

one is self-employed. To weigh one implication: The Amish avoid technology and thus, to be successful, must work harder. Does this make them more or less entrepreneurial?

Finally, returning to the title of the book, more work should be done to distinguish religion as religious belief, rather than merely a blanket reference to a culture influenced indeterminately by religion. Maybe this point is difficult for researchers to recognize and embrace because people routinely conflate these categories in everyday life. In fact, they are quite different. As such, developing measures of religiosity would be a step forward in analyzing the impact of religion on behavior in general and entrepreneurship in particular.

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Adam Smith and the Economy of the Passions

Jan Horst Keppler

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This short, pithy book purports to offer us the definitive interpretation of the Adam Smith problem and to have solved finally the mystery of the invisible hand. While I found interesting new perspectives in the way the author maps Smith's thought from *The Theory of Moral Sentiments* (TMS) to *The Wealth of Nations* (WN), there are significant aspects of the argument I found unconvincing.

The central idea that informs the book is that TMS presents two contradictory processes for generating the rules of morality, a sympathy mechanism operating in the daily interactions of people in society and the impartial spectator representing an ideal standard imposed from above. Because they are ultimately incompatible, and because Smith is viewed as being aware of this, he ejects the impartial spectator at the end of TMS, and the sympathy mechanism then operates at the level of the market as it shapes preferences and constrains self-love to socially acceptable expressions. The invisible hand brings about the synthesis of the horizontal with the vertical in the unintended achievement of the ideal in the daily interaction of individuals whose self-interest is socially and legally constrained.

The book consists of five chapters. The first is an introduction, which gives the reader an overview of the argument and how it will be developed. The second and third chapters constitute the main substance of the book. The second chapter explains the operation of what Keppler calls the "sympathy mechanism" or the "horizontal dimension," the process by which individuals seeking approval learn to subdue the strength of their passions and allow the sentiments to guide them into forming agreed rules of social interaction—the socially approved rules of morality. This taken alone yields a set of socially specific moral rules and values. A unique feature of Keppler's approach here is to recast Smith's social theory into the categories of some contemporary literature in semiotics.

This horizontal approach to morality is inherently relativistic. Values are historically and socially specific to a particular context. This brings us to the third chapter, which deals with the "vertical dimension" of the impartial spectator, the individual's conscience.

The perspective of the impartial spectator, which may or may not also represent God, takes the formation of moral rules out of its relativistic context and places it into the realm of the ideal or a concept of universal, transcendent ethical principles. (Note that Keppler speaks of the socially specific rules as “moral” while the universals are “ethical.”) Because the two dimensions are viewed as incompatible (and Smith is viewed as knowing they are incompatible), their synthesis leads to the invisible hand, which is the subject of the fourth chapter. The resolution of the tension between the two standards is how the economic theory of the operation of the division of labor and markets shows that the unintended beneficial consequence of socialized self-interest maximizes social welfare. Individuals need to obey the law as an absolute ethical duty, but otherwise the social construction of values and motives through the sympathy mechanism insures that self-interested behavior will have this result. Thus, in this view, the invisible hand is the centerpiece of *The Wealth of Nations* (WN). The final chapter summarizes the argument.

In general, there is much to recommend such an interpretation. The tension between the actual and the ideal is indeed present in both of Smith’s books, and it plays an important role in TMS. While I would not accord the invisible hand the same significance as Keppler does, its associated idea of beneficial unintended consequences is a vitally important aspect of Smith’s social theory. However, there are numerous occasions where Keppler arguably misinterprets Smith’s text, and in the final analysis, I believe his interpretation fails. I will highlight three objections.

First, the interpretive strategy of confining oneself only to those parts of Smith’s works that he himself published is problematic if one’s main concern is to view TMS as foundational for WN. In my view, it is correct to view TMS as foundational; however, I do not think you can get from TMS to WN without going through *Lectures on Jurisprudence*. The sympathy mechanism underlies the formation of rules of justice, which become the basis for law. Law evolves as society progresses through the four stages. *The Wealth of Nations* assumes the legal environment of an advanced commercial society, that is, one at the fourth stage of development. My reading of the last few paragraphs of TMS in conjunction with the Advertisement to the sixth edition, suggests that this is also Smith’s concept of the relation between the subject matter of TMS and WN. The intermediary book on law and government was never finished, requiring modern scholars to piece it together from students’ notes that have been discovered and published. While Keppler’s purist desire to stick to only the texts that Smith himself explicitly approved for publication is admirable, it comes at a significant cost. The emergence and evolution of justice and property rights, which is rooted in the sympathy mechanism, is completely lost. I consider the students’ notes to be a faithful statement of what Smith said in class, and it is mere speculation to impute to Smith a reason for having his unfinished manuscripts destroyed that might suggest that he had repudiated significant aspects of what he had taught in the 1760s. Keppler nowhere in his book discusses the problem. He simply states that he is using only the published books, and then he ignores the lecture notes without offering a reason.

Second, Keppler misinterprets the relation between the sympathy mechanism and the impartial spectator. This is a crucial part of his account of Smith, and it significantly undermines his project. I agree that there is tension between the actual and the ideal running through both books. However, I do not concede that the relation between the two is one of contradiction (unless *contradiction* means a tension between thesis and antithesis). Rather, I see it as a tension that leads to the evolution of the rules of morality and the evolution of the law (especially the common law). In part 3 of TMS, Smith is showing how the sympathy mechanism works when the individual turns it onto himself and evaluates his own behavior. In this case, the spectator is an imagined entity, but one who is fully informed, unlike actual spectators. From this perspective, the individual learns to correct the distortions of self-love and to correct the judgments of actual spectators. In the process the individual desires not only to be approved of by actual spectators, but also to be what ought to be approved of by the imagined ideal spectators. We learn to critique the judgments of society, and through this process of criticism, rules change and develop. Societies ought to be getting more ethical, developing more sensitive moral feelings, and, indeed, Smith did regard the citizens of commercial society as being in important ways more morally developed than those in the savage state. The tension between the two standards is thus a creative tension.

Third, Keppler's interpretive strategy of linking TMS directly with WN via the sympathy mechanism seems to require viewing Smith's position in WN as that of a radical advocate of a *laissez faire* approach to the role of government. It is not until the final chapter that Keppler takes on Jacob Viner's argument against a strict *laissez faire* interpretation of Smith, where he concludes that there are really only two exceptions: The passages on primary education and slavery are the only ones in *The Wealth of Nations* where Adam Smith explicitly opposes an ethical imperative based on exogenous and autonomous values to the utilitarian arguments based on the endogenous morality of the sympathy mechanism (144–45).

This is a truly surprising statement. The sympathy mechanism is not a utilitarian argument, as Smith explicitly communicates. Utilitarian judgments are treated as *exceptions* in TMS. They belong to the realm of teleology—the impartial spectator—the vertical dimension in the framework used in this book. Once we have put utilitarianism in its correct position *vis-à-vis* Smith's moral theory, Viner's argument regains its original force. The third duty of the government rests entirely on cases where government must act directly to enhance social welfare and so do other notable exceptions, such as the regulation of bank note issues and of interest rates. One does not have to go all the way to treating Smith as a social democrat (see 122) to admit that there are exceptions to the invisible-hand principle, which require some government corrective.

While I agree that Keppler has identified an important tension in Smith's work, at the end of the day, I do not fully agree with the specifics of how he handles it.

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