

All in all, the book is a testament to the value of a broad historical perspective and is highly recommended.

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Jan Peil, *Adam Smith and Economic Science: a Methodological Reinterpretation* (Cheltenham and Northampton: Edward Elgar, 1999) pp. xii, 206, \$80.00. ISBN 1 85898 919 1.

Donald Winch's short study of *Adam Smith's Politics* (Cambridge University Press, 1978) seems to have touched off a minor avalanche of *revisionist* interpretations of *The Wealth of Nations*. They are all variations on a common theme—that the father of modern economics was not a rabid, free-market ideologue. The point has been made so often of late that it grows tiresome. So it is incumbent upon new entrants to the field to convince readers they have something fundamentally new to say. This task Peil implicitly declines. In the opening chapter he claims novelty for his work only relative to "traditional" studies written before the bicentenary of *The Wealth of Nations*. According to Peil, they concentrated on recovering Smith's intended meaning, often in order to elicit support for neoclassical economic theory. More recent studies, having reached a "second stage" of illumination, worry less about Smith's intentions and seek instead to engage him in a "dialogue" on the idea of a free market economy and the theories appropriate to understanding it. Peil's professed goal is merely to continue the dialogue; he promises this "will help us rethink some of the fundamental principles of economics and consequently lead us to a better understanding of today's economic problems" (p. 13).

Chapter Two examines the context in which *The Wealth of Nations* was written. Smith belonged to an early stage of the Enlightenment, in which scientists stressed values and norms over analytical causality. He was pushed by the development of commercial society to approach traditional "ethico-political" problems from a new economic point of view. But his advocacy of free trade was still rooted in moral concerns; he believed it "would contribute to the realization of *the natural order of liberty and equity* in society" (p. 48). Smith's

work developed from the moral-philosophical ideas of Grotius, Pufendorf, Locke, and Hutcheson. But he evolved beyond them by explaining “the stability of the social order without recourse to the idea of an *a priori* order made known to man by revelation or by . . . a moral sense” (p. 61). Smith envisioned the production and distribution of wealth as rooted in the longing for mutual sympathy. In other words, he thought economic behavior was governed by “intersubjective” “meanings and values” rather than “rationalistic” “fundamental causal laws” (p. 65).

Chapters Three and Four offer short studies of Smith’s concepts of mutual sympathy, the invisible hand, and natural price. They consist mostly of numerous, often lengthy excerpts from Smith’s opus, accompanied by Peil’s elucidation of the corresponding morals for the state of modern economic science and policy. (Peil draws from Smith’s writings as the spirit moves him, without concern for the original order or context of the passages he cites. But then what need has the scholar liberated from narrow, provincial concerns about intended meanings for careful, systematic exposition of a text?) Smith did not support the idea of a divine natural order; he believed rather that social order arises “intersubjectively in man’s longing for a meaningful life” (p. 87). The distinction in the *Theory of Moral Sentiments* between praise and praiseworthiness is like that in the *The Wealth of Nations* between market and natural prices. This “confirms our view that Smith perceived the emerging commercial society and its market economy as the final chapter in the evolution of *sympathy*” (p. 91). Market activity is a kind of discourse in which “people give meaning and sense to their lives through reference to shared rules and values” (p. 93). The self-interested pursuit of wealth arises from our longing for mutual sympathy. This shows that unlike “Walrasian general equilibrium theorists, Smith did not deal with economics as a science separate from other philosophical or scientific discourses on man and society” (p. 100). Smith believed that the roads to fortune and virtue coincided (except, of course, for a society’s aristocracy). “This means that people who live in the inferior and middling stations of life should not be obstructed in their struggle for wealth.

On the contrary, their competence and will to compete has to be strengthened” (p. 105). From four long excerpts that never even mention the term, we are to conclude that the invisible hand is “a metaphor expressing the real-world experience that behaviour and action, despite being motivated by self-interest, reflect social rules and values” (p. 116). Smith’s analysis of the role of wonder in scientific investigation demonstrates that he did not subscribe to deism but instead believed that the world is a “meaningful whole . . . virtually created by man himself” (p. 126). The four invisible hand passages in Smith’s work should be interpreted metaphorically, not literally. They merely convey his belief that self-interest and public interest do not necessarily conflict and that wealth can best be accumulated in a free-trade environment. The opening lines of the famous Chapter VII of Book I “demonstrate . . . that Smith is concerned with prices as real-world phenomena which are related to the contemporary socio-historical situations” (p. 140). For Smith, “*natural price* refers to the value patterns people share as a frame of reference . . . ; *market prices* reflect the effects of these personal interpretations in the actual exchange” (p. 141). This shows that

he rejected mechanistic explanations and instead saw price formation as an evolutionary process in which humans developed sense and meaning “against the horizon of prevailing social values and rules” (p. 143).

The final chapter purports to draw out the implications of Smith’s alleged methodological position for “the crisis of modern economics.” His admiration for Newton’s system of astronomy does not imply that he “anticipated (neo)classical mechanistic economics and its belief that science aims at revealing the pre-given causal laws of . . . economic behaviour” (p. 162). Just as astronomers rejected Descartes’s mechanistic philosophy in favor of Newton’s principle of attraction, “so Smith’s moral philosophy rejects the idea that order has to be explained by deductions from atomistic, egocentric individuals” (p. 167). Later economists, misinterpreting sympathy as benevolence, failed to follow Smith’s lead and relapsed instead into mechanistic rationalism. Smith had nothing against theory as such; he praised the idea of system. But the proper task of theory is not to reveal “pre-given economic laws.” Instead, Smith regarded “the system of market economy as a construct aimed at giving sense and meaning to contemporaneous processes of liberalization and commercialization in the production and distribution of wealth” (p. 171).

The broad themes Peil raises have received ample treatment in numerous other works of this kind; nothing here is novel or surprising. Nor is his presentation particularly happy. It tends to wander aimlessly or circle around and around. Many times he lingers over passages to belabor fine points that probably matter only to him. He cites passing remarks from other Smith scholars to persuade readers of the (debatable) superiority of his own approach; the broad sweep and significance of their work receives no attention. Summary passages seem impressive at first glance but when stripped of their cumbersome phrasing turn out to have no discernible meaning. Peil’s interpretations (particularly of the invisible hand) don’t always inspire trust; one gets the feeling he is reading his own methodological likes and dislikes into Smith’s text.

With Peil’s central objective—setting out a vision of a better kind of economics and of an ideal economic society—many will surely empathize. Most readers of this journal share his concerns about the current state of the discipline. Peil’s favored alternative is clearly an interdisciplinary approach open to sociological concerns. Unfortunately, his exact prescription, though tantalizing, is exceedingly vague. As for the economy itself, Peil appears to be recommending a competitive marketplace tempered by concerns for meaning and morality. If this means trying to forge new institutions that give real economic power to larger numbers of people, all is to the good. But if the goal is somehow to derive meaning and fulfillment from everyday market exchanges, I must dissent. Modern economic activity, it seems to me, is best understood as a headlong flight from the search for meaning; it keeps the mind busy with ephemeral concerns, dissipating intellectual curiosity, the urge to introspection, and (let us admit) boredom.

Finally, there is the matter of Peil’s “dialogic” approach. Surely it is possible to hold among ourselves a dialogue on the state of modern economics. Why have we any need for *The Wealth of Nations* in this connection? Peil suggests it deserves special consideration because of its foundational role. But this is doubtful; neoclassical economics has only a minimal connection with the thinking

of Adam Smith. If scholars drag him in, it is only because he has become a popular emblem for the modern discipline of economics and it gives them a certain delight to point out that his own outlook was in fact quite different. But this strategy, particularly when it is employed by scholars who profess to have no real concern for Smith's own intended meaning, has definite risks. Peil accuses earlier writers of using "Smith's texts as a kind of lucky dip from which they could quote various, even mutually contradictory, ideas . . . in order to support or criticize contemporary theories" (p. 13). But surely this is an apt description of Peil's own technique (though he leans more to criticism than support). Why not avoid temptation altogether and proceed directly to a clear statement of one's own methodological preferences? This would give Peil and other critics of the discipline much more scope to define and polish their alternative theories and policies—a business to which they never seem actually to get down. And poor Smith could be left in peace, safe among those "first-stage" scholars who still want to listen to him on his own terms.

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Shiro Sugihara and Toshihiro Tanaka, eds., *Economic Thought and Modernization in Japan* (Cheltenham and Northampton, MA: Edward Elgar, 1999) pp.xxvii, 182, \$80. ISBN 1 85898 624 9.

As a Japanese historian of economic thought, I have often been asked about Japanese contributions to economics, if any, and about the availability of a book by a Japanese scholar written in English. Up until now, my answer to the latter question has been negative, but now there is a book to fill the void.¹ The purpose of the book is to explore the relationship between economic thought and modernization in Japan, which involves at least two interrelated yet different sets of questions: (1) how Japanese economists have analyzed and criticized the modernization process; and (2) the role of Japanese economists in directing the process itself through influencing policy making. The book concentrates mainly on the first issue, though some chapters deal with the second issue.

When to begin is always a difficult choice for writing a history. The authors choose to start with the Tokugawa period (1600–1867) rather with the Meiji period (Chapter 1, "Trends in Economic Thought in the Tokugawa Period" by Masamichi Komuro). The choice is in line with the increasingly common view that the market-oriented commercial society had already emerged before Japan formally reinitiated its contact with the Western countries, and that several Japanese thinkers had tried to comprehend various aspects of the emerging economic society. Though their results may not have been as systematic as the

¹ Several books written by Japanese scholars on the history of economic thought in Japan are limited in coverage; Sugiyama (1994) ends at 1889, concentrating on the Meiji era; Ikeo (2000), though noteworthy in its approach, nonetheless mainly deals with the post-World War II era.