

BOOK REVIEW

Glory M. Liu, *Adam Smith's America: How a Scottish Philosopher Became an Icon of American Capitalism* (Princeton: Princeton University Press, 2023), pp. 384, \$35.00 (hardcover). ISBN: 9780691203812.

doi: 10.1017/S1053837224000099

Glory Liu's book on the use of Adam Smith's writings for ideological purposes will be of great interest to anyone wishing to compare their understanding of Adam Smith with the multitude of "Adam Smiths" she encountered in her reading. She touches upon the movement of Smith's texts from canonical status in economics to something akin to deuterocanonical status in a larger scholarly community. Rightly, in my opinion, she sees the Glasgow edition of the works and correspondence as the turning point in widening the perceived importance of Smith's work. That topic will surely interest many additional readers. I will focus on her take on the "Chicago" readings as well as the Glasgow edition.

The book opens with a chapter on Smith's contemporaries' response to his books, then a chapter on the use of his writings in the American foundation documents. Chapter 3, "The Apostle of Free Trade," begins to address the promise carried in the book's title. The ability of "free trade" enslavers to avow what Smith wrote about tariffs and ignore what he wrote slavery is a lesson for our time. Chapter 4 considers a series of great pieces of scholarship: James Bonar's catalog of Smith's library, John Rae's *Life*, and, most importantly (an estimation that I share), Edwin Cannan's edition of a newly discovered set of notes taken in one of Smith's classes. These lectures, as Liu stresses, give us a basis to appreciate the enormous scope of Smith's vision. Chapter 5 considers how the "Old Chicago" of Frank Knight and Jacob Viner reacted to Smith. I would have added Viner's 1965 "Guide" to Rae's *Life* to the pieces she considers. Chapter 6 addresses the "Adam Smith" that emerges from the "New Chicago" of George Stigler and Milton Friedman. Chapter 7, "Turning Smith Back on the Present," pays tribute to the Glasgow edition's role in widening the interest in Smith beyond economics. She singles out the volume of correspondence as well as the new set of lecture notes in the volume Ronald Meek edited, adding to what Cannan published in 1894. The concluding chapter, "Epilogue," takes stock of how our understanding of Smith has changed since the Glasgow edition.

There is a name missing in the Chicago chapters: Ronald Coase. Coase (1976, pp. 543–544) points out how it is rarely appreciated that Smith prefaces his denial of the importance of benevolence for exchange in *Wealth of Nations* (*WN*) with this claim: "In civilized society he stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons" (*WN* I.ii. ¶2).¹ The sentence Coase quotes follows Smith's discussion of how dogs, without an ability to trade, obtain things by benevolence-inducing devices.

¹ It is not cited by Macfie and Raphael (Smith 1976, p. 20), who, after quoting *WN* I.ii.2, ask, "Who would suppose this to imply to imply that Adam Smith had come to disbelieve in the existence or the moral value of benevolence? Nobody with any sense. But this does not necessarily exclude scholars."

Smith's dogs will come up later. Smith's answer prefigures both a "Left Smith," one who idealizes sharing, and a "Right Smith," one who accepts trading for the world in which we live.

Liu has a good deal of fun with Milton Friedman's "Smith." She is too polite to ask what Friedman published that has the slightest relevance for a dispassionate study of what Smith wrote. Before Friedman and Leonard J. Savage (1948), it was commonplace to judge that those who engaged in an actuarially negative ("unfair") gamble were irrational. Smith's texts are filled with people who gleefully accept unfair gambles. After Friedman and Savage we could understand why a sensible person would buy *both* an actuarially negative lottery ticket and an actuarially negative fire insurance policy. It is useful to notice that in Friedman and Savage, there is only one good, material income, over which a person has preferences.

Smith's account of gambles is not technically Friedman–Savage's since, for Smith, rewards are vectors with a pecuniary aspect as well as approbation from the spectator. In a non-stochastic context Smith gives an example of well-paid performers, e.g., opera dancers, who have a dreadful reputation. If their reputation were to improve, their pecuniary wages would fall (*WN* I.x.b. ¶25). And in *Theory of Moral Sentiments* (*TMS*) there is the enormously famous concept of as-if praise, "praiseworthy," singled out for attention by James and John Stuart Mill (Mill 1869, 2, pp. 298–299). This consideration evidently motivates the sailors in *WN*:

Though their skill and dexterity are much superior to that of almost any artificers, and though their whole life is one continual scene of hardship and danger, yet for all this dexterity and skill, for all those hardships and dangers, while they remain in the condition of common sailors, they receive scarce any other recompence but the pleasure of exercising the one and of surmounting the other. (*WN*, I.x.b ¶27)

Friedman's and Savage's model did not remain unchallenged for long. Maurice Allais suggested that people would decline to engage in a sequence of gambles that they would accept if it were offered as a single gamble (Allais 1953). The Allais "paradox" speaks to Smith and rational choice because rational choice with vectorized rewards offers to a Smithian approach—where rewards provided by imperfectly perceiving spectators are vaguer than the rewards provided by the actors themselves—an escape from the Allais paradox (Levy 1999).

For Liu, Stigler's work is the culmination of the "New Chicago Smith" where Smith's work is anchored like Friedman–Savage in (scalar) rational choice. Here she considers both Stigler's published work and, from manuscript, the correspondence with Meek about the planned Glasgow edition (p. 226). She tells us that Meek, anxious for American involvement, suggests Aaron Director as editor for the correspondence volume. Meek's letter, along with Stigler's response, has been published (Levy and Peart 2020, pp. 334–337), so we can expand on her account. Meek writes that he had a conversation with Lord Robbins, who gave him names of American economists who might be involved: William Letwin, "Professor" Director, and Stigler himself. Meek writes of an earlier letter Stigler sent, favoring an edition and noting Director's interest in Smith's correspondence. Meek asks for Stigler's opinion of Letwin and Director. Stigler's candid opinion of Letwin might have had an effect. Stigler cites, as evidence of Director's competence, his forthcoming volume of J. S. Mill's economic writings. This might surprise the reader who knows volumes four and five, *Essays on Economics*

and Society, in the University of Toronto Press's *Collected Works of John Stuart Mill*, for which Robbins himself wrote the introduction (Mill 1967). It is edited by John M. Robson. This will not surprise those who know Director's reluctance to publish, something Stigler stressed in his response as explaining why Meek would not know someone so competent. Liu reports that the correspondence volume was edited by Ernest Campbell Mossner and Ian Simpson Ross. She had earlier judged their volume as "meticulous." I sense a note of relief that a "thinker on the edge of Chicago's economics department" (p. 192) was not selected for serious textual work. Describing Director as Paul Samuelson's first economics instructor might have been more to the point.

As Mill so famously remarked, social institutions may be freely chosen but the consequences of that choice can only be accepted. Liu, in common with other scholars with a budget constraint, works with the Liberty Fund republication of the Glasgow edition. Only the *Correspondence* volume in the Liberty Fund set is reproduced from a "Revised" edition. The original edition was reviewed by M. Alexander Stewart (1979), who pointed out that despite Mossner and Ross's claim that all the correspondence was checked against the originals, the letters were printed with errors that first came in earlier publications. Stewart's review only begins with this scholarly tour de force; he continues, combining unparalleled erudition with a controlled polemic fury. Only after reading Stewart's review will one be able to appreciate the preface to the revised edition of the *Correspondence* volume.

The widening of scholarly interest in Smith shows in subtle ways in the Glasgow edition of the *Wealth of Nations* relative to the magnificent edition that Cannan prepared. Cannan had no problem challenging the center of Smith's economics. When in Book 1, Chapter 2, Smith, arguing for human exceptionality, points out that dogs do not trade, Cannan remarks: "It is by no means clear what object there could be in exchanging one bone for another" (Smith 1904, I, p. 15).² The Glasgow edition has no problem checking many of Smith's factual claims, but there are no Cannan-like challenges to the center of Smith's economics.

Scholarly editions are no more rained down from heaven than are interpretations. Complicated choices need to be made. The Stigler–Meek correspondence offers a snapshot view of the plans for the Glasgow edition at a very early stage. In Meek's letter to Stigler, he described the planned edition as forming *six* books: two for *WN*, one for *TMS*, one for the Glasgow lectures, a "residual" volume ("Essays, Miscellaneous Pieces and Correspondence"), and the final volume ("Biographical and Bibliographical"). Stigler suggested that the correspondence form a separate volume. In the published Glasgow edition *eight* books were produced. *Correspondence* is indeed a separate book; *Essays on Philosophical Subjects* is now a volume, as is *Lectures on Rhetoric and Belle Letters (LRBL)*. Perhaps other correspondence would shed light on the decision to exclude from the *TMS* volume Smith's "Considerations Concerning the First Formation of Languages ..." he added in the third edition (Macfie and Raphael in Smith 1976, pp. 38–40). In the Glasgow edition as printed it is included in *LRBL* (Smith 1983, pp. 201–226). What might be sensible for *TMS* in a corpus where finding

² In class, Stigler suggested that the dog was Jewish and had found a pork bone. More seriously, he noted that we'd made progress in 190 years: we know now that putting rational agents in an Edgeworth box suffices for trade; language is not required. This claim is now subject to a lively discussion. See Rubinstein (1990, pp. 34–35); Wilson (2021).

“Considerations” is simply a matter of putting down one volume and picking up another might not be so easy for a stand-alone volume. Thus “Consideration” is included in Ryan Hanley’s *TMS* (Smith 2009, pp. 407–432).

Finally, we should ask what is lost to economics when we abandon Smith to other disciplines? There will be no Edwin Cannan to point out that Smith did not prove an interesting claim. For my part I would read Smith as a teacher of us all and I would adopt the attitude of the greatest Stoic logician toward his beloved teacher. Send us the theorems, we’ll find the proofs.

David M. Levy
George Mason University

COMPETING INTERESTS

The author declares no competing interests exist.

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