Adam Smith: Reforming Merchant Power. The Case for an Open Public Sphere*

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Two decades of Adam Smith revisionism have restored his reputation as a philosopher of some substance and refuted the idea that he was simply the ‘high priest’ of capitalism. Yet all too often Smith is still offered up as an ‘English empiricist’ in the tradition of Hobbes, Locke and Mill. In this article Smith’s critique of mercantilism is re-read through a peculiar Scottish tradition of social thought which began with Hume and which delivers up a surprisingly fresh, open and contemporary thinker.

In what follows I will reconstruct Adam Smith’s critique of the merchant class. What I hope to reveal in the course of this reconstruction is the extent to which Smith anticipated some of the principal themes of discourse ethics; in particular, the attempt to find a procedural account of ethical practice, his active stress upon communicative rationality, his theory of recognition, ideal role-taking and the life-world of the subject.1 This understanding of Smith’s analysis should demonstrate the extent to which Smith was concerned with the pragmatics of social interaction. Taken as a piece all of this appears to deliver Smith up to the tradition of continental philosophy rather than that of English empiricism where he is most often cast (Skinner, cited in Smith, 1997, Intro, p. 12, see also Graham, cited in Brodie et al., 2003, p. 341).2 In short, Smith’s guiding principles are remarkably consistent with those of later phenomenologists such as Edmund Husserl. Smith does not simply describe our experience of others; rather, he most often describes the world and the things in it as being also experienced by other minds and other selves. One result of this epistemological reconstruction, I suggest, is that Smith’s system may have something to say about recent scandals in the financial sector.

It is worth noting that though this idea of Smith as a representative of phenomenology may sound strange, others have suggested that the intellectual climate of eighteenth-century Enlightenment Scotland was unique. Norman Kemp-Smith, for example, has already argued convincingly that Hume was concerned with the epistemological foundations of a priori knowledge (Kemp-Smith, 1964). George Davie drew our attention to Husserl’s interest in Hume many years ago (Davie, p. 1994). In 1989, Anna Nelli wrote a Masters dissertation supervised by Donald Livingston, entitled ‘Hume as Phenomenologist’, while more recently Donald Livingston himself has positioned Hume within a more phenomenological framework (Livingston, 1998). Finally, in a move that does much to extend and unify...
the range of Scottish philosophy, H.O. Mounce has argued that all the Scottish philosophers from Hume – through Smith – to the common sense school were ‘epistemological naturalists’ (Mounce, 1999). Given the close intellectual companionship between David Hume and Adam Smith, it would be somewhat surprising if the latter did not share some of Hume’s epistemological findings, at least with regard to the problem of reason’s own self-examination.

I: Mercantilism and language in Smith’s system

Smith often invoked tobacco merchants and merchants more generally within the same textual context in his *The Wealth of Nations* (Smith, 1997, pp. 261–262 and 1999, pp. 70, 78–79, 176–178, 187–189; Muller 1993, p. 20). This is hardly surprising given his personal contact with such merchants during his Glasgow period, then the most important centre of the tobacco trade in Europe (Smith, 1987, p. 104; Ross, 1995, pp. 139, 140, 250; Smollett, 1985, p. 284). However, it is surely one of the more intriguing aspects of Smith’s character that while he was able to remain on good personal terms with some of the wealthiest merchants of the day, he was simultaneously compiling examples of their more questionable practices.

Smith noted, for example, that the behaviour of merchants often had a detrimental impact upon their own home markets, and Scotland’s merchants in particular had a similarly negative impact upon its trading links with its continental partners. In a hard-headed and unsentimental assessment, Smith noted that ‘it is in the interests of the merchants and manufacturers of every country to secure to themselves the monopoly of the home market, and that their interest in this respect [is] directly [the] opposite to that of the great body of the people’ (Smith, 1999, pp. 73, 75). The point for Smith was that such monopolies were normally obtained through foul means rather than fair. The merchant’s interests stood over and against the people’s since their covert business operations undermined the public, impartial and transparent operation of justice as well as the legislative process, the very basis of a mutually recognitive moral sphere (Smith, 1999, pp. 193, 297, 303). Furthermore, the more complex the economy became, noted Smith, the greater were the opportunities for unfair business practices, thus ‘secrets in manufactures are capable of being longer kept than secrets in trade’ (1997, p. 163).

In cases where concealment was successful this was because the merchants were able to mobilise a full range of ‘interested sophistry’, usually pursuing import duties and government handouts that were exploited for their own personal aggrandisement and advantage. Narrow self-interested policies such as these often left their competitors at a considerable disadvantage, especially the foreign competition. This phenomenon was particularly damaging since it only served to inflame ‘national animosity’, said Smith (Smith, 1999, p. 44), whose own highest political ideal was always cosmopolitan esprit de corps (Smith, 1984, pp. 229, 231). Smith observed, in relation to drawbacks, government tax-breaks which sought to encourage the re-export of surplus, that, ‘as is well known, some drawbacks, particularly those upon tobacco, have frequently been abused ... and have given rise to many frauds equally hurtful both to the revenue and the fair trader’ (Smith, 1999, p. 83). In other words, while maintaining their air of respectability, the tobacco merchants were simultaneously stealing from both the public and private purse. The point is
that due to the selfish motives of private individuals, these otherwise healthy drives, under normal circumstances and in most individuals (1997, p. 119), became a social and political problem in a commercial society in which the merchants were able to dominate commercial life, since the aggregate outcome of the private actions of these wealthy merchants undermined the very liberties that increasing wealth should have fostered. Smith noted with regard to the business cycle of the tobacco trade, for example, that Britain was only able to consume around one third of the tobacco that its merchants imported, the remainder being re-exported to other European countries, much of which was subsidised by British taxpayers. Nothing could be more absurd than this so-called ‘balance of trade’, said Smith, which was an ‘empty phrase’ used to legitimate vested interests (Smith, 1997, p. 473 and 1999, p. 67).

An examination of Smith’s lectures on rhetoric suggests that the question of how language was used in the public arena was of more than a passing interest to Smith. In keeping with his communicative concerns, Smith had little time for the classical and dominant models of rhetoric of his own time. He noted that this classical model usually involved the drawing up of beautifully constructed one-sided arguments in which content mattered little and where formal construction was everything. This technique, he noted, encouraged the dominance of one line of argument and the conscious underplaying of opposing arguments, and the purpose of this exercise was primarily to persuade and entertain.

Smith posed the innovative alternative in what he termed the ‘Didactick’ method, which ‘proposes to put before us the arguments on both sides of the question in their true light, giving each its proper degree of influence, and has it in view to persuade no farther than the arguments themselves appear convincing’ (Smith, 1985, p. 62, my emphasis). In Smith’s rhetorical theory these alternate positions are the model agencies and experiences of others. In other words Smith anticipates Jürgen Habermas’s idea that the ‘unforced force of the better argument’ should be allowed to come into play through a recognitive and multivocal structure (Habermas, 1995, p. 127; Hegel, 1977, ss. 69, 178, 670). Furthermore, it is worth noting here that in Smith’s account the purpose of providing these alternate positions in their most attractive light is neither to present an ‘objective’ viewpoint nor provide some moral certainty or other; it is simply providing space for the operation of the ‘faculties of reason and speech’, natural proclivities common to all men and the basis of self-consciousness (Smith, 1997, p. 118). Self-consciousness was the most important attribute common to all men, thus Smith lamented those who suffered from a ‘loss of reason’. It was generally agreed, said Smith, that such a loss was by far the ‘most dreadful [calamity] which [could] befall any man’, since one who had lost his reason would also be ‘insensible of his own misery’ (Smith, 1984, p. 12). The purpose of the Didactick method, then, was to communicate and inform, said Smith, and as such it should eschew the use of figurative modes of expression, as well as any overindulgence in parentheses and other superfluous techniques. On the other hand, the lessons of the classical rhetoric were, he claimed, altogether ‘a very silly set of books and not at all instructive’ (Smith, 1985, pp. 6, 26).

In The Theory of Moral Sentiments, while virtually following some of the phrases from his lectures on rhetoric line by line, Smith praised the effects of ‘frankness and
openness’ over those of ‘reserve and concealment’, concluding that ‘the great pleasure of conversation and society, besides, arises from a certain harmony of minds, which like so many musical instruments coincide and keep time with one another. But this most delightful harmony cannot be obtained unless there is a free communication of sentiments and opinions’ (Smith, 1984, p. 337, my emphasis).

Concealed beneath the veil of rhetoric and official accounts of the ‘balance of trade’, Smith caustically noted that it would have been much better for all if trade were truly direct and competitive. ‘It would, indeed, be more advantageous for England’, he said, ‘that it could purchase the wines of France with its own hardware and broadcloth than with either the tobacco of Virginia or the gold and silver of Brazil and Peru’ (Smith, 1997, p. 70). The principal cause of such perverse trading was, of course, laid fairly and squarely upon the merchants and their ‘spirit of monopoly’ (Smith, 1999, pp. 45, 72–73). Smith also observed that despite the fact that there was a rising demand for tobacco in Britain, the tobacco merchants had done all they could to ‘absurdly prohibit’ the cultivation of tobacco in Europe. The motivation behind such moves was, of course, self-interest and personal gain. More seriously, Smith observed that the Scottish tobacco merchants enjoyed their advantage over the other Europeans, and in particular, their monopoly of the Virginia and Maryland trade, in large measure due to the power of Britain’s warships. Thus he noted that the tobacco merchants were in effect robbing the people not once, but twice, first through the artificially expensive product which was delivered to the domestic market, but also, because these same consumers were also citizens, they had to pay for this naval and military power in the first place (Smith, 1999, pp. 176–177, 179–180). Smith called this an ‘invidious and malignant project’, which, far from creating a relative advantage in Britain’s trading relations, simply led to a spiral of tit-for-tat protectionist measures and ultimately, to higher and higher prices for the consumer.

The point that is often missed is that empty rhetoric such as that of the ‘balance of trade’ was, according to Smith, a signification of the growing contradiction that lay at the heart of the life-world of the mercantile subject, and between appearance and reality. In other words, it was a measure of the yawning chasm between the public personae of the merchants and that of the new, moral science of man as applied by Smith in the field of political economy. Language use, therefore, provided insight as to the true nature of the user, and language had an existential resonance: ‘the stile of an author is generally of the same stamp as their character’, said Smith (Smith, 1985, p. 35). In effect, chams and habitual users of figurative and euphemistic language were, in principle, viewed with suspicion, according to Smith. In such circumstances political and other forms of leadership were apt to fail since we do not trust the person ‘who leads we know not where’ (Smith, 1984, p. 337). Language, said Smith, was most beautiful when it accorded with the very innermost emotional predispositions of the language user. Such self-expression was beautiful, said Smith, because it was honest, it was a ‘clear self-expression of one’s own sentiments’, rather than a devious affection or a manipulative strategy for getting what one wants (Smith, 1985, pp. 26, 40, 45). Without such clear and open lines of communication and self-expression, suggested Smith, then sympathy, in Smith’s technical sense, could hardly be expected to prevail and fulfil its task as a natural mechanism for communicating moral and ethical norms between members.
of society (Smith, 1984, pp. 9–33, 93). Thinking through the implications of Smith’s Didactick system it is easy to see how in a world of heavily inverted language use, where a word habitually came to signify its opposite, such a process could cause great damage to the very same commercial system which also gave birth to double-entry book-keeping and ‘probity’ (Smith, 1982a, pp. 489, 528, 538–539).

In later echoes of his *Theory*, Smith said in his *Lectures on Jurisprudence*, for example, ‘it is by the wisdom and probity of those with whom we live that a propriety of conduct is pointed out to us, and the proper means of attaining it’ (Smith, 1982a, p. 489, my emphasis). More specifically, under such circumstances and where one could expect to see the mechanism of sympathy collapse, one would also expect that the operation of the ‘impartial spectator’ would quickly follow suit since critical awareness required transparency as well as social intimacy (Smith, 1984, pp. 85, 108, 109–117). In other words, no amount of probity could hope to succeed amidst the most severe and pathological cases of deception. Transparency, in Smith’s view, was an existential epiphenomenon of integrity. However, this was not just a component of virtue; rather, it was a scientific building block, which facilitated the social production of good and bad judgements. Thus the ‘impartial spectator’ was not fundamentally an example of moral judging at all, judging being sui generis to reason, but an epistemological mechanism that was constitutive of what human beings were in the first instance. A ‘moral being is an accountable being’, said Smith (Smith, 1984, p. 111). The source of moral judgement was not some kind of ‘overbeing’, or some other objective entity which he called the ‘impartial spectator’, or the moral consciousness of God, but was in actual fact something which emerged from reason and which was consistent with reason’s own demands. This leads towards one of Smith’s central concerns in the *Theory of Moral Sentiments*: why do truths concerning moral character not always prevail?

II: Deception and self-deception in Smith’s system

In *The Theory of Moral Sentiments* Smith began his reflections on the Rousseauesque theme that was to dominate his life’s work: the relationship between opulence and liberty. The early psychological observations of the *Theory* are increasingly being integrated into our contemporary picture of Smith’s thought as a whole. What a re-examination of Smith’s commentary on the merchant class in *The Wealth of Nations* suggests is that the apparent disparity between the optimism of the later text and the earlier pessimism of the *Theory* only exists in the contemporary analytic imagination. However, if *The Wealth of Nations* and Smith’s other writings are read as a piece and in context, it is apparent that Smith retained his moral or ethical pessimism until the end of his active life. For example, in the closing paragraphs of *The Wealth of Nations*, Smith observed the increasingly bitter struggle over the secession of the American colonies and Britain’s mishandling of the whole affair. His point was simple and direct: in Britain’s case the ‘contest’ was the autobiogrophy of a mercantile nation that had lost all contact with reality: ‘not an empire, but the project of an empire; not a gold mine, but the project of a gold mine’, said Smith, a project that ‘existed in the imagination only’ (Smith, 1999, pp. 550–551). By 1776, as Smith’s views on the American affair were increasingly converging with those of Hume, Smith trenchantly asserted that the so-called empire was
nothing other than the self-indulgent ‘golden dream’ of a decaying aristocracy, with the nation’s merchants playing Sancho Panza to the aristocracy’s Don Quixote. Britain, he advised, should ‘endeavour to accommodate her future views and designs to the real mediocrity of her circumstances’ (Smith, 1999, pp. 550–551). This was hardly the voice of one intoxicated with commerce or the potential dynamism of early modern capitalism.

However, in Smith’s view, this squalid self-delusion of national greatness was a political manifestation of mercantilism writ large upon the commercial imagination, and not only a psychological proclivity, or an example of aristocratic excess. Smith’s assessment was subtle, more so than that of a simple Paineite anti-monarchist (Gallagher, 1998). An absolute increase in the aggregate wealth of the nation not only drove individuals on to greater prosperity, but in almost equal measure, this wealth was also apt to corrupt and impede the growth and development of an appropriate system of moral and social propriety itself (Smith, 1984, pp. 50–66; West, 1975, p. 540; Ross, 1995, p. 319 and 1999, p. 48). Social propriety in an open society denoted that hard work, self-discipline and other meritocratic values were most admired, said Smith (not self-denial however: Smith was not a Calvinist) (Smith, 1984, pp. 90–91, 215). However, these were also the same values that brought wealth and status to their bearers in a commercial setting, and which often encouraged a simultaneous decline of one’s powers of rational self-examination. Smith said, for example, ‘Even in good men, the judge within us is often in danger of being corrupted by the violence and injustice of their selfish passions, and is often induced to make a report very different from what the real circumstances of the case are capable of authorising’ (Smith, 1984, p. 141).

According to Smith, a society in which wealth is admired for its own sake is a society of rapidly diminishing political liberties, by definition:

‘An instructed and intelligent people are more decent and orderly than an ignorant and stupid one ... they are more disposed to examine, and more capable of seeing through, the interested complaints of faction and sedition, and they are, upon that account, less apt to be misled into any wanton or unnecessary opposition to the measures of government. In free countries, where the safety of the government depends very much upon the favourable judgement which the people may form of its conduct, it must surely be of the highest importance they should not be disposed to judge rashly or capriciously concerning it’ (Smith, 1999, p. 375, my emphasis).

In a system of political liberty, the governed will know how to apply their reasoned judgement in an open and accessible discourse that facilitates the appropriate criticism of the governors. It is also apparent in this quote that Smith held the public sphere to be somewhat greater than the sum total of political and economic activity.

In general, concerns such as wealth and liberty, and between public respectability and private vices, were in the air following the publication of Rousseau’s *Discourse on Inequality* (1755) and Mandeville’s *Fable of the Bees* (1714–1724) (Smith, 1984, pp. 182–183, 306–314, ‘Of licentious systems’). In Smith’s *Theory*, and responding to Mandeville in particular, Smith took the view that the desire for status, ‘the
strongest of all our desires’ (Smith, 1984, p. 213), and deviant social pathologies such as lying, cheating and stealing were paradoxically interlinked, but he was not prepared to go along with Mandeville’s suggestion that such behaviour inevitably led to an improvement in the general welfare of humanity. (This is another reason why the ‘invisible hand’ has been so misunderstood by laissez-faire economists). Smith is alert to the fact that people have different predispositions, proclivities and capacities, thus it would always be more difficult for some to earn status through fair means than it would for others. In effect, Smith agreed that it was inevitable that some people would try to advance their cause more rapidly towards the desired social status by advancing their private interests secretly, and in a Mandevillian manner. But according to Smith this would always come at a greater cost to the community as a whole (Smith, 1984, p. 65). Easy approbation that would otherwise have to have been earned openly and through long periods of application, discipline and self-sacrifice could only produce a weak, and manipulative leadership, and a compliant and deferential citizenship (Smith, 1984, pp. 50–66, 1999, p. 302).

Smith appears to accept that all of this might well be a part of the human condition, suggested to him perhaps by Hume’s naturalism and the pessimism of classical Stoicism that influenced him greatly. However, the more important point is that Smith was also alert to the fact that increasing opulence could provide a new and more effective tool with which to advance the recognitive cause of social status by unscrupulous means. This kind of unscrupulousness was considered by Smith to constitute a special danger, actually much worse than either the oppressive effects of monopoly upon entrepreneurial energy and ambition, or the alienation caused by the new division of labour. These negative mercantile effects of the new commercial opulence were visible at least, and unlike deception and secrecy, did not threaten the whole structure of the ‘system of natural liberty’ itself (Smith, 1999, p. 273).

The desperate need of the merchants to operate in a clandestine and secret world of deals and fixes, while simultaneously presenting a public front of industriousness, civic loyalty and public service, threatened to undermine the ethical and moral mechanisms through which commodity accumulation could be sustained, since such a system of natural liberty, of ‘delightful harmony’ required, above all, ‘free communication’ (see above). Smith’s argument clearly demonstrated that natural harmony and openness would become increasingly difficult to obtain since those who habitually deceived others would inevitably end up by deceiving themselves and ‘issuing reports which the facts [could not] support’. In one anatomical metaphor Smith said, ‘He is a bold surgeon, they say, whose hand does not tremble when he performs an operation upon his own person; and he is often equally bold who does not hesitate to pull off the mysterious veil of self-delusion, which covers from view the deformities of his own conduct’ (Smith, 1984, p. 158). In Smith’s account of merchant power, the self-seeking merchant class were certainly poor surgeons. In The Wealth of Nations Smith said, ‘our merchants frequently complain of the high wages of British labour ... but they are silent about the high profits of stock. They complain of the extravagant gain of other people, but they say nothing of their own’, and so forth (Smith, 1999, p. 182).
Returning to Smith’s theme in the lectures on rhetoric, it’s clear that the purpose of this ‘delightful harmony’ of minds was not simply aesthetic; its purpose was to allow the emergence of such knowledge that might be ‘agreeable to truth and reality’ (Smith, 1984, p. 20). However, again falling increasingly into line with Hume’s unorthodox religious and epistemological views (Hume, 1990, pp. 121–122; Smith, 1984, pp. 19–20; also a theme in Hobbes’s Leviathan), Smith held that since absolute truth was inconceivable in the epistemological sense, provisional forms of knowledge were always at best unstable and likely to be improved upon through the discovery and correction of mistakes (by making mistakes explicit) (Smith, 1984, p. 36; Smith, 1982b, p. 12). The cosmology of the Stoics was at best ‘speculative’, and when he turned to the Newtonian system the tone was resigned and ambivalent, though Newton’s system was confirmed by ‘daily experience’, and had received ‘the general and complete approbation of mankind’ (Smith, 1982b, p. 105). On the other hand, ‘truth and reality’ were, for this very reason, always open to question, and since systems of thought were the products of open conversation, these were always being exposed to new voices, according to Smith (Smith, 1984, p. 105). In other words, Smith’s theory was an explanation of how the mechanics of the social production of good and bad judgements worked in and through reason, but these judgements were not thought to limit free inquiry as such; if any such limitation were allowed, said Smith, ‘every court of judicature would become a real inquisition’ (Smith, 1984, p. 105). In short, according to Smith, judgement as such required commercial and political transparency.

In Smith’s account merchant wealth and power were phenomena that were to be judged in an open court of reason, and not on the basis of their own self-declarations of concern for the public welfare or the national interest. The merchants, said Smith, are ‘an order of men whose interest is never the same with that of the public, who have generally an interest to deceive and even oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it’ (Smith, 1997, pp. 162–163). Although Smith often refers to merchants and factory owners in the same breath, we might suppose that he is particularly suspicious that the merchants, unlike industrial manufacturers, simply bought and sold for the most part so they lacked the independence of producers. In other words, the merchants had a special interest in secrecy and in ‘favourable’ trading climates.

Following the collapse of WorldComm and Enron it has become apparent that the financial services sector has become decoupled from the kind of industrial capital with which it is often assumed to be generically linked. This decoupling has resulted in extreme problems of appraising the real market value of such companies since buying, selling and accounting are difficult to assess according to standard measurements of institutional performance; acquisition and borrowing, for example, operate most effectively in a climate of secrecy. In a sense the structural position of these free-floating houses of global finance bears some resemblance to that enjoyed by the tobacco barons of Smith’s own merchant society of the eighteenth century, a society in which there were ‘three different orders of people; those who live by rent, those who live by wages, and those who live by profit’ (Smith, 1997, p. 356, my emphasis).
To conclude, the implications of Smith’s critique of mercantile behaviour have a striking contemporary tone, and if one recalls how little his concerns would appear to have been understood until relatively recently, this is quite surprising. Smith said in *The Theory of Moral Sentiments* that ‘self-deceit, this fatal weakness of mankind, is the source of half the disorders of human life. If we saw ourselves in the light in which others see us, or in which they would see us if they knew all, a reformation would generally be unavoidable. We could not otherwise endure the sight’ (Smith, 1984, pp. 158–159, my emphasis). I would suggest that by the time Smith turned to the composition of *The Wealth of Nations* some 17 years later, the internal relationship between the structural and institutional impacts of merchant power on public discourse were becoming increasingly clear to him, and what he saw – a raft of protectionist legislation of dubious value, an increasingly impotent legislature in the face of the new merchant power, an unnecessary war with America which was led by a zealous monarchy on the one hand, and unprincipled merchants on the other, to name but a few examples – were all events which increasingly led him towards some rather dark thoughts on the condition of the public sphere in a mercantile society. If we suppose that the financial sector today shares some structural affinities with the merchant capital of the eighteenth century, then Smith’s system suggests that we should not be too surprised to see the emergence of ethical decay in these organisations.

Finally, although Adam Smith was writing before the advent of modern representative democracy and his sources of legitimacy differed from those of Habermas, this should be understood as a difference of doctrine rather than one of method; for example, the difference between Smith’s conception of commutative justice and Habermas’s distributive justice is doctrinal, but their method for achieving each respectively is very similar since both are rooted in the social pragmatics of language use.

Notes

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1 The pragmatics of social interaction and discourse ethics more generally have been most acutely developed by Jürgen Habermas, and in my use of the term I will follow Habermas’s formulation of these concepts. Of course, the volume, range and depth of Habermas’s political philosophy are immense and can hardly receive justice in an article of this length. Furthermore, it is not my intention to answer the question as to the ultimate validity of discourse ethics, either Smith’s or Habermas’s, but a brief summary of Habermas’s ideas is obviously a necessary minimal requirement in this case (for a recent critique of discourse ethics see Hesse, 1995).

Discourse ethics are an attempt to find an entirely procedural and deontologised ethical practice. It is an attempt to construct, against currently prevailing opinion and its domineering post-modern tropes, a system of universally valid ethical claims. According to Habermas, for example, the conditions of generality and universalism can only be properly understood through ‘ideal role taking’ (Habermas, 1995, p. 117). This role taking amounts to a weak transcendentalism where self-understanding reaches a perspective in which what is good for each is also equally good for all. The ongoing contemporary debate as to whether such a view is either possible or sustainable under conditions of extreme social and ideological pluralism should not concern us with regard to a historical
reconstruction of Smith's thought. Although the beginning of such a fragmentary process might have begun during Adam Smith's 'watch' this was barely discernible in the eighteenth century (Bellamy, 1992, pp. 252–261; Rawls, 1996). Returning to Habermas, and following G.H. Mead, he has concluded that 'under the pragmatical presuppositions of an inclusive and non-coercive rational discourse among free and equal participants, everyone is required to take the perspective of everyone else, and thus project herself into the understandings of self and world of all others; from this interlocking of perspectives there emerges an ideally extended we-perspective' (Habermas, 1995, p. 117). In the manner of Hegel this view of subjects as constituted and reconstituted as moral agents in and through 'the public practice of argumentation' is a form of existential growth which is made possible by the overlapping socialisations of democratic, legal and political norms, in which participants 'must accept' the force of the better argument (Hegel, 1977, ss. 69, 178, 670; Habermas, 1995, p. 127). All of this is a phenomenological presentiment of the regulative force of truth. In other words, such an understanding allows for a plurality of validity claims while also retaining the possibility that a 'critical sense of validity' may transcend 'spatio-temporal and social limitations' (Habermas, 1984, p. 31). Again, following Hegel (and Kant) there is some notion of a 'moral community' of mutually recognizable subjects serving as the most basic and fundamental condition of discursive practices and institutions (Habermas, 1993, p. 1; Moon, 1995, p. 143). In such conditions and in this 'court of appeal', according to Habermas, rational argument is open to objective evaluation because it produces the possibility of the kind of behaviours that might emerge from 'explicit mistakes' (Habermas, 1984, pp. 17, 22). Thus, says Habermas, drawing on a psychoanalytic analogy, 'Anyone who systematically deceives himself about himself behaves irrationally. But one who is capable of letting himself be enlightened about his rationality possesses not only the rationality of a subject who is competent to judge facts and who acts in a purposive-rational way, who is morally judicious and practically reliable ... he also possesses the power to behave reflectively in relation to his subjectivity and to see through the irrational limitations to which his cognitive, moral-practical, and aesthetic-practical expressions are subject' (Habermas, 1984, p. 21; Held, 1980, pp. 256, 345).

Modern self-deceptions, whether those of institutions or individuals, need not always constitute some general hazard. Indeed it might be argued that in the case of individuals, an alienated sensibility is a fundamental prerequisite of modern aesthetic experience. While others, on the other hand, would argue that 'modernisation' is more likely to produce 'cultural impoverishment', Habermas reworks a Weberian critique in this regard and appears to take the latter position (White, 1990, p. 116). However, Habermas also argues that generalised private interests, i.e. private interests which are forced upon the majority of the 'public' through coercive means, and especially by money interests, specialised knowledge and power, are in this sense analogous with the irrational behaviour of self-deceiving individuals, or any other kind of irrational discursive practices, and are, therefore, bound to cause systemic failures of communication in the 'public sphere'. Hence what Habermas terms the history and need for 'therapeutic critique' from Freud onwards (Habermas, 1984, p. 21; Seidman, 1989, p. 231). In Habermas's account the 'public sphere' is where 'public opinion' is created, where individuals discuss, debate and decide upon matters of general interest without being subject to any form of coercion, and of course Habermas bolsters his claims with a sociological and empirical analysis of the public sphere which is rooted in complex modern welfare-state democracies. Thus it might be expected that information flows in this sphere are obviously essential if 'communicative competence' is to be established. This is the point where Habermas's project appears to depart from Rawls's political liberalism, despite the former's sympathy with the work of the latter (Habermas, 1995, pp. 116, 110). Nevertheless, in one sense Habermas's observations as I have cast them here have nothing new about them and have been part of critical discourse since the first systematic forays in political economy, and certainly since the beginning of the Scottish Enlightenment (Waszek, 1988). We clearly hear an echo of this analysis when Habermas says, for example, 'Group needs, which cannot expect satisfaction from a self-regulating market, tend toward state regulation. The public sphere, which must now mediate these demands, becomes a field for competition among interests in the cruder form of forcible confrontation. Laws that have obviously originated under the pressure of the streets can scarcely continue to be understood in terms of consensus achieved by private persons in public discussion; they correspond, in more or less undisguised form, to compromises between conflicting private interests' (Seidman, 1989, p. 235, my emphasis).

2 I take phenomenology to be reason's self-discovery in the presence of intelligible objects.

3 It is also worth noting that in keeping with the problems of the public sphere, Smith's commutative account of injustice implies that his account of justice is strongly interrogative since it is obvious that monopoly busting requires strong laws of investigation and censure (Smith, 1997, p. 181, 1999, pp. 193, 273–274, 201, 302–305, 309 and 1982a, p. 7). Smith's account of the important role of justice in a commercial society has found some important advocates today. For example, the highly respected American political philosopher Jean Hampton said, 'I'm a great believer in the power of the court system. It can be a lever that citizens can use to go after all kinds of abusers. For example, right now in the United States there is a big argument about punitive damages in court cases. But if you look at the awards that juries are giving, they're very responsive to criminal behavior on the part of cor-
I have seen people argue that the only punitive response to these large corporations in American law right now is the tort system. There’s no way to use the criminal law to get them and legislation seems relatively useless. There’s a sort of democracy been practised in the jury box’ (Hampton, 1996, p. 15).

References
Smith, A. (1987), Correspondence of Adam Smith, Indianapolis: Liberty Fund.
