

Adam's Fallacy: A Guide to Economic Theology. By *Duncan K. Foley*. Cambridge: Harvard University Press, 2006. xv + 265 pp. Index, figures. Cloth, \$25.95. ISBN: 0-674-02309-9.

Reviewed by Keith Tribe

Duncan Foley argues that Adam Smith, in his *Inquiry into the Nature and Causes of the Wealth of Nations* (1776), developed an analysis of human conduct and the generation of material wealth that, conceived as it was purely in terms of economic self-interest, was predicated upon the separation of an economic sphere from social life as a whole. Smith is said to have argued that the consistent pursuit of self-interest would lead to beneficial social outcomes, and Foley suggests that this perspective has become the dominating principle of the modern science of economics, which sees Smith as its founder (p. xiii). This principle is, however, more than anything else a matter of faith, an "economic theology"; and Foley's book seeks to track this principle to its source and outline its baleful influence on the evolutionary path of modern economics (p. xiv). The book is not intended as a guide to the history of economics; it is more a historical introduction to economic reasoning, following on from Robert Heilbroner's *Worldly Philosophers* (1953).

The title of the book is certainly eye-catching, but not strictly original. In 1990 Kenneth Lux published *Adam Smith's Mistake*, which advanced a similar thesis. But both fallacy and mistake are those of the authors, not Adam Smith. Although the key role of self-interested behavior in the creation of social wealth is commonly attributed to Smith today, the attribution is simply mistaken as usually understood. Adam Smith did not propose that the pursuit of self-interest automatically served the common good: this had been argued by Mandeville in his *Fable of the Bees* (1723), a work quoted in *Wealth of Nations* and criticized on exactly this point. Adam Smith did not separate out an economic sphere from social life; that was first done by David Ricardo and James Mill, who in the early nineteenth century created classical economics as a critique of Smith's treatment of value and distribution, in which economic activity was determined purely by

the work of economic concepts. And, as Pierre Force has recently argued in *Self-interest before Adam Smith* (2003), our unthinking habit of treating self-interest, self-love, and selfishness as much the same idea was not one shared by Adam Smith. He took over from Jean-Jacques Rousseau the idea that one should distinguish the natural human desire of self-preservation from the consideration that one's own needs were paramount. The former is linked to the idea of sympathy, as expounded in Smith's previous book, *Theory of Moral Sentiments* (1759), and there is no reason to suppose that in *Wealth of Nations* he switched to the second idea. Quite contrary to Foley's basic thesis, then, Smith's *Wealth of Nations* elaborates an account of the formation of wealth in commercial societies by individuals seeking their own economic ends through social action guided by "moral sentiments." Smith's *Wealth of Nations* embodies many of the sentiments and preoccupations that Foley shares; but Foley reads Smith just like any modern economist, and has arrived at the same mistaken notions.

It is therefore a great pity that a work with the worthy aim of introducing readers to the idea that economics used to be thought of as a form of reasoning, rather than a set of techniques and results, gets off to such a bad start. And it cannot be said that things get any better. While "not a book on the history of economic thought" (p. xii), it does take a historical approach to economics and so invites at least superficial comparison with, for example, Heilbroner's book. And it turns out that, so far as topics covered go, there is indeed a striking similarity. Foley deals in turn with *Wealth of Nations* (Books I and II only, we might note); Thomas Robert Malthus and David Ricardo; Karl Marx (the central and longest part of the book); aspects of the new Marginalism; Thorstein Veblen; and John Maynard Keynes. Heilbroner's chapters cover the same topics, with the addition of a chapter on the Utopian Socialists and generally, it has to be said, both in greater detail and more reliably.

It seems perverse that Foley has given over so much space to the exposition of Marx's economics, when it is now increasingly clear that the principal innovation of *Capital*, Volume I, was as a quite original account of nascent capitalism, not as a work of economic theory. Today, John Ruskin, Henry George, and J. A. Hobson look like much more prescient critics of capitalism and its apologists than Karl Marx, let alone the Marxist doctrine fabricated after his death. The discussion of Malthus entirely fails to

note that he was living through a demographic transition, at a phase when infant mortality remained the most effective “preventive check” on population growth. Furthermore, high levels of infant mortality were closely linked to poor harvests, high prices, and pauperism, which in turn formed the context for the writings of Malthus and Ricardo on rents, profits, and wages, the cornerstone of classical political economy. Even the treatment of Smith’s *Wealth of Nations* has a dated air to it—for some unknown reason, in “Reading Further,” Foley suggests Edwin Cannan’s edition of *Wealth of Nations*, which was superseded in 1976 by the new Oxford edition, available for many years as a very cheap paperback (\$15 for the two volumes) from Liberty Press, together with all his other writings. These are ad hoc criticisms, but the many points of neglect, misrepresentation, and misunderstanding here are cumulative and jump off the page for any reader with a working knowledge of the contemporary literature of the history of economics. The project upon which Foley has embarked is an important one: to restore public insight into economic reasoning through a revision of the (attenuated) history that modern economics has written for itself. But it turns out that Foley subscribes to the same fairy stories that modern economists tell each other.

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