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"Introduction" to "Symposium: The Fate of Anglo-American Capitalism"

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Introduction

Sandra Peart

The call for papers in this special issue asked whether there is a future for the robust sort of capitalism favoured by Adam Smith or whether we have reached a limit to Anglo-American capitalism as the engine of human betterment. Contemporary events loomed large late in 2008 and it seemed appropriate to consider whether Anglo-American capitalism was passing away. We were particularly interested in contributions that viewed current economic events through a lens informed by Smith's teaching on institutions, money and economic growth.

It will come as no surprise that these essays on Adam Smith and Anglo-American capitalism interpret both the notion of 'Anglo-American capitalism' and Smith's take on capitalism rather differently. He was complex and arguably the most subtle of the classical political economists. So, his insights are discovered and reinterpreted in this journal and elsewhere. A new set of research questions and a new Adam Smith emerged after the rediscovery of his *Theory of Moral Sentiments* by philosophers and economists in the latter part of the twentieth century.

The papers that follow on Smith's capitalism are situated along a spectrum of economic to intellectual history. Hugh Rockoff presents a fascinating examination of the crisis of 1772 in the context of Smith's monetary metaphors, the highway through the air supported on Daedalian wings. He asks the good question whether adopting Smith's regulatory framework might have reduced the probability of and ameliorated the effects of a repetition of the 1772 crisis. Like Rockoff, Maria Pia Paganelli focuses on banking and banking policy; she uses Smith's insights regarding the incentives to commit financial fraud and the bias in perceiving the odds of success to shed light on the recent banking crisis. Alessandro Roncaglia, by contrast, claims that the theoretical foundations of Anglo-American capitalism, a faith in the strong form of the invisible hand argument, simply fail to pertain in today's economic setting. Robert Urquhart, too, takes issue with the empirical content of the order linked to Smith's writing and finds Smith's economic order to be 'a political and commercial society' as opposed to a capitalist mode of production. Urquhart rightly focuses on the centrality of the propensity to exchange in Smith's framework. Jonathan Wight holds that Smith's policy

recommendations for economic development were pragmatic. Rather than recommending a single institutional framework, Smith recognized that multiple sorts of institutions might accomplish the job reasonably well. Niall Ferguson takes up the issue of how one might contain the influence of large banks while not simply transferring economic and political power and influence from private to public institutions. That concern is much in line with Smithian priorities.

What might we take away from such a variety of viewpoints? Three themes emerge from even a cursory reading of this collection. First, Smith was on the whole optimistic about the capacity of ordinary people for bettering their condition. Though institutions might develop and sometimes fail, the course of human history strongly suggests that humans will emerge from the crisis with better banking habits and better banks. The real question is whether governments, too, will emerge with improved spending habits and here the record yields less evidence.

Second, however, there is rigidity in the Smithian system caused by partial sympathy, by what Smith would have referred to as factions. As Smith saw things, factions, group allegiances that count those outside the group differently from those inside the group, were the most pressing problem of democratic politics. One way to think about factions in the context of the current economic climate is that regulators and policy makers align their interests more tightly with current generations, hence bailing out today's voters at the expense of distant future voters. Here, too, however, there is some reason for hope. Factions, though sluggish, may change over time. When it became clear in the nineteenth century that British law wrongly excluded some groups from political decision making, institutions of the day were altered. Women were granted the right to own property even though this reform meant a decrease in the available property to be owned by men. Similarly, we may hope that the institutional reforms which may well be forthcoming in the near future will proceed along lines that protect interest politics and political factions less and investors, large and small, more.