

7-1-2007

## Book review: On The Wealth of Nations by P.J. O'Rourke

Geoffrey Hando  
*Southern Cross University*

Follow this and additional works at: <http://epubs.scu.edu.au/jesp>

---

### Recommended Citation

Hando, Geoffrey (2007) "Book review: On The Wealth of Nations by P.J. O'Rourke," *Journal of Economic and Social Policy*: Vol. 12 : Iss. 1 , Article 5.  
Available at: <http://epubs.scu.edu.au/jesp/vol12/iss1/5>

ePublications@SCU is an electronic repository administered by Southern Cross University Library. Its goal is to capture and preserve the intellectual output of Southern Cross University authors and researchers, and to increase visibility and impact through open access to researchers around the world. For further information please contact [epubs@scu.edu.au](mailto:epubs@scu.edu.au).

---

Book review: On The Wealth of Nations by P.J. O'Rourke

## Book Review

P.J. O'Rourke, *On The Wealth of Nations* (Allen & Unwin, Crows Nest, 2007.)  
ISBN 9781741148961

When economics, at least as we know it today, was in its infancy Adam Smith in *An Inquiry into the Nature and Causes of the Wealth of Nations* (first published 1776) promulgated some of the principles that now underpin many modern economies. For those, like myself, who find the meandering dryness of 18<sup>th</sup> century prose difficult to wade through, Smith's book has now been rendered comprehensible by American humourist P.J. O'Rourke (author of *Parliament of Whores* and *Give War a Chance* among others). O'Rourke is a self-described conservative, (small L) libertarian and so he is sympathetic to many of Smith's ideas. With his usual wit and style O'Rourke has distilled Smith's 900 pages into 200 pages of amusing and explanatory prose, as he examines why *Wealth of Nations* is important to help us to understand some of the changes in modern economies since the 1970s. Also included is a chapter concerning Smith's earlier work *The Theory of Moral Sentiments*

(1759) that pursues his ideas as a moral philosopher rather than purely an economist.

Up until the mid 1970s most western economies were based to varying degrees on the work of John Maynard Keynes. Growing out of the great depression of the 1930s Keynes' theories consisted of managed capitalism using tools such as nationalization of some essential industries, deficit spending and progressive taxation. But Keynes theories, at best, only ever provided a short term solution and never explained what happens when the bills finally come due. So, with the rise of unemployment and inflation, exacerbated by the oil crisis from 1973 onwards, the Keynesian consensus began to crumble because it could no longer provide us, with any degree of certainty, the answers to economic security. And, 'free' market economics, which had always been an undercurrent during previous decades, began to rise. The best known theorists of free market economics (for example, Hayek and Friedman) had been influenced to some degree by Adam Smith's *Wealth of Nations*.

Smith argued strongly that a dynamic economy was the best method for attaining individual human freedom and dignity which in turn leads to the betterment of life for the community in general.

O'Rourke draws attention to what he considers to be the essentials of Smith's work that, when combined, will create and drive a thriving economy. These essential ideas - self-interest, the division of labour and free trade - despite underpinning most successful modern economies have meanings that tend to fluctuate, depending upon the politics of the speaker.

By self-interest Smith did not mean greed. His main point was that for a market to work successfully then people should be left alone, as much as possible, to make their own decisions, because they know far better where their interests lie than some distant legislator. A person '[by] pursuing his own interest,' wrote Smith 'frequently promotes that of society more effectually than when he really intends to promote it.' O'Rourke adds that Smith was attempting to apply the idea that if we make things better for ourselves then life will improve for the people and society around us.

Smith's most important insight, according to O'Rourke, was that self-interest need not be a bad thing. As an example for today O'Rourke mentions that altruists loudly proclaim their altruism, and when altruism combines with self interest to mean celebrity, Bob Geldorf (as professional altruist) has found a way to remain a

celebrity long past the use-by date of his music career. But, Smith added, perhaps as a warning to future social engineers who show disdain for self-interest by allowing their vision to become a proxy for the interests of others: 'I have never known much good done by those who affected to trade for the public good.' Smith also further cautions theorizers to beware of becoming 'intoxicated with the imaginary beauty' of their ideals which can then be corrupted 'to the madness of fanaticism.'

The division of labour was Smith's way of talking about specialization which he saw as another way to pursue self interest for the betterment of all. Smith wrote that: 'It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.' Specialisation, as O'Rourke notes, was an additional way that Smith saw to maintain a dynamic economy. Once, monks copied manuscripts of the bible, for the few. But now an academic may write a book which then goes to an editor, a publisher, and a printer, which in turn needs a logger, transport, a paper mill, retailers and above all educated consumers who in turn need an education system that then depends on taxpayers, who need jobs to pay taxes.

As for free trade O'Rourke says: 'Adam Smith saw that all trades, when freely conducted, are mutually beneficial by definition.' And, Smith's arguments about free trade are still with us. Because, to my knowledge, trade today is seldom free. If it was, there would be no agriculture subsidies in the European Union or the USA to name just two trading areas where food producers are well-protected. Of course here in Australia we can't claim purity in free trade with our well protected television production quotas, as well as car, footwear and textile industry subsidies. All this has proved disastrous for many poor countries that try to compete in some of these fields. However, since the introduction of computer technology, with the added factor of high wages and strong unions in most developed countries, many industries are now successfully transferring, whole or in part, (manufacturing and call service as relevant examples) to developing countries.

The roots of Smith's calls for free trade in *Wealth of Nations* stemmed from his dislike of the mercantilist, protectionist system that ruled before the rise of the industrial revolution. According to O'Rourke mercantilism had left Smith with a deep distrust of merchants and manufacturers, especially when they were left to

their own devices. Smith insisted that they should be watched carefully. The recent Amcor/Visy price-fixing scandal could be seen as a good example, close to home, as to why Smith's caution should continue to be heeded. Or, as O'Rourke notes, the Enron debacle in the USA is another example of the constant need to ensure that competitive markets must be maintained. Smith was well aware that 'commerce can seldom flourish long', where justice is not administered fairly especially in the areas of property rights and contracts. He also realized that great property can also lead to inequality. However, as O'Rourke adds, without property and enforceable contracts then the likes of Stalin or Mao soon takeover.

However, O'Rourke also notes that Smith's work was not free of contradictions when it came to government funding, because different places in *Wealth of Nations* have Smith arguing both for and against government funded education. Despite this, Smith also realised that some other government services might be needed besides justice and property rights, for example, defence, roads, and bridges.

In an age before universal suffrage had brought about democracy (at least in the West) Smith despite believing, presciently, that self-

interest, division of labour and free trade would eventually raise the living standard of everyone he also thought that rule by the nation's 'natural aristocracy' was the best way to achieve stability.

Considering the gap of more than two hundred years and a multitude of changes in economic circumstances, Smith seems to have been more acutely aware of human needs, and ways to satisfy

them, than many recent economists or moral philosophers. With many amusing modern anecdotes O'Rourke may stimulate some to further read Smith's work, although for most, I would guess, this entertaining shortened version may well prove to be enough.

