

Book Review: The Essential Adam Smith,

Edited by Robert L. Heilbroner, Norton Paperback, 1987

Reviewed by Anne Emerson

This book is composed primarily of illustrative excerpts from the writings of Adam Smith. Heilbroner, as editor, illuminates Smith's life and times, and assesses Smith's thought relative to both the eighteenth century and the modern world. Smith's works offer a broad historical and philosophical analysis of his world, including observations about the transition from one economic era to another.

The opening passages of Heilbroner's book claim, "No economist's name is more frequently invoked than that of Adam Smith, and no economist's works are less frequently read.... Smith is deep, complex, and historical." In Smith's time, the intellectual Enlightenment held sway, the Industrial Revolution was dawning, and Democracy was "not yet on the political agenda."

Heilbroner devotes considerable space to excerpts from Smith's first book, *The Theory of Moral Sentiments*, published in 1759. In it, Smith analyzes proper behavior. For example, there is a section entitled, "Of the corruption of our moral sentiments, which is occasioned by this disposition to admire the rich and the great..." Smith also discusses merit and demerit, reward and punishment, and how we judge ourselves. He suggests that morally questionable behaviors might be excusable or understandable in extreme circumstances.

Smith addresses the virtues of self-command within a context of self-restraint and propriety. For example, he writes, "The wise and virtuous man is at all times willing that his own private interest should be sacrificed to the public interest of his own particular order or society. He is at all times willing, too, that the interest of his order or society should be sacrificed to the greater interest of the state or sovereignty..."

Thus, this reviewer suggests, Smith's economic ideal of the self-motivated individual and self-regulated market should not be quoted out of context, in support of self-interest regardless of the interests of others.

The Theory of Moral Sentiments was well received. It was published before *The Wealth of Nations* – the work for which Smith is most remembered today – was published in 1776. Much of the former work underlies the latter. For example, if we are not familiar with the "virtuous man" described above, we might underestimate the role of wisdom and virtue in Smith's self-regulating market.

Excerpts from *Wealth* begin on page 149 of *The Essential Adam Smith*, and are introduced by Heilbroner as follows: “*The Wealth of Nations* is much more than a treatise on economics...”

Heilbroner identifies three main themes within *The Wealth of Nations*: first, “the theme of historic evolution,” including the way in which merchant activity undermined the previous feudal order.

The second main theme is “the capacity of a society of perfect liberty to maintain internal order and cohesion,” assessing how a society, not totally governed from above, might maintain order.

The third main theme is that of “economic growth.” Heilbroner assesses Smith on economic growth as follows: “Thus growth starts as a consequence of the Invisible Hand which has implanted within us that all-important confusion of wealth with betterment.” [Reviewer’s note: The phrase “Invisible Hand” was introduced by Adam Smith to describe his belief that, by pursuing their own material self-interests, people in a market system are “led by an invisible hand” to promote their society’s material well-being.]

Heilbroner suggests that, “in two respects, the present debate [concerning a self-regulating market] is far removed from the grounds on which Smith originally conceived of it. One difference is that economic activity today is in the hands of high-technology, large-scale business, not low-technology, small-scale enterprise...Smith’s...form of capitalism...is no longer an accurate description of the organized power, the massive institutions, and the often ponderous workings of the [modern] system...”

Heilbroner’s second difference is that, “...modern technology brings startling and sometimes awesome side effects as the unintended consequences of industrial production. It is difficult to champion the unfettered operation of a free market when the Invisible Hand reveals itself in the form of noxious fumes or poisoned waters or resource exhaustion – not to mention technological unemployment.”

According to Heilbroner, “Smith is certainly not ‘against’ government...he *is* against the meddling of government in the workings of the free market...He considered government essential for the provision of law and order, and defense...also... construction of essential public works.”

Heilbroner summarizes Smith’s “great message” as follows: “...Left to itself the system will generate wealth; and this wealth will diffuse throughout society down to its lowliest members.” However – this reviewer reminds us, following Heilbroner – Smith’s ideal market system consisted of small, pre-industrial businesses. His idea was to promote fair and equal

competition among small actors. This appeared, in his day, to be a promising way of orchestrating a just distribution of material resources.

Moreover, in Heilbroner's words, "there remains a last theme to be taken into account...of a deeply conservative pessimism, that elevates the book into a commentary on the human condition...nations, like individuals, [have] their times of youth and old age." Heilbroner cautions that Smith anticipates historical limitation – growth will not continue forever – and "...the progress to which Smith directs our attention is material..." He paraphrases Smith, "Material progress, in other words, brings moral decay."

In summary, Heilbroner's book offers a wide-ranging selection from Adam Smith's works, with commentary. Smith's *The Wealth of Nations* is considered by many to be the inspiration for free-market economics. Heilbroner presents a historical background for free-market ideas, recognizing that much has changed since Smith's day.

For example, in Heilbroner's book we are invited to consider Smith's thoughts on morality and justice; we learn the context for the "Invisible Hand"; and we encounter Smith's analysis of growth and change – all of which are pertinent today.

When we cite Smith as a relevant guide, we should know the full breadth and depth of his works and avoid using his ideas without reference to their eighteenth-century historical context. We might also consider what has occurred that Smith did not foresee, and re-assess his analysis accordingly.