Where Art Thou, Adam Smith?

Tom Hoffman

The Romantic Economist: Imagination in Economics. By Richard Bronk. New York: Cambridge University Press, 2009. 402p. $94.00 cloth, $30.00 paper.

Adam Smith and the Circles of Sympathy: Cosmopolitanism and Moral Theory. By Fonna Forman-Barzilai. New York: Cambridge University Press, 2010. 324p. $95.00 cloth, $39.99 paper.

The Hesitant Hand: Taming Self-Interest in the History of Economic Ideas. By Steven G. Medema. Princeton: Princeton University Press, 2009. 248p. $27.95.

After Adam Smith: A Century of Transformation in Politics and Political Economy. By Murray Milgate and Shannon C. Stimson. Princeton: Princeton University Press, 2011. 320p. $49.95 cloth, $24.95 paper.

The Problems and Promise of Commercial Society: Adam Smith's Response to Rousseau. By Dennis C. Rasmussen. University Park: The Pennsylvania State University Press, 2008. 208p. $29.95.

Wealth and Life: Essays on the Intellectual History of Political Economy in Britain, 1848–1914. By Donald Winch. New York: Cambridge University Press, 2009. 440p. $104.00 cloth, $37.00 paper.

The early years of the twenty-first century have not been good for global capitalism. An international credit crisis and a widespread recession, with all of their attendant anxieties and miseries, have unsurprisingly shaken public support for free-market processes—especially within many of capitalism's traditional strongholds. As a colorful token of this lost faith, *The Socialist Economic Bulletin,* published by London's leftist former mayor Ken Livingstone, reported in 2010 a "tenfold increase" in sales of Karl Marx's *Das Kapital* in Germany from the year prior.[1] Meanwhile, from the other end of the ideological spectrum, in 2011 *The Economist* reported that public support for free-market economics actually fared relatively well in Marx's native Germany, where it drew the highest level of support among the 25 national populations surveyed (just edging out nominally communist China). Indeed, support in both Germany and China was strong compared to capitalism's depressed standing in the United States. The percentage of American respondents willing to give at least qualified assent (i.e., to choose "somewhat agree" or better) to the claim that it is the "best" economic system fell from a leading 80% early in the millennium to just 59% by 2010.[2]

Booming sales of *Das Kapital* aside, it appears rather unlikely that the "Great Recession" of 2008–9 will be a catalyst to any fundamental, let alone revolutionary, reconsideration by the world's foremost economic powers of their broad commitment to the market. It remains to be seen of course, but capitalism's loss of legitimacy among the public may prove to be a fleeting phenomenon, forgotten on the heels of some future, sustained recovery. In any case, without a politically plausible alternative system waiting in the wings—a position by common consensus no longer held by Marxism—it is probably more fruitful to dwell on other potential casualties of the recent downturn and to consider the implications of their loss. For example, will recent events discredit the discipline of economics itself and, if so, what aspects of the discipline will be called most seriously into question? Will economics' hard-won reputation as the most rigorously scientific and immediately useful of the social sciences be tarnished? What long-term effect will the crisis have on the public's confidence in policymakers' abilities to use economic tools to get a handle on the market, to predict and control its movements, and, thus, to guarantee a future of stable prosperity and material growth to their constituents?

These are large and important questions, not just for economists but for political scientists (and the nonacademic citizenry) too. And they may lead us to pose even bigger ones, about the nature of the modern social sciences, the effects of disciplinary specialization, and the extent to which our difficulties in concluding effective macroeconomic remedies are best understood as fundamentally economic or political in nature. The books under review in this essay—in spite of, or perhaps because of, their diversity of focus and their immediate subjects'

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distance from current events—provide a useful sort of deep background for exploring these questions, and, as I will try to suggest, are well situated to help readers (economists and non-economists alike) engage in the historical-theoretical soul searching that events now seem to warrant.

Collectively, these books shed light on the intellectual underpinnings of contemporary mainstream economics, highlighting some of the key choices behind the construction of a neoclassical intellectual edifice that many now find lacking or even culpable in the wake of the crisis. All of these authors in their own way help clarify the relationship between Adam Smith's approach and the mode of inquiry developed by modern mainstream economics since his day. Indeed, taken together, they show just how much distance there is between Smith's rich, occasionally self-doubting political economy and this abstract and formalistic economic science. This distance is in no way lessened by the fact that his name—used by some neoclassicals to legitimate their endeavor—remains so strongly associated with economics both in the discipline's self-image and in the view of the public.

If the development of neoclassical economics can be understood as the formalization of Smithian insights, one formalization or abstraction stands above all others in importance. The figure of *homo economicus*—that is, the abstraction of human motivation into the model of the rational actor—is important because it has served as the source of a disciplinary hubris that is quite alien to Smith's sensibility and appears at the root of our present economic discontents. In the next section, I look first at Stephen G. Medema's *The Hesitant Hand* to help parse some of the questions raised by commentators in the immediate aftermath of the recent crisis. Medema's disciplinary history is structured around this central self-interest hypothesis. In subsequent sections, I will consider how the other texts under review offer glimpses of the discipline's repressed themes and suggest how intellectual historians have been working to retrieve Smith's true legacy, an endeavor that seems to have taken on increased urgency at this moment.

I. Crisis and Questions

There are already clear signs that a shakeout *within* contemporary economics is under way. Some unique aspects of this crisis—for instance, its origins in the credit markets and its exposure of breathtaking and heretofore underappreciated vulnerabilities of the financial sector—have, predictably enough, served to immediately indict various specific techniques and approaches within economics. Just as market instruments such as mortgage-backed securities and credit default swaps have been singled out for blame by pundits, politicians, and regulators, intellectual constructs such as the Black-Scholes or Capital Asset Pricing model, the efficient-markets hypothesis, and rational expectations theory have been singled out by those who fault economists for failing to predict or properly conceptualize the crisis But questions about particular practices and theories have also given way, in relatively short order it seems, to larger concerns. Thus, while certain developments in neoclassical-inspired financial economics have been open to particular scrutiny, the crisis and the continuing debates among policymakers about the correct response to it have at some level called into question the foundations of the whole neoclassical synthesis—not just the finance theories of a few in the Chicago School.

One need look no further than the postcrisis writings of two accomplished economists, each of whom, now assuming the mantle of public intellectual, has voiced high-profile criticisms of the discipline, bemoaning the role played by economists or the suitability of economic theory in guiding our response to the crisis. In each case, specific complaints lead quickly and directly to broad questions about the discipline's aspirations and self-conceptions. Richard Posner—a federal judge whose leading contributions to the University of Chicago's law and economics movement are so ably chronicled in Chapter 7 of Medema's *The Hesitant Hand*—has already published two books[3] and maintains a regular blog about the crisis. Judging monetarist remedies inadequate in the face of the credit crunch, Posner has stepped sharply away from his previous intellectual commitments, declaring a newfound allegiance to Keynesianism. In an interview, he explained that he considered Chicago School monetarism to have had little to offer once the Federal Reserve Board implemented its main prescription for dealing with the crisis—dropping the Federal Funds rate to zero—with no discernable result. And so, for him, the event

> called into question a whole approach to economics—one that is very formal, making very austere assumptions about human rationality: people have a lot of information, a lot of foresight. It is very difficult for the government to affect behavior, because the market will offset what it does.[4]

A "more informal" and "kind of loose" Keynesian theoretic approach at least "seems to have more of a grasp of what's going on in the economy," Posner told his interviewer.[5]

Less surprising as a matter of ideological fealty, perhaps, though still ironic given his past achievements as a Nobel Prize–winning economist of substantial technical facility, was Paul Krugman's widely read piece in the *New York Times Magazine,* "How Did the Economists Get it So Wrong?" In it, he—like Posner—broadly tags neoclassical economics with the charge that it fatally "clung to a view of capitalism as a perfect or nearly perfect system." This tendency of the neoclassicals, he explains, proved so compelling because "economists, as a group, mistook beauty, clad in impressive-looking mathematics, for truth" and were led by a desire "for an all-encompassing, intellectually elegant approach" that would give them "a chance to show off their mathematical prowess."[6]

Noteworthy as a matter of intellectual pedigree, Posner's crisis-induced conversion to Keynes is, of course, not

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an isolated event. In macroeconomics and certainly among macroeconomic policymakers, the downturn initiated a rush back to an undisguised and unapologetic form of Keynesianism. Thus, in the most politically prominent of ways, the disciplinary progress of the last 70 years—if that is what one should call it—seems to have been set back on its heels. This return to Keynes, however, is complicated and, inevitably, contested. It is too hasty to declare Keynsianism the clear beneficiary of the crisis in anything but the short term.

There is an irony in the return, too. It is prompted by practical political exigencies. But while theoretical complaints against Keynesianism have never been wanting, its most glaring and persistent problems have long been understood as involving practical matters of implementation. In the current context, for instance, Keynes can be used by either side of the political divide in the United States to legitimate its own preexisting policy preferences anytime a recession or even merely the fear of a recession is in the offing. As economic stimuli, both the tax cuts preferred by Republicans and the government outlays preferred by Democrats are justified on Keynesian countercyclical grounds. The problem, of course, is that the two parties seem prone to a sort of tacit collusion in choosing to conveniently forget or ignore less politically attractive Keynesian prescriptions during periods of economic growth. Deficit spending has carried on in good times as well as bad, that is, whether stimulus was called for or not. It is clear that in practical political terms, there is a serious asymmetry in the level of democratic support available to the full range of Keynesian policy prescriptions; tax increases and program cuts can be stymied more easily than their opposites.

In part because of this structural asymmetry, when deficit spending *is* called for, public debt burdens mount rapidly, seriously constraining policymakers' options and adding anxieties about public solvency on top of citizens' questions about the health of the market and their concern for their own personal solvency. Thus, while neoclassical macroeconomics may have lost legitimacy in the crisis, it remains to be seen whether the Keynesian alternative will fare much better in the long run. Certainly, the public debt crises now facing the world's premier economic powers—including much of Europe, the United States, and Japan—are likely to keep open the anxiety-driven processes of reevaluation and assessment by both economic policymakers and the public.

The growing policy debate about if, or when, to curtail deficit spending in the face of anemic growth and galloping national debt burdens virtually guarantees that judgments about the relative merits of Keynesian, Neo-Keynesian, or Chicago School paths will remain of more than merely academic interest for many years to come. The larger lesson of Medema's book concerning the relationship of self-interest, the market, and government intervention is relevant here. In his review of the history of the self-interest assumption in economic theory, Medema finds that "the pendulum has swung back and forth over the past three centuries" (p. 199) between periods when the dominant economic wisdom argued for laissez-faire and those in which the most influential theorists insisted that government efforts were needed in order to correct market failures or externalities that cause the pursuit of individual self-interest to diverge from the social optimum. While he concludes with the thought that the current economic crisis may represent a "drift back to a more interventionist view" after "the recent ascendancy of the Chicago and Virginia approaches," he judges the verdict of history to be something like a draw—the long-running debate displaying a "degree of indeterminacy" and currently having settled "at an intermediate point, with the majority of economists . . . seeing neither the invisible hand nor the visible one as a panacea" (p. 199).

It is also relevant to point out that *The Hesitant Hand*—which focuses most intently on the period from the mid-nineteenth century through the late twentieth century (i.e., on the developments in classical political economy after Adam Smith through the many variants of neoclassical economics)—calls into question the easy connection drawn by Posner and Krugman (and others) between laissez-faire and the embrace of formalism in economics. The Chicago School theorists who influenced much of the finance economics at the center of the most recent crisis do indeed conjoin the two, but a look back at the construction of modern economic science and the rise of neoclassicism beginning in the late nineteenth century shows that many of the figures who played the biggest role in formalizing the discipline or in advocating on the side of positivism did so in the belief that these things would justify or assist government intervention. This is particularly true of someone like A. C. Pigou but also, to a lesser extent, of Alfred Marshall and even, at an earlier time, J. S. Mill—all of whom in their own ways contributed significantly to the construction of a formalistic edifice for neoclassical economics. Conversely, prominent free marketers such as F. A. Hayek and other Austrians have criticized the mainstream's adoption of deductive models.

Thus, the formal character of economics is not necessarily tied to either side of the debate over the role of the state. Most recently, it has been used to argue for the self-corrective features of markets, but it has also been—and continues to be—used to justify policymakers' authority to try to control markets. A loss of faith on the part of the public in the scientific credentials of the discipline would, thus, likely take at least as large a toll on those arguing on the side of more market oversight as on those arguing against it.

The quest for increased formalism and scientific rigor might also be perceived as existing in tension with a desire

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for direct policy relevance or practical applicability. The issue does come up here and there, as we shall see, in the accounts of some of the other books under review as they chronicle the neoclassicals' embrace of a rigorously scientific self-identity. Thus, concerns were raised at different moments by theorists such as Marshall or Joseph Schumpeter about the need to maintain a sharper distinction between expertise in basic research and applied science. As we shall see in the next section, however, Medema highlights the opposite tendency among economists of the postwar period, who instead seem to have accepted the notion that their discipline's formalizations can serve as an aid to its portability and easy applicability. The same issue, interestingly, has not played out in quite the same way among postwar political scientists—a fact highlighted by Robert Putnam in his American Political Science Association presidential address.[7] In those remarks, Putnam bemoaned his discipline's tendency to view scientific rigor (understood broadly to include both formalistic modeling and sophisticated inductive investigation) and policy relevance as mutually exclusive endeavors.

II. The Return of the Repressed, Part 1: Behavioral Economics

If the stock of some branches of contemporary economics has fallen, the stock of others is clearly on the rise. Behavioral economics—a branch of study that focuses on phenomena such as irrational decision making, social contagion, and emotional influences on economic agents—seems to have been pushed by events from periphery to disciplinary mainstream where it has begun to exert some influence on policymakers. Even before the crisis, then–Federal Reserve Board Chairman Alan Greenspan famously worried (though many, in hindsight, might argue not loudly or persistently enough) about bubble-inflating "irrational exuberance" in the market: precisely the sort of phenomena that preeminent neoclassical models, such as those of the Chicago School, tend to factor out or disregard and which, by contrast, are legitimate subjects of scrutiny in behavioral models.

In the epilogue to *The Hesitant Hand* written at the start of the recent economic downturn, Medema hints at just how historically significant the rise of behavioral economics might be—representing perhaps the most serious intellectual challenge (not least because it originates from within the discipline itself) to what he takes to be the hallmark assumption of the discipline. The book's foregoing narrative reveals the centrality of the self-interest assumption throughout the entire history of economics, from the relatively informal speculations of "Adam Smith and His Ancestors" (the subject and title of the book's first chapter) all the way down to the end of the twentieth century, when a rigorously abstract science of economics used a formalized, mathematically expressible version of the assumption to fuel its intellectually imperialist ambitions.

Medema explains that both the public-choice school and the law and economics movements were merely part of a larger "expansion of the boundaries of economics" that began in the 1950s and was "tied to the emphasis on economics as the theory of constrained maximization or, more strongly, rational choice" (p. 191). Thus, the imperialistic intellectual ambitions of economics, first suggested by Lionel Robbins in the 1930s, were taken up with a vengeance by later economists who understood "economic analysis" as reducible to the application of what was actually a linked trio of assumptions: maximizing behavior, equilibrium, and stable preferences. Once in place, this abstract conception of self-interested behavior is easily and directly applicable to market and nonmarket activities alike. As illustration, Medema (p. 193) quotes Chicago School economist Edward Lazear's claim that the rigor of this approach "allows complicated concepts to be written in relatively simple, abstract terms," enabling the economic analyst to "strip away complexity" that otherwise would obscure "what is essential"—thus allowing economics to succeed "where other social sciences fail." This kind of deductive analysis has, of course, made significant inroads into political science, sociology, and law during the past several decades. More recently, it has even begun to find its way into the personal, self-help literature—its parsimony easing its wide and easy applicability.[8]

The rise of behavioral economics undercuts this juggernaut, offering as it does a messier, more complex picture of human choice. As Medema notes in his epilogue, "the accuracy of utility theory and its more hard-nosed cousin, rational choice theory" are called into question by behavioral economics, as well as by allied work in experimental economics, neuroeconomics, and Herbert Simon's earlier, pathbreaking theory of bounded rationality (pp. 197–98). Of these new approaches, Medema says that while they "do not negate, or even attempt to refute the motive force of self-interest in human behavior," they do "suggest that the choice process is richer and more complex than the rational actor model that dominated economic analysis over the last third of the twentieth century" (p. 198). In light of the economic crisis, we might go further than this to consider whether the parsimony of the neoclassical approach—while at times undoubtedly serving as a source of strength for economics and for our understanding of a range of choice situations—at other times may prove a critical weakness, abstracting away the very sorts of things we need to grasp if we hope to properly recognize the challenges that confront us.

III. The Return of the Repressed, Part 2: Romanticism

In *The Romantic Economist,* Richard Bronk—a former pension fund manager, investment bank advisor, and consultant with the Bank of England—similarly challenges neoclassical formalism, but from a different direction and,

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at least at first blush, from much further afield. Struck by "the frequent mismatch between the way economists model economies and the way markets actually work in practice" (p. xi), and armed with an Oxford education in philosophy and literature, Bronk juxtaposes the arid rationalism of economics with the insights of the Romantic poets and intellectuals, including, notably Samuel Taylor Coleridge, WilliamWordsworth, Thomas Carlyle, and J. G. Herder. The various voices of these Romantics, appreciative as they are of such prominent human experiences as imagination, ambivalence, national loyalty, and the desire for self-creation, are brought together to serve as a sort of Greek chorus, reminding us, if nothing else, of the degree to which the model of homo economicus must necessarily do violence to nature.

Bronk highlights four main Romantic themes: the "importance of organic rather than mechanical metaphors"; "value pluralism and the absence of any single scale of value"; "the need for a fuller psychology of human motivation" that recognizes "the role of imagination and sentiment as well as reason"; and "the key roles played by language, perspective, metaphor and imaginative intuition in mediating our perception and understanding of the world" (p. 87). As one might suspect, there is no attempt to test an alternative model here, although the author (Chap. 9) does develop at some length the notion of *homo romanticus,* which, he proposes, should be joined with two other ideal types, homo economicus and *homo sociologicus* ("a social chameleon whose character is determined by its cultural environment"), to provide a truly complete analysis of economies and societies.

To the extent that we do wish to define economics as broadly as Robbins suggested, that is, as "the science which studies human behavior as a relationship between ends and scarce means which have alternative uses" (quoted by Medema, p. 192), we will likely have to agree with Bronk in his call for a thicker conception of human motivation and decision making. It is interesting to note that Bronk also carefully traces out the sympathies and anticipations of several of these Romantic notions inside the discipline itself. Because he did not feel compelled to decisively choose "between the logic of self-interest and the role of sentiments," Adam Smith himself is deemed, "[i]n this sense, at least, a precursor to the Romantic Economist" (p. 62). However, Mill, the utilitarian who famously cultivated an appreciation for the Romantic poets, is nonetheless described by Bronk as "a bridge too short" (p. 50)—ultimately unable to overcome what C. P. Snow once identified as the mutual incomprehension of the literary and scientific cultures.[9] Bronk notes that while Mill could not be fairly charged with "what Schumpeter later called the 'Ricardian vice' (namely, applying universal abstract models directly to real policy issues to generate policy advice on the basis of these models alone)," his conception of political economy featured and established homo economicus, helping "to ensure that economics would henceforth use precisely this model and consider the economic agent solely as a maximizer of his own wealth or utility" (p. 53).

Among the articulators of neoclassical economics themselves, Bronk chronicles a succession of second thoughts, hesitancies, and expressions of caution about the divergence of mainstream economic analysis from a more full-bodied acknowledgment of moral, historical, or empirical considerations. He also draws links between various elements of the Romantic mind-set and a motley group of dissident voices, most from outside the mainstream, including Austrians such as Schumpeter and Hayek, radical institutionalist Thorstein Veblen, British post-Keynesian George Shackle, and complexity theorist Brian Arthur. Specifically, he singles out these five figures "for the challenge they have mounted to the dominant use of the mechanical equilibrium metaphor in economics and the related assumption of optimizing agents" (pp. 70–71). While one might wish that he would engage with the work of Herbert Simon, he does draw some tentative links between his Romantic vision and the work of David Kahneman and Amos Tversky (p. 239), thus briefly connecting his critique of the mainstream with some of the contributors to the behavioral economics movement discussed by Medema.

Revealingly, neither Bronk nor Medema mentions the contributions of Elinor Ostrom, the 2009 recipient of the Nobel Prize in Economic Sciences, although Medema (p. 152) does make one brief mention of Ostrom's husband, Vincent, while chronicling the creation of The Public Choice Society in the late 1960s. Much has been made of the fact that Ostrom was the first female recipient of a Nobel in economics, but more significant for present purposes is the fact that she was the first noneconomist to be so honored and that her "New Institutionalist" approach—while building on the Public Choice paradigm—represents an important additional step away from the formalism of the neoclassical tradition. Although the Ostroms were political scientists, their work clearly crosses disciplinary boundaries in a way that runs counter to the embrace of disciplinary specialization in the social sciences since the nineteenth century. Work such as Ostrom's *Governing the Commons* (1990) might even be fruitfully considered in light of Bronk's (and the Romantics') concern for organicism, value-pluralism, and thick, social context.[10]

IV. The Return to Smith?

If contemporary economists—who as a group are not particularly noted for their interest in the history of ideas, even their own—have begun to look back seven decades for guidance in dealing with this crisis, it seems a propitious time to turn back even further, to the origins of modern economics in the work of Adam Smith and to retrace the path forged by his successors—the winding

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and uncertain path that brought economics to its present position. In his attempt to find resonances with key Romantic insights, Bronk uses his book's third chapter to "give a snapshot of some key disagreements over the last two hundred and fifty years" (p. 59), and this quick review shows, as he says, that it would be "quite wrong to underestimate . . . the range of debate within the emerging discipline" (p. 57). Medema, meanwhile, as we have seen, weaves his disciplinary history tightly around the continuous thread of debate over whether self-interest is best channeled by the visible hand of government or the invisible hand of market processes.

Two of the other books under review here—Murray Milgate and Shannon C. Stimson's *After Adam Smith* and Donald Winch's *Wealth and Life*—provide even greater detail, though in a less thematically focused way, about the various debates within nineteenth-century economics that led to the methodological austerity and formalism that is the hallmark of neoclassical economics. The studies offered by Fonna Forman-Barzilai and Dennis C. Rasmussen, by contrast, return directly to Smith. Each focuses on specific themes or ideas in his work that illustrate what was left behind or repressed as Smith's legacy was truncated to better serve as emblem for an increasingly specialized discipline shaped, as it was, by the nineteenth-century's ideological divisions, as well as by the demands of its emergent positivism, academic specialization, and professionalization.

It is first important to note, however, that if we with to look back to Smith today, we must deal with the fact that the figure we thought we knew—the Adam Smith of common repute, the totemic figure to most modern economists—is no longer there. In fact, during the past two or three decades, as Winch's 1978 revisionist study, *Adam Smith's Politics,* has continued to work its very considerable influence on the field, much of the best scholarship on Smith has been devoted to describing a different, quite complex sort of figure. In this sense, all of the titles reviewed in this essay labor in the shadow of Winch's scholarship. His own *Wealth and Life* is a continuation of the historical survey begun in that 1978 book but more immediately follows his 1996 study, *Riches and Poverty,* which took as its subject "what followed after Smith's death in 1790 when his writings became subject to the inevitable processes of interpretation and misinterpretation by his successors, friendly and otherwise."[11] His latest book picks up the story in the consequential year of 1848.

It is always the case, perhaps, that specialists will decry the stereotypes and misunderstandings of their subjects that are present in the minds of nonspecialists and afoot in the culture at large. But in the case of Smith—whose classic *Wealth of Nations* has been at the center of so many cultural and political battles since the nineteenth century—the issue is of special relevance. And the tendency to oversimplify Smith has been driven not just by political ideology. Winch has long criticized the way modern economists have used Smith to validate or legitimate their work, in the process associating him with concepts and ideas that depart significantly from his intellectual spirit.[12] This is probably an unavoidable fate when a text, such as Smith's *Wealth of Nations,* achieves canonical status and begins to serve as a convenient intellectual touchstone for a new discipline.

In this sense, much of the recent scholarship on Smith has already been functioning more or less directly as a critique of the neoclassical mind set. At heart, it amounts to the same critique so loudly voiced these days in the postcrisis self-evaluations of economists—only it comes from economic historians and expresses itself in historiographical terms. The charge, in these terms, amounts to this: that the architects of neoclassical economics and their liberal[13] ideologists beginning in the late nineteenth century propagated a wholly unrealistic and anachronistic picture of Smith. It was a picture in which those elements of his thought that comported with their own (neoclassical) views on rationality, individual motivation, the role of government, market equilibrium, and so forth are exaggerated and other, less validating elements largely ignored. In other words, instead of an accurate view of a complex, conflicted, perhaps even "messy" Scottish Enlightenment thinker, we have been presented with a neoclassical appropriation of Smith—an abstraction, an oversimplification, a construction whose elements were chosen for their expedience rather than for any serious claim to historical (empirical) veracity.

What we have been told, then, is a "Whig history": a legitimating narrative that presents its subject not on its own terms but in terms of present-day values and concerns, and which does so in a manner that imparts a false sense of inevitability to events. Winch (p. 22) calls this sort of historical narrative "doctrinal history," to which he juxtaposes his own approach, deemed "intellectual history." Among other things, he credits his approach with being a more "humane" pursuit, remaining so by "eschewing the God-like stance, or in this case, that of the modern textbook or the latest issue of the professional journal" vis-à-vis its subjects (p. 23). Elsewhere, he has described his approach as "eavesdropping on the conversations of the past,"[14] and an especially noteworthy fact about this sort of eavesdropping is that in doing it, the historian—as situated listener—largely refrains from accessing or making reference to any knowledge he or she might have about where the conversation will in fact lead. That is, historians try to adopt the same limited horizon as their subjects, presuming no more knowledge than their subjects concerning where their actions, debates, or decisions will eventually lead. Taking care to restrain oneself in this way guards against anachronism, because it ensures that nothing is read into the conversations of the past that the participants of that conversation would not, themselves, recognize.

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Of course, liberal ideologists of the nineteenth and twentieth centuries were not the only ones who presented Smith in a crude, overly simplified, or "doctrinal" manner. Marxist theorists and historians were willing aides and accomplices in the distortion, too. Seeking to undermine their liberal rivals, they also had an interest in simplification and abstraction. Their studies of figures like Smith or John Locke, therefore, reiterated the exaggerated links to latter-day free-market theory, producing sharply and simply drawn portrayals—in a word, caricature.[15] In this way, the real Smith can be said to have been lost amid the thrust and parry of the great nineteenth-century ideologies (continued all the more desperately during the Cold War of the twentieth century). This was another key insight of the intellectual historians of the "Cambridge School," with which Winch and his historiography are associated.[16]

Now, in *Wealth and Life,* Winch carries forward this revisionist sensibility into the neoclassical era itself. The end result, I believe, is in effect an implicit criticism of the growing academic specialization and narrowed professionalization of economics. Rather than a scientific, or proto-scientific, economist, Smith, by contrast, is to be recognized as, first and foremost, a broadly engaged moral philosopher and political economist. Academic specialization—or, if you will, the further progress of the division of labor within the intellectual sphere—was, by the dawn of the twentieth century, both the engine and product of the severance of classical, Smithian, political economy into two separate fields of inquiry: political science and economics.

With the possible exception of someone like Mill, all of Smith's intellectual heirs seem small and narrowly focused by comparison. Indeed, several of the intellectual historians whose work is under review in this essay, perhaps especially Winch, can be understood as engaged in an ongoing project of retrieval: the retrieval of Smith from the narrow, ideological, or intellectual confines to which—as they tell it—his successors, especially those in the latter half of the nineteenth century, consigned him. This literature promises to retrieve Smith's legacy *from* the grip of economists (often those working in his name) and restore it *to* a wider intellectual audience, including those who identify as political economists, political theorists and political scientists. Endorsing this project in *Adam Smith and the Circles of Sympathy,* Forman-Barzilai credits Winch with resuscitating "the political elements of Smith's thought, which economists and economic historians had marginalized, or sublimated altogether," and demonstrating that Smith, far from being a nineteenth- or twentieth-century-style liberal apologist for capitalism, "drew explicitly upon a very old political language about virtue and corruption that his contemporaries would have identified with the Augustan humanism of Montesquieu and Hume" (p. 32).

V. Smith as Usable Past

The extent to which a retrieval of Smith might actually provide us with a "usable past" in the form of lessons applicable to today's political and economic circumstances is not a question blithely passed over by these authors. The issue, in fact, divides them, it is interesting to note, but even for those such as Winch whose intellectual commitments make them extremely reticent about drawing direct lessons from a historical figure as removed from us in time as Smith, important cautionary lessons emerge from an examination of his legacy or that of his heirs. To take just one example, in his essay on Alfred Marshall's academic career, Winch (Chap. 10) highlights Marshall's deep-seated ambivalence about his role as an economic professional, a highly accomplished technical specialist who felt warranted to speak authoritatively only to the scientific and disciplinary issues under his purview, desiring all the while to contribute to larger social debates as a public intellectual or moralist. Marshall, he says, had played a pivotal role in the professionalization of economics, but as his death approached he expressed regret that he had not instead "devoted his life to psychology rather than economics, on the grounds that it would have given him more scope to talk about 'ideals'" (p. 294). Thus, in an indirect way and using personal biography at least as often as theoretical controversy, Winch's portrayals encourage his readers to consider the costs and repercussions implicit in the scientific aspiration and self-perceptions of economists.

True to form, Winch's own sense of professional restraint as a historian and his vigilance against anachronism make him eschew the application of the label *neoclassical* to his subjects, even as he chronicles, in exacting detail, the diversity of "moments" from which the formidable intellectual edifice of modern, mainstream economics gradually emerged. In his prologue, Winch acknowledges Veblen's coinage of the term in 1900, but notes that "the more common contemporary division was simply between an 'old' and a 'new' generation of economists" (p. 20). Veblen employed "neoclassical" to denote the work of Marshall and others, from which his own work, Marx's, and the work of economists associated with the German Historical School stood apart. Winch (p. 19) reminds us that "in any standard history of economic thought" covering the time period he chronicles, the key debate about the theory of value and "the process known later as the marginal revolution" effected by Stanley Jevons (as well as by Carl Menger and Léon Walras) would "be the main event," representing the demarcation line between classical and neoclassical economic theory. He is keen to point out (p. 19), however, that

> [n]one of those now regarded by historians of economic thought as "classical" economists, from Smith on to Mill . . . described their own work as such. Nor did any of those now judged to be

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"neo-classical" economists during the period in question use that term, though "classical" was employed in the last decades of the century to characterize what was being replaced.

In fact, though, looking over Winch's shoulder, we can see neoclassical economics under construction.

The same sort of view is afforded readers of Milgate and Stimson's *After Adam Smith,* which adopts a somewhat more relaxed historiographical stance and covers a longer sweep of history in a slimmer, single volume—the whole "century of transformation in politics and political economy" identified in their book's subtitle. Milgate and Stimson, therefore, traverse intellectual territory encompassing both the work of the classical economists and the early neoclassicals. To see Winch's coverage of essentially the same time period, one must bring *Wealth and Life* together with his 1996 volume, *Riches and Poverty.* The latest text, he tells us, is meant as a "sequel," although it is not clear that the term means much in this instance, due to the highly episodic nature of his narrative style and his resistance to adopting any vantage point outside the immediate intellectual horizons of the "conversations" he catalogues. This kind of history emphasizes specific context but also, I believe, discontinuity and perhaps idiosyncrasy. It is what anthropologist Clifford Geertz has recommended as "thick description":[17] a narrative that doggedly resists generalization and, thus, theory. For the majority of readers with presumably less rigorous historiographical scruples, works like *Wealth and Life* and, to a lesser degree, *After Adam Smith* provide a valuable source of raw material and insight into specific intellectual developments, but often leave readers to make of it what they will.

The essays in *Wealth and Life* do show us, however, just how contingent many of the choices made in forming the modern edifice of economics really were, including the embrace by the discipline's leading lights of mathematical formalism and abstraction. Winch reminds us that there is nothing inevitable about the method and focus of contemporary neoclassical economics. That said, his own historiographical scruples often act as a straightjacket, and in an odd sort of way may amount to a mirror image of the excesses imputed by so many to neoclassical economics. Instead of too much theory and too little incorporation of messy reality, Winch and his Cambridge School colleagues might be accused of the opposite excess.

While following Winch's lead in maintaining a healthy appreciation for the dangers of anachronism, Forman-Barzilai, Rasmussen, and Milgate and Stimson thankfully do allow themselves more latitude as historians of ideas to draw lessons from their subjects that can directly address current concerns. Thus, while acknowledging a great debt to Winch and accepting the need for a "vigilant sensitivity to the particular motivations" that Smith "reveals to us through his texts," Forman-Barzilai (p. 26) balances this with the admission that she comes to Smith

very openly, with particular twenty-first century Anglophone cosmopolitan questions. And I *leave* Smith believing that his thought, once properly understood in context, is extraordinarily useful for illuminating various tensions in contemporary debates.

Indeed, Forman-Barzilai's *Adam Smith and the Circles of Sympathy* shows us how theorists continue to see their own views reflected in Smith—including, most recently, globalization theorists who look to Smith's ideas about sympathy, rather than self-interest, for inspiration. But while Forman-Barzilai is willing to carefully consider the applicability of Smith's work to this present-day concern, the ultimate lesson one should draw from her exploration is broadly the same lesson one should draw from Milgate and Stimson's *After Adam Smith* and Rasmussen's *The Problems and Promise of Commercial Society*: that is, the value of intellectual modesty or caution.

In social circumstances, this caution, by extension, should remind us that we need to maintain an adequate space for politics. In any case, once we have been disabused of the notion that we possess an ironclad, scientific route to derive *the* one best answer to complex social problems, the need for politics ought to become clearer.

VI. Smith's Repressed Politics

While Forman-Barzilai considers the relevance of Smith's notion of sympathy to the issue of cosmopolitanism and Rasmussen examines Smith's attitude toward commercial society, Milgate and Stimson take up the project of charting "the conceptual transformations in politics and political economy, and the perceived relationships between them, that took place after Adam Smith" (p. 1).

They begin by denying that Smith's own political views can be neatly placed into any of the ideological categories that have become such a dominant presence in politics since the nineteenth century. In fact, they argue that his politics cannot be clearly labeled even within the terms of debate in eighteenth-century Britain. Many have assumed that Smith was a Whig, and later interpreters often tried to identify him anachronistically as a liberal, but after reviewing the evidence in each instance, Milgate and Stimson conclude that "a definitive understanding of his politics remains both puzzling and problematic" (p. 25, n. 28). It certainly does not help matters that Smith was personally very circumspect and does not seem to have put forth any serious effort "towards presenting a clearly articulated political philosophy or an unambiguously expressed set of political principles" (p. 13). Smith, a dedicated student of classical rhetoric, was accomplished in the art of *in utramque partem* ("of finding truth by arguing on both sides of an issue") and displayed this method often in *Wealth of Nations* (p. 19, n. 17). Finally, the authors note that, analytically, Smith had a "propensity to view political commitments and constitutional arrangements from more than one perspective" (p. 20). They might

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have noted, too, that Smith's friend and mentor, David Hume—also an avid devotee of Cicero and a frequent employer of in utramque parte, as evidenced throughout his political essays—had famously maintained that genuine philosophers, by definition, stood above political parties and their doctrines.[18]

If Smith, as a philosopher, attempted to maintain a nonpartisan or even anti-ideological perspective, that should in no way be taken to mean that he was antipolitical, however. A frequent theme in *After Adam Smith* is the way the relatively rich, wide-ranging conception of politics and political space in Smith's political economy is gradually abandoned by the political economists and economists who followed him. In this vein, one of the strongest chapters of the book (Chapter 3) provides a careful, detailed examination of the changing notions of civil society from Smith's day through the dawn of the marginalist revolution. As the chapter's title—"The Rise and Fall of Civil Society"—implies, this is not a narrative of progress or improvement. They summarize by noting (p. 57):

> Economics moved from thinking of a civil society composed of social classes, professional groups, corporate entities, trade unions, and cooperative societies, to a civil society of isolated individual utility maximizers. Pioneering neoclassical economists such as William Stanley Jevons, Léon Walras, and Alfred Marshall divested their economic theories from direct contact with any socially specific material conditions (other than the existence of well-defined and enforceable property rights) whatsoever.

It should be added that the authors do credit some figures as standing against this tide of depoliticization. J. S. Mill's complicated attitudes about political participation are used as a pivot point for a chapter on the topic (Chap. 8) while, more unusually perhaps, the political views of David Ricardo—like Mill, a one-time member of Parliament—are portrayed positively in the subsequent chapter. Specifically, the authors take pains to defend him from Schumpeter's calumny, implied in his epithet of "the Ricardian vice" (denoting the propensity to wrongheadedly apply abstract economic theories in real-world policy formation). More to the point, Ricardo's faith in public opinion and the political process merit favorable mention in comparison with the views of other economists, including "certain modern quantity theorists" of today who, according to the authors, recommend either constitutional constraints "to direct the conduct of monetary policy into 'scientifically correct' channels," or, conversely, "the free banking route of having no monetary regulation at all, not even of note issue" in order to remove the matter completely from political control. Ricardo, they note, by contrast, advocated placing the conduct of monetary policy "squarely within the political arena"(pp. 180–81). By way of conclusion, Stimson and Milgate remark that Smith's policy views concerning the scope of free trade or governmental intervention "were, not surprisingly, tenuous, equivocal, and open-ended as historical occasion or wise leadership might dictate," while "the neoclassical view, starting from a model that begins 'let us assume,' would seem quite otherwise" (p. 267).

As previously mentioned, both Rasmussen and Forman-Barzilai, in different ways, also highlight the tenuousness and equivocal nature of Smith's views. The former does so by seeking to demonstrate the seriousness with which Smith considered the views of his philosophical (not to say, temperamental) opposite: Jean-Jacques Rousseau. Smith and Rousseau never corresponded and there is no evidence that they ever met. As Rasmussen (p. 6) also acknowledges, Smith never explicitly mentions the French thinker either in his *Wealth of Nations* or even in *The Theory of Moral Sentiments* (a favorite text of revisionist Smith scholars because it so obviously undermines the standard neoclassical gloss on Smith, which, in turn, is based solely on a reading of *Wealth of Nations,* and—in truth—only parts of that).

Among Smith's earliest published writings, however, was a letter he wrote to the *Edinburgh Review* that included a substantial review of Rousseau's *Discourse on Inequality.* This may not seem like much to go on, but through much textual detective work and some argumentative reconstruction, Rasmussen makes the case that the arguments in both of Smith's major works actually do reflect his deep consideration of Rousseau's concerns. He even goes so far as to say that Smith has "sympathy" for Rousseau's attack on commercial society and that his own defense of commercial society was profoundly shaped by his perceived need to adequately respond to Rousseau. Thus, Rasmussen (p. 71) tells us:

> Unlike many latter-day "Smithians," Smith is no simple champion of commercial society; although he is convinced that it is the best available alternative, he recognizes the deep problems that arise from it.

To defend this claim, Rasmussen proceeds ingenuously by first analytically parsing Rousseau's broad-based critique of commercial society into three distinct critical themes. The themes he distinguishes are related to three relatively lengthy passages from the *Second Discourse* that Smith took care to translate in his *Edinburgh Review* letter. Next, through a close textual reading, Rasmussen brings together many passages scattered throughout both the *Wealth of Nations* and *Moral Sentiments* that relate to these three Rousseauist themes.

While fascinating to consider, for present purposes it really does not matter whether there is anything to Rasmussen's claim about the Rousseauist inspiration for Smith's various discussions of commercial society. The fact that the case seems plausible in the least already demonstrates the seriousness with which Smith took to heart key complaints about the sort of commercial society he favored and makes clear that he did not consider the superiority of capitalism to be some sort of deductively derived truth.

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The specific themes or "critiques" that Rasmussen (p. 11) credits to Rousseau, but also finds pervasive in Smith's theorizing about commercial society, he labels "the division of laborers," the "empire of opinion," and the "pursuit of happiness." The gist of the first of these critiques is a recognition that "it is not only labor that is divided in commercial society but also the laborers themselves," making social or personal unity difficult. According to the empire-of-opinion critique, individuals in commercial society invariably become dependent on the opinions of others, conjuring up "a great deal of ostentation, deception and immorality." The final critique, meanwhile, posits that "acquisitiveness encouraged by commerce expands people's desires almost beyond measure," ensuring that they spend their entire lives striving for a kind of happiness that will always elude them (p. 11). By accepting the validity of each of these claims, Smith demonstrates "the depth and complexity of his position as a social critic rather than as an apologist for commercial society" (p. 7). He "provides a kind of cost–benefit analysis," Rasmussen says, "and concludes that, despite its very real problems, commercial society's overall balance sheet remains preferable to other societies. . . . [I]n other words, commercial society is unequivocally preferable, for Smith, even if it is preferable only *on balance*" (p. 9; emphasis in original).

This view of Smith, a nice elaboration of a revisionist picture now dominant among Smith scholars, is, of course, quite at odds with his popular image. It also interestingly suggests that, following Smith, we are never locked into a logic of support for market society but should continue to empirically and normatively weigh such considerations for ourselves, asking whether, for us today, the balance remains positive.

Forman-Barzilai's study is the most thematically focused of the books on review here, and it demonstrates, once again, the distance of Smith's ethically complex view of the self from the neoclassical's rational utility maximizer. At the same time, it also shows how Smith earnestly confronted tensions in his own theory, resisting the temptation to rely on glib abstraction to make his "model" of the self fit with other parts of his theory. Finally, it suggests that the ideas of a historically distant figure like Smith *can* have things to say about contemporary concerns or questions, specifically concerns related to the capacity of our moral reflexes to keep up with the accelerating pace of cultural and economic globalization. But while Forman-Barzilai insists that Smith has something to contribute to the debate, his contribution, she argues, is not the simple, positive one that cosmopolitan theorists such as Martha Nussbaum or Kwame Anthony Appiah might desire. Nussbaum, for instance, has called for a revival and cultivation of ancient stoic ethical ideals as a way of ensuring that modern-day citizens can expand their ethical sensitivities or widen the circle of their concern to keep up with the modern demands of global citizenship.[19]

At first blush, the figure of Smith as developed by the revisionist historians, including those whose work I have discussed here, gives us some reasons to believe he fits right in with this program. After all, the influence of stoic ideas on Smith is written all over *The Theory of Moral Sentiments.* The moral theory laid out in that text is also promisingly founded on a robust and sophisticated notion of sympathy and famously includes a self-reflective, conscience-like entity known as the "impartial spectator."

Forman-Barzilai reminds us, however, that Smith did not mean by "sympathy" a simple capacity for compassion or some "sappy signifier of human benevolence" (p. 62), but rather a "dramatic social process" through which individuals—as social beings—over time grow ever more sensitive to the approval or disapproval their actions prompt in those around them until they learn to anticipate and internalize those judgments. The process of sympathy, then, produces the ability in the mind of the individual to adopt the perspective of the "impartial spectator." Thus, Smith's moral vision is founded not on deduction from some basic assumptions. Rather, it is built upon "an empirical portrait of the way people go on, the way they relate to each other and produce morality together through ordinary daily interactions" (p. 61).

Forman-Barzilai also continuously shows how au courant these moral ideas are, comfortably using terminology from contemporary thinkers like Michel Foucault to redescribe what Smith is up to and, in the process, demonstrating that his views can even be plausibly supposed to have anticipated postmodern insights. The problem for cosmopolitan theorists who might want to adopt Smith's approach, however, is that the imagination-driven process of sympathy necessarily takes place within a given social context, so that even though the individual widens his or her moral perspective well beyond the bounds of the ego or self-interest, that perspective will still "reflect [his or] her experiences living in a particular time and place, absorbing its moral culture" (p. 71). The Smithian impartial spectator, therefore, will never truly be a "view from nowhere" or even the kind of truly impartial or supranational perspective that full-fledged cosmopolitanism would seem to demand.

To his credit, Smith recognized this limitation, understanding that his notion of conscience could not pull itself up by its own bootstraps and avoid redounding to a form of conventionalism. It would instead continue to "reflect the norms and habits currently in vogue, whether altruistic or greedy, peaceful or bellicose, hierarchical or democratic, and so on" (p. 16). Citing, among other things, Smith's personal correspondence, Forman-Barzilai argues that his dissatisfaction with this part of his own theory was what prompted him to continue working for more than 30 years—in vain, as it turned out—in an attempt to solve this problem and revising his *Moral Sentiments* five times over that period. If this is so, Smith's "failure"

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nonetheless is an instructive one for us. As Forman-Barzilai puts it, "the vivid tension between ordinary moral experience and reflective transcendence remains productively unresolved" in his thought, allowing us "to learn much about our own limitations by observing how Smith articulated the tension, struggled with it and ultimately failed to resolve it" (p. 17).

Along with Rasmussen's text, *Adam Smith and the Circles of Sympathy* nicely shows, then, that Smith still has plenty to offer us today, even if we cannot expect to find ready-made answers for our problems in his work. The lessons we might take from his works are very different sorts than the lessons mined by his followers throughout the nineteenth century. For our age, an age in which ideological thinking and positivist aspirations still seem so powerfully capable of fueling dogmatism, willful misunderstanding, and acrimony, Smith's intellectual modesty, if not skepticism, may be the most important lesson of all. Forman-Barzilai (p. 49) notes in passing that one of the features of Smith's account of our moral life that she finds so attractive and "so much richer and more complex than the 'rational man' reading that dominated for so long, is his psychological sensitivity to the ways that the human mind often deludes and destabilizes itself." It is hard to argue with this proposition, especially in a period marked by so many anxiety-driven policies, at both the national and international levels, and so much economic tumult—all following in the wake of widespread "irrational exuberance" and other similarly mystifying phenomena.

Notes

1 "Sales of Marx's *Capital* Increase by 1000% in Germany."
2 "Capitalism's Waning Popularity."
3 Posner 2009; 2010.
4 Cassidy 2010.
5 Ibid.
6 Krugman 2009.
7 Putnam 2003.
8 See, for example, Cowen 2007.
9 Snow 1959.
10 See the symposium on Ostrom's book in the June 2010 issue of *Perspectives on Politics* 8(2): 269–93.
11 Winch 1996, 1.
12 Winch 1978; 1997.
13 Or, even neoliberal, i.e., the Chicago School.
14 Winch 1996, 28.
15 See, for instance, Macpherson 1962.
16 Other like-minded historians of ideas in this respect include J. G. A. Pocock, Quentin Skinner, and Duncan Forbes.
17 Geertz 1973.
18 Hume 1987, 465.
19 See Nussbaum 1997.

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