century debate on commerce and civilization—and seen that way, says Tribe, they appear "remote from the 'economic individualism' so often attributed to him."

In *The Theory of Moral Sentiments* (1759), Smith employed his famous "invisible hand" metaphor, writing: "The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity . . . they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life which would have been made, had the earth been divided into equal portions among all its inhabitants." Economists have usually interpreted this to refer to the way in which markets and the price mechanism produce the best possible distribution of goods, but Brown—who views Smith's works in the light of Stoicism and 18th-century rhetoric—gives it a different reading: that Smith is endorsing a traditional Stoic idea that the distribution of material goods has nothing to do with the distribution of happiness. Even if she is right, Tribe notes, that does not invalidate the common understanding of Smith's "invisible hand" view of markets.

Smith's argument, however, has often been linked with the "Private Vices, Publick Benefits" paradox originated some 50 years before by the philosopher Bernard Mandeville, who believed that utterly unrestrained self-interest produced social gains. Smith, though, held a different view, Tribe says. "The Smithian conception of self-interest is not an injunction to act egoistically and without moral scruple, safe in the knowledge that by doing so the public good would somehow or other result: it is embedded within a framework of social reciprocity that allows for the formation of moral judgment." Indeed, Tribe says, Smith's invisible hand metaphor was "an allusion to the manner in which self-interest and sociability combine to render commercial society virtuous *and* prosperous."

Some revisionists, such as Spencer J. Pack and Patricia Werhane, have gone too far, trying to turn Smith completely upside down, Tribe says. Pack, in *Capitalism as a Moral System: Adam Smith's Critique of the Free Market Economy* (1991), offers "what Smith would write if he were alive today, not what he did write in the 18th century," while Werhane's efforts, in *Adam Smith and His Legacy for Modern Capitalism* (1991), "founder on the lack of evidence for her case."

"Smith certainly recognized that, while commercial societies were powerful civilizing forces, not all aspects of their development were positive," Tribe observes. But that hardly makes him a 20th-century critic of modern capitalism.

The Good Luck Economy

"Is Inflation Dead?" by Roger E. Brinner, in *The New England Economic Review* (Jan.–Feb. 1999), Research Dept., Federal Reserve Bank of Boston, P.O. Box 2076, Boston, Mass. 02106–2076.

The American economy has lately seemed to defy the economists' gloomy wisdom that a falling rate of unemployment eventually leads to a rising rate of inflation. Employers, the theory says, start competing for scarce labor by offering higher wages. The last few years have brought both very low unemployment (under five percent) and declining or steady price inflation. Is this because workers, more insecure perhaps because of the well-publicized layoffs of the early 1990s, have become reluctant to demand higher wages? No, argues Brinner, chief economist of the Parthenon Group, a Boston-based consulting firm. The happy situation today is due simply to good luck.

"Inflation is not dead," he asserts. Workers' *real* wages have been rising faster "in response to low unemployment, just as in past decades." While nominal wage inflation remained relatively stable in 1997 and '98 at around three to four percent, real wage inflation began rising in late 1996.

If that is so, why haven't prices been following suit, as employers seek to cover the higher costs that rising wages represent to them? The answer, Brinner says, is that price inflation has been held down by some fortunate "supply shocks." These include:

• Falling oil prices. "After rising sharply in

1990, oil prices declined in the early 1990s. They jumped up in 1996 but retreated in 1997 and plummeted in 1998."

• "Lower costs for imported goods because of a strong U.S. dollar. Besides their direct effect, lower import prices also cut component costs and increase competitive pressure on domestic producers."

• A rising stock market has cut pension costs for employers providing defined benefit pension plans.

• Inflation in health care costs has been reduced because of changes in the industry resulting from increased competition and pressures from employers and government.

"Prices reflect total labor costs, not just wages," Brinner notes. "Therefore, any surprise reduction in the cost of fringe benefits relative to base wages would also trim price inflation."

Usually, "unemployment is the dominant influence on inflation," Brinner observes. In the late 1980s, however, a surge in inflation took place that, while frequently blamed on the drop in the unemployment rate to 5.3 percent, "was actually due to a confluence of adverse inflation shocks" from other sources, including rising prices for oil and other imported goods.

"Conversely," Brinner says, "the moderate inflation of recent years is due to a confluence of beneficial shocks from all factors other than unemployment." Were it not for the declining prices of imported goods and energy, and the slower growth in the cost of fringe benefits, the tight labor markets in 1997 and 1998, he says, would have added perhaps a full percentage point to the wholesale price index. In short, he concludes, the good fortune of recent years "[does] not herald a new economy, forever destined to enjoy high growth and low inflation."

SOCIETY

The New Mating Game

"How We Mate" by Barbara Dafoe Whitehead, in *City Journal* (Summer 1999), Manhattan Inst., 52 Vanderbilt Ave., New York, N.Y. 10017.

Laments about the decline of marriage and the traditional family have almost become a tradition themselves in recent years, but Whitehead, author of the influential 1993 *Atlantic Monthly* article, "Dan Quayle Was Right," holds out little hope that the decline will be reversed. "A fundamental and probably permanent change in the way we mate" has taken place, she contends.

"Though the majority of Americans will marry at least once," Whitehead reports, "the marriage rate among unmarried adults has nevertheless declined by a third between 1960 and 1995." Cohabitation is now the rule rather than the exception. Two-thirds of the young adults born between 1963 and 1974, according to Whitehead, "began their partnered lives through cohabitation rather than marriage," compared with only 16 percent of men and seven percent of women born between the mid-1930s and early 1940s. Seemingly vanished are many of the rituals of romantic courtship. "By the time they leave their teens," says Whitehead, "many single young women have experienced at least one round of [sexual] hookup-breakup, and they carry its emotional baggage" into their twenties, as each new relationship "starts out at a lower level of trust and commitment than the one before."

While "living together" was pioneered by privileged college students during the 1960s and '70s, today it is more common among 25- to 39-year-olds who lack a college degree. By the 1980s, 45 percent of female high school graduates were opting for cohabitation as a first union, compared with 24 percent of female college grads.

Among African Americans, cohabitating unions often begin earlier and are much less likely to lead to marriage than such unions among whites. Those black couples who do marry—as portrayed in such popular movies as *Waiting to Exhale* (1995)—have very high rates of divorce, and, says Whitehead, "those who stick it out have strikingly high rates of marital dissatisfaction."