowadays to market services like education and, where marketing is impossible, to monitor and manage the service providers in a tougher measure. If we are right about the opening for the intangible hand, then it might make more sense for governments to look at how far educational services can be disciplined—and at how far, therefore, taxpayers can be assured of getting value for their money—by setting things up so that esteem goes with high performance, disesteem with low performance.

We are particularly sensitive to this possibility, as we wrote this book while working together in a public institution: the Australian National University. Like many other countries, Australia has begun to submit teachers and academics to a pattern of relentless scrutiny and continuous accounting that consumes an extraordinary amount of time, demoralises and destabilises those in the business of education, and makes the education profession less and less attractive to young talent. We would argue that such external scrutiny and accounting has gone further than is needed, given the availability of the discipline of esteem; and that it may even have gone so far that that discipline has been seriously weakened.

### *How the economy of esteem escaped attention*

As we worked on the themes in this book over the last decade or so, we became ever more perplexed at the failure of economics to address the topic more centrally. A book on the economy of esteem ought not to have been necessary. Economics and social science is two hundred years old, after all, and the importance of esteem has been recognised for at least two thousand (Lovejoy 1961; Adair 1974). So why has the economy of esteem escaped much attention or analysis?

Adam Smith, the founder of economics, was himself a great believer in the attraction that people feel for esteem, and the repulsion that they feel for disesteem. 'Nature, when she formed man for society', he wrote, 'endowed him with an original desire to please, and an original aversion to offend his brethren. She taught him to feel pleasure in their favourable, and pain in their unfavourable regard' (Smith 1982: 116). In adopting this view, Smith was following a tradition of emphasis on the importance of the esteem motive that had been present in Western thought in the time of the Greeks and the Romans, had resurfaced with emphasis in the Renaissance, and had become a major theme in the moral and social treatises of the seventeenth and

eighteenth centuries. We say something more on that tradition in later chapters of the book.

The belief in the power of esteem led Smith even to argue that the reason why we seek out wealth, the reason why we want to have more and more to spend on what he called baubles and trinkets, is that by achieving conspicuousness in such possessions, we win distinction and esteem. 'It is the vanity, not the ease or the pleasure, which interests us' (Ibid. 50). Writing in 1790, John Adams (1973: 33) gave nice expression to the same idea. 'Riches force the opinion on a man that he is the object of the congratulations of others; and he feels that they attract the complaisance of the public.'

But this view that it is an interest in esteem that fuels the desire for material goods and services largely disappeared with the development of mainstream economics. Most economists came to assume that people naturally sought accumulation and wealth and only the odd renegade like Thorstein Veblen stood against the trend. He argued that in the pursuit of accumulation 'the struggle is substantially a race for reputability on the basis of invidious comparison' (Veblen 1905: 32).

We can think of three main reasons why esteem may have slipped out of focus among economists and social scientists in the two centuries since Smith wrote his path-breaking books. One is that with the advent of economics, in particular with the discovery of invisible-hand possibilities of social ordering, it became unfashionable to give attention to any mode of social discipline that invoked virtue in some way (Hirschman 1977). Bernard Mandeville, in his *Fable of the Bees*, was very influential in preaching that private vice was public virtue (see Mandeville 1924) and, albeit Smith wanted to distance himself from Mandevillean irony, the invisible hand gave a certain substance to that rather paradoxical lesson. The centrepiece example of the invisible hand was the open and free market in which, so it was claimed, the individual pursuit of advantage—shameless self-seeking, as it appeared to many—would guarantee that goods were made available, to the benefit of all, at competitive prices.

The scepticism about virtue, and an enthusiasm about the invisible hand model of social ordering, may well have provided reason not to pay any serious attention to the economy of esteem. For esteem will rule people's lives only so far as they can continue to believe in the possibility of estimable or virtuous behaviour and only so far, therefore, as there are at least some individuals who offer persuasive examples of virtue (Pettit 1995). It is because of being taken to issue from virtue, after all, that many forms of behaviour will win esteem for an agent. Esteem and virtue go closely together (see Lovejoy 1961: 185). Thus in letting go of individual virtue as a source of collective order, economists and

social scientists may have let go at the same time of the desire for being thought to be virtuous as a source of such order.

But there may also have been a second force at work in leading such thinkers to neglect the economy of esteem. As Enlightenment figures looked for a secure basis on which to predict and plan for social ordering, they looked beyond the motives of traditional aristocrats to the things that were likely to move the ordinary run of men and women. It was natural for them in this enterprise to pay no attention, therefore, to the forces that seemed to be distinctively associated only with aristocratic circles. And among those forces the love of esteem and the hatred of disesteem must have seemed like characteristically aristocratic traits; indeed such a view can already be found in Aristotle (Elster 1999: 70). The language of honour and dishonour was aristocratic in provenance and seemed to be powerful only in sustaining aristocratic patterns of behaviour, many of them patterns of behaviour, like dueling, that were anathema to Enlightenment tastes (Holmes 1990; Stewart 1994).

While David Hume (1994: 24) was prepared to concede that 'honour is a great check upon mankind', for example, he himself had come to think that it was often a debased currency, associated with aristocratic 'debauchees' and 'spendthrifts' (Hume 1994: 294). This critique was deepened and developed, later in the eighteenth century, by the extremely influential figure of William Paley. 'The Law of Honour is a system of rules constructed by people of fashion, and calculated to facilitate their intercourse with one another; and for no other purpose' (Paley 1825: 2). Enlightenment figures like Hume and Paley, and in particular the new profession of economists, put the economy of esteem beyond the bounds of serious attention as they explored the prospect of building social order on the hard-nosed common sense and the honest self-interest of the bourgeoisie (Gunn 1993: 29). In scorning the pretensions of old-style aristocrats, it may have seemed natural to banish the system of honour and esteem from the ambit of their concerns.

We think that the assumption, clearly implicit in Paley's work, that ordinary folk have no interest in honour and esteem and that it belongs only to the aristocracy is a grievous error.<sup>2</sup> He would have done well to hearken in this regard to the little-known eighteenth-century author, Abraham Tucker, whom he singles out for praise in the dedication to his book. For Tucker (1834: 191) directly confronted and rejected that assumption. 'We currently pronounce the vulgar void of honour because they want those notions of it instilled into us by education and good company: but if they had not a sensibility of their own,

<sup>2</sup> It is ironic that the traditionally aristocratic culture of honour may now survive in its most florid form among those on the other end of the socioeconomic spectrum. See Nisbett and Cohen (1996).

they would never be moved unless by blows or something affecting them in point of interest, whereas we find the meanest of mankind as apt to take fire upon opprobrious language or defamation, when they understand it, as the most refined.'

Tucker's comment still holds true today, as a number of authors remind us. We ordinary folk may not pontificate about honour in the manner of seventeenth- and eighteenth-century aristocrats but we are surely still sensitive to its demands. This is more obviously true in some circles than in others (Nisbett and Cohen 1996). But we think that it is true to some extent in all. 'Honor is not dead with us. It has hidden its face, moved to the back regions of consciousness, been kicked out of most public discourse regarding individuals (though it remains available for use by nation-states to justify hostility); it can no longer be offered as a justification for action in many settings where once it would have constituted the only legitimate motive. But in spite of its back-alley existence, honor still looms large in many areas of our social life, especially in those, I would bet, that occupy most of our psychic energy' (Miller 1993: x; see too Baurmann 1996: 81, and Ogien 2002: 21–3).

A third reason why social thinkers like Paley and those who followed him may have turned away from the role played by the desire for esteem, concentrating on the possibilities held out by invisible-hand modes of ordering, is that putting any faith in people's desire to be thought virtuous must have seemed close to putting faith in the power of hypocrisy. Throughout the long period from Cicero to Hume in which the desire for esteem is recognised and presented as a potential force for good, the very people who hail esteem often show themselves to have a bad conscience about doing so. If a person seeks esteem for virtue only when they are truly virtuous—only when their virtue is sufficient to ensure that they behave well—still that suggests a focus on the views of others, and an eagerness to please others, that does not sit easily with Stoic or Christian values (Leeman 1949). And if a person seeks esteem for virtue when their virtue alone would not be sufficient to ensure proper behaviour—when the reward of being thought virtuous plays a non-redundant role—then that is surely a sort of deception, perhaps even a sort of self-deception.

The longer tradition had ways of living with this unease. It was common, for example, to distinguish between hypocrisy proper, often described as dissimulation, and the much more moderate sort of hypocrisy associated with acting out of a desire to be thought virtuous. Whereas dissimulation involves pretending to have acted virtuously when one has acted badly, this latter sort of hypocrisy only involves acting virtuously when one is not fully virtuous; it involves simulating—that is, simulating virtue—rather than dissimulating



(*Oxford English Dictionary* 1971: 765). Notwithstanding this sort of distinction, however, there is evidence of a continuing unease about socially relying on the power of a desire that does not speak well for the people who are moved by it—the basis of the unease was most forcefully expressed in Montaigne's Stoic reflections—and this may well have prompted social thinkers like Paley to look elsewhere. Given that the invisible hand was now available as the model for an alternative form of social ordering, there was somewhere else for them to look. That hand might operate in the market on the basis of shameless self-seeking, but at least that basis involved no hypocrisy.

The retreat from esteem meant that in sharp contrast to the eighteenth and seventeenth centuries, those who wrote about government in the nineteenth only very rarely suggested that the governors might be disciplined by the desire for esteem. In the eighteenth century American Republicans like James Madison and English Whigs like Joseph Priestley were agreed that government was to be curtailed, in good part, by the forces of esteem, arguing that honour in Montesquieu's (1977: 30) words 'reigns like a monarch over the prince and the people' (Madison, Hamilton, et al. 1987: 406; Priestley 1993: 33). But their radical counterparts of the following century, the utilitarians, dispensed almost completely with the idea. It is ironic that perhaps the most powerful invocation of the esteem motive in nineteenth-century discussions of government came in Lord Macaulay's 1829 attack on James Mill's 'Essay on Government'. 'The fear of resistance and the sense of shame operate, in a certain degree, on the most absolute kings and the most illiberal oligarchies. And nothing but the fear of resistance and the sense of shame preserves the freedom of the most democratic communities from the encroachments of their annual and biennial delegates' (Lively and Rees 1978: 116).

We have mentioned three considerations that may have been influential in leading to the loss of interest in people's desire for esteem and in the influence of that desire in social life. We think that none of these considerations ought to have been important. We believe, as Adam Smith believed, that it is nature that endows people with an attraction for esteem, not just the corrupt culture of an old-style aristocracy. We believe that even if the invisible hand is a potent force of social order, still there is a lot of force attaching also to the intangible hand. And we hold that the fact that the intangible hand operates on the basis of what many will see as a moral weakness does not mean that we can afford to ignore this force in thinking about how social order is or can be achieved. We hope that our discussions in this book will bear out those beliefs and that they will alert economists and social scientists to a dimension of social life that has lain too long below the threshold of theoretical attention.