

Elgar Companion to Adam Smith

Jeffrey T. Young (Editor)

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Adam Smith was a man for all times. In a century when naturalism, materialism, and secularism were challenging the supernatural worldview of ancient and medieval life, Smith attempted to bring together the social, psychological, moral, and economic spheres of life. Now, after a century of intellectual specialization and scientific truth seeking, thinkers are again seeking more integration and contextual understanding of how the world works and what makes people do what they do. Thus, the renewed interest in Adam Smith's work is not surprising. This collection of nineteen chapters from twenty-two different authors is divided into three parts. First, six entries on Smith's philosophy deal with the moral, methodological, and consistency issues raised in Smith's major works. The second shorter section of four entries discusses economic issues, and the final section of nine contributions focuses on policy questions Smith faced.

The stated purpose of this volume is to contribute to the recovery of a broader view of Smith's work than the narrow self-interested competitive market caricature so often perpetuated in the popular literature. Indeed, this collection does just that by exploring many of the key themes of Smith's work and engaging some controversial and obscure concepts that arise when sources are transported across several centuries. In this review, brief comments on various entries will focus on themes of contemporary relevance. I will then offer a general assessment and comment on possible ways the book might be used to further its purpose.

The first section explores Smith's understanding of the nature of things and the manner in which the moral life complements progress. The question of how a society of individuals can constitute itself so that chaos is avoided has been a concern of philosophers over the centuries, and Smith had to balance his egalitarian inclinations with the prevailing view of the ages that a social hierarchy was necessary for social stability. Context is all-important and historical observation is essential in a constantly changing world. Deirdre McCloskey claims that Smith's system was virtue-based, including a far more balanced understanding of virtue than the prudence-only approach so common in popular thinking. Gloria Vivenza finds that Smith was influenced by Aristotle and the Stoics on the stability of social systems when he accepted a social hierarchy despite a belief in the inherent equality of individuals. On the Adam Smith problem, Vivienne Brown makes a distinction between the context of moral judgment as compared with the context of economic action. The former is less constrained by predetermined rules than the latter and thus the problem of consistency is avoided. Brendan Long uses historical textual analysis to find theism in Smith—a conclusion not common in the literature. Sheila Dow dissects methodological issues by illustrating how the more inductive work of Newton appealed more to Smith than the deductive abstractions of Descartes. The first section concludes with Jerry Evensky's overview of Smith's moral philosophy, including its philosophical, psychological, and

institutional components. Of special interest here is the role of evolutionary institutionalized justice as a key to moral and economic wellbeing.

The second section focuses on Smith's economics beginning with the influence of the Physiocrats on Smith's work. Peter Groenewegen shows how the circular flow system of the Physiocrats made terms such as *annual produce*, *distribution theory*, and *capital theory* important components of Smith's economic system. In an extended analytical presentation on general equilibrium, Amos Witztum sorts out how Smith's goal of growth maximization contrasts with the neoclassical ideal of efficiency in a context of scarcity. The former case involves interdependency with power in the hands of the producer in contrast to the independent consumer in the latter case. After a short piece by James Buchanan and Yong Yoon on the problem of specialization that leads to economies of scale and potentially to monopoly and saturated markets, the final selection in this section shows how Smith's work was a precursor to experimental economics today. The ultimatum and the dictator games illustrate that rational choice behavior often does not explain how we live. Maria Pia Paganelli shows how Smith's moral person seeking approbation may present a better picture of behavior in the real world.

The final section contains nine chapters that relate to policy implications of Smith's work. This part examines Smith's concern for the poor and the complexity of the invisible-hand metaphor as it relates to development. A lengthy piece describes Smith's apparent confusion about the differential market effects of an export subsidy on corn. Included also is the case against mercantilism as shown by the American experiment, a detailed analysis of Smith's justification of a ceiling on usury rates, and an attempt to sort out how Smith really felt about the role of government. Much has been made in various sources about the tension in Smith's work between the public-service-oriented civic republican tradition and the rights-oriented approach of the jurisprudential tradition. A chapter examining Smith's stance on a standing army versus a militia attempts to get at this tension.

After a creative chapter on how Smith looked at social hierarchy, social distance, and the role of factions, the book concludes with an examination of how the old Chicago School of Knight and Viner saw a somewhat different Smith than the newer Chicago School of Stigler, Becker, and Friedman. It is interesting that the differences stem from the fact that self-interest meant something different in each half of the twentieth century. This conclusion points toward a constant theme throughout the book. Reading Smith is a hermeneutical process in which the reader must understand the social, political, philosophical, historical, and economic climate of both the writer and the reader. The chapters of this book are good examples of this effort and the fact that so many authors end with ambiguous conclusions testifies to the difficulty of this task.

Overall, this book is a valuable resource for economists and social scientists interested in Adam Smith's work. It clearly achieves its goal of furthering the revisionist approach to the Smith corpus, and it can be used as a reference source for additional work. The chapters are well documented and extensive bibliographies follow each chapter. This is not a book that can be read rapidly, and it requires reflective thinking along the way to absorb the concepts being explored. There are lengthy quotes from historical and current

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