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# **Do we gain from exchange at all? On some lessons to be drawn from Rousseau<sup>1</sup>**

**By Caroline Guibet Lafaye and Emmanuel Picavet**

*Mots-clés:* Bien-être, échange marchand, égalité, Rousseau (Jean-Jacques).

*Keywords:* Equality, Rousseau (Jean-Jacques), trade, welfare.

## **Detailed summary**

Rousseau was a refined analyst of the intricate relationships between envy feelings and self-esteem (or self-love), inequality, and exchange opportunities. We try to show that Rousseau's writings are a good starting point indeed for the discussion and assessment of an important and controversial thesis, namely, the thesis according to which individuals stand to lose from the deepening of unconstrained free exchange, in some cases at least. Rousseau's analyses, with their distinctive reliance on the dynamics of self-love and complex envy phenomena, as well as the investigation of the properties of commercial relationships, offer insights about the reasons why more exchange possibilities are not always conducive to more well-being in society as it is. These reasons, we argue, are partly to be found in the features of

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exchange processes, and partly in the influence exerted by exchange on individual preferences themselves.

In some of Rousseau's key writings, procedural features appear to play a role in the evaluation of exchange as a social practice. We argue that Rousseau's analyses truly bring into light an intriguing phenomenon, namely, the possible decrease in individual well-being through enhanced exchange opportunities. Rousseau developed a highly critical view of ordinary, market-based monetary exchanges. In these critical developments, some of the problems he discusses could well have permanent significance.

A possible implication of reading Rousseau with this problematic in mind is that we should not hold the opening up of new exchange opportunities as a systematic cure for inefficiency in the enjoyment of goods. Additional exchange opportunities might well result in diminished welfare, due to specific problems which are rooted in the exchange process itself. In the process of assessing the relevance of this possibility, Rousseau's classical arguments might provide some help.

## **1. Introduction**

Rousseau is now subject to scrutiny by authors who recognize in him the herald of alternative views of happiness or well-being, which have both economic import and a marked difference, compared with standard (especially neoclassical) economic assumptions<sup>2</sup>. In particular, Rousseau is re-read as a refined analyst of the intricate relationships between envy feelings and self-esteem (or self-love), inequality, and exchange opportunities.

The lessons to be drawn from Rousseau in this respect are unequally controversial. A very ambitious project would consist in confronting the basics of current, dominant economic science with Rousseau's views about exchange. Although the exercise is certainly well worth a serious attempt, especially as a contribution to the joint history of economics and political theory, this will not be the purpose of this paper<sup>3</sup>. Neither shall we develop a contextual approach of Rousseau's writings: there is little doubt that his political-economic views are correlated with the problems of his time, but we aim at the identification of the permanent

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<sup>2</sup> See, for example, Claire Pignol, « Rousseau et la division du travail : de Robinson à l'agent économique ». *Cahiers d'économie politique*, 53 (2007), p. 55-72.

<sup>3</sup> Among recent contributions to the explanation of the relationships between political thought and economics in the 18th century, see : Catherine Larrère, *L'invention de l'économie au XVIII<sup>e</sup> siècle. Du droit naturel à la physiocratie* (Paris, Presses universitaires de France, 1992).

value of some of his insights, related to social problems which can usefully be stated in a non-contextual manner.

Rousseau has described a special form of envy, which involves negative feelings about the well-being of others. This concept of envy doesn't closely resemble the dominant one in normative economics today. This is well-known source of sceptical views about social exchange and, more particularly, commercial trade in civilized society as it is. This provides a good reason to re-read Rousseau with analytical questions in mind.

Thus the subject matter of this article is somewhat intermediary in scope. We do not aim at establishing a global contradiction between dominant present-day economics and Rousseau's approach to exchange. More specifically, we want to show that Rousseau's writings are a good starting point to discuss and assess with some detail an important and controversial thesis which has been discussed to some extent by a number of economists (such as Peter Hammond or Christian Seidl) and philosophers (Allan Gibbard), namely, the thesis according to which individuals stand to lose from the deepening of unconstrained free exchange, in some cases at least<sup>4</sup>. Our retrospective examination of Rousseau's writings is motivated by this general aim.

Although this thesis is by no means interpretable as an attack on standard economics generally speaking, it certainly has some relevance for the criticism of the standard views according to which people can only benefit from a deepening of the opportunities for peaceful and voluntary exchange, through which enhanced opportunities are secured (typically, by means of property rights and contracts which are detailed enough and which escape restrictive regulation for the most part). We'll attempt to show that Rousseau's analyses, with their reliance on the dynamics of self-love and complex envy phenomena, as well as the investigation of the properties of commercial relationships, offer insights about the reasons why more exchange possibilities are not always conducive to more well-being in society as it is. These reasons, we shall argue, are partly to be found in the procedural properties of commercial trade and, partly, in the interpersonal feelings which are aroused in the process of exchange, which impacts individual preferences themselves.

To be sure, the analyses of envy and self-love, in Rousseau's contributions, do not offset the positive appreciation of interest-based motivation and exchange in the uncorrupted state of

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<sup>4</sup> We have examined this thesis in another article: "Les limites du droit de contracter", to appear in: *Repenser le contrat*, ed. Mikhaïl Xifaras and Gregory Lewkowicz (Paris, Dalloz).

nature, nor the political opportunities to restore rationality and a sense of measure in the organisation of exchanges<sup>5</sup>.

## **2. The scope of the mechanisms discussed by Rousseau**

*a. To which extent is Rousseau's approach incompatible with dominant views of market exchange ? The purpose of the discussion*

There is a strong connection, in Rousseau's writings, between the analysis of self-love or malignant preferences, and sceptical views about trade and monetary exchange. The procedural features of exchange partly account for this connection. As a result, these procedural features appear to play a role in the evaluation of exchange as a social practice.

The analysis we develop consists of two parts. We try to show how Rousseau brings out potentially detrimental aspects of social transactions such as commercial exchange. Next, we try to show how the very process of exchange, in the Rousseauist frame, is at the heart of an evolution of feelings and tastes. Both facts can be held to illustrate the relevance of the procedural features of exchange on the value of exchange itself.

Our first argument will be that Rousseau's analyses truly bring into light a highly relevant phenomenon, namely, the possible decrease in individual well-being through enhanced exchange opportunities. To be sure, Rousseau is not a critic of exchange as such, but he develops a highly critical view of ordinary, market-based and monetary exchange. In these critical developments, some of the problems he discusses could well have permanent significance.

If Rousseau were right in some of his key insights, some problems could arise for standard views about exchange. The standard views rely on the assumption that the value of exchange opportunities depends on preferences (which are considered given) and preferences have goods as their arguments. We often assume the complete determination of preferences about bundles of goods by bundles of goods themselves and some personal parameters such as a time discount factor (and not, for instance, by the appreciation of the others if people take a specific interest in the condition of others). Such an assumption of complete determination can be vindicated as a valuable simplifying assumption but it is not strictly faithful to human

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<sup>5</sup> These features of Rousseau's doctrine are usefully emphasized in : Christophe Salvat, « L'échange et la loi : le statut de la rationalité économique chez Rousseau ». *Revue Economique*, 58(2), mars 2007. pp. 381-398.

motivation, if economic agents are in fact concerned by the lot of others, or by the image of themselves in other people's minds or by the very process of exchange as Rousseau tries to show.

Of special interest to us is the rejection of a neutrality assumption, concerning exchange procedures. It is common to envision exchanges as pure vehicles of welfare promotion (with welfare being attached solely to final social states). Here again, Rousseau seems to offer an alternative view: he describes exchange processes as processes which are deeply correlated with the quality of social life. Such processes seem to have intrinsic value or significance (let us recall, for instance, the importance of personal ties and loyalty attitudes for the enjoyment of life in Clarens).

A further implication is that we should not hold the opening up of new exchange opportunities as a systematic cure for inefficiency in the enjoyment of goods. Additional exchange opportunities might well result in diminished enjoyment, due to specific problems which are rooted in the exchange process itself.

In particular, if enhanced exchange opportunities yield heightened resentment, a higher degree of mutual envy or an increase in the level of social pressures, or if they result in specific damages caused by inequality (which can be heightened by flourishing exchanges), then it is in principle possible that more exchange opportunities result in a lower level of well-being for some, and the predicted efficiency gains from free exchange will remain elusive in some cases at least.

The Clarens society in *La Nouvelle Héloïse* is an exemplification of no-envy in the modern sense of welfare economics (« Des égaux eussent pu distribuer entre eux les mêmes emplois sans qu'aucun se fût plaint de son partage. Ainsi nul n'envie celui d'un autre »<sup>6</sup>). But we also find in Rousseau a quite different view of envy (or jealousy) which incorporates malevolent preferences.

Rousseau is concerned with promoting enjoyment, absent envy and self-love perturbations (as exemplified in Julie's good home economics in *La Nouvelle Héloïse*). This model, however, does not rule out exchange completely. Indeed, it can be argued that it is based on a complex view of exchange, which involves moral feelings<sup>7</sup>. It is thus crucial to Rousseau's doctrine that adequate exchange patterns can be identified.

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<sup>6</sup> J.-J. Rousseau, *La Nouvelle Héloïse*, p. 548. We are grateful to Claire Pignol, who drew our attention to this fact.

<sup>7</sup> See : Céline Spector, « Rousseau : éthique et économie. Le modèle de Clarens dans *La Nouvelle Héloïse* ». *Cahiers d'économie politique*, 53 (2007), p. 27-53.

*b. Rousseau on deteriorating exchange*

The following passage by Rousseau enunciates a thesis according to which more goods cannot be identified with enhanced welfare:

« Dans ce nouvel état, avec une vie simple et solitaire, des besoins très bornés, et les instruments qu'ils avaient inventés pour y pourvoir, les hommes jouissant d'un fort grand loisir l'employèrent à se procurer plusieurs sortes de commodités inconnues à leurs pères ; et ce fut là le premier joug qu'ils s'imposèrent sans y songer, et la première source de maux qu'ils préparèrent à leurs descendants ; car outre qu'ils continuèrent ainsi à s'amollir le corps et l'esprit, ces commodités ayant par l'habitude perdu presque tout leur agrément, et étant en même temps dégénérées en de vrais besoins, la privation en devint beaucoup plus cruelle que la possession n'en était douce, et l'on était malheureux de les perdre, sans être heureux de les posséder » (*Second Discours*, Pléiade, tome III, p. 168).

The phenomenon is described with a reference to the good moral condition of men (their independence, the quality of their character), with hedonistic overtones (the increase in the number of goods is the cause of frustration while the pleasures it gives are not lasting). But being able to get more products is a special case of having more choice. Hence what we find here is a special case of diminishing welfare through the enhancement of choice opportunities<sup>8</sup>.

Some of Rousseau's insights have permanent interest. Envy or jealousy, social pressure and longings after conformity might account for the fact that people, with more choices at hand, are not necessarily more happy. Exchange itself, which is promoted by the opening up of new exchange opportunities, can serve as a medium and a cause of exacerbated rivalry, based on self-love.

As regards the effect of exchange on the moral condition of men, special attention is given by Rousseau to the growing dependence of men towards one another<sup>9</sup>. As explained in *Emile* (book II), whereas dependence towards nature is morally neutral (it does not result in vices and doesn't decrease freedom), dependence towards other men is clearly a source of vices. According to the *Second Discourse*:

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<sup>8</sup> It may be remarked that the argument also goes against those views of welfare which place emphasis on the diversity of purchased goods (as in current measurements of consumer welfare based on both purchasing power and choice opportunities).

<sup>9</sup> *Ibid.*, t. III, p. 174.

“dans les relations d’homme à homme, le pis qui puisse arriver à l’un est de se voir à la discrétion de l’autre”.

The exchange relationship is simultaneously described as a dependence (indeed, a mutual dependence) relationship<sup>10</sup>. Increased interdependence is not only a sufficient condition of servitude; it is also a necessary condition in order to bring about complete servitude:

« Les liens de la servitude n’étant formés que de la dépendance mutuelle des hommes et des besoins réciproques qui les unissent, il est impossible d’asservir un homme sans l’avoir mis auparavant dans le cas de ne pouvoir se passer d’un autre » [...] (*Second Discourse*, t. III, p. 174-175).

The multiplication of needs is directly criticized as a source of evil, especially in conjunction with the mutual comparisons it brings about :

« Ce qui rend l’homme essentiellement bon est d’avoir peu de besoins et de peu se comparer aux autres ; ce qui le rend essentiellement méchant est d’avoir beaucoup de besoins et de tenir beaucoup à l’opinion. [...] » (t. III, p. 174).

Thus the problems with exchange relationships do not come from interdependence patterns only; expanding exchange relationships, especially monetary exchanges, also act as vectors of dangerous, impoverishing mutual comparisons; this is examined below.

The roots of the problem are to be found in the close association of *amour-propre* and interpersonal comparisons. This association is a major explanatory factor of the *fureur de se distinguer* in non-egalitarian societies according to the *Second Discourse*. It comes out very vividly in *Rousseau juge de Jean-Jacques*, where *amour-propre* is thus described:

“[...] un sentiment relatif par lequel on se compare, qui demande des préférences, dont la jouissance est purement négative, et qui ne cherche plus à se satisfaire par notre propre bien, mais seulement par le mal d’autrui ». (*First Discourse*, Pléiade t.1, p. 669)<sup>11</sup>.

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<sup>10</sup> It can be noted that this criticism of increased interdependence is sometimes to be found in normative discussions of some economic transformations nowadays, for exemple with respect to GMOs.

<sup>11</sup> Cf. *Second Discourse*, (t. III, p.175) : « Enfin l’ambition dévorante, l’ardeur d’élever sa fortune relative, moins par un véritable besoin que pour se mettre au-dessus des autres, inspire (a) à tous les hommes un noir penchant à se nuire mutuellement, une jalousie secrete, [...] ; en un mot, concurrence et rivalité d’une part, de l’autre opposition d’intérêt (b), et toujours le désir caché de faire son profit aux dépens d’autrui ; [...] ». The explicit reference to the desire to fare better than the others suggests that the coupling of one’s profit and other people’s frustration is no mere empirical correlation.



There is a self-enforcing mechanism here, because this contentious feeling develops as new needs are created, and new (artificial) needs have in turn the character of breeding rivalry – a process which results in widespread frustration. This is aptly described in fragment *De l'état de nature*, when man's needs are discussed:

“[...] car que sont ses besoins physiques en comparaison de ceux qu'il s'est donnés, et comment peut-il espérer de rendre sa condition meilleure avec ces derniers, puisque ces nouveaux besoins n'étant à la portée que du petit nombre et même pour la plupart exclusifs, un seul n'en saurait jouir que mille n'en soient privés et ne périssent malheureux après beaucoup de tourments et de peines inutiles” (Pléiade t. III, p. 478).

From a philosophical point of view, we are left with the problem of demarcating between association and causality: is it simply the case that new needs can only be satisfied in a very unequal manner, or rather, should we say that their very satisfaction is conditioned by the frustration of others? This question, obviously, cannot be answered by the rhetorical association of exclusivity (if the meaning is exclusivity in use) and frustration. After all, it could well happen that the longing for exclusive goods is satisfied in a widespread manner.

### *c. Wealth, money and the dangers of commercial exchange*

Rousseau's well-known pessimistic views about wealth and money are connected with scepticism about commercial exchange. This is aptly expressed in the constitutional project for Corsica, for example, in association with a rather peculiar view about money, according to which money is a relative sign which has a real effect, and is thus “useful” only through the inequality of its distribution. From this, Rousseau infers that the less circulating money, the more prosperity (t. III, p. 921). Commerce itself is “destructive of agriculture” (t. III, p. 920), even when the objects of exchange are the very products of agriculture. These sceptical views, interestingly, are put forth as a result of concern for *equilibrium* as opposed to the lack of a “firm” (*solide*) and “permanent” state of affairs<sup>12</sup>.

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<sup>12</sup> Clearly enough, the kind of equilibrium Rousseau had in mind cannot be equated with the mechanics-driven methodological postulates that stood to gain so much prominence later on. Equilibrium, rather, has to do with the kind of security or expectations fulfilment which results from partners's symmetrical positions. The latter is under focus because it prevents any one from shifting the pattern of interdependence to his own exclusive advantage. What is foreshadowed here is perhaps more the notion of a strategic-equilibrium stability in microeconomic arrangements (nobody has an incentive to “deviate”) rather than the grand notion of a general and stable equilibrium of the economy in the Walrasian sense.

The deprivation of those good qualities is again to be traced back to the very process of exchange (in this case, commercial exchange), with the inequality it harbors:

“Pour qu’elle [= l’agriculture] put se soutenir dans ce système il faudroit que le profit put se partager également entre le marchand et le cultivateur. Mais c’est ce qui est impossible parce que le négoce de l’un étant libre et celui de l’autre forcé le premier fera toujours la loi au second, rapport qui rompant l’équilibre ne peut faire un état solide et permanent” (t. III, p. 920).

Thus exchange is definitely not a neutral means of welfare enhancement. It does harbour specific problems. The lack of permanence and stability is illustrated, for the state of nature, in Rousseau’s description of men’s efforts to stabilize their mutual relationships once men have become dependent on one another:

“De ce nouvel ordre de choses naissent des multitudes de rapports sans mesure, sans règle, sans consistance, que les hommes altèrent et changent continuellement, cent travaillant à les détruire pour un qui travaille à les fixer; et comme l’existence relative d’un homme dans l’état de nature dépend de mille autres rapports qui sont dans un flux continuel, il ne peut jamais s’assurer d’être le même durant deux instants de sa vie ; la paix et le bonheur ne sont pour lui qu’un éclair [...]” (*Du contrat social* [1<sup>ère</sup> version], t. III, p. 282).

Furthermore, the quest after the riches, which is mainly motivated by the longing after social recognition (“*l’amour des distinctions*”, “*être considéré*”), is in itself a factor of instability:

“C’est donc ainsi qu’on voit par le même principe toutes les familles travailler sans cesse à s’enrichir et à se ruiner alternativement” (*De l’honneur et de la vertu*, t. III, p. 502).

Such properties of exchanges as the mutual dependence of men and the instability of their arrangements account for the existence of a specific evaluative layer, at the level of exchanges themselves. In this context, it comes as no surprise that a decrease in (bad) exchanges is welcome. For example, in the case of Corsica, it is a valuable goal to confine the use of money to very little (“*si peu de chose qu’il en naitra difficilement des abus*”), to prevent people from enriching themselves through trade, and, perhaps even more importantly, to arrange things so that the riches are of little use and give little advantage in society (t. III, p.

929)<sup>13</sup>. This is obviously connected with autarkic aspirations. Rousseau summarized the whole matter this way in fragment *Le luxe, le commerce et les arts*:

« J'avoue que l'argent rend les échanges plus comodes, mais faites mieux rendez les échanges peu nécessaires, faites que chacun se suffise à lui-même autant qu'il se peut » (t. III, p. 526).

As deleted passages on the "Corsica" manuscripts further show (t. III, p. 1729, (a)), Rousseau had tried to articulate the relationships between vanishing business, decreasing public spending and the decreasing usefulness of money, either for the State or for private persons. A limiting point is the blissful condition of original Switzerland, as described in a parallel to Corsica:

“Les interests, les besoins ne se croisant point et nul ne dépendant d'un autre tous n'avoient entre eux que des liaisons de bienveillance et d'amitié ; la concorde et la paix régnoient sans effort dans leurs nombreuses familles [...]”. (t. III, p. 914).

Switzerland of the days of yore is further depicted (*id.*) as « [c]e peuple pauvre mais sans besoins dans la plus parfaite indépendance ». In this fanciful thought experiment, an important feature is the lack of overlapping needs. The very complementarities which are ordinarily viewed as engines of exchange and improved welfare are described here, interestingly enough, as impediments to independence and happiness<sup>14</sup>.

This connects with Rousseau's opinion about the impoverishing impact on the use of money, as experienced in the imaginative reconstruction of the fall from happiness in Switzerland:

“Le gout de l'argent leur fit sentir qu'ils étaient pauvres; le mépris de leur état a détruit insensiblement les vertus qui en étoi[en]t l'ouvrage [...]”.

“La pauvreté ne s'est fait sentir dans la Suisse que quand l'argent a commencé d'y circuler”.  
(t.III, p.915-916).

A major event in this respect is the deliberate action on the part of public power (« les principaux »), to develop trade, industry and luxury goods, in such a way that individuals,

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<sup>13</sup> See also t. III p. 503 (fragment « De l'honneur et de la vertu »): “Il s'agiroit donc de faire qu'il n'y eût rien à gagner pour les commodités de la vie à être riche [...] ».

<sup>14</sup> Cp. *Second Discourse* (t. III, p. 171) : « [...] dès l'instant qu'un homme eut besoin du secours d'un autre; dès qu'on s'aperçut qu'il était utile à un seul d'avoir des provisions pour deux, l'égalité disparut [...] ».

through their businesses (*métiers*) and needs, become more and more tied to public power and much more dependent on their rulers than they originally were (t. III, p. 916)<sup>15</sup>. Again, commercial exchange and power differentials are described as intimately associated for the worse.

### 3. Self-love and deteriorating exchange: the evolution of preferences

A further reason for the non-neutrality of commercial exchange processes is to be found in the relationships between social exchange and the preferences of agents. We have stressed the importance of the phenomenon of growing unhappiness in the middle of expanding exchange opportunities, in Rousseau's analytic framework and rhetoric patterns. To what extent does it originate in the evolution or alteration of preferences? How does it relate to social pressures and sanction?

#### *a. Rousseau on having what the others don't have*

In the *Second Discourse*, Rousseau discusses with some detail the consequences of passions as they are aroused by those social relationships which breed reputation, honour and distinction. The outcome of such relationships is widespread rivalry:

« Je remarquerais combien ce désir universel de réputation, d'honneurs et de préférences, qui nous dévore tous, exerce et compare les talents et les forces, combien il excite et multiplie les passions, et combien, rendant tous les hommes concurrents, rivaux ou plutôt ennemis, il cause tous les jours de revers, de succès et de catastrophes de toute espèce en faisant courir la même lice à tant de prétendants. [...] Je prouverais enfin que si l'on voit une poignée de puissants et de riches au faite des grandeurs et de la fortune, tandis que la foule rampe dans l'obscurité et dans la misère, c'est que les premiers n'estiment les choses dont ils jouissent qu'autant que les autres en sont privés, et que, sans changer d'état, ils cesseraient d'être heureux, si le peuple cessait d'être misérable » (Pléiade, tome III, p. 174 sqq.).

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<sup>15</sup> The analysis here relies on the same principle as Rousseau's condemnation of the useless increases in public spending, namely, the capacity of the growth of national revenue (as we call it nowadays) to harbour power or dependence relationships, with harmful results: "[...] on n'augmente la dépense que pour avoir un prétexte d'augmenter la recette; [...]. On peut espérer, il est vrai, de tenir les peuples dans une dépendance plus étroite, en leur donnant d'une main ce qu'on leur a pris de l'autre [...]" (*Discours sur l'économie politique*, t. III, p. 267).

Whereas economists, in Rousseau's time as nowadays, frequently point out the merits or usefulness of rivalry, the philosopher puts emphasis on its social drawbacks, including catastrophic results. The desires of men can assume a relative character: what is desired is what the others won't have. The latter circumstance can be the cause of the first or not. And the frustration of others can be a cause my desire for the good, or not. In Rousseau's rhetoric patterns, it is not always clear if such causality links are involved or not. Surely, some goods give rise to desires which are *not* directly connected with the satisfaction or frustration of other people. The frustration of others can be a by-product of scarcity and market mechanisms so that no malevolence is involved in the fact that I desire things other won't have if I get them. This is true of a number of goods whose value is partly constituted by the fact that other people are barred from their use.

For example, attending a particular higher-education curriculum with exceptional job-market advantages, can be profitable and desirable only because the others don't enjoy similar enrolment (and are barred from the considered privileges), which give privileges their market value and their very status as privileges. Privileges often exhibit such features. But this does not equate with saying that part of the satisfaction to enter the school *is caused* by the consciousness of the fact that the others are frustrated. In such a case, there is rivalry but the frustration of the desires of others is clearly not a goal in its own right.

But Rousseau's passage seemingly implies more than this. In the special case of extreme interdependence which Rousseau discusses (with a big contrast between the powerful and wealthy on one side and the others on the other side), another possibility emerges. If the people ceased to be miserable, Rousseau explains, the happiness of the happy few would vanish. In his opinion, this illustrates a further dimension of social relationships: as they develop, they nurture desires which are deeply connected and thus antagonistic. Such desires can be described as malevolent preferences (with negative externalities of preferences, in modern economic parlance).

Such an analysis stands in sharp contrast with both mainstream economic analysis and many currents of ethical and political thought. In the individualist tradition, it is usually assumed that people have interests which are not strictly dependent, in a direct way at least, upon the promotion or other people's interests or preferences. Rousseau's discussed passage gives another picture: it is possible that purposeful action be directed against the happiness of others, not just (or not at all) because the states of the world in which the others are happy are also states of the world in which I am unhappy, and because I can hope to gain access to some states of the world in which I am happy while they are unhappy but, rather, because the very

unhappiness of other people is taken as a source of happiness in its own right (even though it is a dangerous one).

*b. Do deteriorating opportunities involve shifting preferences?*

Let it be stressed once again that all exchange is not bad in Rousseau's option. In particular, the domestic economy in *La Nouvelle Héloïse* relies on a complex system of exchanges in which benevolence and moral sentiments play their part, and this proves efficient in preventing exchange from being marred by dangerous envy feelings. But real-world commercial trade, in Rousseau's opinion, harbours threatening desire transformations. In particular, we must examine the mechanism for desire transformation through evolving exchange opportunities. Is the mechanism based on incentives or penalties only, or equally on transformation in ultimate preferences or values?

Surely, shifting incentives or penalty patterns can result in modified judgments about the comparative value of alternative courses of action. But in Rousseau's classic developments, it can be observed that incentives and penalties go hand in hand with other factors, which account for a transformation of preferences themselves:

« Chacun commença à regarder les autres et à vouloir être regardé soi-même, et l'estime publique eut un prix. Celui qui chantait ou dansait le mieux, le plus beau, le plus fort, le plus adroit ou le plus éloquent devint le plus considéré, et ce fut là le premier pas vers l'inégalité, et vers le vice en même temps: de ces premières préférences naquirent d'un côté la vanité et le mépris, de l'autre, la honte et l'envie; et la fermentation causée par ces nouveaux levains produisit enfin des composés funestes au bonheur et à l'innocence » (*Second Discourse*, t. III, p. 174).

In this story of lost innocence, people purposefully go astray from their own happiness. The mechanism of *estime publique* can be viewed, at a certain level of analysis, as an incentive scheme in the sense of standard economic theory<sup>16</sup>, namely, an arrangement of penalties and gratifications which is conducive to this or that kind of social result. In Rousseau's description, contempt (*mépris*) can be viewed as an informal penalty of the kind

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<sup>16</sup> See in particular : Jacob Marchak et Roy Radner, *Economic Theory of Teams* (New Haven, Yale University Press, 1972).

Kelsen (*Reine Rechtslehre*) and then Gibbard (*Wise Choices, Apt Feelings*) analysed. Shame (*honte*) can be considered an “internal” informal sanction in the sense of Coleman (*Foundations of Social Theory*), whereby individuals inflict a penalty on themselves. But in the case of envy (*envie*) and vainglory (*vanité*), external impulse is probably not the whole story<sup>17</sup>. This is because social life results in something like *estime publique*, which comes to be desired for itself and to which a “price” is attached (with a semi-metaphorical use of the word “price”). Quite clearly, individuals strive for common recognition and this new form of rivalry relies on a transformation of desires or preferences *themselves*.

Such mechanisms clearly originate in the combination of *amour-propre* (self-love)<sup>18</sup> and reciprocal comparisons (*comparisons*)

« le sauvage vit en lui-même; l’homme sociable toujours hors de lui ne sait vivre que dans l’opinion des autres, et c’est, pour ainsi dire, de leur seul jugement qu’il tire le sentiment de sa propre existence [...] » (t. III, p. 192, *Second Discourse*).

In this respect, a deeply interesting feature of Rousseau’s theory is that interpersonal comparisons which result in unhappiness are immanent to the very process of social exchanges or transactions (including economic exchange) :

« L’inégalité de crédit et d’autorité devient inévitable entre les particuliers (Note 19) sitôt que réunis en une même société ils sont forcés de se comparer entre eux et de tenir compte des différences qu’ils trouvent dans l’usage continuel qu’ils ont à faire les uns des autres » (t. III p. 169, *Second Discourse*).

Production and exchange in the monetary economy cannot be analysed solely in the format of the satisfaction of pre-existing needs or preferences for independent individuals. Needs or preferences evolve simultaneously with the processes of exchange in social life. These processes give birth to what Rousseau describes as “artificial passions” (*passions factices*, *Second Discourse*, tome III, p. 192), which in turn lead people to look for industrious

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<sup>17</sup> A similar enumeration is to be found (« la vanité, ni la considération, ni l’estime, ni le mépris ») when Rousseau stresses that notwithstanding such factors, in a stand-alone condition, men would abstain from pursuing punishment (*Second Discourse*, t. III, p. 157).

<sup>18</sup> Let us recall that *amour propre* differentiates itself from *amour de soi*, which strives after self-preservation : « L’amour propre n’est qu’un sentiment relatif, factice et né dans la société, qui porte chaque individu à faire plus cas de soi que de tout autre, qui inspire aux hommes tous les maux qu’ils se font mutuellement, et qui est la véritable source de l’honneur » (*Second Discourse*, t. III, p. 219).

occupations. From this point of view, exchange processes cannot be considered pure instruments of welfare in the hands of individuals, because the relevant features of their subjective welfare cannot be independently defined<sup>19</sup>.

#### **4. Conclusion**

In Rousseau's writings about trade and exchange, we find a clear characterization of malevolent forms of envy, which are more aptly described in terms of jealousy, whereby people take a specific interest in the poverty or lesser success of the others. From a theoretical point of view, this has the advantage of illustrating the possibility of radical negative externalities of welfare, which are scarcely discussed. An open question is the practical relevance of such external effects for real-world normative statements about exchange and trade in a market economy<sup>20</sup>.

Rousseau's reasonings and thought experiments give clues for the understanding of some reasons why exchange might not be a neutral vehicle of welfare enhancement. In particular, exchange and trade are haunted by differential-power relationships which account for instability and frustration. Whether important or not in practice, this feature of social and economic exchange sharply contrasts with the usual views which associate exchange and welfare promotion in a quasi analytic way.

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<sup>19</sup> In present-day economics, such views remain heterodox: in the usual interpretations of economic analysis at least, exchange processes serve purposes which can be defined independently.

<sup>20</sup> Our guess is that this relevance is weak. It might be much stronger in a non-market economy, for example in a semi-closed domestic system of exchanges which relies on close personal ties and elaborate forms of mutual trust.