

The True Story of the Ambiguous Idea of Capital: Including the Secret Pact between Turgot and Smith from Which 'The Wealth of Nations' Was Born, the Work That Led Economic Theory into a Dead End

Mario Fabbri

La fabbrica delle illusioni

Softcover \$20.00 (184pp)

979-1-280-43905-5

Thorough and contextual, The True Story of the Ambiguous Idea of Capital reevaluates Adam Smith's contributions to the field of economics with verve.

Philosophical and exploratory, Mario Fabbri's *The True Story of the Ambiguous Idea of Capital* begins with an extensive history of its topic, starting in the medieval period.

Analyzing the term *capital* from its historical roots, the book argues that the term was warped during the Enlightenment by intellectuals who misused it to explain the growth of a country's entire economy. To correct course, it describes the economic theory of capital and its effects on world history alongside fascinating portraits of the people involved, including "physiocrat" François Quesnay and Adam Smith, the latter of whom is characterized as shy and fearful of radicalism. Smith's contemporaries—in particular, those who had the greatest influence on him—are also discussed, including a "secret pact" between Smith and French theorist Anne Robert Jacques Turgot that is said to have been vital to *The Wealth of Nations*, though it is not acknowledged by contemporary economists and historians. Such stories and theories help to ground the book in personal and historical context.

The heart of the book, though, is its reevaluation of the *The Wealth of Nations*, which is often considered to be the formative text of modern economics. The book highlights ways in which capital and production are misunderstood, arguing that the *The Wealth of Nations* does not take adequate stock of monetary policies. Confusion about the notion of capital as value and the notion of capital as items led to unresolved ambiguity, Fabbri says, to the extent that when discussions of capital scale up from individuals to nations, they led to incoherence.

The book is persuasive, in great part because of the wealth of historical material that it references. It is credible as it critiques other popular works on the subject, highlighting primary resources that supply forgotten perspectives and providing illumination into how ideas about capital were derived from the experiences of classical economists. According to Fabbri, the neglect of this important context by contemporary theorists results in continued misunderstandings about the suitability of aged economic theories within the modern world. At the same time, the text presumes a degree of preexisting familiarity with its topics; lay readers may find it harder to follow at times. Indeed, many of the economic theories, texts, and thinkers that it references are presented with minimal context. Further, some points repeat throughout the book without need.

Delving into the history of particular economic theories, *The True Story of the Ambiguous Idea of Capital* reevaluates Adam Smith's contributions to the field with verve.

MATT BENZING (June 13, 2023)

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