

Adam Smith's Lost Legacy. By Gavin Kennedy. Houndmills, UK, and New York, USA: Palgrave Macmillan, 2005. 285 pp. \$85.00.
Adam Smith's Moral Philosophy. By Jerry Evensky, 2005. New York, USA: Cambridge University Press, 2005. 331 pp. \$75.00.

These recent books on Smith cover roughly the same ground. Both authors want to reclaim Smith's true legacy which, in their view, has been lost in widespread misrepresentations of his work. Both are not shy about what, in their view, they have accomplished. To wit, "Adam Smith's Lost Legacy corrects the myths, misunderstandings and occasional outright fictions spread about him in the last two centuries." (Kennedy xvi) Evensky proposes to show how "Smith's moral philosophy and its relationship to the modern discourse [i.e., the alleged lost legacy, AO], in order to produce a synthesis that offers an integrated, holistic representation of Smith's moral philosophy, weaves that analysis into a constructive critique of the modern economics discourse, and builds bridges between the discourse and the social sciences" (Evensky xii), hence the subtitle of his book, "A Historical and Contemporary Perspective on Markets, Law, Ethics, and Culture."

Evensky is, very likely, known even to the casual reader of this journal: For more than two decades he has produced a steady stream of research on Adam Smith, much of it indeed published in this journal including a signature chapter of the present book. Kennedy, in contrast, is very likely an unknown. His previous academic work dealt with defense economics and finance. After the collapse of the Warsaw Pact, "he took the 'peace dividend'" (www.adamsmithlostlegacy.com) and lectured on negotiation techniques, apparently mostly to non-traditional students (business leaders, managers). Some of the books pertaining to these topics, as well as his book on Captain Bligh, are generously referenced in the select biography of the book under review here which otherwise does not demonstrate any previous Smith scholarship. Kennedy, it seems fair to say, comes to the party as a surprise guest - and ultimately a welcome one.

It is noteworthy, yet in light of their contexts and histories perhaps not surprising, that the authors' rhetorical strategies differ significantly. Evensky lives up to expectations by writing an academic book that features many footnotes and a number of skirmishes with people that, in his opinion, got it wrong. In parts one (chapters 1 - 4) and two (chapters 5 - 9) of his book he covers roughly the same ground that he covered in his articles. Indeed, significant parts of the manuscript draw closely on his previous work and I will therefore not comment on it. Part three (chapters 10 - 12) reflects Evensky's ambition to steer the modern economics discourse in what he considers the right direction and I will

have more to say on that attempt below. Kennedy, in contrast, has written - on the surface - a book more discursive and speculative, without argumentative and lengthy footnotes (footnotes are used simply for specific references) and consisting of 57 little vignettes that have titles such as "Professor Smith!" or "What Industrial Revolution?"; these vignettes hardly warrant the word chapter.

Notwithstanding their different rhetorical strategies, both authors aim to kill off for good "Chicago Smith", as allegedly conceived in the work of Becker (1976), and to make the case for a Smith that conceptualizes humans by a multiplicity of motives, that understands the value of observations and induction, and that understands the importance of getting the institutional, or constitutional, framework right. In other words, both authors aim to reclaim "Kirkaldy Smith", thus reiterating essentially the case that was made persuasively by the editors of the Glasgow edition of Smith's oeuvre decades ago. Wight (2002) has provided evidence that indeed there has been a significant resurrection of Smith scholarship as well as a remarkable reorientation (to which the Liberty Fund soft cover version of the Glasgow edition has contributed substantially.)

Modern economics discourse had long established that seemingly non-selfish behavior (altruism, etc.) could well exist even under the assumption of self-interested agents (e.g., Binmore 1994,1997), that modern economics had long acknowledged the value of thinking about the relation of the deductive and inductive approaches to economics, and that modern economics was all about getting the incentive structures (institutions) right that harness people's self-interests in the presence of pervasive informational asymmetries: The influence of beliefs on behavior has by no means been confined to discussions over coffee. Conjectural equilibria, broadly construed, are the heart and soul of modern economics discourse, and so is the design of appropriate mechanisms to get people to do what a mechanism designer wants them to do. At least, I thought these were the ideas and issues today.

According to Evensky, however, modern economics, and modern economics' view of Smith, is represented by Becker (1976): Says Evensky, "Using Gary Becker's work as representative ... for the economic approach based on the standard economic assumption that we are constrained utility maximizing beings, *homo economicus*, I will make the case that there is no cohesive force in such a theory sufficient to hold society together in the face of the destructive power of rent-seeking. I then turn to Amartya Sen and James Buchanan. Like Becker, Sen and Buchanan are Nobel Prize winning economists. Unlike Becker, Sen and Buchanan see the centrality of the liberal

quandry and they each address this issue in a thoughtful, detailed manner." (Evensky 248)

The liberal quandry is that laissez-faire leads to an accumulation of capital in too few hands, especially across generations, and ultimately destroys the social fabric. The solution? It's all in Smith, says Evensky (276). *The Theory of Moral Sentiments (TMS)* "provides the ethical foundation necessary for a liberal order." (276) *The Lectures on Jurisprudence (LJ)* describe how systems of positive law "co-evolved with citizens' ethics in ways that sustain a liberal order." (276) *The Wealth of Nations (WN)* "explains how the progress of opulence unfolds as the social, political, and economic dimensions of society simultaneously evolve toward a system consistent with the liberal plan." (276)

I am to some extent sympathetic to these statements, but I do differ in my reading of the generating process of the ethical foundation of a liberal order that - in parallel to Binmore's interpretation of Hume's work (Binmore 1994, 1997) --, I see as the equilibrium outcome of the repeated interactions of self-interested agents that are duly constrained by incentive-compatible arrangements where necessary. And I do believe - while acknowledging that Smith anticipated much of what modern reputational theories of firms and societies elaborate on (Ortmann 1999) - that, after Smith, the Toulouse School of modern economics and the various schools that the Nobel Prize winners of 1994, 2001, 2002, and 2005 represent, are still very much needed. I say so as someone who for the last six years has observed close-up what it takes for "emerging liberal experiments" (Evensky 277 - 278) to succeed, and what brings them to the brink of failure. Making Becker into the representative of modern economics, and critiquing him as such, is not a constructive contribution to modern economics discourse and it does not build any bridges. It simply reinforces the polemical stereotypes of what constitutes modern economics.

Kennedy also aims to reclaim Smith. Reading the last of the 57 vignettes (titled "Reclaiming Smith's Legacy") first I was -- because of the dubious rhetorical tricks in that chapter and almost missionary zeal that the author displayed -- initially apprehensive. It was, however, enjoyable reading from there.

Kennedy relies heavily on the Glasgow edition of Smith's oeuvre and well-known references such as Rae and Ross, all of which he skillfully samples to construct his narrative. Like Evensky, Kennedy draws on *TMS*, *LJ*, *WN*, which he cleverly identifies with the search for impartial spectator, impartial justice, and impartial competition (xv), respectively, with

liberal quotations from the *Correspondence* volume of the Glasgow edition thrown in for good measure.

A major theme running through Kennedy's book is the contextualization of what Smith said. Again and again, he impresses on the reader the particular places (markets, roads), times (e.g., the mores that Smith faced and was, contrary to Hume, smart enough not to take on), and issues. Kennedy does so often to very good effect (e.g., his discussion of the markets that Smith experienced and wrote about in chapters 41 and 42 on "Smithian Markets" and "Commercial Revival" or his discussion of roads in chapter 53 on "Smith's immodest proposals for public expenditures").

Kennedy often makes, in a very smithian manner, use of theoretical or conjectural history. In doing so, he makes a number of interesting points about the real Smith - according to Kennedy someone who understood and worked the system to his own advantage (e.g., chapters 5, 6, 7), someone who didn't publish certain things because he feared religious and other forms of persecution (e.g., chapters 3, 31), and someone who understood, most of all, that one had to watch out for both market failures and government failures (e.g., chapters 40 and 56).

Chapters 22 through 25 have an intriguing discussion of the oft-cited butcher-brewer-baker quotation. Kennedy points out, in my view correctly, that this smithian propensity was seen by many only from a single person's viewpoint when in fact it is about the reciprocity of services. Unfortunately, Kennedy reveals en passant that his knowledge of game theory is imperfect: it is hardly a zero-sum game if a plunderer kills the victim (p. 102) and, contrary to the statements about Nash equilibria on pages 106 and 110, Nash had a lot to say about the process of negotiation both theoretically and experimentally, as documented in Kuhn et al. (1994). These minor criticisms aside, I enjoyed reading this unpretentious little book. It helped that Kennedy, apart from his reader-friendly use of brief vignettes to construct his narrative, has a remarkable way with words and knows how to make a point.

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