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The Invisible Hand of God in Adam Smith¹

Andy Denis

Abstract

Adam Smith is revered as the father of modern economics. Analysis of his writings, however, reveals a profoundly medieval outlook. Smith is preoccupied with the need to preserve order in society. His scientific methodology emphasises reconciliation with the world we live in rather than investigation of it. He invokes a version of natural law in which the universe is a harmonious machine administered by a providential deity. Nobody is uncared for and, in real happiness, we are all substantially equal. No action is without its appropriate reward – in this life or the next. The social desirability of individual self-seeking activity is ensured by the “invisible hand,” that is, the hand of a god who has moulded us so to behave, that the quantity of happiness in the world is always maximised.

1. Introduction

Karl Marx classed political economists into a “classical” or scientific group, on the one hand, with Adam Smith and Ricardo representing the pinnacle of this group, and a “vulgar” or apologetic group, on the other, comprising, roughly, all the mainstream economists after Ricardo (Marx, 1972, p. 501). I want to argue here, however, that there is a very significant apologetic aspect to Smith, and that this apologetic aspect is intimately

¹ This paper is based on Chapter 4 of my PhD thesis (Denis, 2001). Material derived from the chapter has appeared as Denis (1999), and I am grateful to the publishers, SAGE Publications, London, for permission to republish material contained therein.

concerned with Smith's conception of the articulation between micro and macro levels, between individual actions and social consequences.

The purpose of this paper is to examine Adam Smith's view that the hand of God would invisibly, "by that eternal art which educes good from ill" (*TMS* I.ii.3.4), ensure that uncoordinated individual actions would always lead to desirable social consequences, "the greatest possible quantity of happiness" (*TMS* VI.ii.3.1), and to show how this is related to his philosophy as a whole. The starting point of the paper is that the "invisible hand" concept in Smith is an unambiguously theological category. It is by no means a matter of making a case for a new and radical reading of Smith: the theological interpretation is the first and most obvious meaning to strike the reader of what Smith actually wrote. It is the non-theological interpretation, the interpretation which says that, in spite of what Smith wrote, he actually meant something different, which requires demonstration. There is a huge literature on the interpretation of the invisible hand in Adam Smith, to review which would require another and much longer article, which would not change the verdict reached here. It is of course easy to point to specific passages in Smith and throw up one's hands at the ease with which he satisfies himself that we are living in the best of all possible worlds – and just as easy to dismiss such passages as *obiter dicta* unrelated to his basic theme. Here, for example, is a famous passage, the second, in fact, of the three occasions on which Smith makes explicit use of the notion of an "invisible hand":

The rich ... are led by an invisible hand to make nearly the same distribution of the necessities of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species. When providence divided the earth among a few lordly masters, it

neither forgot nor abandoned those who seemed to have been left out in the partition. These last too enjoy their share of all that it produces. In what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them. In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for (TMS IV.1.10).

So the poor should be content with their lot – they are just as well off as the rich in the things that really matter. Perhaps the typical reaction on reading this is to dismiss it as a vulgar aside, a mere personal prejudice, having no bearing on Smith's scientific researches. This, however, would be profoundly mistaken. The thesis of this paper is that Smith's whole system of thought can be best understood, not as a scientific project aiming at discovery of the world, but as a rhetorical one aiming at reconciliation with it – indeed, he plainly says as much – and the notion of the 'invisible hand' lies at the heart of this rhetorical project.

The next section, on *The History of Astronomy*, argues that in his major methodological work, Smith presents a view of science as an activity aimed, in the first instance, at reconciling us with the world, rather than at theoretically apprehending it. Section 3 presents Smith's conception of the world as a harmonious machine operated by a providential deity. This conception first arises and is presented with great clarity in *The Theory of Moral Sentiments*; and subsequently underlies the social world in *The Wealth of Nations*. Section 4 sets out Smith's notion of the "invisible hand" as an expression of the activity on our behalf of an omniscient, omnipotent and benevolent deity. The following section establishes the links between Smith and his contemporaries, showing how profoundly in tune he was with the *Zeitgeist* of the second half of the eighteenth century. The penultimate section discusses Smith's

failure to deal with some critical contradictions in his system. The conclusion notes two possible responses to Smith: that an evolutionary mechanism can replace a providential deity as a mechanism ensuring that macro optimality corresponds to micro rationality; and, alternatively, the recognition that there is no such automatic mechanism behoves us to construct one ourselves.

2. Smith's Methodological Stance

Denis (1999) argued that Smith's policy prescription was one of freedom for capital, freedom for the individual, that is, in so far as he is the bearer of property. The present paper argues that Smith adopts a providentialist rhetorical strategy to underpin that policy prescription. However, not only does Smith attempt to sustain a policy recommendation of *laissez-faire* by invoking a providential invisible hand mechanism, but he announces clearly, though in general terms beforehand, that this is what he will be doing. For Smith, scientific activity has a clear purpose and tendency, namely reconciliation to what is. The purpose of this section is to establish Smith's general programme and his conception of science as a rhetorical enterprise.

The fragment commonly known as Smith's "History of Astronomy" is more properly called, in full, *The Principles which Lead and Direct Philosophical Enquiries; Illustrated by the History of Astronomy; by the History of the Ancient Physics; and by the History of the Ancient Logics and Metaphysics*. The full title makes clear that Smith's intention is to set out his conception of scientific method. For Smith, in his discussion of successive schools of thought in these *Histories*, the purpose of a system of thought is not to disclose the truth of how the world is, but to soothe the imagination, previously agitated by wonder at the marvels of the world.

At the level of appearances, Smith says, the world throws up

phenomena which appear incoherent and therefore disagreeably inflame the imagination with a sense of wonder. The job of a science is allay wonder and to soothe the imagination by suggesting connections between things, and by tracing the unknown back to the familiar, so that the observer may regain his tranquillity:

Philosophy is the science of the connecting principles of nature. Nature ... seems to abound with events which appear solitary and incoherent ... which therefore disturb the easy movement of the imagination.... Philosophy, by representing the invisible chains which bind together all these disjointed objects, endeavours to introduce order into this chaos of jarring and discordant appearances, to allay this tumult of the imagination, and to restore it ... to [its former] tone of tranquillity and composure ... Philosophy, therefore, may be regarded as one of those arts which address themselves to the imagination (*Astronomy* II.12).

Again, “the repose and tranquillity of the imagination is the ultimate end of philosophy” (*Astronomy* IV.13); “it is the end of Philosophy, to allay that wonder, which either the unusual or seemingly disjointed appearances of nature excite” (*Astronomy* IV.33).

Smith, therefore, is not concerned with the truth or otherwise of the findings of a science – what matters is its success or otherwise in “smoothing the passage of the imagination betwixt ... seemingly disjointed objects” (*Astronomy* II.12). It is this criterion alone, he says, which we should bear in mind when considering the sequence of schools of thought in a science such as astronomy:

Let us examine, therefore, all the different systems of nature, which ... have successively been adopted by the learned and ingenious; and, without regarding their absurdity or probability, their agreement or inconsistency with truth and

reality, let us consider them only in that particular point of view which belongs to our subject; and content ourselves with inquiring how far each of them was fitted to sooth the imagination, and to render the theatre of nature a more coherent... spectacle (*Astronomy* II.12).

It is striking that Smith concludes his discussion of Newton's system of astronomy by confessing that it is so compelling that he had, despite himself, been seduced into speaking of the latter's system as if it embodied real knowledge of the world:

even we, while we have been endeavouring to represent all philosophical systems as mere inventions of the imagination, to connect together the otherwise disjointed and discordant phenomena of nature, have insensibly been drawn in, to make use of language expressing the connecting principles of [Newton's philosophical system], as if they were the real chains which Nature makes use of to bind together her several operations (*Astronomy* IV.76).

And this is a measure of the success of Newton's system. The implication is, as Raphael and Skinner (1980, pp. 19–21) point out, that it would be mistaken, or at best off the point, to regard Newton's connecting principles as "the real chains" of Nature. "It may well be said of the Cartesian philosophy," Smith says, "that in the simplicity, precision and perspicuity of its principles and conclusions, it had the same superiority over the Peripatetic system, which the Newtonian philosophy has over it" (*EPS*, p. 244).

We need not be surprised... that the Cartesian philosophy... though it does not perhaps contain a word of truth... should nevertheless have been so universally received by all the learned in Europe at that time. The great superiority of [Descartes'] method... made them greedily receive a work which we justly esteem one of the most entertaining romances that have ever been wrote (cited in *EPS*, p. 244

editorial Note 3).

Although completely untrue, a romance, the principles and conclusions of Descartes' narrative are to be regarded as constituting an improvement over previous approaches equal to Newton's, because it provides simple, precise and perspicuous ... entertainment. Descartes' vortices successfully soothe our imagination, and reconcile us to our world, even though "these pretended causes of those wonderful effects, not only do not actually exist, but are utterly impossible, and if they did exist, could produce no such effects as are ascribed to them" (*TMS* VII.ii.4.14).

For Smith, science starts off, as indeed all science must, with the level of appearances: but then, instead of penetrating those appearances to reality, the truth, to the essence of the thing, science *remains* at the level of appearances, merely contrasting one set of appearances with another. In place of a congeries of apparently incoherent, isolated phenomena, Smithian science gives us a coherent and interconnected vision of the world. But, for Smith, that vision is no more real, no less apparent than either the raw appearances or the connecting principles proposed by rival explanations. The criterion for choosing between these appearances is not their greater or lesser degree of truth, but a purely *aesthetic* consideration: which is the more pleasing? Thus a scientific explanation of a phenomenon is to be preferred to none, and a later system is preferred to an earlier one, because and to the extent to which they are able to provoke greater admiration (*Astronomy* II.12). For example: though much to be preferred to the earlier systems, there is no suggestion that the Newtonian system is more *profound*, indeed, it may well be replaced when an even more pleasing system is proposed. "Philosophy" is to be traced, he says, "from its origin, up to that summit of perfection to which it is at present supposed to have arrived [with Newton], and to which, indeed, it has equally been supposed to have arrived in almost all former times" (*Astronomy* II.12). In every period, Smith says, science

is believed to have reached “the summit of perfection,” since the science of that period is just the scientific explanation the period finds most pleasing. Whether there is any *progress* in this is left entirely moot.

So is there an objective truth standing behind these appearances, these entertaining romances? For Smith, there is indeed objective truth, but human, finite minds cannot grasp, or even approach it: only the infinite mind of God can grasp all the ultimate “connexions and dependencies of things.” Smith adopts the Thomist view of an unbridgeable gulf between the finite and the infinite, between the human and the divine. This contrast forms the basis for the very restricted role of reason and philosophy (the sphere of finitude), relative to that of sentiment and religion (the sphere of infinity), in Smith’s system.

This section has set out the main lines of Smith’s methodological stance and suggested links between his methodology and his underlying intellectual goals. Smith’s writings on methodology set out a research programme which Smith then followed in his psychological (*TMS*) and economic (*WN*) investigations. He says in advance that the task of science is to allay the discomfort we experience from observing the world. In *TMS* and *WN* he sets out his entertaining romance designed to underpin his political stance.

3. Smith’s *Weltanschauung*

This section sets out the elements of the “entertaining romance” that Smith tells to reconcile us to our world. The universe in this story is a machine administered by a deity, with the sole purpose of maximising happiness. All parts of that machine, including individual people, play their allotted roles. We do what we do because it is what we are led to do by the feelings implanted in our nature by the deity. Even human folly and weakness are part of

God's plan. Everyone has nearly the same level of happiness and we should therefore be content with our lot. The failure to realise this, mistaking wealth for happiness, leads people to be industrious: the economy depends on their being so deceived. Appearances, too, are part of the divine plan. People mistake wealth and good fortune for wisdom and virtue. This allows them to be reconciled to class distinctions and oppressive rulers. We like morality and dislike immorality only because we only see their proximate effects on human welfare. This weakness, too, is desirable as morality, particularly justice, is a prerequisite for society. This underpins an interpretation of the "invisible hand" which is set out in the next section.

For Smith the universe is a machine supervised by an omnipotent, omniscient and beneficent, deity. The sole aim of the machine is the maximisation of happiness: "That divine Being[s] ... benevolence and wisdom have, from all eternity, contrived and conducted the immense machine of the universe, so as at all times to produce the greatest possible quantity of happiness" (*TMS* VI.ii.3.5. See also *TMS* VI.ii.3.1). So the world is perfect: we *do* live in the "best of all possible worlds" – Smith is a true Panglossian. Since the world is really perfect, our apparent troubles stem from our finite, partial view of the world, our failure to see "all the connexions and dependencies of things":

[Since the] benevolent and all-wise Being can admit into the system of his government, no partial evil which is not necessary for the universal good, [the wise and virtuous man] must consider all the misfortunes which may befall himself, his friends, his society, or his country, as necessary for the prosperity of the universe, and therefore as what he ought, not only to submit to with resignation, but as what he himself, if he had known all the connexions and dependencies of things, ought sincerely and devoutly to have wished for (*TMS* VI.ii.3.3).

For Smith, therefore, what is good is good, and what is bad is good as well: everything is for the best, so – whatever happens – rejoice, and accept. Though similar ideas can be found in the earlier editions, the passages above are taken from Part VI, a new section written by Smith, in the last year of his life, for the 1790 edition. Hence it cannot be the case that they represent a juvenile stage in Smith's thought long passed by the time he came to write *WN*.

When Smith argues that what appears bad is actually good, but we don't see it because we are only finite minds, "good" refers only to "the good of the whole" (*TMS* VI.ii.3.4) and says nothing about the good of the individual. For the system to seem attractive, Smith must show that, not only the total quantity of happiness is maximised, but its allocation to individuals is in some sense "fair." Recognising this, Smith says explicitly that all our virtue and vice will be appropriately rewarded, if not here, then hereafter.

Firstly, if we look at the lives of individuals as a whole and in the long run, then we can in general expect everyone will get their just deserts.

notwithstanding the disorder in which all things appear to be in this world, yet even here [i.e., in this world rather than the next one] every virtue naturally meets with its proper reward, with the recompense which is most fit to encourage and promote it; and this too so surely, that it requires a very extraordinary concurrence of circumstances entirely to disappoint it (*TMS* III.5.8).

And if such an "extraordinary concurrence of circumstances" should occur, as to frustrate the "natural" process of rewarding every virtue in this life, then we may hope for a settling of accounts in the next one: "Our happiness in this life is . . . upon many occasions, dependent on the humble hope and expectation of a life to come: a hope and expectation deeply rooted in human nature . . . a world to come, where exact justice will be done to every man"

(*TMS* III.2.33; see also *TMS* II.ii.3.12).

Smith combines the idea of justice in the hereafter with that of the limits to reason and the scope for religion and sentiment. To those such as the wrongly condemned man, Smith says,

humble philosophy which confines its views to this life, can afford, perhaps, but little consolation. ... Religion can alone afford them any effectual comfort. She alone can tell them, that it is of little importance what man may think of their conduct, while the all-seeing Judge of the world approves of it. She alone can present to them the view of another world ... where their innocence is in due time to be declared, and their virtue to be finally rewarded (*TMS* III.2.12).

So reason is incompetent to tell us about the really important things, such as the afterlife and our “final reward.” Instead we must trust religion. Smith’s rhetoric weaves together elements of reason and belief, philosophy and religion, to present a seductive world-view within which he can then embed his policy proposals.

The world is a machine for the production of happiness. But this includes not just nature but also human nature. In Smith’s view the deity chooses the mental composition of individual persons, and hence leads them to desirable behaviours: “[God’s] wisdom ... contrived the system of human affections, as well as that of every other part of nature” (*TMS* VI.ii.2.4). Smith’s argument here further illustrates his Panglossian view, firstly, that everything is predetermined by the deity, predestined to turn out for the best, and, secondly, that if we are misled by appearances, then this deception, too, is part of the plan and hence a Good Thing. A major instance of the former concerns the predisposition to benevolence and the very much stronger one, not just to obey, but to enforce, the “sacred laws of justice” (*TMS* II.ii.2.3), which God has placed in our personal make-up, what Smith calls “this

constitution of Nature" (*TMS* II.ii.3 title). Man, he says, "who can only subsist in society, was fitted by nature to that situation for which he was made" (*TMS* II.ii.3.1). While it would be nice if everyone could cooperate from sheer love of one's fellows, we can still live without society-wide benevolence; but not without justice: "Society may subsist, among different men, as among different merchants, from a sense of its utility, without any mutual love or affection ... but the prevalence of injustice must utterly destroy it" (*TMS* II.ii.3.2–3).

Nature has therefore endowed men with consciences in order that they may behave justly:

Though Nature, therefore, exhorts mankind to acts of beneficence, by the pleasing consciousness of deserved reward, she has not thought it necessary to guard and enforce the practice of it by the terrors of merited punishment in case it should be neglected. It is the ornament which embellishes, not the foundation which supports the building, and which it was, therefore, sufficient to recommend, but by no means necessary to impose. Justice, on the contrary, is the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society, that fabric which to raise and support seems in this world ... to have been the peculiar and darling care of Nature, must in a moment crumble into atoms. In order to enforce the observation of justice, therefore, Nature has implanted in the human breast that consciousness of ill-desert, those terrors of merited punishment which attend upon its violation, as the great safe-guards of the association of mankind, to protect the weak, to curb the violent, and to chastise the guilty (*TMS* II.ii.3.4).

It is clear that Smith is saying here that Nature, in order to preserve society, has placed in our personalities a desire for justice, even if it is unclear whether this is based on a love of justice for its own sake, or a fear of retribution. A sense of justice is an endowment of nature, but nature seen as an active force in the world, conscious and intentional.

Despite Smith's claim that justice is fundamental for society, *order* is in reality of more basic importance to him. If there is any tension between the two, it is order which comes first. Speaking of the tendency for members of the different "orders and societies" in the state to resist any diminution in their "powers, privileges and immunities," he argues that:

This partiality, though it may sometimes be unjust, may not, upon that account be useless. It checks the spirit of innovation. It tends to preserve whatever is the established balance among the different orders and societies into which the state is divided; and while it sometimes appears to obstruct some alterations in government which may be fashionable and popular at the time, it contributes in reality to the stability and permanency of the whole system (*TMS* VI.ii.2.10).

The assumption is that what is, is likely to be best, and should in general be preserved, even at the expense of justice. Having said that, however, we should note that, for Smith, just as there can be no profound antagonism between investigation and reconciliation, there cannot be any serious conflict between order and justice. Indeed, as we saw above, everyone always gets their just deserts in the end, either later in this life or, should that fail, in the next one. It is precisely this concept of an automatic mechanism rationally allocating welfare to individual persons that allows Smith to defend

principles, such as the partiality of the orders of society in defence of their own interests, and the contempt “unjustly” bestowed upon poverty and weakness instead of on vice and folly (*TMS* II.ii.3.4), when they conflict with the claims of justice.

So when Smith speaks of justice he is actually thinking of social order – but when he talks of order he is thinking of property. This is nowhere clear than in his discussion about theft by the poor from the rich:

The poor man must neither defraud nor steal from the rich, though the acquisition might be much more beneficial to the one than the loss could be hurtful to the other... by [doing so] he renders himself the proper object of the contempt and indignation of mankind; as well as of the punishment which that contempt and indignation must naturally dispose them to inflict, for having thus violated one of those sacred rules, upon the tolerable observation of which depend the whole security and peace of human society. There is no commonly honest man who does not more dread the inward disgrace of such an action, the indelible stain which it would for ever stamp upon his own mind, than the greatest external calamity which, without any fault of his own, could possibly befall him; and who does not inwardly feel [that such an action] is more contrary to nature, than death, than poverty, than pain, than all the misfortunes which can affect him (*TMS* III.3.6).

Thus theft by the poor from the rich even when, as he concedes, it would augment social welfare calls down more Smithian abuse upon their heads than any other crime. In one passage a murderer or parricide, by contrast, is dismissed as merely “ungrateful” (*TMS* II.ii.3.11), while in another, murder, though stigmatised as “this most dreadful of all crimes” (*TMS* II.i.2.5), is dealt with matter-of-factly

without any of the excitement shown in his discussion of theft from the rich. Again, it is well known that Smith regarded the state as an institution guarding the rich from the poor:

Till there be property there can be no government, the very end of which is to secure wealth, and to defend the rich from the poor (Smith *Lectures on Jurisprudence*, cited in *WN* V.i.b.12 n21). Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all (*WN* V.i.b.12).

This fact, however, has been subjected to the almost comical misinterpretation that somehow this represented a *complaint*, a plea on behalf of the underdog. Viner (1958, p. 233), for example, cites these passages as evidence for Smith's desire to limit government activity, and Raphael (1985, p. 8) says that the *WN* passage strikes a "radical note." Nothing could be further from the truth. The context of these passages shows unambiguously that Smith was simply, and, in his view, uncontroversially, setting out how things were and how they should be:

The affluence of the rich excites the indignation of the poor, who are ... prompted by envy to invade his possessions ... which [are] acquired by the labour of many years, or perhaps of many successive generations ... He is at all times surrounded by unknown enemies, whom, though he never provoked, he can never appease, and from whose injustice he can be protected only by the powerful arm of the civil magistrate continually held up to chastise [the injustice of those enemies]. The acquisition of valuable and extensive property, therefore, necessarily requires the establishment of civil government (*WN*: V.i.b.2).

What these passages reveal is that at the heart of Smith's system is the privacy of property. He is concerned above all to preserve private property – whether from the disorganised action of the

poor, or the organised intervention of the state. In all these cases, our social behaviour is sustained by features of our personalities inculcated by a by the deity, by “Nature.”

Our strengths are thus implanted in us by divine providence. Not only our strengths but our weaknesses, too, however, are endowed by nature. A particularly striking example concerns the tendency of a fickle public to admire people merely for being lucky:

Fortune has ... great influence over the moral sentiments of mankind, and, according as she is either favourable or adverse, can render the same character the object, either of general love and admiration, or of universal hatred and contempt. This great disorder in our moral sentiments is by no means, however, without its utility; and we may on this as well as on many other occasions, admire the wisdom of God even in the weakness and folly of man. Our admiration of success is founded upon the same principle with our respect for wealth and greatness, and is equally necessary for establishing the distinction of ranks and the order of society. By this admiration of success we are taught to submit more easily to those superiors, whom the course of human affairs may assign to us; to regard with reverence, and sometimes even with a sort of respectful affection, that fortunate violence which we are no longer capable of resisting; not only the violence of such splendid characters as those of a Caesar or an Alexander, but often that of the most brutal and savage barbarians, of an Attila, a Gengis, or a Tamerlane (*TMS* VI.iii.30).

This is a remarkable passage. Admiration for the merely lucky is, admittedly, a “great disorder” in our morals. But even our folly reflects God’s wisdom, and this particular folly, like everything else, has been given us by God for a reason. The good thing about this weakness is that it reconciles us with our rulers, even those who

only achieved this status by means of “fortunate violence,” inspiring us even to a kind of affection for brutal tyrants such as Tamerlane, who reputedly made mountains of his enemies’ skulls.

As Smith reminds us, this view of the role of fortune in moral sentiments parallels that of public admiration of the great in preference to the good:

This disposition to admire, and almost to worship, the rich and the powerful, and to despise, or, at least, to neglect persons of poor and mean condition ... is ... the great and most universal cause of the corruption of our moral sentiments. That wealth and greatness are often regarded with the respect and admiration which are due only to wisdom and virtue; and that the contempt, of which vice and folly are the only proper objects, is often most unjustly bestowed upon poverty and weakness, has been the complaint of moralists in all ages (*TMS* I.iii.3.1).

And the moralists were wrong – in Smith’s view – since, as we have seen, even injustice can be part of a higher Good. Even this “universal cause of moral corruption,” however, is god-given and has its purpose: it is “necessary both to establish and maintain the distinction of ranks and the order of society” (*TMS* I.iii.3.1):

The distinction of ranks, the peace and order of society, are, in a great measure, founded upon the respect which we naturally conceive for [the greatly fortunate ... the rich and powerful]. ... The peace and order of society is of more importance than even the relief of the miserable. ... Moralists ... warn us against the fascination of greatness. This fascination, indeed, is so powerful, that the rich and the great are too often preferred to the wise and the virtuous. Nature has wisely judged that the distinction of ranks, the

peace and order of society would rest more securely upon the plain and palpable difference of birth and fortune, than upon the invisible and often uncertain difference of wisdom and virtue. The undistinguishing eyes of the great mob of mankind can well enough perceive the former: it is with difficulty that the nice discernment of the wise and the virtuous can sometimes distinguish the latter. In the order of all those recommendations, the benevolent wisdom of nature is equally evident (*TMS* VI.ii.1.20).

So even this particular weakness, which Smith has earlier damned in the most severe terms, is evidence of the “benevolent wisdom of nature,” and it is so because there has to be a ruling stratum, and Nature has judged it best to have an obvious one to which the masses can easily be led to give their loyalty.

This leads us to a very important point concerning the admiration of wealth, and the “deception of nature” which, again, illustrates Smith’s view that deceptive appearances can still be desirable. For Smith, the outward appearance of great disparity in wealth between the rich and the poor conceals a very large measure of real equality in welfare. In *TMS*, he says of the poor that:

These last too enjoy their share of all that it produces. In what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them. In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for (*TMS* IV.1.10).

So the poor should be content with their lot – they are just as well off as the rich in the things that really matter. The sources of real happiness were divided by divine providence – or by the rich who are, in turn, led by divine providence – so that we all get an equal

share. This theme is repeated throughout Smith's works, often combined with the notion that great happiness and grief are occasioned not by a state or condition but by a change in condition. Smith draws the conclusion that much of the evil in life can be attributed to failure to understand that all permanent conditions are alike, and that it is only changes which matter:

The great source of both the misery and disorders of human life, seems to arise from over-rating the difference between one permanent situation and another. Avarice over-rates the difference between poverty and riches.... The person under the influence of [avarice], is not only miserable in his actual situation, but is often disposed to disturb the peace of society, in order to arrive at that which he so foolishly admires ... [although] in all the ordinary situations of human life, a well-disposed mind may be equally ... contented.... In all the most glittering and exalted situation that our idle fancy can hold out to us, the pleasures from which we derive our happiness, are almost the same with those which, in our actual, though humble station, we have at all times at hand, and in our power (*TMS* III.3.31).

But in even *this* cloud there is a silver lining! To be deceived by appearances is often desirable:

The poor man's son, whom heaven in its anger has visited with ambition ... admires the condition of the rich. ... He is enchanted with the distant idea of this felicity ... and, in order to arrive at it, he devotes himself for ever to the pursuit of wealth and greatness. ... Through the whole of his life he pursues the idea of a certain artificial and elegant repose which he may never arrive at, for which he sacrifices a real tranquillity, that is at all times in his power, and which, if in the extremity of old age he should at last attain to it, he will find to be in no respect preferable to that humble security and contentment which he had abandoned for it. It

is then ... that he begins at last to find that wealth and greatness are mere trinkets of frivolous utility. ... And it is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in motion the industry of mankind (*TMS* IV.1.8–10).

This “deception by nature” (Raphael & Macfie, 1976, p. 8), which leads people to fulfil what they think are their own purposes, only to find they were fulfilling the purposes of a superior force or interest, is the counterpart in Smith of the “cunning of reason” in Hegel,¹ and the “divine tactic” of history in Burke (Sabine, 1951, p. 519), both whom are known to have read and admired Smith.²

The deception of nature is not ancillary but fundamental to Smith’s principal doctrine. This becomes clear in the first few pages of *TMS* (I.i.1.1–13), where we find that, according to Smith, the whole structure of moral sentiments is built on illusion. The basis for morality is *sympathy*, that is, our ability to a limited extent to enter into the emotions of other people. But this participation in the pains and pleasures of others is achieved solely by an act of the imagination, divorced from the material causes of those pains and pleasures in the person we sympathise with. This sympathy even extends to fictional characters and the dead people, that is, who are themselves incapable of feeling pain and pleasure. This shows sympathy to be a “very illusion of the imagination” (*TMS* I.i.1.13), the imagination of “what perhaps is impossible” (*TMS* I.i.1.11). We place ourselves, in the imagination, in the position of the other person, without in fact being in that position, and often without it being possible that we ever could be in such a position. We cannot help it: it is a god-given compulsion from which even the most hardened criminal is not exempt (*TMS* I.i.1.1).

Smith’s God treats individual humans in an extremely cavalier manner, subjecting them to all sorts of illusions and deceptions, and other weaknesses and indignities, and in general treating them

like puppets, often with quite deleterious consequences to the individual in question, supposedly in the interest of maximising human welfare. A classic case of this occurs at the end of the first chapter of *TMS*, where he applauds even the fear of death as bad at the individual but good at the social level: “one of the most important principles in human nature [is] the dread of death, the great poison to the happiness, but the great restraint upon the injustice of mankind, which, while it afflicts and mortifies the individual, guards and protects the society” (*TMS* I.i.1.13).

In connection with this we should perhaps recall the value which Smith really placed on the individual in the context of the overall system of which he is part. Before his God, says Smith, man appears as a “vile insect” (*TMS* II.ii.3.12).³ Again, in *The History of the Ancient Physics* he describes “a God of all ... who governs the whole by general laws, directed to the conservation and prosperity of the whole, without regard to [the conservation and prosperity] of any private individual” (*Astronomy: Physics*9).

So Smith’s God teaches us that it is permissible to “poison the happiness,” to “afflict and mortify the individual,” to disregard “the conservation and prosperity ... of any private individual” – in the interest of society, of “the whole”; and if we are to consider the individual a “vile insect” relative to the totality of which he is part, we will certainly be unrestrained by respect for individual lives and individual suffering in pursuit of what we take to be the interest of that totality. Smith’s love of “the ennobling hardships and hazards of war” (*TMS* III.2.35) is germane here: “War is the great school for acquiring and exercising ... magnanimity.” It teaches a “habitual contempt of danger and death” which “ennobles the profession of a soldier, and bestows upon it ... a rank and dignity superior to that of any other profession” (*TMS* VI.iii.7). Indeed, a “great warlike exploit” attracts a measure of “esteem” just because it is military, even “though undertaken contrary to every principle of justice” and by “very worthless characters” (*TMS* VI.iii.8). Passages showing

a quite militaristic outlook on society (*TMS* VI.ii.3–4), passages introduced in the 6th edition of *TMS* at the end of Smith's life, have already been cited above. When twentieth and twenty-first century individualists and "libertarians" claim intellectual descent from Smith, one wonders whether they have read him.

The message of this section is thus that, according to Smith, people do things for apparent reasons – the real reasons being often hidden from them, and it is desirable that they should do so. They act justly from a sense of justice, but the reason why a desire for justice has been given us in this way is so that society may subsist; we admire the rich, the fortunate and the powerful, instead of the wise and virtuous, because it is in our nature to do so, but those feelings have been implanted in us to reconcile us to our lot; we mistake wealth for happiness, and are led to do so, so that trade and industry may flourish; we investigate the world thinking to discover its truth, so that by means of ever more pleasing stories about the world we may be reconciled to it.

In the next section we will see how these ideas relate to Smith's notion of an "invisible hand."

4. The Invisible Hand

Smith uses the term "the invisible hand" on three occasions. On the first occasion, in *Astronomy*, he refers to "the invisible hand of Jupiter." There is a contrast between the role of the invisible hand here, on the one hand, and in *TMS* and *WN*, on the other: the action of the former is seen only in "the irregular events of nature" rather than the "ordinary course of things" (*Astronomy* III.2). In polytheism and "early heathen antiquity," Smith says,

it is the irregular events of nature only that are ascribed to the agency and power of their gods. Fire burns, and water refreshes ... by the necessity of their own nature; nor was the invisible hand of Jupiter ever apprehended to be employed in those matters. But ... irregular events were ascribed to his favour or his anger. ... Those ... intelligent beings, whom they imagined, but knew not, were naturally supposed ... not to employ themselves in supporting the ordinary course of things, which went on of its own accord, but to stop, to thwart, and to disturb it (*Astronomy* III.2).

Smith says that this was because humans acted in this way to change the course of events which would have occurred without human intervention and so primitive peoples supposed that their gods acted likewise. This, says Smith, is “the lowest and most pusillanimous superstition” (*Astronomy* III.2). Smith contrasts this view of gods, like men, as responsible for only the exceptional, with his own view of the whole world, including societies and individuals within it, as a great machine designed and managed for the best interest of all by a divine administrator:

In the first ages of the world, the seeming incoherence of the appearances of nature, so confounded mankind, that they despaired of discovering in her operations any regular system. Their ignorance, and confusion of thought, necessarily gave birth to that pusillanimous superstition, which ascribes almost every unexpected event, to the arbitrary will of some designing, though invisible beings, who produced it for some private and particular purpose. The idea of an universal mind, of a God of all, who originally formed the whole, and who governs the whole by general laws, directed to the conservation and prosperity of the whole, without regard to that of any private individual, was a

notion to which they were utterly strangers (*Astronomy: Physics* 9).

So, firstly, not only the irregular, but, and much more importantly, the most regular occurrences are the work of the deity; and, secondly, human actions, too, far from being contrary to nature, are profoundly in harmony with it. Natural events and human actions alike and without exception are part of the divine plan: “Instead of acting capriciously, [the invisible hand] becomes [the hand of] the ‘all-wise Architect and Conductor,’ the ‘author of nature,’ who governs and animates ‘the whole machine of the world’” (Macfie, 1971, p. 598).

In contrast to that in the *Astronomy*, Smith’s use of the expression in *TMS* and *WN* is in a context where Smith is presenting his own views, not criticising someone else’s. The second instance of Smith’s use of the term “invisible hand,” in *TMS*, has already been given at the beginning of this paper. In *WN* he says:

By preferring the support of domestick to that of foreign industry, [every individual]⁴ intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it (*WN* IV.ii.9).

In both cases he claims that the invisible hand will ensure that the unintended outcome of self-seeking behaviour will be socially desirable. Without it, in the *TMS* case, individuals would be subject to large differences in welfare; and in the *WN* case, the total wealth available to society would be smaller than it

actually is.

It should by now be clear that the use of the phrase “an invisible hand” is just another expression of Smith’s deist philosophy. The machine of the universe is managed by a deity determined on the maximisation of happiness, and our emotions and motives are predetermined by that deity to lead us to behave in a manner consonant with the divine plan. The administration of the plan is carried out by God – but, of course, we cannot see anything: his hands are invisible⁵. Hence the concept of the invisible hand requires no separate treatment. We have already seen how agents are “deceived by nature” to act in socially desirable ways, how the unintended consequences of our desire for justice, or riches, make society possible. The notion of an invisible hand is of a piece with this philosophy.

The fallacious view that the “invisible hand” is not to be taken literally, but was a metaphor (or even simile), for competition, is extremely widespread. Arguments that Smith’s invisible hand is “the hand of competition” are not to the point. Of course this is true: Smith’s whole argument is that God’s wisdom works itself out through spontaneous processes, such as competition, through the “simple system of natural liberty,” as well as in other ways, such as our desire for the approbation of the “impartial spectator.” But the notion of competition by no means exhausts the notion of the invisible hand, to which it is wholly subordinate.

A much earlier version of this paper followed conventional usage in referring to a *metaphor* of “the invisible hand.” I now think this mistaken. Smith was very consistent in flagging any such comparison by the use of simile instead of metaphor. In my opinion, Smith intended us to read his statements in *WN* and *TMS* of agents being “led by an invisible hand” quite literally: the invisible hand leading them is just the hand of God. Had he desired another interpretation he would have written “led *as*” or “*as if*,” or “*as though* by an

invisible hand.” It is interesting that Smith is frequently misquoted, with the words “as” or “as if” inserted into the passage in *WN* in question in an unconscious misrepresentation as simile of what Smith saw only as literal truth. I have found extraordinary resistance to the idea that he did not say that.

The central claim of this paper, therefore, is that the invisible hand concept in Smith was entirely and unambiguously theological. There is no question of setting out a case for a new and radical reinterpretation of Smith’s meaning: the theological interpretation is the first and most obvious meaning to strike the reader of what Smith actually wrote. It is the non-theological interpretation, the interpretation which says that, in spite of what Smith wrote, he actually meant something different, which requires demonstration. What is remarkable is the regularity with which those writers who wish to separate the invisible hand from the universal mind which guides it simply resort to assertion without setting out the case for the their alternative interpretation.

The other tactic frequently employed is to counterpose divine intervention with spontaneous process such as the market forces of supply and demand. But that is not the question. There is no debate over whether these supposedly socially desirable outcomes are achieved by these spontaneous forces in Smith. God, in Smith, does not intervene *directly*, unmediatedly, in human affairs. We do not know what Smith did or did not privately believe – very likely he shared his friend, David Hume’s, well known rejection of miracles. If there are miracles then any intellectual project is at an end since the world is irregular and arbitrary. Certainly the public Smith of the *Astronomy*, *TMS* and *WN* shows no evidence whatsoever of belief in such miraculous direct intervention. What he does very clearly show is a belief that human happiness is the distal, not proximal, consequence of God’s will, mediated by the totality of natural and social phenomena. The latter, including the “simple system of natural liberty,” competition, supply and demand, and so on, are

the indirect manifestations of God's will, and instruments for the working out of God's purposes. Competition is able to act as an equilibrating mechanism in Adam Smith, solely because the individual interests which it has to balance have already been pre-reconciled by a kindly Great Administrator of the system of the universe.

It is the case that the expression "an invisible hand" only appears once in *WN*, and the deistic explanation of it does not appear at all. A great deal of empirical material, however, does appear, and, while the overwhelming bulk of that material is directed towards showing the superiority of the *laissez faire* system, he does indicate exceptions to its desirability. It is easy to see how modern, nineteenth and twentieth century readers of *WN* in isolation from Smith's other works and from those of his contemporaries, should assume that this was a predominantly empirical study drawing the conclusion that in general, free competition was a good thing. It is easy to overlook the fact that the empirical material only plays the role of illustrating a preconceived order. Smith does not in fact anywhere make the inductive judgement that, as a generalisation, individual self-seeking behaviour leads automatically to socially desirable outcomes on the contrary, this is assumed beforehand and illustrated by details of many empirical circumstances where it is *asserted*, over and over again, that this has occurred, or would occur if only enterprise were free. It is only by exploring the totality of Smith's thought, not only in the *WN* but in *TMS* and *Astronomy* as well, that we can clearly see the *a priori* and deductive nature of Smith's procedure, the assumption that the spontaneous system of free enterprise will lead to desirable outcomes because, in general, agents' interests are pre-reconciled by the invisible hand of a providential deity. Whatever the stylistic and presentational differences between *TMS* and *WN*, this invocation of *faith* remains the starting point of Smith's account of the invisible hand throughout.

Adam Smith's starting point was a belief in a benign, omniscient and omnipotent deity. It is hard, perhaps, for us to see it now, but that was the standard view in Smith's time, that was the default, that was part of what Becker (see below) calls the medieval "climate of opinion" which characterised eighteenth century thought. To have argued anything else would have been both more remarkable, and more difficult. It is not that Smith *chose* a theological approach, but that he accepted one as the common coin of the time – why should he not, since it was perfectly consistent with his rhetorical strategy and it meant he was speaking the same language as his audience.

The phrase "an invisible hand" occurs throughout nineteenth century literature – in Mary Shelley (1818) *Frankenstein* Ch. XII, Thomas Hardy (1874) *Far From the Madding Crowd* Ch. 42, and in H. G. Wells (1898) *The War of the Worlds* Ch. 6, to give just three examples – in each case in utterly pedestrian contexts. Raphael (1985, p. 67) gives an instance of its use in the early eighteenth century, when a captain wrote in his log that the ship had been saved from sinking by "the invisible hand of Providence." That the idea of the guiding hand of an unseen god, ensuring the desirable social consequences of self-seeking behaviour – without the phrase of the "invisible hand" itself, however – was a commonplace of late eighteenth century social commentary is shown by Hayek by reference to Smith, Tucker, Ferguson and Edmund Burke (Hayek, 1948, p. 7). Taking the latter, writing in 1795 as an example: "The benign and wise disposer of all things ... obliges men, whether they will it or not, in pursuing their own selfish interests, to connect the general good with their own individual success" (Burke cited in Hayek, 1948, p. 7).

Smith's biographer, Dugald Stewart, emphatically shares this standpoint, consciously echoing Smith's pronouncements by referring explicitly to the invisible hand. The motivations of each individual, he writes,

act in subserviency to [nature's] designs, and ... conduct him ... to certain beneficial arrangements ... he is led by an invisible hand, and contributes his share to the execution of a plan, of the nature and advantages of which he has no conception (cited in Poovey, p. 274). A firm conviction that the general laws of the moral, as well as of the material world, are wisely and beneficently ordered for the welfare of our species, inspires the pleasing and animating persuasion, that by studying these laws, and accommodating to them our political institutions, we may ... [consider] ourselves ... as *fellow-workers with God* in forwarding the gracious purposes of his government. It represents to us the order of society as much more the result of Divine than of human wisdom (cited in Poovey, p. 277).

Let Stewart's words stand as a conclusion to this section. The next section looks in more detail at the relationship between Smith and his contemporaries.

5. Smith's Intellectual Environment⁶

5.1. *The "Heavenly City" of the 18th Century Philosophes*

All are but parts of one
stupendous whole,
Whose body nature is, and
God the soul;

...

All discord, harmony
not understood;
All partial evil,
universal good:
And, in spite of pride, in

erring reason's spite,
One truth is clear, *Whatever*
is, is right. (Alexander Pope,
cited in Becker, 1932, p.
66).⁷

Adam Smith was very much a man of his time. Smith's "modified Stoicism typical of Cicero" was "almost conventional in the Enlightenment" (Macfie, 1959, p. 210). This is a theme which is taken up at length in Carl Becker's *The Heavenly City of the Eighteenth-Century Philosophers* (Becker, 1932), in which, especially in Ch II "The Laws of Nature and of Nature's God" (Becker, 1932, pp. 33–70), he makes a powerful case that the intellectuals of this period⁸ were not in any meaningful sense "modern," but that, on the contrary, they were living in a medieval world and "demolished the Heavenly City of St Augustine only to rebuild it with more up-to-date materials" (Becker, 1932, p. 31):

We are accustomed to think of the eighteenth century as essentially modern in its temper. . . . And yet I think the *Philosophes* were nearer the Middle Ages, less emancipated from the preconceptions of medieval Christian thought, than they quite realized or we have commonly supposed. . . . [T]hey speak a familiar language. . . . But I think our appreciation is of the surface more than of the fundamentals. . . . [I]f we examine the foundations of their faith, we find that at every turn the *Philosophes* betray their debt to medieval thought without being aware of it. . . . They had put off the fear of God, but maintained a respectful attitude towards the Deity. They ridiculed the idea that the universe had been created in six days, but still believed it to be a beautifully articulated machine designed by the Supreme Being according to a rational plan as an abiding place for mankind . . . they renounced the authority of church and Bible, but

exhibited a naïve faith in the authority of nature and reason. ... [T]he underlying preconceptions of eighteenth century thought were still ... essentially the same as those of the thirteenth century (Becker, 1932, pp. 29–31).

On the overall aim of the philosophers, he cites Hume – with whom Smith shared a mutual admiration and close friendship – as an example, “Hume is representative of his century” (Becker, 1932, p. 39). Like Smith, Hume was sufficiently concerned with preservation of the social order to be willing to lay down his pen in its service. In his own words:

I am at present castrating my work ... that is, endeavouring it shall give as little offence as possible (cited in Becker, 1932, p. 38). A man has but a bad grace who delivers a theory, however true, which leads to a practice dangerous and pernicious. Why rake into those corners of nature, which spread a nuisance all around? ... Truths which are *pernicious* to society ... will yield to errors, which are salutary and *advantageous* ... (ibid).

Here, as in Smith, we find the idea that error can be “advantageous.” Following through the programme just mentioned,

in mid-career Hume abandoned philosophical speculations for other subjects, such as history and ethics, which could be treated honestly without giving ‘offense’ (Becker, 1932, pp. 38–39). These are, no doubt, the reasons why Hume locked his *Dialogues* away in his desk ... his contemporaries, could they have looked into that locked desk, would have found ... the brilliant argument that demolished the foundations of natural religion. ... Hume ... refused to publish his *Dialogues*, and never, in public at least, failed to exhibit a punctiliously correct attitude toward the Author of the Universe (Becker, 1932, p. 78).

It is well known that Adam Smith was a close friend of Hume's and admired his work enormously. He described Hume as the nearest possible to "a perfectly wise and virtuous man" (*TMS*: Appendix II, p. 383). Hume's words are in perfect agreement with Smith's project of prioritising reconciliation over investigation.

In Becker's view, the *Philosophes* faced

the ugly dilemma, emerging from the beautiful premises of the new philosophy: if nature is good, then there is no evil in the world; if there is evil in the world, then nature is so far not good. ... Will they, closing their eyes to the brute facts, maintain that there is no evil in the world? In that case there is nothing for them to set right. Or will they, keeping their eyes open, admit that there is evil in the world? (Becker, 1932, p. 69).

The philosophers were at a crossroads: reason pointed forwards, to atheism and to the project of rebuilding a haphazard, spontaneous and irrational society in the image of the order they had previously ascribed to nature; the alternative was the denial of reason and a return to medieval Christian faith. Open-eyed, they could adopt an empirical, materialist standpoint, recognising the need to take control of, and responsibility for, spontaneous human institutions; or with eyes closed they could take an *a priori* stance, imposing on the world a scheme derived from religious belief. "Well, we know what the Philosophers did in this emergency. They found ... that reason is amenable to treatment. They therefore tempered reason with sentiment .. ." (Becker, 1932, p. 69). "Sometime about 1750, men of sense became men of sentiment..." (Becker, 1932, p. 41).

None of this was written with Smith specifically to the forefront of Becker's mind – but the description fits like a glove. Smith is the epitome of this intellectual retreat of the enlightenment in the late eighteenth century, the retreat from rationalism to romanticism. In

every respect, reason is belittled and sentiment and religion brought to the fore. At best, for Smith, reason only confirms what we know anyway by means of sentiment and religion:

This reverence [for general rules] is still further enhanced by an opinion which is first impressed by nature, and afterwards confirmed by reasoning and philosophy, that those important rules of morality are the commands and laws of the Deity, who will finally reward the obedient, and punish the transgressors of their duty. ... [R]eligion ... gave a sanction to the rules of morality, long before the age of artificial reasoning and philosophy. That the terrors of religion should thus enforce the natural sense of duty, was of too much importance to the happiness of mankind, for nature to leave it dependent on the slowness and uncertainty of philosophical researches. These researches, however, when they came to take place, confirmed those original anticipations of nature. (*TMS* II.5.3).

Reasoning, for Smith, is artificial, and only sentiment is natural:

That the Deity loves virtue and hates vice ... for the effects which they tend to produce ... is not the doctrine of nature, but of an artificial, though ingenious, refinement of philosophy. All our natural sentiments prompt us to believe [the opposite] ... (*TMS*: 91 note, editions 1 and 2).

For Smith reason is “the abstruse syllogisms of a quibbling dialectic,” and sentiment, “the great discipline which Nature has established” (*TMS* III.3.21).

The medieval view of the world, and the role of reason within it – the view of the world to which Smith and his contemporaries turned – is well summarised by Becker:

Existence was ... regarded by the medieval man as a cosmic drama, composed by the master dramatist according to a central theme and on a rational plan. Finished in idea before it was enacted in fact ... the drama was unalterable either for good or evil ... the duty of man was to accept the drama as written, since he could not alter it; his function, to play the role assigned. ... Intelligence was essential, since God had endowed men with it. But the function of intelligence was strictly limited. ... The function of intelligence was therefore to demonstrate the truth of revealed knowledge, to reconcile diverse and pragmatic experience with the rational pattern of the world as given in faith (Becker, 1932, p. 7).

Smith, therefore, was in many ways typical of the philosophers of the period, on Becker's interpretation of the eighteenth century. Like Hume, who was a major influence on his philosophy, Smith regarded the preservation of the social order as of primary importance. Like his contemporary, Kant, who was also, though in a different direction, influenced by Hume,⁹ Smith wanted to place limits on the legitimate field of action of reason, to find a space for instinct and religious belief. Perhaps the greatest overlap between Smith and his contemporaries lay in their application of the doctrine of natural law. This is the topic of the next subsection.

6. *"Nature" and the Natural in Smith*

With Adam Smith and his disciples ... nature means the totality of impulses and instincts by which the individual members of society are animated; and their contention is that the best arrangements result from giving free play to those forces in the confidence that partial failure will be more than compensated by success elsewhere, and that the pursuit of his own interest by each will work out in the

greatest happiness of all (A. W. Benn cited in Hayek, 1949, p. 12 note 15).

The reader may have noticed the number of times, in the passages cited above, Smith uses the term “Nature” interchangeably with that of the Deity. Far from being the passive background or substrate of our activities, nature is seen as a direct manifestation of the deity, as an active principle intervening in our lives. These citations illustrate Smith’s adoption and adaptation of the archaic conception of natural law so popular amongst eighteenth century philosophers (Becker, 1932: Ch. II; Sabine, 1951: Ch. XXVIIff).

The late eighteenth century French philosopher, Comte de Volney, defined natural law in eminently Smithian terms:

What is natural law? It is the regular and constant order of facts by which God rules the universe; the order which his wisdom presents to the sense and reason of men, to serve them as an equal and common rule of conduct, and to guide them ... towards perfection and happiness (cited in Becker, 1932, pp. 33, 45).

Here again we see the universe as an orderly system administered by a god. The order implicit in it, which is presented to both the senses and the reason of humans, issues in both factual statements about the way the world is, and normative statements as to how people are to behave, so as to correspond with the divine will. Again the god is a utilitarian, maximising the happiness of mankind.

Becker cites this definition as typical of the eighteenth century philosophers, among whom he explicitly includes Adam Smith (Becker, 1932, p. 33). His commentary certainly applies well to Smith:

The language is familiar, but the idea, once we examine it critically, is as remote as that of Thomas Aquinas. Important if true, we say; but how comes it, we ask, that you are so

well acquainted with God and his purposes? Who told you ... that there is a regular and constant order of nature? ... Indeed it is all too simple. It assumes everything that most needs to be proved and begs every question we could think of asking (Becker, 1932, p. 45).

I keep stressing the primacy of *order* in Smith, and the same is true of the *philosophes*: they wanted to be able to point to an ordered *natural* world in order to justify the conceptions of *social* order to which they variously subscribed:

Most eighteenth-century minds were too accustomed to a stable society with fixed ranks, too habituated to an orderly code ... to be at all happy in a disordered universe. It seemed safer, therefore, ... to retain God ... as a ... guaranty that all was well in the most comfortable of common-sense worlds (Becker, 1932, pp. 49–50).

And if a god did not exist, it would be necessary, as Voltaire (in)famously declared, to invent one. But a god in isolation, separate from the world, was not to the point. Their programme demanded that God directly reveal himself in nature:

God had revealed his purpose to men in a ... simple and natural ... way, through his works. To be enlightened was to understand ... that it was ... in the great book of nature ... that the laws of God had been recorded. This is the new revelation ... This open book of nature was what Jean Jacques Rousseau and his philosophical colleagues went in search of when they wished to know what God had said to them. Nature and natural law – what magic these words held for the philosophical century! ... Hume, Voltaire, Rousseau, Volney: in each of them nature takes without question the position customarily reserved for the guest of honor. ... Search the writings of the new economists and you will find them demanding the abolition of artificial restrictions on

trade and industry in order that men may be free to follow the natural law of self-interest ... controversialists of every party unite in calling upon nature as the sovereign arbiter of all their quarrels (Becker, 1932, pp.51–52).

Perhaps we can best see the importance of this view of nature in the popular and scholarly response to a figure towering over the eighteenth century, that of Newton. During the course of the century, a large number of popular guides to Newton's philosophy were published. The point of interest was not the technical detail but the overall philosophy, in particular Newton's approach to the most fundamental of human problems – the relations between humanity, nature and God. Colin Maclaurin, Professor of Mathematics in the University of Edinburgh, set out the nature of these relationships in his own guidebook, *An Account of Sir Isaac Newton's Philosophical Discoveries*, published in 1748:

To describe the *phenomena* of nature, to explain their causes ... and to enquire into the whole constitution of the universe, is the business of natural philosophy. ... But natural philosophy is subservient to purposes of a higher kind, and it is chiefly to be valued as it lays a sure foundation for natural religion and moral philosophy; by leading us, in a satisfactory manner, to the knowledge of the Author and Governor of the universe

We are from his works, to seek to know God, and not to pretend to mark out the scheme of his conduct, in nature, from the very deficient ideas we are able to form of that great mysterious Being. ...

Our views of Nature, however imperfect, serve to represent to us, in the most sensible manner, that mighty power which prevails throughout ... and that wisdom which we see displayed in the exquisite structure and just motions of the

greatest and subtlest parts. These, with perfect goodness, by which they are evidently directed, constitute the supreme object of the speculations of a philosopher; who, while he contemplates and admires so excellent a system, cannot but be himself *excited and animated to correspond with the general harmony of nature* (Maclaurin, 1748, cited in Becker, 1932, pp. 62–63).

After citing this passage, Becker immediately adds: “The closing words of this passage may well be taken as a just expression of the prevailing state of mind about the middle of the eighteenth century. Obviously the disciples of the Newtonian philosophy had ... deified nature” (Becker, 1932, p. 63).

The deification of nature led, as it was supposed to lead, to the sanctification of the particular model of human behaviour the philosophers wished to hold up as “natural.” The Declaration of Independence, for example, invokes “the laws of nature and of nature’s God” (cited in Becker, 1932, p. 52) to sanction its particular programme. Macfie, speaking of the “Scottish Tradition in Economic Thought,” says that “The main faith which the Law of Nature and Stoicism inspired in Scotland was a faith in natural liberty in a natural society” (Macfie, 1967, p. 26). In Smith we see frequent references to the “sacred laws of justice” (*TMS* II.ii.2.3), a “sacred regard to general rules” of morality (*TMS* III.5.2); “by the wisdom of Nature, the happiness of every innocent man is ... rendered holy, consecrated, and hedged round against the approach of every other man” (*TMS* II.iii.3.4). And in *WN*, we read that Britain’s trade policy with America, though in fact “not very hurtful to the colonies” was, in diverting trade from its spontaneous course, “a manifest violation of the most sacred rights of mankind” (*WN* IV.vii.b.44).

For Smith, therefore, as was commonly the case in natural law

theorists, what is natural is god-given and therefore implicitly good. When Smith describes certain institutional arrangements in *WN* as “natural,” and others, on the contrary, as “artificial” (as, for example, in *WN* IV.ii.3), he is saying that the former are not just spontaneous, but spontaneous *and therefore* an expression of the will of God, whereas the latter must at the very least lie under the suspicion of sacrilege. There are many occasions where Smith invokes nature in this way in *WN*. For example: “All systems of preference or of restraint [of trade by the government] ... being ... completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord” (*WN* IV.ix.5). “[V]iolations of natural liberty [are] ... unjust” (*WN* IV.v.b.16).

In his lectures as early as 1749 Smith was linking the ideas of an active, beneficent and rational nature – in short, a *teleological* nature – to the policy prescription of *laissez-faire*: “Projectors disturb nature in the course of her operations in human affairs, and it requires no more than to let her alone, and give her fair play in the pursuit of her ends that she may establish her own designs” (Smith, cited in Gay, 1969, p. 354). “To let alone” is, almost certainly, a conscious translation of the phrase “*laissez faire*,” which had been in use in France since the end of the previous century to denote freedom from government interference.

But Smith extends the idea of what is natural to include human nature. What is instinct in us was implanted there by Nature, for a purpose – and this includes our weaknesses as well as our strengths. Thus, speaking of resentment and its issue in revenge, “the most detestable of all the passions,” he remarks that even here “Nature ... does not seem to have dealt so unkindly with us, as to have endowed us with any principle which is wholly and in every respect evil, or which, in no degree and in no direction, can be the proper object of praise and approbation” (*TMS* II.i.5.8). Thus resentment, like every other emotion, is divinely appointed, an endowment of “Nature,” but can become vicious when taken to an

excess. This tactic, however logical in itself, involves Smith in inescapable contradictions once he attempts to derive his *laissez-faire* policy prescription from it, as we shall see below.

So Smith has a similar approach to nature and the natural as his contemporaries. If anything, however, Smith is even more archaic than his contemporaries. Prior to the eighteenth century, according to Becker,

philosophers ... argued that, since God is goodness and reason, his creation must somehow be, even if not evidently so to finite minds, good and reasonable. Design in nature was thus derived *a priori* from the character which the Creator was assumed to have; and natural law, so far from being associated with the observed behaviour of physical phenomena, was no more than a conceptual universe above and outside the real one, a logical construction dwelling in the mind of God and dimly reflected in the minds of philosophers (Becker, 1932, p. 55).

In the eighteenth century, however, – he cites Hume, in the person of Cleanthes in his *Dialogues*, as epitome – the logical process is reversed:

Cleanthes does not conclude that nature *must* be rational because God *is* eternal reason; he concludes that God *must* be an engineer because nature *is* a machine (Becker, 1932, p. 56). [T]he very foundation of the new philosophy was that the existence of God, if there was one, and his goodness, if goodness he could claim, must be inferred from the observable behaviour of the world. Following Newton, the Philosophers had all insisted on this to the point of pedantry (ibid, p. 67).

Smith in this particular respect is out of step with his contemporaries. He clearly *starts* by deducing the nature of the world from a prior consideration of the “necessary” qualities of the

deity, and only afterwards claims to be able to support his conclusions by reference to observations of nature itself:

The happiness of mankind, as well as of all other rational creatures, seems to have been the original purpose intended by the Author of nature, when he brought them into existence. No other end seems worthy of that supreme wisdom and divine benignity which we necessarily ascribe to him; and this opinion, which we are led to by the abstract consideration of his infinite perfections, is still more confirmed by the examination of the works of nature, which seem all intended to promote happiness, and to guard against misery (*TMS* III.5.7).

There is no reason to believe that Smith would have seen any opposition between these two approaches – deductive vs. inductive, *a priori* vs. empirical – to the relation between God and nature. But he would certainly have rejected the latter as sole, or even major, support for his philosophy. Reason is “artificial” and fallible, and our finite minds do not perceive the remote ramifications of things. Things, as he stresses in *Astronomy*, often appear to us to be discordant and unconnected. This is precisely why we need a “soothing” scientific explanation of things, and God’s will, manifested in natural law, is the most pleasing general explanation available. So it would be a mistake to deduce God’s attributes from a finite and partial examination of nature: on the contrary, it is the assumption of God’s omnipotence, omniscience and benevolence which makes the discordant world of appearances at once comprehensible and safe. Smith in this respect is thus conservative even with respect to his contemporaries.

Smith explicitly links the superiority of our natural feelings over the artificiality of reason, to the preservation of social order:

That kings are the servants of the people, to be obeyed,

resisted, deposed, or punished, as the public convenience may require, is the doctrine of reason and philosophy; but it is not the doctrine of Nature. Nature would teach us to submit to them for their own sake, to tremble and bow down before their exalted station... (*TMS*: I.iii.2.3).

The message is clear: the natural sentiments placed in us by a providential deity, expressed in established traditions, for example, of granting legitimacy to monarchs, are to be heeded in preference to whatever reason may tell us, so that social order may be preserved.

7. Smith's Contradictions

There are many logical inconsistencies in Smith's theory, and I have noted some of them in passing. However, at base, there is one particular contradiction which confronts Smith, in various guises, at every turn. In his *Weltanschauung*, everything is predetermined for the maximisation of the "quantity of happiness" in the world at every instant. In empirical reality, there is obvious suffering and injustice. How is the latter to be reconciled with the administration of the machine of the universe by a beneficent, omniscient and omnipotent god? To quote Hume: "Epicurus's old questions are yet unanswered. Is [God] willing to prevent evil, but not able? Then he is impotent. Is he able, but not willing? Then he is malevolent. Is he both able and willing? Whence then is evil?" (cited in Becker, 1932, p. 68).

Presumably even the most pious would concede that there must be *logical* restrictions on what a god can do. Can the deity create a weight so heavy that he cannot lift it? No: he is necessarily restricted to what is logically possible in what he can simultaneously achieve. It is far less obvious, however, that suffering in general, let alone any specific instance of suffering, is a

logical necessity for the achievement of God's presumed aims, and, indeed, Smith makes no attempt to put the case. Instead, its necessity for the good of the "greater system" is simply asserted and assumed. This is not a subtle point and neither is it new: it was certainly as well known in Smith's time as in ours that it was a problem for theories of this kind. He never addressed the issue, however, and failed to present any explicit theodicy going beyond these assumptions.

Theodicy generally involves at some point an invocation of free will: God had to permit evil if he was to allow man free will and hence moral responsibility. Here again, Smith is on shaky ground, because he has made everything, including human nature, a part of nature; all behaviour, including human behaviour, is natural, and hence god-given. Our behaviour is prompted by the sentiments placed in our breast by "a wise providence." Since we do what we are led to do, what we are predestined to do, choice is presumably an illusion. When we act, our hand is held and guided with parental concern by the deity. Our judgement of the moral quality of an action, as we have seen, is for Smith essentially a sentimental and aesthetic judgement without rational content. Arguably, it was open to Smith to adopt the compatibilist position of Chrysippus. But Smith carefully avoids addressing this issue, too, and the logic of his position, that we may admire "the wisdom of God even in the folly of man," is surely that of determinism.

The problem for Smith is this: if God is maximising happiness, he cannot at the same time permit either evil and suffering or free will. If he allows suffering, then the quantity of happiness is presumably not at its logically possible maximum; if he allows free will, then he is again not maximising happiness, as he is leaving that to the outcome of the considerations of errant finite minds.

Finally, the further consequence of the view that everything in the world is part of the great machine, playing its part in God's plan to

maximise happiness, and that human nature and the behaviour to which man is led is a part of nature, is that regulation and state planning are just as natural and god-inspired as free trade and *laissez-faire*. Viner (1958, p. 233) asks, “was not government itself a part of the order of nature, and its activities as ‘natural’ as those of the individuals whom it governed?” As Becker says,

if nature be the work of God, and man the product of nature, then all that man does and thinks, all that he has ever done or thought, must be natural, too, and in accord with the laws of nature and of nature’s god. Pascal had long since asked the fundamental question: ‘Why is custom not natural?’ Why, indeed! But if all is natural, then how could man and his customs ever be *out of harmony* with nature? (Becker, 1932, p. 66).

The concept of the natural only means anything – other than fatalistic acquiescence to anything and everything – if it is contrasted with something *else*, something unnatural. This Smith attempts to do by referring to liberty as “natural” and regulation as “artificial” in *WN*, sentiment as “natural” and reason as “artificial” in *TMS*. But he cannot sustain this contrast on the basis of his theory. The category of the artificial has no meaning in a theory where the natural is already all- encompassing. This is clearly a critical contradiction for Smith’s espousal of *laissez-faire*, but again, he makes no attempt to address the issue.

The contradiction can be seen particularly clearly in a paradoxical passage in *TMS* where he attempts, unsuccessfully, to reconcile his Panglossian view of the outcome of natural processes with the human attempt to remedy nature’s faults. But if natural outcomes are the best which are logically possible, then such faults are inconceivable. Smith says that “the general rules by which prosperity and adversity are distributed ... appear to be perfectly suited to the situation of mankind in this life, yet they are by no means suited to

some of our moral sentiments" (*TMS* III.5.9). In other words, God allocates prosperity by general rules which are designed to maximise human happiness, but the allocations which result, because of the finitude of human minds, do not always satisfy the moral sentiments which he has placed in us.

Thus man is by Nature directed to correct, in some measure, that distribution of things which she herself would otherwise have made. The rules which for this purpose she prompts him to follow, are different from those which she herself follows ... The rules which she follows are fit for her; those which he follows for him: but both are calculated to promote the same great end, the order of the world, and the perfection and happiness of human nature (*TMS* III.5.9).

So nature follows rules designed to maximise human happiness, and man, "correcting" this, does the same. The inconsistency could not be clearer. If nature's rules lead to optimising, happiness-maximising outcomes, then man's correction of nature must interfere with this and lead to a suboptimal outcome; if, on the contrary, man's correction of nature is happiness-maximising then nature's rules must themselves have been suboptimal. Smith cannot have it both ways. Or, rather, there is *one* interpretation which would allow him to have it both ways. If he were to say that nature *including* humanity were designed to optimise, but that nature *without* man were incomplete, imperfect, suboptimal, which is more or less what Hegel says, then he could reconcile both accounts. Then human action to correct spontaneous market outcomes and redistribute prosperity according to merit would be optimising as it would be the result of *both* the rules of nature *and* the rules of man.

To draw out the point, we may say that, while Smith's version of natural law formed a foundation for the invisible hand mechanism, it by no means follows that it undermines the case for a *visible* hand

of state intervention. On the contrary, his *Weltanschauung* forms just as good a foundation for the latter as the former, and it is only Smith's prejudices, and not his theoretical system, which lead him to prefer one to the other. State intervention is a product of all the human strengths and frailties of those involved in the political process. On Adam Smith's account, those strengths and frailties are god-given and designed to lead individuals to act so as to maximise human happiness. There is nothing in the system of thought which Smith presents to say that the invisible hand active in the economic process will be inactive in the political process.

Smith cannot have been unaware of these inconsistencies in his standpoint. Yet there is a sense in which he, himself, is not inconsistent in neglecting them. Someone who kept faith with the Enlightenment ideal of following Reason wherever it may lead – a Ricardo, for example, a Marx, a Darwin, or an Einstein – would have concentrated attention on these contradictions and drawn the logical consequences. But we have already seen that Smith was not in this mould. The late eighteenth century philosophers turned their back on reason and, instead, promoted sentiment. It was not Smith's goal to present an intellectually unified, logically coherent system of thought, but to paint as pleasing as possible a picture of the world, such that the viewer would be "animated to correspond with the general harmony of nature."

8. Conclusion

The question we started with was, how Smith saw the articulation between individual behaviour at the micro level and social outcomes at the macro level. The answer I have given in this paper is that the articulating mechanism consists in the agency of a deity. Our behaviours at the micro level are always just what is required for the optimal macro outcome because the deity's invisible hands always lead us, through the pursuit of our own interests, our own

illusions and fears, and our own fellow feeling for others, to perform just those actions required to fulfil the divine plan. This is what Smith meant by the “invisible hand.” The implication is that invisible hand theorists of more recent times, such as Hayek, to the extent that, as representatives of a secular age, they cannot rely on an interventionist god, need an alternative mode of articulation between levels. The most frequently invoked alternative – to the extent that the problem is addressed at all – is some kind of evolutionary mechanism, but that lies beyond the scope of the present paper.

I have also argued in this paper that Smith’s “invisible hand” mechanism is closely linked to the apologetic aspect in his political economy. While his confidence in a harmonious universe allowed him to make real scientific progress in political economy, without fear that it would destabilise the social order, Smith’s principal objective was, nevertheless, to reconcile humanity with the spontaneous social order and the status quo. He invoked the idea of a divine teleological plan, of the universe as a machine administered by a god, in order to explain away suffering and evil as only the proximate manifestations of chains of connection whose distant ramifications would include more than compensatory benefits. The idea is to convince us that we need do nothing at the macro level. All we should do is pursue our own individual interests at the micro level, and display appropriate levels of patriotism and respect for our leaders. The rich, the powerful and the fortunate all ensure that the big decisions of society are for the best – because they are taken by the hand and led by God to do so. All is for the best, then, in this, the best of all possible worlds.

But does Smith not “protest too much?” Sometimes Smith’s protestations seem to invite the speculation that the truth is just the opposite of what he says. Smith claims that the universe is a coherent and harmonic whole administered by a single intelligence.

But we know that this is not the case. The world is a jungle, an arena of clashing interests: "It is as though cheetahs had been designed by one deity and antelopes by a rival deity" (Dawkins, 1995, p. 123). Smith claims that human nature and human society are a part of this organic unity, "all discord, harmony not understood." But, of course, society was as riven by sectional interest then as it is now. His claim is to be understood, not as a positive statement of what is the case but as a normative statement of what is to be desired. He claims that spontaneous human institutions, "the result of human action but not human design," such as the market, and the law, order and defence functions of the state, make an optimal contribution to human welfare because guided by the invisible hand of a beneficent, omnipotent and omniscient god. Again, we know of no reason even to suspect that any supernal agency exists, such that we can rely on its intervention to maximise social welfare.¹⁰ Again, perhaps, Smith's claim is to be understood in a normative sense: what is required is a higher level *human* agency which will reconcile our differences and lead us through the pursuit of our own interests to the maximum achievable level of welfare:

the invisible hand is only one of the many names given in the *Moral Sentiments* to the Deity great Author of Nature, Engineer, Great Architect, and so on. ... Adam Smith did believe (as a matter of faith) in this final reconciler. ... Now, there is little doubt that we today do not accept this kind of argument. ... The inevitable reaction is that, if the supernatural control is abandoned, human societies must supply their own. ... [T]he state ... must take the place of the invisible hand (Macfie, 1967, p. 111).

Notes

1. See Hegel (1952, paras 344, 348) for the best expression of the “cunning of reason” in Hegel, even though the term itself is not employed there.

2. For Hegel, see the favourable comments on the political economy of Smith, Say and Ricardo in *The Philosophy of Right* (Hegel, 1952, para 189 and Addition); for Burke, see the long extracts from his review of *TMS* and letter to Smith of 1759 in Raphael and Macfie (1976, pp. 27–28).

3. Eds 1–5 only.

4. i.e., every capitalist. Smith naively adopts the standpoint of the individual capitalist and momentarily forgets that there exist other agents, who have *no* role in “directing... industry.” It seems very ironic that the first of the two arguments for individual liberty which Smith gives here, is essentially a *mercantilist* argument: we do not need government intervention in foreign trade to give preference to domestic industry, because individual capitalists will be led by the invisible hand to prefer domestic industry without intervention.

5. Smith even furnishes us with an account of why God is invisible (*TMS* III.2.31, Eds 3–5 only). If we could see him, Smith says, we would be so dazzled that we would be unable to go about our normal business.

6. Much of this section relies on Becker (1932). Becker has been heavily criticised, notably in Peter Gay (“Carl Becker’s Heavenly City” (1957) reprinted in Gay, 1964, pp. 188–210). The points made in this section remain substantially untouched by Gay’s criticism, which boils down to little more than the complaint that Becker exaggerates. The same point could be made about Gay. Unfortunately, this is not the place for a thorough analysis of the problems raised by Gay’s very interesting discussion of Becker, of Smith (Gay, 1969, *passim*), or of the *Philosophes’* “Revolt Against Rationalism” (Gay, 1969, pp. 187–207).

7. The italicised concluding statement is the exact counterpart of Hegel’s assertion that “the real is the rational” (Knox in Hegel, 1952, p. 10), and has exactly the same purpose, namely, to “reconcile us to the actual” (*ibid*, p. 12). See also Hegel (1975, para

6).

8. He includes in the term *philosophes*, amongst others, from France: Montesquieu, Voltaire, Volney, Diderot, Savigny and Rousseau; from Germany: Leibniz, Lessing, Herder and Goethe; from Britain: Locke, Hume, Ferguson and Adam Smith; and from America: Jefferson and Franklin (Becker, 1932, p. 33).

9. See Kant (1950, 5 ff; or Academy edition, Vol IV, 258 ff).

10. And, even if there were such a power, some might argue, passing up all responsibility to it for our own actions and their consequences in this fashion, might scarcely be the best method of gaining its approval.

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