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ADAM SMITH'S ECONOMICS  
AND THE *LECTURES*  
ON RHETORIC AND BELLES LETTRES.  
THE LANGUAGE OF COMMERCE\*

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Among the abundant literature devoted to Adam Smith's complete works, there has been a relative lack of interest in the *Lectures on Rhetoric and Belles Lettres*, especially from historians of economic thought. I want to show that this youth's work is essential in understanding Smith's conception of economic exchange. The analogy between the exchange of sentiments, opinions and goods is developed so that man may be seen as a 'commercial' animal. Economic transactions are seen as means for men to get the pleasures of social life and self approbation. Instead of highlighting man's autonomy and selfishness, Smith underlines the ethical character of economic agents made of justice, prudence, and self command, and their willingness to be approved by their fellows and by the impartial spectator.

1. INTRODUCTION

UNDER the light of Adam Smith's *Lectures on Rhetoric and Belles Lettres* (*LRBL*)<sup>1</sup> the aim of this paper will be to reinterpret some Smithian economic and moral issues. More precisely, it will try to highlight the relationship between discursive practice and economic reality in apparent simplicity, exchange. According to Smith, the essence and foundation of exchange and commerce lies in language. The departure point of this study will be to examine the dichotomy that he establishes between two main types of discourse: the rhetorical discourse and the didactic discourse. Didactic discourse is described as aiming at truth whereas

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<sup>1</sup> *LRBL* after. See HOWELL 1975, SKINNER 1979, SALBER PHILLIPS 2006 for the historical and theoretical relevance of Smith's *LRBL*. A significant exception is BROWN 1994b whose conclusions, especially on the bartering of the market, are often similar to ours. Yet she does not provide a significant account of the relationship between Smith's moral philosophy and the persuasive side of exchange. In the first section this is the point we will focus on.

rhetorical discourse obeys a strictly instrumental logic: it only aims at reaching an end and persuading by any mean. This distinction can be used to develop a new approach of exchange relations. The rhetorical discourse brings along to the social and human dimension concerning exchange relations to light. The exchange of goods requires an agreement obtained by «*higgling and bargaining*».<sup>1</sup> Economics is 'political economy' in the sense that in parallel with the relations of men to things it is a science which studies the relations between men themselves. The supply and demand embody the desires and wants of men. Therefore, this leads us to carry out a detailed study of exchange relationships as moral and persuasion relationships, revealing the «language of exchange».

First of all, we will study the distinction that Smith established in the *LRBL* between rhetorical discourse and didactical discourse. That will enable us to define the rhetorical discourse as persuasion science, as compared with the didactical discourse which consists in truth seeking. As he wishes to persuade by all mean to reach his ends, the rhetorician «moves away» from truth, hoodwinking and deceiving his audience. He doesn't impartially treat the topic he studies. He pleads a cause and manipulates his audience. Besides, some scholars<sup>2</sup> recently underlined that the famous «natural propensity to truck, barter and exchange» comes from reason and language, and more particularly from the desire to persuade. It opens up the possibility to treat exchange relations as persuasion, domination, or power relationship and exchange as a bargaining process.<sup>3</sup> It is the «malevolent nature»<sup>4</sup> of exchange that we aim at revealing. To persuade someone that it is their interest to exchange at a certain price, every mean is justified, including slyness and cheating, lie and information dissimulation. The example of the butcher is clear: no benevolence brought during an exchange. But does it mean that we are immoral? The question of the morality of exchange relations comes into light. In this second point we answer the Adam Smith Problem<sup>5</sup> thanks to a brief examination of some passages of *The Theory of Moral Sentiments*.<sup>6</sup> There Smith explicitly mentions the wish to be believed and to be worthy of this trust, in the same way he previously referred to the longing for praise and the desire to be praiseworthy. In other words, both the moral constraint coming from the impartial and internal spectator on one side, and the public constraint due to the external spectators on the other side, prevent us from using immoral practices in the exchange. We want to preserve our reputation and our consciousness. Economic behaviour is neither immoral nor amoral. Following this the third and

<sup>1</sup> See *WN*, I.V.4.

<sup>2</sup> See BROWN 1994, FORCE 2003 and DELLEMOTTE 2005.

<sup>3</sup> We follow here the way opened by BROWN 1994.

<sup>4</sup> See YOUNG 1997.

<sup>5</sup> For the state of the debates, see MONTES 2003.

<sup>6</sup> *TMS* after.

last point of our study tries to identify an analogy between the exchange of feelings, opinions and goods. It is a reference to the pleasure of mutual sympathy which finds its corollary in the pleasure of persuading. It underlines the social and human (communicative) dimension of exchange. After being for so long forgotten by the neoclassical model, it was rediscovered by contemporary economists. This is essential to understand the key role of sympathy in the process of exchanging goods and it offers an answer to the question of the unity of the Smithian *corpus*. The virtuous character of economic behaviour is shown through an examination of the way commerce fosters prudence, justice and self command, three of Smith's four cardinal virtues.

## 2. RHETORIC AND EXCHANGE

Our starting point is Smith's claim in the *LRBL* that there are only two main kinds of discourse. More precisely, «every discourse proposes either barely to relate some fact, or to prove some proposition» (*LRBL*, 1.149). The first kind of discourse is called «narrative» and has to do with the work of the historian, while the second one is used by the orator. The latter is divided by the author into two sorts of discourse, characterised by their method and their aim: the didactic discourse and the rhetorical discourse. Within the didactic discourse «instruction is the main end» thus persuasion only the «secondary design», whereas in the case of the rhetorical one the main design is persuasion. Rhetorical discourse stands for the individual who «endeavours to persuade us by all means» (*ibidem*). So, in that case instruction is neglected or considered «only so far as it is subservient to perswasion» (*ibidem*). In a word, instruction is subordinated to persuasion. Rhetoric is persuasive while didactic is convincing.

Moreover, a debate can be engaged about the impartiality of those different kinds of discourse. We know the importance of this word in Smith's moral philosophy. Indeed, what Smith underlines is the fact that the rhetorician, contrary to the man who uses a didactical discourse, is not an impartial 'judge' of the topics he works on. In other words, the rhetorician presents a partial point of view about the question he is asked. He defends a cause, with no respect for truth:

The former (the didactical discourse) proposes to put before us the arguments on both sides of the question giving each its proper degree of influence, and has it in view to perswade no farther than the arguments themselves appear *convincing*. The Rhetoricall again endeavours by all means to perswade us; and for this purpose it magnifies all the arguments on the one side and diminished or conceals those that might be brought on the side contrary to that which it is designed that we should favour.

(*LRBL*, 1.149; italic added)

Thus, the rhetorician pleads a cause. Ready to persuade by all means, he doesn't look for truth or for fairness anymore. He conceals or minimises every fact and argument which contradicts his preconception while magnifying the ones which can legitimate his cause. Moreover, he 'plays' with people's feelings, sentiments and passions,<sup>1</sup> while the didactic thinker addresses their reason only. Being voluntarily unable of impartiality, the rhetorician seems morally condemnable or, at least, seems unworthy of praise. Didactic discourse attempts to give a fair representation of all sides of the issue rather than just the one sided partial presentation of the rhetorical kind. This binary opposition is reminiscent of the one settled in Plato's *Gorgias* between philosophy and rhetoric where the latter is compared unfavourably with the former on the grounds that rhetoric aims at satisfying personal ends and at conquering power, while philosophy's quest is intended to reach wisdom and the Good. Rhetoric is seen as an art of pleasure and flattery whose end is persuasion. Philosophy's end, by contrast, is to find truth.<sup>2</sup>

As a result, Smith's *LRBL* are mainly aimed at exploring the communication of ideas. It is to be seen as part of Smith's system and as a fruitful text for exploring moral and economic issues in particular. With an eye on the latter, it is possible to create a 'bridge' between discourse and exchange, to cast a light on the «language of exchange». Understanding the 'chains' unifying rhetorical discourse and exchange relationships requires investigating the foundation of the division of labour and the «propensity to truck, barter and exchange». In the *WN* Smith explains that the division of labour «is the necessary, though very slow and gradual consequence of a certain propensity in human nature... the propensity to truck, barter, and exchange one thing for another» (*WN*, I.ii.1). This natural propensity to exchange is a typically human attribute<sup>3</sup> because «nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog» (*WN*, I.ii.2). What is interesting here is that Smith does not mention the origin of this natural propensity to exchange. He hardly suggests that it is probably «the consequence of the faculty of reason and speech» (*ibidem*). It is no surprise, for in *WN* Smith is not concerned with first principles. To him, reason and language are «intimately» linked. He sees language as «a natural expression of our thoughts» – *LJ(A)*, II.54 –, contrary to writing. Besides, the example of the two savages who invent the first words in order to

<sup>1</sup> See *LRBL*, II.38.

<sup>2</sup> For more details, see BROWN 1994a, 70; 1994b, 16.

<sup>3</sup> For Smith, Man is by nature a social being. The inter-subjectivity is the foundation of his subjectivity.

make their desires and wants mutually intelligible<sup>1</sup> in the *Considerations concerning the first formation of languages* reveals how the beginning of commerce cannot be separated from the invention of language. More generally, in the *LRBL* Smith adds that Prose is the language of commerce (whereas Poetry is the language of pleasure and entertainment).<sup>2</sup> As a consequence the development of commerce allows and requires the improvement of language.<sup>3</sup> However, it is in the *LJ* that we will find the real explanation of the foundation of the exchange and the division of labour:

If we should enquire into the principle in the human mind on which this disposition of trucking is founded, it is clearly the naturall inclination every one has to persuade. The offering of a shilling, which to us appears to have so plain and simple a meaning, is in reality offering an argument to persuade one to do so and so as it is for his interest. Men always endeavour to persuade others to be of their opinion even when the matter is of no consequence to them. If one advances any thing concerning China or the more distant moon which contradicts what you imagine to be true, you immediately try to persuade him to alter his opinion. And in this manner every one is practising oratory on others thro the whole of his life. You are uneasy whenever one differs from you, and you endeavour to persuade him to be of your mind; or if you do not it is a certain degree of self command, and to this every one is breeding thro their whole lives. In this manner they acquire a certain dexterity and address in managing their affairs, or in other words in managing of men; and this is altogether the practise of every man in the most ordinary affairs. This being the constant employment or trade of every man, in the same manner as the artisans invent simple methods of doing their work, so will each one here endeavour to do this work in the simplest manner. That is bartering, by which they address themselves to the self interest of the person and seldom fail immediately to gain their end.

(*LJ(A)*, VI.57)

So, exchange is founded on this «desire of *persuading*, of *leading* and *directing* other people», which «seems to be one of the strongest of all our natural desires. It is, perhaps, the instinct upon which is founded the faculty of speech, the characteristical faculty of human nature» (*TMS*, VII.iv.25). The individuals who carry out an exchange may now be conceived as rhetoricians, and the exchange as a bargaining process. We are able to explain why the natural propensity to truck, barter and exchange is a human characteristic. It is founded on the desire to persuade which is itself a desire of approbation, more precisely a desire of approbation in relation to our opinions and ideas. Rhetoric is the foundation of human life. We have a strong desire to persuade because we need others if we want to satisfy our desires and our needs. Unlike animals, human

<sup>1</sup> Here lies the difference between Man and the animal because Man needs to satisfy his desires but *also* to make them recognized by others.

<sup>2</sup> No pleasure and entertainment in commerce?

<sup>3</sup> Specifically Prose. See *LRBL*, II.115.



beings are fundamentally dependent on others' assistance for their survival.<sup>1</sup> That's why they are endowed with the faculty of speech in order to persuade them to do what they need. For it is «by treaty, by barter, and by purchase, that we obtain from one another the greater part of those mutual good offices which we stand in need of» (*WN*, I.ii.3). We practise oratory through the all of our lives, and «the offering of a shilling, which to us appears to have so plain and simple a meaning, is in reality offering an argument to persuade one to do so»: *LJ(A)*, VI.57. Furthering this point, we approve of others' opinions in the same way we approve of their moral sentiments, by sympathising. The desire of approbation comes from the pleasure of mutual sympathy.<sup>2</sup> And sympathy is typically a human attribute and the key to the social nature of Man. A second explanation is explicitly given by Smith in the passage mentioned below. The propensity to truck is founded on the desire to persuade and «this is the instinct upon which is founded the faculty of speech, a characteristic faculty of human nature.» The use of the expressions «faculty of speech» and «reason and speech» leads us to believe that what Smith has in mind here is not language in a narrow sense but rather the Aristotelian *logos*, the power of reasoning and expressing one's ideas. So, persuasion, language and exchange are inseparable. Men possess an innate desire to persuade; so they spend their whole life exercising their power of persuasion. In the XVIIIth century the word 'commerce' had a broader sense than today. It meant diffusion, communication, propagation.<sup>3</sup> It was not restricted to economic relationships. That's why we can say that throughout his works Smith describes Man as a «commercial» or an «exchanging animal». He exchanges words and ideas in the *LRBL* and the *Considerations concerning the first formation of languages*, feelings and moral sentiments in the *TMS*, and goods in the *WN*. Moreover, there is a pleasure in persuading in the same manner there is a pleasure in mutual sympathy.<sup>4</sup> Finally, persuasion is an end in itself for Smith. We exchange goods not only for the goods themselves but in order to persuade others and obtain this pleasure of persuading, even if we know we are mistaking.<sup>5</sup>

<sup>1</sup> «In almost every other race of animals each individual, when it is grown up to maturity, is intirely independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren» (*WN*, I.ii.2).

<sup>2</sup> I develop this point in I.III.

<sup>3</sup> For instance, Smith's use of the term in its broader sense is explicit in *LJ(A)*, IV.13 and *TMS*, III.3.7.

<sup>4</sup> See DELLEMOTTE 2005 for the relationship between sympathy and the desire to persuade.

<sup>5</sup> This is true for most people but not, Smith adds, for the man of virtue who has enough self command not to be corrupted.

## 3. THE MORALITY OF EXCHANGE

Defining people engaged in the exchange of goods as rhetoricians provides us with significant clues to understand their behaviour in the marketplace. A rhetorician is one who pleads a cause and whose primary design is to persuade by every means. Economic agents plead their cause too. They try to satisfy their personal interest. If we compare them with rhetoricians, does it mean that they will endeavour to satisfy their own interest by every means? The 'selfish' character of the economic man seems to find some textual support.<sup>1</sup> Rhetorical discourse and power are intrinsically linked, the rhetorical discourse being at the beginning the science of men aspiring to political power.<sup>2</sup> Smith explicitly defines the faculty of speech and the desire of persuading as useful instruments for governing men.<sup>3</sup> As a consequence, exchange relationships become power and domination relationships. It is interesting to notice that Smith describes a «learning process». In other words, the individuals who are often persuaded, led and directed because of their lack of rhetorical ability will not remain infinitely dominated by others since «from being led and directed by other people we learn to wish to become ourselves leaders and directors.» (*TMS*, VII.IV.24). The traditional presentation of exchange as a mutually beneficial process is called into question. This malevolent side of exchange is concealed by the fact that exchange is built on an agreement and based on this principle: «Give me that which I want, and you shall have this which you want» (*WN*, I.II.2). The most important point is that the individual who dominates does not let his (or her) superiority appear and that he manages to give the other one the impression he is not dominated. It mainly consists of *making believe*<sup>4</sup> the other one that it is his interest to exchange, without knowing if it is really the case. What matters is only to persuade<sup>5</sup> in order to reach one's ends. Rhetorical discourse aims at persuading by all means. This being so, to cheat, to lie, to mislead or to

<sup>1</sup> A close look at Smith' moral theory reveals how deceptive this interpretation can be. See below, pp. 13-15.

<sup>2</sup> See PLATO's *Gorgias* for example.

<sup>3</sup> «No other animal possesses this faculty, and we cannot discover in any other animal any desire to lead and direct the judgment and conduct of its fellows. Great ambition, the desire of real superiority, of leading and directing, seems to be altogether peculiar to man, and speech is the great instrument of ambition, of real superiority, of leading and directing the judgments and conduct of other people» (*TMS*, VII.IV.24).

<sup>4</sup> «Man continually standing in need of the assistance of others, must fall upon some means to procure their help. This he does not merely by coaxing and courting; he does not expect it unless he can turn it to your advantage or make it appear to be so:» *LJ(A)*, VI.45.

<sup>5</sup> «But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from benevolence only. He will be more likely to prevail if he can interest their self love in his favour, and shew them that it is for their own advantage to do for him what he requires of them» (*WN*, I.II.2).

hide information become means to persuade someone, creating what we call today *asymmetric information*. The language of exchange is not a language of truth.<sup>1</sup> Rhetoric is a source of power: the power of directing, manipulating others minds. It reveals the absolute power of language to govern Men.

As a consequence, the question of the morality of exchange relationships is asked. In a 'scholastic' perspective, when someone hoodwinks and deceives or 'hides' any fundamental information, the exchange resulting from the bargaining is morally condemnable.<sup>2</sup> Along the same line, it seems possible to point out a moral condemnation of exchange relationships inside a strictly Smithian body of theory. Indeed, in the manner of the rhetorician the individual performing an exchange, aiming solely at his personal gain, adopts a partial point of view on the exchange situation. He will naturally defend his cause, leaving aside any information which could be unfavourable to him while highlighting and magnifying every argument which serves him. Contrary to the historian, he is not «an impartial narrator of facts»,<sup>3</sup> he pleads a cause. Being unable of impartiality, the individual who exchanges using lie and cheat may be morally condemnable for he or she would not get the approbation of the impartial spectator. In other words, he would not be worthy of being believed. Here comes the spectrum of the Adam Smith Problem.<sup>4</sup> Do we have in Smith's economic treatise people who are immoral? Do they keep a proper, respectable and virtuous degree of self love or is human nature essentially selfish? To answer this question, we have to keep in mind that for Smith man is a social being who wants nothing else than being looked at, loved and admired by his fellow citizens.<sup>5</sup> But he does not only look for praise contrary to what Mandeville or La Rochefoucauld asserted in their «licentious systems» (*TMS*, VII.ii.4.7). They are condemned for being pernicious because they destroy the distinction between vice and virtue (*TMS*, VII.ii.4.6). In opposition with them, Smith claims that men would be mortified if they were praised without being praiseworthy. According to Smith, the desire of approbation is one of the strongest of our desires. Two different

<sup>1</sup> See BROWN 1994a.

<sup>2</sup> See YOUNG 86 for a just price interpretation of Smith's theory of value.

<sup>3</sup> *LRBL*, II.40, I.83.

<sup>4</sup> For a very rich and historical account of the Adam Smith Problem see MONTES 2003. PAGANELLI 2008 tries a reversal of the ASP by arguing that *TMS* presents a more favourable account of self interest than *WN* does.

<sup>5</sup> We agree with KALYVAS and KATZNELSON 2001, 553, who write that for Smith «markets are not simply, or exclusively arenas for the instrumental quest by competitive and strategic individuals to secure their material preferences ... they are a central mechanism for social integration derived not from strategic self interest but rather from the inexorable struggle by human agents for moral approbation and social recognition».

tribunals will judge our conduct: the external spectators and the internal one. The actual spectators may be misleading because they can be manipulated (by rhetoricians) in their passions and sentiments. The role of the impartial spectator is precisely to correct the imperfection of their judgments<sup>1</sup> by looking at ourselves as if we were an external observer of the scene. The judgment on our own conduct is based on the same principle that when we judge the conduct of another man. We approve of our own conduct when, placing ourselves in the situation of another and view it «with his eyes and from his station», we can enter into and sympathise with the sentiments and motives which influenced it. This is the voice of reason, of man's conscience. Two modes of approbation are presented to us. On one side there is the social approbation, or the approbation of others. On the other hand we find our own, inner approbation, or the approbation of the impartial spectator. The latter constitutes a higher tribunal, representing the ethical standard. When we get the approbation of the impartial spectator, we can be «more indifferent about the applause, and, in some measure, despise the censure of the world; secure that, however misunderstood or misrepresented, we are the natural and proper objects of approbation» (*TMS*, III.i.5). The social standard is explicitly associated with misrepresentations and misunderstanding while that of the impartial spectator comes along with virtue and deserves love and reward (*TMS*, III.i.6). Working from this point, he develops the seminal role of conscience in our lives by asserting that man has a natural desire, not only to be praised, but to be praiseworthy. The consciousness of being praiseworthy compensates for the lack of actual praise. The approbation of the inner tribunal is a consolation for men's erroneous judgments. Very generally, Smith's point is that we must discern actual from deserved praise, the latter. For «the most sincere praise can give little pleasure when it cannot be considered as some sort of proof of praise-worthiness» (*TMS*, III.2.4). being much superior to the former as it is the nearest approximation of the truth of moral judgment.<sup>2</sup> Is there a correspondence between the two modes of discourse and the two modes of moral judgment? We come close of the answer when he explains that in the same way as we desire to be praised and to be praiseworthy, we crave to be believed and to be worthy of being so:

so we cannot always be satisfied merely with being believed, unless we are at the same time conscious that we are really worthy of belief... It is always mortifying not

<sup>1</sup> See a paragraph from edition 1 where Smith states that «common looking glasses are extremely deceitful» (*TMS*, 112).

<sup>2</sup> The man within the breast is only a semi-god. The perfection of moral judgment is the privilege of God.

to be believed, and it is doubly so when we suspect that it is because we are supposed to be unworthy of belief and capable of seriously and wilfully deceiving. To tell a man that he lies, is of all affronts the most mortal.

(TMS, VII.iv.24-26)

The duality of moral judgments is reflected in the realm of intellectual judgments. There is a striking analogy between the exchange of sentiments and the exchange of opinions. Being believed means nothing else than being approved in our ideas by real spectators. On the other hand, following Smith's concept of praise worthiness we argue that being worthy of belief has to do with the approbation of the impartial spectator. Smith's theory of the communication of ideas is to be found in his *LRBL*. That's why, we claim, his dichotomy of the two kinds of discourse can be used to understand these lines. Opinions and ideas are believed when they are approved by actual spectators. While they are worthy of belief as far as the imaginary and ideal spectator approves them. Persuasion is opposed to conviction, the rhetoric to the didactic discourse. The end of the rhetorician is to be believed, even though he is wrong, to get the pleasure of persuading. For «if a person asserts anything about the moon, tho'it should not be true, he will find a kind of uneasiness in being contradicted, and would be very glad that the person he is endeavouring to persuade should be of the same of thinking with himself»: *LJ(B)*, 222-223. His esthetical pleasure, as will be shown below, lies in the beauty of the harmony of minds. His language is partial and deceitful. The didactic thinker, by contrast, strives for truth. He is worthy of belief because his opinions are the nearest approximation of the *truth of intellectual judgments*. His language is just and impartial. He displays arguments on both sides of the issue, giving each of them its proper weight. He is an impartial spectator of his topic and represents the figure of the judge, as opposed to the rhetorician which personifies that of the advocate. The didactic discourse is that of the virtuous man whose tranquillity of mind reflects the pleasure of inner approbation. He is endowed with enough self command to resist the natural temptation of desiring to persuade in every circumstances.<sup>1</sup>

With this in mind, what can be said about the morality of people involved in exchanging goods? How can we transpose these considerations to the market? Reputation (the external, public constraint) and merit (the internal, personal constraint) are central features of social

<sup>1</sup> «Man always endeavours to persuade others to be of their opinion even when the matter is of no consequence to them... You are uneasy when one differs from you, and you endeavour to persuade him to be of your mind; or if you do not do it is a certain degree of self command»: *LJ(A)*, VI.57.

and economic lives within which confidence arises from «frankness and openness» (*TMS*, VII.iv.28). These two kinds of constraint (sociality and consciousness) explain why probity<sup>1</sup> is a distinctive virtue of commercial societies and why the economic exchange is globally ‘immunized’ against immoral practices. In other words, the individuals carrying out exchange are not selfish but self-interested: they respect the rules of justice because they respect each other and themselves. It makes them trusted and trustworthy. While trust is to be considered as the result of the approbation of our ideas, that is, of rhetorical discourses, trustworthiness is to be seen as the consequence of men’s use of didactic discourses. For someone trustworthy is, to use our analogy, worthy of belief and praise. Consequently, the probity of men in commercial societies is a consequence of their use of didactic discourses in social intercourse. They are deeply concerned with their honour (the internal spectator) and their reputation (the external spectators). People want to be approved, and to be worthy of approval. They are naturally led from the use of rhetorical discourses to the use of didactic discourses. What does it mean for market process? Both free competition and consumer’s satisfaction will compel merchants to use didactic discourses, that is, to sell commodities at their ‘true’ price. For if one of them deceives the buyers (the goods are of much inferior quality that was claimed, or they are cheaper elsewhere while it had been refuted) in order to persuade them to buy his products, he will immediately be ‘sanctioned’ by the market. Disappointed consumers will choose another seller. Probity, Smith underlines, comes from the merchant’s regard for his own interest. Anxious of «losing his character», he is «scrupulous in observing every engagement». For «when a person makes perhaps 20 contracts in a day, he cannot gain so much by endeavouring to impose on his neighbours, as the very appearance of a cheat would make him lose»: *LJ(B)*, 327. The frequency of dealings is crucial here. When people seldom deal with one another, their reputation is not threatened. There Smith contrasts public with private life. Politicians are said to be «somewhat disposed to cheat, because they can gain more by a smart trick than they can lose by the injury which it does their character» (*ibidem*). In opposition with them, «a prudent dealer, who is sensible of his real interest, would rather chuse to lose what he has a right to than give any ground for suspicion.»: *LJ(B)*, 328. If merchants want to be approved, they need be honest. The fairness in exchange is the natural consequence of man’s sociability, consciousness and independence in commercial societies.<sup>2</sup>

<sup>1</sup> «Whenever commerce is introduced into any country, probity and punctuality always accompany it.»: *LJ(B)*, 327.

<sup>2</sup> The importance of independence will be furthered in part II.

Animated by a moderate self-love, people are prudent<sup>1</sup> and hence, praiseworthy (*TMS*, VII.ii.3.16). For prudence<sup>2</sup> is entirely approved by the impartial spectator.<sup>3</sup> That's why commerce is among men as among nations mutually beneficial:

*A free commerce on a fair consideration must appear to be advantageous on both sides. We see that it must be so betwixt individualls, unless one of them be fool and makes a bargain plainly ruinous; but betwixt prudent men it must always be advantageous. For the very cause of the exchange must be that you need my goods more than I need them, and that I need yours more than you do yourself; and if the bargain be managed with ordinary prudence it must be profitable on both. It is the same thing with regard to nations.*

(*LJ(A)*, VI.160; my emphasis)

This quote makes an explicit link between commerce and virtue. For people must be prudent for trades to be mutually beneficial. Dogs never make «fair and deliberate»<sup>4</sup> exchanges but humans do. To conclude, we don't face the Adam Smith Problem. The man of the *TMS* and the man of the *WN* are a one and only person. Economic behaviour is deeply rooted in human nature and fosters cardinal virtues such as prudence and justice.

<sup>1</sup> In the *TMS* Smith explains that in the race for wealth the one who will not be «fair play» will be blamed by his fellows. As a consequence, he is naturally led, thanks to the impartial spectator, to lower his self love and to be self interested rather than selfish:

«Though it may be true, therefore, that that every individual, in his own breast, naturally prefers himself to all mankind, yet he dares not look mankind in the face, and avow that he acts according to this principle. He feels that in this preference they can never go along with him, and that how natural soever it may be to him, it must always appear excessive and extravagant to them. When he views himself in the light in which he is conscious that others will view him, he sees that to them he is but one of the multitude in no respect better than any other in it. If he would act so as that the impartial spectator may enter into the principles of his conduct, which is of all things he has the greatest desire to do, he must, upon this, as upon all other occasions, humble the arrogance of his self love, and bring it down to something which other men can go along with. They will indulge it so far as to allow him to be more anxious about, and to pursue with more earnest assiduity, his own happiness than that of any other person. Thus far, whenever they place themselves in his situation, they will readily go along with him. In the race for wealth, and honours, and preferments, he may run as hard as he can, and strain every nerve and every muscle, in order to outstrip all his competitors. But if he should justle, or throw down any of them, the indulgence of the spectators is entirely at an end. It is a violation of fair play, which they cannot admit of. This man is to them, in every respect, as good as he: they do not enter into that self love by which he prefers himself so much to this other, and cannot go along with the motive for which he hurt him. They readily, therefore, sympathize with the natural resentment of the injured, and the offender becomes the object of this hatred and indignation. He is sensible that he becomes so, and feels that those sentiments are ready to burst out from all sides against them».

(*TMS*, II.ii.2.1)

See also *TMS*, III.3.4 on the role of conscience in lowering self-love.

<sup>2</sup> The sincerity of the prudent man is underlined in *TMS*, VI.i.8.

<sup>3</sup> *TMS*, VI.i.11.

<sup>4</sup> *WN*, I.ii.2.



## 4. SYMPATHY AND EXCHANGE

Going further, as Young<sup>1</sup> rightly argued we can think that Smith believes economics fits within a broad moral social science. Indeed, his three major works are hierarchically connected and the most important for him is the *TMS* as it «provides the general theory of human nature and morality which informs the more particular inquiries into law, government and economics...In moving from morality to jurisprudence to political economy he is moving from the general to the particular; from the higher levels of abstraction to the lower. Moral philosophy shades into jurisprudence, which in turn shades into economics». <sup>2</sup> Since the last quarter of the twentieth century many works<sup>3</sup> have dealt with the idea that the *TMS* and the *WN* are consistent and, furthermore, parts of an incomplete system. At the end of the *TMS* and again in a letter to La Rochefoucauld<sup>4</sup> Smith himself confessed he intended to provide such a system, including a history of jurisprudence.<sup>5</sup> Our attempt to recover the unity of Smith's thought in this work focuses on the compatibility of the *TMS* and the *WN* with the *LRBL*. To this purpose, we study the links between sympathy and exchange. This analysis allows us to shed light on the various, seminal features of exchange. First, it is a process: time matters, we are in a dynamic approach. More precisely, it is a communication process: debating is essential and founded on a common language. Moreover it is a bargaining process: each one is urged by the desire to persuade and uses his (her) rhetorical abilities to reach his (her) ends by putting himself in the place of others and by playing with their feelings and sentiments. More generally, it is fundamentally a human and social process: man is a passion being, he strives to get the approbation of his fellows. Persuasion is the end of communication. Sympathy, we argue, is needed to be successful in communicating our sentiments as well as our opinions. The 'commerce of sympathy' pervades economic relationships.

We asserted that exchange relationships are persuasion relationships because the individuals who are in the process of exchanging are rhetoricians. And rhetoric is a kind of discourse. As a consequence, the exchange involves a discussion process and according to Smith discussion is the very place par excellence to practise sympathy.<sup>6</sup> In the *TMS*

<sup>1</sup> See also WINCH 1978.

<sup>2</sup> YOUNG 1997.

<sup>3</sup> See SKINNER 1979, YOUNG 1997, OTTESON 2002, FITZGIBBONS 1994 to name a few.

<sup>4</sup> *TMS*, VII.iv.37; SMITH 1987, 237.

<sup>5</sup> The *LJ* certainly are the material on which he would have built such a history.

<sup>6</sup> «But if you have either no fellow feeling for the misfortunes I have met with, or none that bears any proportion to the grief which distracts me; or if you have either no indignation at



discussion is almost synonymous with social life. He explains that we approve the feelings of others in the same way as we approve of their opinions, by an imaginary change in position, namely sympathy: «The great *pleasure of conversation and society*, besides, arises from a certain correspondence of *sentiments and opinions*, from a certain *harmony of minds*» (*TMS*, VII.iv.27; my emphasis). When doing so, we judge of the propriety or impropriety of the affections or opinions of other men by estimating their concord or dissonance with our own. Passions will appear suitable and proper to their objects if the sympathetic passions of the spectator are keeping with the original passions of the principally concerned person. I will approve of your opinions if I sympathise with them, which is to say if I endorse them because your arguments convinced me.<sup>1</sup> Man's social nature naturally leads him to look out for the other's agreement, for their approbation of his opinions or passions, for the sake of the pleasure residing in harmony. To look for an agreement when exchanging goods is a way to get the approbation of my ideas on the goods (its characteristics and price) and above all to test my power of directing men. As Dellemotte<sup>2</sup> rightly noticed, we are likely to imagine a strategic use of sympathy within the exchange process.<sup>3</sup> In the *LRBL* Smith explains how the rhetorician, and as a consequence the exchanging individual, plays with people's feelings, sentiments and passions to persuade his audience. The diffusion and communication of feelings, passions and sentiments is achieved through the capacity of

the injuries I have suffered, or none that bears any proportion to the resentment which transports me, we can no longer converse upon this subjects. We become intolerable to one another» (*TMS*, I.i.4.5)

<sup>1</sup> «To approve of another man's opinions is to adopt those opinions, and to adopt them is to approve of them. If the same arguments which convince you convince me likewise, I necessarily approve of your conviction; and if they do not, I necessarily disapprove of it: neither can I possibly conceive that I should do the one without the other. To approve or disapprove, therefore, of the opinions of others is acknowledged, by every body, to mean no more than to observe their agreement or disagreement with our own. But this is equally the case with regard to our approbation or disapprobation of the sentiments or passions of others» (*TMS*, I.i.3.2)

<sup>2</sup> See DELLEMOTTE 2005.

<sup>3</sup> We follow Danner's interpretation who convincingly argued that the mutual and reciprocal coordination needed in economic interactions arises from the phenomenon of sympathy. This interpretation is rejected by Werhane because «Smith does not use the term 'sympathy' in the *WN* ... and sympathy is not a principle of motivation». Yet she misses the point. Heavily influenced by Turgot and Cantillon, Smith understood the market process at a macroeconomic level in which aggregate supply and aggregate demand are the key factors and the bargaining process vanishes. He did not provide a comprehensive analysis of the «higgling of the market» because its influence on the final result is supposed to be inexistent. The market price tends to be equal to the natural price, or to reveal the objective characteristics of the goods. Language is therefore a transparent medium as it does not affect the final values (see BROWN 1994, 73-74 for more details). Maybe that's why the word is absent from the *WN*. Moreover, in this paper we argue that sympathy is essential to reach an agreed valuation as an efficient cause of exchange and not as its final cause. Self interest is my end and this end is achieved by means of sympathy. See WERHANE 1989 and DANNER 1976.

sympathy. The idea is to get some information about the person you exchange with. In other words this is a way to discover his preferences. The more you figure out people's character and temper the better you will reach your own ends. In modern, commercial societies, it is paradoxically by 'plunging' myself into you that I achieve 'my self'.<sup>1</sup> The repetition of exchanges (social interactions) with the same person (customer, buyer or seller), or a group of persons you identify thanks to your experience, should allow you to reach more easily agreements (sympathy and approbation) afterwards.

Nonetheless, sympathy is not only an essential component but it is also a pre-requisite to the exchange process. Indeed, if people want to discuss they have to share a common language. This common language allows a mutual comprehension which is fundamental in every coordination issue. Those people have to share common values and knowledge. Thanks to his concepts of sympathy and impartial spectator Smith explains in the *TMS* this organic or spontaneous genesis of common beliefs and values. Communication is at the core of the emergence of moral values and norms. In this scheme the impartial spectator may be represented as an internalisation of social interactions. He will 'memorize' the episodes of approbation and disapprobation. If people sympathised with my affection in a given situation or if they approved of my opinions I will tend to reproduce this behaviour and opinions. If my opinions (my arguments about the qualities of the goods and its price) didn't convince many spectators (buyers) I will correct it (to cut price) in order to get their approbation (to sell). This is a «self-strengthened» mechanism, a natural, spontaneous or organic emergence of common values<sup>2</sup> and knowledge. Moral norms emerge as a result of an unconscious evolutionary process. Commerce is an important not to

<sup>1</sup> Our social interactions, including here the exchange of goods, foster our own consciousness.

<sup>2</sup> The emergence of economic (prices) and moral values (norms of behaviour) seems to be founded on a similar 'evolutionary' process of trials and errors. This perspective was adopted by OTTESON 2002 who brilliantly explained Smith's marketplace of morality. He shows that the standards of moral judgments arise unintentionally from the moral judgments and actions of individuals and that the standards that develop in this way constitute a self regulating order. This market model of unintended order is then extended to explain the formation of economic and linguistic norms as well. Otteson claims that the market model is Smith's overall representation of human institutions. I agree with him on this point. Yet, even if he points out the analogy between the three models, they are presented in separate ways. It is as if the emergence of economic rules (prices) was independent of the emergence of moral rules. My argument in this article is that moral and linguistic norms are essential to the working of the «economic» market. The process that leads to the formation of economic values is not merely analogous to the one giving rise to the formation of moral values, it is build upon it. The mutual benefits of exchange relationships are founded on the ethical character of economic agents. Probity, prudence, and fairness are successful qualities in both economic and social life. Fair practices give rise to fair exchanges at fair prices.

say fundamental element of social life in modern societies.<sup>1</sup> The norms prevailing in this sphere are some way the result of the internalisation of sympathetic experiences by the impartial spectator. The market is to be seen as the 'agora' of modern, commercial societies. There people exchange sentiments and opinions on goods and debate on prices and quantities.

Therefore, we would like to underline the great similarity between the exchange of goods and the exchange of sentiments and passions by briefly defining a model of bilateral exchange of goods. When two individuals try to exchange affections, there is an agent who feels the original passion, and a spectator who tries to sympathise with him and who feels a sympathetic passion. What is important here is the fact that the intensity of the original passion is necessarily higher than the one of the sympathetic passion because sympathy is an imaginary change in positions and an imperfect mechanism. The spectator will never be able to plainly enter in the agent's character or to exactly know the objects of his passion. However, even if the spectator will never feel the passion of the agent with the same intensity, a 'harmony', a 'concord' may be attained thanks to the pleasure of mutual sympathy. By his self command the agent will lower the intensity of his passion for the spectator to sympathise with him, while the spectator will increase his own by trying to enter into every circumstance which may have caused the passion. By doing so, they will reach a 'propriety point'. Mutual sympathy will then arise. In this 'model' the convergence of feelings is attained through the pleasure of mutual sympathy. That underlines the innate tendency of men to look for the approbation of others. We are convinced that there is here a striking parallel with a bilateral exchange of goods. On the one side, the agent would be a seller who wants to sell at the highest price. On the other side, the spectator would be a buyer, who wants to buy at the lowest price. Once again, a convergence may be attained because there is pleasure in persuading in the same way there is pleasure in mutual sympathy.<sup>2</sup> The desire to be believed is a desire of approbation, and to approve of someone's feelings or opinions means nothing else than sympathising with them. The buyer and the seller will strive for an agreement in order to get this pleasure and will exchange at what we call a 'propriety price'. To reach an agreed valuation, each one has to go beyond his partial and selfish position. As Kennedy rightly argued, «bar-

<sup>1</sup> GRISWOLD 1999, 297 rightly argued that for Smith «life in a market society is an ongoing exercise in rhetoric».

<sup>2</sup> Furthering this point, we add that man's willingness to be approved and, therefore, to persuade, is also the result of the 'pain' associated with disapprobation which finds its corollary in the 'uneasiness' of being contradicted. See *TMS*, I.ii.1 and *LJ(B)*, 222.

gainers must be other-centred, not self-centred». <sup>1</sup> They have to satisfy the other's self love if they want to satisfy their own. To reach an outcome agreeable to both, they must contain their self love, tending toward a position of impartiality. Once more, the market can be seen as a public place in which we are educated to self command and to impartiality. Let me now briefly describe the process leading to the 'propriety price'. Our market is composed of one seller and one buyer. The final outcome will depend on each one's negotiation or communication power. The price range is defined by a high bound (the buyer's highest price he wants to pay) and by a low bound (the seller's minimum price to cover his production costs). Every acceptable price (propriety prices) for both is included into this price range. The buyer will try to take the seller's place to discover his minimum price. Sympathy is also to be used by the individuals involved in the bargaining process to play with each other's passions. As a result, if the agreed valuation is nearer from the low bound it means that the buyer's communication and negotiation power is stronger than the seller's one. The buyer will get a greater part of the surplus. From this point, it is possible to imagine a 'just' price, distinct from 'propriety' prices. Smith is clear that we exchange if and only if our well being is increased. For «the very cause of the exchange must be that you need my goods more than I need them and that I need yours more than you do yourself»: *LJ(A)*, VI.160. The ideal and just result of the bargaining process is reached, we claim, when the gains are equally divided among the participants, that is, when their respective outcomes are equal. This 'just' price is perfectly in the middle of the price range, where every change in price leads to a fall of one's well being. In analytical terms, some assumptions are needed to reach that optimal result. One of them was implicit in our reasoning. People involved in the exchange must have equal rhetorical power; otherwise one of them will naturally use his superiority to get the greatest part of the surplus. Doing so, he will come nearer of his 'maximising point', considered here, if he is the seller (respectively the buyer), as the high (low) bound of the price range. We add that symmetry of positions, or social status, is needed. For people engaged in a subordination relationship will not be prompt to contradict their superiors. <sup>2</sup> To conclude on this point, the pleasure to exchange is a pleasure to persuade and to get the approbation of someone on our own valuation of the goods. The exchange of goods seems similar to the exchange of sentiments. An 'equi-

<sup>1</sup> See KENNEDY 2008.

<sup>2</sup> See part II, where it is shown that the employment relationship exhibits none of these assumptions. Consequently, the distribution of the surplus between capital owners and workers is unjust and suboptimal. The growth rate is then, too, suboptimal.

librium' is reached through a (dynamic) process, restoring order and tranquillity thanks to the harmony<sup>1</sup> of minds it creates. Going further, we agree with Griswold to claim that the exchange process «is not merely analogous to the process of sympathy described in the *TMS*: it is built upon it».<sup>2</sup>

However, the link between sympathy and exchange is more complex than it appears at first sight. Indeed, sympathy requires social proximity. It is very difficult to sympathise with someone we don't know.<sup>3</sup> With this background in mind, it becomes interesting to reread the famous passage of the butcher, the brewer and the baker in the *WN*. Commercial society is defined as one in which every man is a merchant. It means he lives by exchanging the surplus part of the produce of his labour against that of other men. Men become entirely dependent on others for the satisfaction of their needs. What art will they use to get what they want from their fellows? Man, it is said, must work «on the selflove of his fellows, by setting before them a sufficient temptation to get what he wants»: *LJ(B)*, 220. Smith says that the individuals in economic interactions have in mind their own advantage. Why aren't they assumed to be benevolent? A commonplace argument is that we cannot be benevolent in the marketplace because we are facing strangers. The supposed impersonality of the market is seen as allowing little room for spectator mechanisms to work in this arena.<sup>4</sup> Therefore, this lack of social proximity could lower the importance of sympathy and benevolence in the exchange of goods. Indeed, the more you know people, the better you sympathise with them and the more benevolent you are toward them. Benevolence can be seen as the result of repeated sympathy.<sup>5</sup> So that we could nonetheless imagine the gradual appearance of benevolence in economic intercourses by the repetition of interactions as the individuals involved would know each other better and better. Besides, Young convincingly argued that sympathy's effectiveness is more closely tied to physical distance than social distance.<sup>6</sup> What is seminal to sympathise is to see and to be seen. We are able to sympathise with strangers if we meet face to face.<sup>7</sup> However, Smith's plea for self love in economic interactions is founded on a plain argument. Human nature is much more self interested than benevolent. Nature has endowed man with a strong love of himself for him to survive. Smith is not weary to repeat that man's satisfaction of his basic needs would be threatened if

<sup>1</sup> This is an esthetical and disinterested pleasure. There is an esthetical pleasure for the man of system too, coming from his observation of the harmony and the order of society in which many people «act in concert». See *TMS*, IV.1.11.

<sup>2</sup> See GRISWOLD 1999, 297-298.

<sup>4</sup> See VINER 1972, 82.

<sup>6</sup> See *TMS*, III.3.4.

<sup>3</sup> See *TMS*, I.1.3.4.

<sup>5</sup> See NIELI 1986.

<sup>7</sup> See YOUNG 1986, 371.

it was not so.<sup>1</sup> When people «address themselves to the self interest of the person», they «seldom fail immediately to gain their end»: *LJ(A)*, VI.57. Man expects anything from self love, since it is a much more powerful spring than benevolence.<sup>2</sup> That's why he is said to be more successful if he addresses to their self love. It is no more than the best strategy to persuade them.<sup>3</sup>

Our second argument lowering the importance of sympathy in exchange has to do with the 'essence' of sympathy. This is a more fundamental objection. We can easily think of a seller trying to make an imaginary, strategic change of position in order to discover what the buyer's personal interest is. But the specificity of this imaginary change of position comes from the fact that it is the seller's self love which motivates him to «take the buyer's position». It is not, contrary to sympathy, a spontaneous and disinterested change of position.<sup>4</sup> In the exchange of goods a distinctive form of sympathy appears: what we call an 'interested sympathy'. Using Aristotle's words, we can say that self interest undoubtedly is the exchange's final cause, while its efficient cause is sympathy. In order to satisfy my self love I need to know yours. That's why I have to look at the situation from your point of view. Sympathy and self interest are not contradictory human motives. By looking at us with the eyes of others, sympathy allows us to understand our interest in a true light. Self love is a reflexive modality of sympathy.<sup>5</sup> We know ourselves only insofar as we can look at ourselves with the eyes of others. Man's consciousness is deeply rooted in social, sympathetic interactions.

## 5. CONCLUSION

The aim of this paper was to further our understanding of Smith's conception of economic exchange. To that end we decided to identify the language of commerce. Three significant conclusions may be drawn from this analysis. First, the coherence of Smith's system is emphasized. We went far beyond the traditional combination of his moral and economic treatises to include his lectures on rhetoric, a youth writing

<sup>1</sup> «No man but a beggar depends on benevolence, and even they would die in a week were their entire dependence upon it»: *LJ(B)*, 220.

<sup>2</sup> «It is not the soft power of humanity, it is not that feeble spark of benevolence which Nature has lighted up in the human heart, that is thus capable of counteracting the strongest impulses of self-love»: *TMS*, III.3.4.

<sup>3</sup> See *FORCE* 2003, 132. Note that benevolence is to be found in *WN*, V.III.31 with people making «family settlements» and providing for «remote futurity».

<sup>4</sup> Remember the first lines of the *TMS*: «However selfish man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and renders their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it».

<sup>5</sup> For a similar idea see *DUPUY* 1992, 80.

whose importance has so far been neglected by historians of economic thought. Together with his later lectures on jurisprudence, they exhibit Smith's continuity of thought and the fecundity of a great but unfinished intellectual system. As was redundantly shown, the Adam Smith Problem vanishes once we accept to cross the texts. From this point, an analogy between the exchange of sentiments, opinions and goods was developed so that man may be seen as a 'commercial' animal. Smith provides us with a unified conception of human nature which cannot be reduced to the «selfish hypothesis». Here comes our second point. Far from the vision of the Chicago School, where Smith is considered as the founding father of an economic science for having identified human nature with self-interest,<sup>1</sup> we argued that what was seminal in exchange relationships is not man's autonomy and selfishness. Rather we should look at the passage of the brewer, the baker and the butcher as one in which people's concern for others is put into light.<sup>2</sup> We cannot satisfy ourselves if we do not satisfy others too. Consequently, we have to imagine and to see us as if we were at their place. Only through this process of changing places can we get our true self interest. Self love is appealed to because it is much more persuasive than benevolence. For we «are not ready to suspect any person of being defective in selfishness» while the same could not be said of benevolence (*TMS*, VII.ii.3.16). Yet, it is not to say that people in exchange are immoral or even amoral. The virtuous character of the 'economic man', not different from man in general, was underlined through the workings of the duality of moral judgments. Both the social and the ethical constraints create the conditions for a virtuous commerce. Three of Smith's four cardinal virtues (prudence, justice and self-command) are met. Impartiality and consciousness are fostered. For Smith, commerce is founded on cooperation, not on conflict.<sup>3</sup> That's why commerce «ought to be, among men as among individuals, a bond of union and friendship» (*WN*, IV.iii.c.9).

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<sup>1</sup> FORCE 2003 has wonderfully showed how mistaken it was to identify Smith with a selfish interpretation of human nature. Many eighteenth century philosophers, predominantly French, such as D'Holbach, La Rochefoucauld or Helvétius, were explicitly adopting such a narrow and pessimistic concept of human nature. This view is the result of a lack of knowledge of *TMS* where selfish systems, as we underlined, were harshly criticized.

<sup>2</sup> See FLEISCHAKER 1999, 155; 2004, 21; and VIVENZA 2005, 43.

<sup>3</sup> See CROPSY'S comment in GRISWOLD 1999, 298.



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# CONTENTS

## PAPERS

- BENOÎT WALRAEUVENS, *Adam Smith's economics and the Lectures on Rhetoric and Belles Lettres. The language of commerce* 11
- STEFANO PERRI, *From «the Loaf of Bread» to «Commodity-Fetishism»: a 'New Interpretation' of the Marx-Sraffa connection* 33
- GEOFF TILY, *The critical steps in the transition from the Treatise to the General Theory: an alternative interpretation motivated by the work of Toshiaki Hirai* 61
- FRANCESCO FORTE, *Sergio Steve as a public economist* 95

## SUB-SESSION ON NEURONOMICS

- STEFANO FIORI, TIZIANO RAFFAELLI, *Re-thinking economics: a contribution from neuroscience and other recent approaches* 119
- GIORGIO CORICELLI, ROSEMARIE NAGEL, *The neuroeconomics of depth of strategic reasoning* 123
- NATHAN BERG, GERD GIGERENZER, *As-if behavioral economics: neo-classical economics in disguise?* 133
- ROBERTA PATALANO, *Imagination and economics at the crossroads: materials for a dialogue* 167
- DAVID POLEZZI, DAVIDE RIGONI, LORELLA LOTTO, RINO RUMIATI, GIUSEPPE SARTORI, *Inhibition and pleasure: economic risk-taking in the brain* 191

## REVIEW ARTICLES

- NICOLA GIOCOLI, *John von Neumann's panmathematical view* 209
- COSIMO PERROTTA, *Giacomo Becattini and local economy* 219

## BOOK REVIEWS

- DONALD R. STABILE, *The Living Wage* (Gaffney) 227
- Vincent Barnett and Joachim Zweynert (eds), *Economics in Russia: Studies in Intellectual History* (Allisson) 229
- MARK THORNTON, *The Quotable Mises* (Gentle) 232
- KOEN STAPELBROEK, *Love, Self-Deceit, and Money. Commerce and Morality in the Early Neapolitan Enlightenment* (Vivenza) 233
- Janet T. Knoedler, Robert E. Prasch and Dell Champlin (eds), *Thorstein Veblen and the Revival of Free Market Capitalism* (Foresti) 236
- J. PATRICK RAINES and CHARLES G. LEATHERS, *Debt, Innovations, and Deflation: The Theories of Veblen, Fisher, Schumpeter, and Minsky* (Fayazmanesh) 239



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