research that preceded publication of his book. Here I offer for titillation a truncated selection from a draft version of Friedman’s “Methodology of Positive Economics” (dropped from the published version), which states Friedman’s outwardly paradoxical view that the “pure” theory of mathematical economics comes from the same methodological presumptions as “atheoretical” descriptive economics, in that both derive from the fallacious notion that hypotheses can be tested by the “realism” of their assumptions independently of the accuracy of their predictions . . . . this belief . . . indirectly fostered mathematical economics, with its emphasis on Walrasian general equilibrium analysis as an escape from the ceteris paribus of partial equilibrium analysis; it explicitly motivated monopolistic competition analysis, . . . . it encouraged emphasis on arithmetic rather than economic considerations; . . . it has been manifested most recently in the belief that a theory can be tested by asking questions of consumers, producers, and the like. (p. 34, fn.8)

I believe Hammond’s book might serve wonderfully as the “text” for a lengthy article on the present state and future prospects of economics; be that as it may, I forbear saying more here except to assert my personal conviction that readers will discover, as did I, that they are in line for a treat seldom encountered in contemporary economic literature.

ROBERT W. CLOVER
University of South Carolina and Brasenose College, Oxford


As you read this review, somewhere in America someone is writing an article for Harper’s, or The Atlantic, or The Nation; and he is chortling with glee at his own intellectual daring. You see, he intends to (gasp) attack free trade—which he imagines to be a simplistic dogma that economists repeat only because they learned it from their teachers, or because it serves the interests of their paymasters. It would never occur to him that there is more to it than that; that the case for free trade has withstood many such assaults in the past, and that the response of experienced economists to his courageously radical critique will almost surely be “Oh no, not that old argument again.” Douglas Irwin’s Against the Tide: An Intellectual History of Free Trade is an entertaining, informative account of the emergence of the concept of free trade and of how that concept has weathered two centuries of attacks and criticism. I thought I knew the basics of that history; I was even a participant in some of it. Irwin’s book, however, is full of new insights and unexpected delights.

One of the refreshing things about the book is the author’s decision not to talk about personalities and events, but to write an intellectual history. Irwin chooses to take all arguments seriously on their own terms, regardless of the context in which they were offered or the motives of those who offered them.

What emerges from this approach, above all, is a sense of how deep and hard–won even the most basic insights of trade theory really are. For example, to someone accustomed to economic reasoning it seems utterly obvious that even if protection increases output in the protected industry it may reduce the value of output in the economy as a whole. But before Adam Smith, it turns out, nobody had stated clearly the idea that an economy must choose among competing uses of resources, and I am persuaded by Irwin’s book that Smith’s introduction of the concept of opportunity cost, rather than the later and more specific concept of comparative advantage, was the crucial breakthrough in trade theory.

Later in the book, Irwin recounts the debates over several qualifications to the argument for free trade; in each case what is striking is how long the debates went on, how hard it was to clarify concepts that one now covers in half an hour in the classroom. It was an agonizing intellectual long march from Ricardo’s statement of the principle of comparative advantage to the explanation by John Stuart Mill of how reciprocal demand determines the terms of trade. From there to the proper appreciation of Torrens’ argument that a tariff can improve a country’s terms of trade had been an equally difficult journey
(and one in which Mill demonstrated his intellectual integrity by endorsing on logical grounds a doctrine that gave ammunition to his political enemies). Irwin’s description of these intellectual odysseys evokes both admiration and nostalgia, at least among those of us who have (on a smaller scale) helped bring foggily expressed ideas about international trade gradually and painfully into the light of day.

It is also fascinating to read the long history of confused debate over Manoilescu’s wage differentials argument—a debate that was not fully clarified until the work of Bhagwati and Ramaswami in the 1960s—or the tortured history of Frank Graham’s argument for protection under conditions of increasing returns, a debate that ran into the 1980s. I do have a few bones to pick with the author. Not surprisingly, these involve more recent debates, especially those involving increasing returns. For example, Irwin is skeptical about the relevance of external economies, and makes it sound as if Marshall was vague in describing them. But Marshall offered clear and compelling examples of external economies at work, not in international trade, but in the formation of industrial districts within countries. Nobody who studies interregional as opposed to international trade would share Irwin’s diffidence about the crucial role of such external economies in generating specialization and trade. In this context it is surprising that the author does not mention the work of Michael Porter, whose insistence on the self-reinforcing processes of regional advantage has had a major impact on real-world policy makers. I would also argue that the debate over Graham’s argument for protection has been much more satisfactorily resolved than Irwin suggests; Ethier’s 1982 paper was a major step forward, although not the last word.

The book also suffers slightly from its single-minded focus on the normative theory of trade, ignoring any possible connection to developments in the positive theory. How could anyone write a chapter about modern developments in international trade theory without a single reference to Elhanan Helpman?

But these are minor criticisms of a work that is not only interesting and inspiring but of great practical use. Why? Because when it comes to debates over free trade, ontogeny recapitulates phylogeny. Read the latest manifesto rejecting the dogma of free trade from the Economic Whatever Institute, or the just-published courageous 500-page attack on the myths of globalization by the political intellectual du jour, and you will see, over and over again, arguments that you recognize from Irwin’s pages. The idea of free trade has been there and done that, and still it survives, because it is a far deeper idea than even most of its supporters will ever understand.

Paul Krugman
Massachusetts Institute of Technology


This new life of Adam Smith extends beyond narrative history. It also has the objective of using Smith’s life story in the broadest sense—including reactions by contemporary readers—to achieve a better understanding of Smith’s texts: “examination of both the writing and reading of texts is necessary to clarify and particularize their range of meanings” (p. xvii). To these ends the author absorbs the materials in Dugald Stewart’s memoir of 1793, John Rae’s Life of 1895, and W. R. Scott’s study of 1937; draws extensively on the correspondence edited by himself and Ernest Campbell Mossner and on some newly discovered letters; consults a remarkable range of archival materials, memoirs, newspapers, periodicals, and secondary literature; and makes extensive use of Mizuta’s forthcoming catalogue of Smith’s library. My concern is the weight of excess baggage carried through the narrative. Do we need to know, for example, that “Smith’s physician, Dr. Cullen, occupied the upper floors over the old Scottish Mint in the Cowgate which ran parallel to the High Street on the South Side” (p. 308)? This sort of detail (and there is much of it) does not come free, but tends to crowd out the more substantive information contributing potentially toward both the narrative and the interpretive tasks. And indeed Smith does not even now, so it seems to me,