GEORGE STIGLER AS A READER OF ADAM SMITH

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SMITH MAY KNOW MORE THAN WE DO

• A theory of behavior, such as our profit maximizing assumption implies, could have come from psychology, but of course it did not. In fact Smith's professional work on psychology (in the *Theory of Moral Sentiments*) bears scarcely any relationship to his economics, and this tradition of independence of economics from psychology has persisted despite continued efforts ...to destroy it.

• George J. Stigler (1960, p. 44)
STIGLER AS A READER OF TEXTS

• We can understand his concerns by examining his reviews of editions designed to help scholars
  • Ricardo by Sraffa
  • Marshall by Guillebaud
  • Mill by Robson
• Is the report of change over editions correct?
• Does the editor help the reader understand the context?
SRAFFA’S RICARDO

• Sraffa noticed something very odd in the printing of the first edition:
  • This second case concerns the chapters ‘Taxes on Raw Produce’ and ‘Taxes on Rent’ which are respectively numbered VIII and VIII*, the asterisk appearing both in the chapter-heading and in the table of contents. Our suggestion is that these two at one time formed a single chapter (numbered VIII and entitled ‘Taxes on Raw Produce’) and that they were separated, not in the revision of the proofs, but at a much later stage—after the Index had been compiled and indeed after the book had been printed off; so that the pages affected had to be reprinted, and substituted by the binder in every one of the 750 copies of the edition. (Sraffa 1951, xxviii)

• Sraffa adds a note that contains a test of his hypothesis:
  • This is the case in all the copies examined. It would be of interest if a copy were to be found in which the binder had failed to carry out the replacement. (Sraffa 1951, xxviii)
WHAT HAPPENS NEXT?

Such a copy has now come to light, and confirms the hypothesis as to the cause of the cancels and as to the way in which the subdivision of the chapter was carried out. This copy has been found by Professor George J. Stigler in the Library of Columbia University and is referred to by him in a review-article in the *American Economic Review*, September 1953, p. 587 n.

In this copy the first two of the leaves that should have been cancelled (signatures P6 and P7, being pages 219–222) have been left in the original position, although slit and torn by the printer.

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Dear Stigler,

I sent you yesterday at this address, the Columbia copy of Ricardo, which I hope will reach you safely. I have insured it for $20, which is about what I should be willing to pay for a similar one. I am sorry the picture or photographs have taken such a long time, and hope this delay has caused you no inconvenience.

Thank you so much for your help in this matter.

Yours sincerely,

Piero Saffo
GUILLAUBEAD’S DISAPPOINTING VARIOUM MARSHALL

Spot replication found too many important mistake

Guillebaud failed as editor:

Guillebaud stops short, however, with the comparison of editions, and does not even go outside the Principles to compare Marshall’s quotations and references with the original passages. This decision drastically reduces the value of the new edition. Marshall lived in an age and place of informal scholarship, and his references are notoriously sloppy, so it is especially regrettable that Guillebaud ignored the customary task of an editor (Stigler 1962, 283).
ON THE TORONTO MILL: COGNITIVE LIMITS AND THE READER

The collation is extraordinarily accurate

Does this distract the reader?
ROBSON RESPONDS

Costs are everywhere

Stigler is not the only wit
We very much hope that American scholars will play a prominent part in the preparation of the volumes, and we are naturally anxious to obtain as soon as possible some idea of the panel of American experts upon whose interest and ability we may be able to draw. I discussed this matter a month or two ago with Lord Robbins, who mentioned the names of three American scholars in particular who would probably be interested in the project - yourself, Professor Director and William Letwin of M.I.T.
My judgment of Aaron Director is to be treated critically for the opposite reason: he is a close friend, and I probably know him better than anyone else. He is a broadly erudite man, a thorough worker, well-versed in the history of economics possessing an excellent analytical mind, and is, I may add, a gentleman. One might expect, with these qualities, that he would be internationally famous. He would be if he could bring himself to write, (as it is, some of his remarkable work in industrial organization has been published by his students). I have weakened this characteristic, -- fiends are remorseless "reformers", -- and he is bringing out a volume of John Stuart Mill's essays in economics.
STIGLER’S SUGGESTION TO MEEK

The correspondence should be a most valuable addition to your series, and depending on the supply it may deserve much more than a part of a volume. I think Director would be admirable on this -- he is resourceful, meticulously careful, and would exercise the same kind of unobtrusive skill as Sraffa in the editorial work. I have not idea whether he is interested in doing it -- he happens to be away for a month.
• Stigler’s bicentennial contribution found an inconsistency between Smith’s account of private and of public activity
  • In spite of Stigler’s concern for correspondence and context, he worked with only the *Wealth of Nations*
  • Very strong supposition of independence between what’s read and what isn’t

• We propose to read the author of TMS and WN who also lectured on jurisprudence (TJ)
  • This is keeping with Stigler’s view of “mistakes”
STIGLER ON “MISTAKES”

• “To say that such policies are mistaken is to say that one cannot explain them” (Stigler 1975, p. x).
• Thus, when we find a “mistake” in the classical authors, is it really their fault or is it ours?
• Concern that the fault might be ours helps explain Stigler’s concern for psychological barriers in standard editions that stand in the way of assigning blame to the discovery of a “mistake” and the importance of reading how an author responded to those near in time and place.
CONNECTING ENDS AND MEANS

• Stigler reads Smith as offering a paternalistic view of economic policy
  • “In general, however, Smith’s attitude toward political behavior was not dissimilar to that of a parent toward a child: the child was often mistaken and sometimes perverse, but normally it would improve in conduct if properly instructed.”

• Disconnect between desired ends and chosen means
  • TMS systems as dimension shrinking guides to policy
  • LJ persuasion required for trade
  • WN well-informed experts deceive the less informed with a system
ROLE OF SYSTEM IN TMS

- The same principle, the same love of system, the same regard to the beauty of order, of art and contrivance, frequently serves to recommend those institutions which tend to promote the public welfare. *When a patriot exerts himself for the improvement of any part of the public police, his conduct does not always arise from pure sympathy with the happiness of those who are to reap the benefit of it.* … The perfection of police, the extension of trade and manufactures, are noble magnificent objects. The contemplation of them pleases us, and we are interested in whatever can tend to advance them. They make part of the great system of government, and the wheels of the political machine seem to move with more harmony and ease by means of them. We take pleasure in beholding the perfection of so beautiful and grand a system, and we are uneasy till we remove any obstruction that can in the least disturb or encumber the regularity of its motions. TMS IV.i.11
DANGER OF SYSTEM

• All constitutions of government, however, are valued only in proportion as they tend to promote the happiness of those who live under them. This is their sole use and end. From a certain spirit of system, however, from a certain love of art and contrivance, we sometimes seem to value the means more than the end, and to be eager to promote the happiness of our fellow-creatures, rather from a view to perfect and improve a certain beautiful and orderly system, than from any immediate sense or feeling of what they either suffer or enjoy. TMS IV.i.11
LEARNING TO PERSUADE

• If we should enquire into the principle in the human mind on which this disposition of trucking is founded, it is clearly the naturall inclination every one has to persuade. *The offering of a shilling, which to us appears to have so plain and simple a meaning, is in reality offering an argument to persuade one to do so and so as it is for his interest.* Men always endeavour to persuade others to be of their opinion even when the matter is of no consequence to them. . . . In this manner they acquire a certain dexterity and adress in managing their affairs, or in other words in managing of men; and this is altogether the practise of every man in the most ordinary affairs.--This being the constant employment or trade of every man, in the same manner as the artizans invent simple methods of doing their work, so will each one here endeavors to do this work in the simplest manner. That is bartering, by which they adress themselves to the self interest of the person and seldom fail immediately to gain their end. LJ p. 352.
• Merchants and master manufacturers are, in this order, the two classes of people who commonly employ the largest capitals, and who by their wealth draw to themselves the greatest share of the publick consideration. As during their whole lives they are engaged in plans and projects, they have frequently more acuteness of understanding than the greater part of country gentlemen. As their thoughts, however, are commonly exercised rather about the interest of their own particular branch of business, than about that of the society, their judgment, even when given with the greatest candour (which it has not been upon every occasion) is much more to be depended upon with regard to the former of those two objects, than with regard to the latter. Their superiority over the country gentleman is, not so much in their knowledge of the publick interest, as in their having a better knowledge of their own interest than he has of his. WN I.xi.p
It is by this superior knowledge of their own interest that they have frequently imposed upon his generosity, and persuaded him to give up both his own interest and that of the publick, from a very simple but honest conviction, that their interest, and not his, was the interest of the publick. WN I.xi.p
DECEIT BY SYSTEM

- Smith’s polemic against the deceit by system in TMS developed in WN
- “Man of system” in 1790 TMS is culmination of life’s concerns
- Instead of paternalism Smith is increasing awareness of the ways of deceit
THANK YOU.