

sources, and many of the ideas presented are controversial; thus the reader must carefully judge the evidence presented. With many contributors, some redundancy is unavoidable, but it is minimal in this volume. In the renewal of interest in Smith, there is a tendency to search for a Smith view on every social and economic issue whether they are issues of his day or current concerns. This makes the hermeneutical process more urgent and complicated. A plus of this book is that great care is taken in the various chapters to uncover what Smith was saying for his time before attempting to see the relevance of his views for modern times.

Part 1 of the book has potential as a source book in an interdisciplinary undergraduate class on Smith and his time. Even though all the authors are economists, the philosophical section is not lacking in depth and perspective. Part 2 has a different flavor, requiring at least an intermediate microeconomics background to digest fully. Part 3 is topical and generally accessible to an interdisciplinary audience. While this volume may not serve as the best introduction to the work of Adam Smith, it should certainly be part of additional explorations into one of the most insightful and perceptive philosopher-economists in history.

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Adam Smith and the Character of Virtue

Ryan Patrick Hanley

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The financial crisis of 2007 to 2009 exposed the inadequacy of both government regulation and private regulation of financial-market activity. The open-minded observer was left with a sense that neither voluntary self-restraint among traders for their own good nor official coercive restraint was adequate to keep capitalism on a beneficial track. Events seemed to have disproved Adam Smith's theory that an invisible hand would direct individual self-interest and would regulate commerce for the good.

Ryan Hanley's reinterpretation of Smith's moral philosophy and his investigation of Smith's understanding of the moral foundations of capitalism has emerged in a timely manner. Hanley questions common belief that Smith asserted a purely utilitarian and scientific description of the workings of self-interest and capitalism. Do people automatically tend toward good commercial conduct to promote their own interests? According to Hanley, Smith did not hold this view. Hanley summarizes Smith's more subtle and dichotomous position as follows:

We are left then with a tension: on the one hand, Smith ... insists that the growth of inequality in commercial society inhibits sympathy and the recognition of human dignity. On the other hand, Smith is not only a sincere believer in commercial society's material benefits but also consistently argues that the psychology that drives both commercial growth and moral corruption ... is too entrenched to be excised. This leaves him in a certain spot. On the one

hand, he shares the concerns of the “whining and melancholy moralists” (*Theory of Moral Sentiments* III.3.9) but thinks their schemes of reformation naïve and impractical. On the other hand, he shares the admiration of partisans of a system of natural liberty but finds their complacent acceptance of its deficiencies similarly untenable (52).

From what sources does Hanley distill this reinterpretation of Smith? His book reviews primarily the culmination of Smith’s work on moral philosophy, his sixth edition of *Theory of Moral Sentiments* (TMS 1790; first edition published in 1759). Those familiar with Smith’s body of work know that TMS preceded and laid a moral foundation for his much more popular *Inquiry into the Nature and Causes of the Wealth of Nations* (1776) and for his *Lectures on Jurisprudence* (delivered 1762 to 1764; published by Liberty Fund in 1982). Hanley, however, lays out more precisely and in more scholarly detail the connections among the three works, especially regarding the role of the pursuit of virtue in resolving the problems of capitalism.

As the quote above summarizes, chapter 1 of the book reveals Smith’s understanding of the various problems that commercial activity and capitalist organization cause. Hanley lists them as “selfishness, restlessness, anxiety, inauthenticity, duplicity, mediocrity, alienation, and indifference” (52).

Chapter 2 presents Smith’s solution to the ills of capitalism: the pursuit of virtue, a moral rather than scientific enterprise, can restrain the ills of capitalism while allowing for its many benefits, especially alleviating poverty. Why bother to rescue commerce and capitalism? As Hanley had first made clear in chapter 1 (15–19), Smith was convinced of the superior ability of capitalism to increase wealth and thus to alleviate suffering and poverty across all of society. What is the nature of the rescue? Moral education is essential. Smith was promoting not merely a social science of efficient commerce but also a moral philosophy that would support the best forms of commerce (57–62). Smith was elevating a “classical virtue ethic” of pure or proper behavior above the two other prevailing ethical systems: a utilitarian ethic of good feeling and a deontological ethic of completed duty (68–81).

Chapter 3 turns to the details of Smith’s virtue ethic as explained in TMS VI (6th edition). Having identified the problem of corrupt behavior in commerce and corrupt thinking in ethical theory, Smith pursues a solution to both in a “practical system of morality.” This chapter also explains the importance of the sixth edition of TMS, as Hanley contends that it reflects important revisions to Smith’s explication of what precisely he meant. Smith, like Aristotle, held that practical ethics should promote “our improvement in fact” and not just in thought (87). For both, ethics is not “deductive”; it is “rhetorical and dialectic” (90). The goal of the ethical dialogue is to move the student from the simpler to the more noble virtues, and ultimately “to act upon all occasions with prudence, with just magnanimity, or proper beneficence” (92, as quoted from TMS III.6.11). The process moves the student through the stages of “the love of praise, the love of true glory, and the love of virtue” (98). Hanley concludes the chapter with a promise to demonstrate that Smith’s ethical system was more than a series of transactions with others, “of observations and judgments between actors and spectators” (99) about what is appropriate, based on

Smith's concept of "fellow feeling" or sympathy. The "love of virtue," the highest ethical goal, "stands in need of no confirmation from the approbation of other men" (99, as quoted from TMS III.2.8).

Chapter 4 explains that Smith's concept of prudence is a utilitarian calculation of the benefits and costs of the effects of our actions. Prudence then acts based on the perceptions and assessments of others and is not the highest ethical goal. Prudence, as it is based on "vanity" and "the love of praise," does promote "economic growth and distributive justice" (101). Through prudent commercial actions, we escape from the "familiar paradox that the wealth of nations must be bought at the high cost to individuals" (103). Yet, mere vanity and the love of praise present their own problems. Smith, however, had faith that education could elevate our understanding of self-love to a nobler, more virtuous level (104). Training in prudence, while an incomplete step, moves us toward the ideal.

Chapter 5 explains the problems of mere prudential action and explains the higher ideal of magnanimity, which is for Smith "classical virtue." In each step from mere vanity and love of praise, to prudence, to magnanimity, the student of Smith's ethical system moves from the meanest to the highest form of self-love. Smith's concept of self-love, once educated in this way, then rises above mere self-interest. Even magnanimous actions have their costs, as Smith explains and as he then warns against.

While Hanley's treatment of Smith's virtue ethic is scholarly and perhaps beyond the reach of most undergraduate economics students, it is well worth reading for those better versed in moral philosophy and political economy, as well as those with an interest in Adam Smith. It will clarify and correct ideas for those who have an incomplete or distorted view of what Adam Smith actually said about moral behavior, self-love, and capitalism. Subsequent historical evidence has tended to confirm Smith's dichotomous opinions: Capitalism creates wealth as does no other system; yet, capitalism engenders or enhances manifold private and social ills. Hanley's understanding of Smith also supports what many other observers have concluded: capitalism without a moral foundation is headed for shipwreck.

We may find the prudential aphorisms of *Poor Richard's Almanac*; the moral teachings of the book of Proverbs; or the Pauline teaching on love in 1 Corinthians, chapter 13, easier to read than the moral teachings of either TMS or Hanley's excellent treatment of virtue in TMS. Nevertheless, a correct scholarly understanding of Smith shows that he would have supported such moral pursuits in the prudential literature and in the Scriptures or elsewhere, especially as those pursuits rose above mere training in prudence. The commercial world will be better for such moral training.

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