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978-0-521-51725-6 - Erasing the Invisible Hand: Essays on an Elusive and Misused Concept in Economics

Warren J. Samuels, Marianne F. Johnson and William H. Perry

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## ERASING THE INVISIBLE HAND

This book examines the use, principally in economics, of the concept of the invisible hand, centering on Adam Smith. It interprets the concept as ideology, knowledge, and a linguistic phenomenon. It shows how the principal Chicago School interpretation misperceives and distorts what Smith believed to be the economic role of government. The essays further show how Smith was silent as to his intended meaning, using the term to set minds at rest; how the claim that the invisible hand is the foundational concept of economics is repudiated by numerous leading economic theorists; that the several dozen identities given the invisible hand renders the term ambiguous and inconclusive; that no such thing as an invisible hand exists; and that calling something an invisible hand adds nothing to knowledge. Finally, the essays show that the leading doctrines purporting to claim an invisible hand for the case for capitalism cannot invoke the term, but that other nonnormative invisible hand processes are still useful tools.

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William H. Perry is a professional lexicographer with more than thirty years of experience in constructing and searching large evidentiary and documentary research databases for special projects. For this work, he constructed a database containing, in machine-readable format, all significant philosophical, religious, scientific, political, and economic primary and secondary sources from the beginnings of Western and Middle Eastern civilizations until the end of the nineteenth century, searchable by concept.

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# Erasing the Invisible Hand

*Essays on an Elusive and Misused  
Concept in Economics*

**WARREN J. SAMUELS**

Michigan State University

with the assistance of

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**WILLIAM H. PERRY**



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*For Sylvia to whom  
so much is owed*

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Science must begin with myths, and with the criticism of myths.

Karl Popper, 1957

Every religion is true one way or another. It is true when understood  
metaphorically. But when it gets stuck in its own metaphors, interpreting  
them as facts, then you are in trouble.

Joseph Campbell, 2008

Adam Smith's [invisible] hand was not in fact invisible: it wasn't there.

Joseph Stiglitz, 2010

When economists find that they are unable to analyze what is  
happening in the real world, they invent an imaginary world  
which they are capable of handling.

Ronald Coase, 1988

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## Preface

## 1

Both the genesis and nature of these essays require explanation. I started working on the invisible-hand project in 1983. My initial examinations of material nourished my interest as an intellectual historian. As the examined materials continued to grow, so too did the facets, related topics, implications, and overall breadth of the topic and the magnitude of the relevant materials. Captivated, I gradually started to understand how human beings could become so enamored with invisibility in general and the invisible hand in particular, such that the invisible hand began to have a linguistic, ontological, and epistemological significance. Reference to the invisible hand is ubiquitous. The growth of the Internet, coupled with people's desire to have written materials they consider important made available to others (often in translation), has vastly increased the volume and ease of acquisition of relevant materials. The volume of relevant source material reasonably pertinent to a project such as the present one is daunting. This is especially true of a topic that has ramifications with so much else that goes on in society. Only a small percentage of such materials can be used in reaching understanding and conclusions, even if the researcher is avid. And the researcher has to be careful in amassing and interpreting information, for well-known reasons.

The physical problem of producing a detailed study under the conditions I allowed myself to develop cannot be overstated. It is not a project for a young person who, on the one hand, must publish, and on the other, lacks the time in which the range, complexity, and interconnections of ideas can be nurtured. It is a project for a team, not one person, however able and motivated. The enormity of the materials on which the account will ultimately be based is mind-boggling. I have the equivalent of at least forty file

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drawers (that is, ten four-drawer filing cabinets) of published and unpublished materials, to which must be added several sizeable boxes of note slips and one-quarter or more of a library running to at least twelve thousand books and journals.

It was my original intention to prepare a detailed, three-volume account of the result of my research and thinking. For several reasons, I have, however, with the cooperation of others, made different arrangements. The reasons are that I have given only about one-half of my research time to this project, which I caused to grow; that I have several debilitating illnesses that adversely affect my ability, though not my motivation, to work at the level I was capable of in the past; and because I will have turned seventy-seven before this book is published.

I should say something in defense of the project's enormous expansion. The results thus far, to my way of thinking, are deeper and more important and useful to others because of that expansion and should prove to be even more so in the future if and when the three-volume study is written and published, almost certainly by others, namely John B. Davis, Ross Emmett, Marianne Johnson, and Steven G. Medema. The expansion was not a transient or aberrational phenomenon. To make sense of the use of the term "invisible hand," an inquiry should correspond to that use and to encompass as much as possible of what that use signifies.

The following essays are intended to communicate an account of the parts of my findings that I consider to be important and of use to others. It is impossible for me working alone to present the fully documented account in all respects. Publishing this account of the conclusions I have reached so far implies no lack of faith on my part in what the group will eventually achieve. When they identify needed corrections, they should have the same freedom of thought and expression that I have had.

As I have consulted notes and memory in preparing this volume, I have yearned for the opportunity to complete the whole study myself. Writing would be even more fun than researching, and that has been a lark! As I wrote the text for this volume, I frequently wished that I had the whole completed study before me (with all the laborious preliminary work done!) so that I might, at an infinitude of points of controversy, present the deeper, subtler, more complex meaning of the story.

The key outline from which I have worked in preparing this book consists of thirty pages of small print. It is supplemented by several thousand 5- by 8-inch note cards or slips, plus other outlines. The reader can imagine the volume of underlying notes and annotated published materials by uncounted other scholars contributing to such topics as the market, the

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entrepreneur, and about four dozen other candidates for the identity of the invisible hand; order, coordination, equilibrium, harmony among self-interests and with the social interest – and the processes of working out the formation of each candidate for the function(s) believed to be achieved by the invisible hand; the Enlightenment in relation to the invisible hand; the kaleidoscopic topics of naturalism and supernaturalism, including Smith's position; the linguistic aspects of writing about the invisible hand; the nature and role of the belief, the mythic and symbolic processes of society; the meaning of "individual" and "social" in economics; the problems and variety of approaches to self-interest, rationality, the firm, spontaneous order, natural selection, government, and so on, each of which will likely require at least fifty pages of this book.

That situation accounts for what any reader is likely to judge curious: The text of this book, with its wide-ranging content, has only in certain parts the usual accompaniment of attributions and annotations with regard to the work of other authors. It is because of the situation described earlier that I have not been able to complete and use my schematic notes as a basis for this text and have not undertaken a completely detailed account. Furthermore, the nature of these essays is such that the text circles back on itself quite a bit. This is necessary (1) to show what is important to Smith, (2) to show the effects of these subjects on Smith, and (3) to show, in part, that every argument relates historically to all of the individuals discussed. Thus, I return to individuals and ideas in multiple contexts multiple times.

## 2

The project arose in part due to a long-standing appreciation that the concept of the invisible hand was widely considered to be foundational for economics; that, in part, the invisible hand was identified differently by different people and, indeed, that every aspect of its use has meant different things to different people; and that, in part, the notion of an invisible hand was downright strange, especially for an academic, scholarly discipline whose members reckon themselves serious scientists.

The invisible hand truly does not belong solely to technical economic theory, though that tie is important and, for many economists, commanding. The concept of the invisible hand is also a matter of ideology, theology, philosophy, sociology, linguistics, and intellectual history. In each of these respects, the invisible hand is given multiple specifications and meanings. As several scholars have pointed out, the subject of the invisible hand should not be approached solely from the history of the development of

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microeconomic theory. It belongs to the wider world of intellectual history and social theory.

In thinking about the invisible hand, it is inevitable that terms will be encountered that are so elastic that the terms themselves have multiple meanings and definitions. I have in mind such terms as the Enlightenment, capitalism, social control, psychic balm, history, order, natural, and so on. To say something important about the invisible hand would require that I use the “correct” meanings of those and other terms. I could neither do that nor need to do so in order to solve the numerous problems that enter into their putative meaning. For one thing, thousands of scholars were working on those problems and it would be presumptuous for me to try; I could not master and resolve these other problems. I did not have to provide *the* correct explanation of the Enlightenment or of social control in order to make sense of the concept of the invisible hand. I am confident, however, that my analysis, at least in its broad outline, is compatible with a wide range of particular theories in the case of each subject.

One of the more striking aspects of Adam Smith’s uses of the invisible hand is that Smith himself anticipated the ambiguity and inconclusiveness of the notion of an invisible hand. He tells us in the *History of Astronomy* about doing so, but only in an oblique sort of way. Smith made mankind’s coping with an invisible hand that is ambiguous and inconclusive a feature of a striking theme, one in which a belief is offered in the absence of a truth, a process that introduces absolutist formulation that sets minds at rest. If the truth of the economic role of government were a matter of truth rather than belief, very likely much of the invisible-hand discussion would be resolved; but it is not a matter of truth, so the opportunity exists for there to be a conflict of beliefs – much the same as a conflict over whether monkeys or alligators set the allocation of resources.

## 3

This book is an endeavor to make sense of the invisible hand. I never had a more elegant, prepossessing, or presumptuous statement of my objective. I was concerned with the concept of the invisible hand and of the uses made of that concept, as well as the fact that a considerable variety of functions were said to be performed by one or another identity of the invisible hand. Eventually I perceived the existence of a key difference, namely that the putative functions of the invisible hand were on one level of analysis and the putative functions of the use of the *concept* of the invisible hand were on another level of analysis. I had settled very early on a list of key questions



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around which to develop the study: What was the invisible hand? Where did it come from? What functions did it perform? What conceptual and what substantive problems faced anyone either using the term or conducting a comparable study?

Several connections that I made had an important role in working out the contents of Essays 4–7 and their relation to Essay 8, all based on the first three essays. I found that Smith's argument in his *History of Astronomy* applied to Smith's own use of the invisible hand, and that soothing the imagination was essentially the equivalent of psychic balm and social control. I further determined that many, perhaps arguably all, of the users of the term "invisible hand" – as to its identity and its function, see Essay 3 – were people seeking to set their minds at rest, doing exactly what Smith said they would do if they could not end up with truth.

## 4

Because the concept of the invisible hand has numerous aspects each of which has several formulations, it is very difficult to construct a consistent story about the invisible hand. Consider, as we will do in Essay 3, (1) the array of some four dozen identities given the invisible hand by different authors, (2) the dozen or so functions, each with numerous variations, performable in principle by each identity, (3) the huge number of possibilities and the unknown number of possible combinations that involve contradictions or inconsistencies that make no sense, (4) tautologies, (5) the large number of specific identities and function that have conceptual and/or substantive problems, and so on. Therefore, neither arguing the case that a consistent story exists nor setting out to construct such a story is one of my contentions or objectives.

Without either presuming or pretending any finality to the individual elements of the array or to the array as a whole, the following is a likely nonexhaustive array of types of invisible hand found in the literature: (1) specific combinations of identity and function, such as a competitive market generating efficiency; (2) Friedrich Hayek's principles of (a) unintended and unforeseen consequences and (b) spontaneous order; (3) invisible hand processes, (also) the result of interaction and aggregation; and (4) tautologies, such as the invisible hand being deemed to refer only to benevolent outcomes.

For numerous reasons, which accumulate in the successive essays, the concept of the invisible hand is ultimately ambiguous, inconclusive, not dispositive of the task of performing the function(s) generally attributed to

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it, and empty. The concept of the invisible hand is only that – a concept. For the most part, definitely not entirely, the use of one or another specification strongly tends to introduce, consciously or subconsciously, the idea that some transcendental force is at work in the universe of the economy; hence there is, for example, a harmonious self-regulating order. The use of the concept may introduce not only harmony, self-regulation, and order; its use is a mode of affirming conclusiveness. That it also serves as a trope with which to selectively influence policy is quite another matter.

It is important to recognize that Smith may have found it useful, necessary, or desirable to include a discussion of a policy that had a historic status yet may be considered to contradict either the nature of his “obvious and simple system of natural liberty” or his concept of how legislation should and should not be promulgated. Accordingly, when I write of “the moral rules,” I intend to be read as referring to a category and not the moral rules themselves; and similarly with legal rules and other terms. As with the case of the moral rules, one of the principal themes of *The Theory of Moral Sentiments*, legal rules must be worked out.

Because of the enormous stature of Smith himself and of the image of the invisible hand, it is easy to forget that the subject of these essays is an interpretive field. It is laden with selective perception and the projection of feelings and sentiments; as Milton Myers might put it, it is a field full of “fancies and factions in place of facts and realities” (1983: 99).

## 5

I neither intended nor expected to reach the conclusions presented in this book. I have for a long time thought of the invisible hand as a rather silly and pretentious matter. It is not a joke, though some users of the term, by their claims, tend to make it appear to be one. It is a means of relating modern high theory to Adam Smith and, as such, an interesting example of the development of language. It does help set some minds at rest and it does engender hypotheses for serious work. It also opens wide doors to the human condition, the constitution of human nature, and what politics is all about.

The procedure through which I reached my conclusions involved the enormous amount of reading, annotation, and interpreting the meaning of lines of reasoning in relation to each other. I self-consciously endeavored to avoid antecedent premises that would drive the reasoning and, in various ways, project a personal point of view. A pluralist in methodology, theory, and otherwise, I concentrate my other research on the economic

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role of government, and do so as a self-professed institutionalist (in a blend of several other schools). Because of my interest in collective decision making, I believe that my work as a historian of economic thought and a methodologist has enabled me to take objective, arm's-length, but not necessarily the "correct," positions. My legal-economic analyses do not attempt to reach unique determinate equilibrium optimizing positions on issues of policy. My interest is in formulating models of what is actually going on in the process of working out more or less tentative solutions to problems of policy. Inasmuch as I have no particular policies and problem solutions to promote in my scholarly analytic and historical work, I do not need to engage in casuistic maneuvers to erect and defend an ostensibly impregnable intellectual fortress. I work with and on ideas and institutions that I disagree with, because I find them important, whatever my personal views. I learned later that when I included a long essay on nonlegal social control (morals, religion, custom, and education) as held by the English classical economists, some people thought that I was a social conservative, even fundamentalist in matters of religion, because, they reasoned, only such a person would devote their attention to those topics. Nothing could be farther from the truth. I have been told, by members of the Chicago School, that my deep interest in the theory of power put me "dangerously close" to Marx and rendered me "subversive." I invite the reader to suspend judgment on such issues and not to interpret my work and my ideas within narrowly defined conventional terminology.

I do not think that I am fooling myself. I also believe that it is impossible for a scholar to escape his worldview and to keep it from influencing his work. I also believe in criticism, not necessarily to reach Truth – more likely, to identify the matrix of positions taken by those in the process of working things out. I think that I am both more conservative and more liberal than many people find me to be. I accept that Smith's argument in his *History of Astronomy*, of which so much is made in this work, applies to me.

The opening essay documents the somewhat odd issue arising from the award of the Nobel Prize in Economic Sciences to economic theorists whose work is thought, by others if not by themselves, to further clarify the meaning of Smith's use of the term "invisible hand." Some people applaud it while others do not. I then enlarge the frame of reference to the conflict between those who affirm the invisible hand as the foundation of economics and those who consider that affirmation to be exaggerated. The essay also surveys the history of the use of the term – a history that extends back to the period of the ancient civilizations. The intent here is to put *finis* to the oft-stated belief that the term originated with Adam Smith. I also suggest

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that the term seemingly was given different uses depending on doctrinal matters as well as social circumstances. My purpose in doing so is to document the pre-Smith use of the term by various religious groups over a widespread area. Next I examine Smith's three known uses of the term. The two other uses are not unimportant, but the status of Smith and the *Wealth of Nations* is largely owing to his general argument in that book and to his use of the term.

Essay 2 presents Smith's synoptic and synthetic system that flows from his tripartite model of society, and its consequences. It combines (1) the moral sentiments and the moral rules that emanate from the principles of approbation and disapprobation as individuals seek respect and recognition; (2) the development of government and law as these become the object of capture and use of a widening range of interested parties; and (3) the case in favor of a market economy, or what Smith called the obvious and simple system of natural liberty, and simultaneously opposed to any system of extraordinary encouragements and extraordinary restraints, most notably mercantilism. Whether pursued through the extension of the rejection of mercantilism to the rejection of ostensibly most governmental activism, or through the denigration of both moral and legal social control, such rejection and denigration have misrepresented Smith's system of social science as presented by him.

Essay 3 takes up two of the questions addressed either directly or obliquely in the literature dealing with the invisible hand, namely what is the invisible hand? And what are the functions that the individual hand, so identified, is seen to perform and promote? One of the conclusions of this study – that of multiplicity resulting in ambiguity and inconclusiveness – is based in large part on this essay. One of the major implications of Essay 3 – centering on such questions as whether the invisible hand should be taken to be competition and its function to be efficiency – is that, aside from other considerations, no invisible hand can accommodate all the complications and explanatory and interpretive burden thereby placed on it. That implication, however, is mild when contrasted with the findings that come in Essays 4–8.

Consideration of the functions deemed to be performed by particular specifications of the invisible hand raises the very different question about the function of the use of the *concept* per se of the invisible hand, which is the subject of Essay 4. The analysis is based on Smith's argument in his *History of Astronomy* that people settle for propositions that soothe the imagination, or set minds at rest, when truth is unattainable. The propositions are extraordinarily wide-ranging. They are found in the system of

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social belief, including the mythic and symbolic systems of society, and are deployed in issues of social control as the social construction of reality and the struggles over both the structure of power in general and over the state in particular. Essay 4 therefore examines Smith's argument in his *History of Astronomy*, with its distinction between propositions that are believed to be true and others that serve to soothe the imagination. Also covered are the questions of the breadth of application of his argument, the sources of propositions that set minds at rest, and the systems of belief and of myth that are intertwined with the system of language. These propositions provide a logical sequence of cause and effect (or otherwise) allowing people to feel that they are not victims of unexplained forces.

The concept of the invisible hand, as distinct from candidates for its identity and function, has proven remarkably powerful in serving as social control and psychic balm in the western world. Use of the term "invisible hand" seemingly transfers to something else – the responsibility for business decisions that may flow from a quest for power, perhaps in the form of market share or market structure. Placing responsibility on the invisible hand – or "the bottom line," or the belief that every business decision either is efficient or contributes to efficiency, or some other euphemism – not only absolves business from responsibility but obfuscates the power that business has and the power that motivates business.

Essay 5 surveys a number of conceptual and substantive problems that, individually and together, further emphasize the ambiguity and inconclusiveness of the notion of the invisible hand. Among these problems are the multiple paradigms in which Smith operated; the character of the Enlightenment and related considerations; the various meanings of "nature" and "natural"; supernaturalism, including the question of Smith's theology; Smith's stages theory; the mythic and symbolic systems; the sociolinguistic system, including the problems of whether the invisible hand is a matter of a definition of reality or of language, which figure of speech is the invisible hand, and related issues; the problem of the invisible hand as self-interest, including the formation of self-interest, the meaning of rationality, institutions, and environment; an array of dualisms of interpretation; the problem of Hayekian deliberative versus nondeliberative decision making in the design and creation of institutions – that is, his principles of spontaneous order and of unforeseen and unintended consequences; and the relevance of power to the invisible hand and the invisible hand as a mode of working out the structure and use of power. Altogether, these conceptual and substantive problems so empty and emaciate the concept of an invisible hand, that the contents of this essay alone seems sufficient to

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render it useless, except for the purposes of ideology, namely to marshal and manipulate individual beliefs and behavior.

Essays 6 and 7 take up the question of the invisible hand as knowledge. The overriding conclusion is that the category of invisible hand is empty as language, on the ontological level, and with respect to the epistemological criteria of various kinds for the status of knowledge. On several grounds it is concluded that there is no invisible hand; that the invisible hand has no meaningful status as knowledge; and that no increase in knowledge is achieved by calling something an invisible hand.

Essay 6 considers the important topics of the political nature of language, Smith's contributions, metaphors in general and in economics, and language as social control and the social construction of reality amid the struggle for power and control of the state. Essay 7 examines the ontology and the epistemology of the invisible hand.

Much discussion of the invisible hand tracks or parallels substantive discussions of comparable topics in theoretical or empirical economics, notwithstanding that vacuity. Obscured by that parallel discussion is the putative fact that there is no more substance and hence no more justification of the claim to comprise knowledge than there is to the assertion that the allocation of resources is accomplished by a group of monkeys in Bay Front Park in Miami. Most claims about the invisible hand are pure assertion and are the result of cultural habit, wishful thinking, ingenuity, and gullibility. Furthermore, there is no increase in knowledge if two groups of economists argue which is correct, that resource allocation is governed by one or another group of believers and their supposed researches and/or logomachy. That some people do survive and others do not after being bitten by snakes in a box when their hand is placed therein may help give rise to the knowledge that the venom of some types of snake is poisonous and that of other types of snake is not poisonous. No such increase of knowledge is ascertainable in the case of the invisible hand in comparison with the more substantive, empirical parallel research on the same subject. To say, that is, that "the allocation of resources is the result of competition" is to produce nothing more and nothing less than the statement, "the allocation of resources is the result of competition operating as the invisible hand."

Essay 8 first discusses Smith's treatment of the economic role of government. Like the rest of this book, the essay is concerned first with what Smith actually seems to have understood on the topic, and second with what is historically and analytically wrong – or misperceived – and marketed as the *laissez-faire*, noninterventionist, libertarian, and similar interpretations of the economic role of government. The essay is concerned with neither

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how any type of economic system can be institutionalized nor the normative case for any economic system (except insofar as that normative case is affected by historical and analytical errors).

Here it is argued – contrary to the predominant Chicago School interpretation of Smith – that government is an important part of the economy, not least in that government defines, assigns, and revises the content of private property, and that something is lost when Smith is said simply to favor – or require – the institution of private property. Again contrary to conventional wisdom, Smith understood that the economy is what it is to no small degree because of the purposes to which it is put by those who have control of the government. The mainstream belief system of western civilization and of neoclassical and other schools of economics obscures the continuing – if muted – contest between classes of rich and poor, that is, between groups of individuals some of whom are rich and some are poor, largely – albeit not completely – because the one group and not the other group is able to, by means of its control of government, have its interests drive or constitute government policy. The key role of the use of the concept of the invisible hand is its selectivity.

Lecture notes taken in Milton Friedman's first year of teaching at Chicago suggest that he had a deeper and more complex model of the regulatory systems of a market economy. Much of this model is implicitly repudiated in his later, better-known work, enabling him to take as absolutist what in his lectures was relativist.

Essay 8 next takes up Friedrich Hayek's treatment of the economic role of government, the formulation of which comprises a relatively popular substitute for arguments often attributed to Smith. Although Hayek sometimes insinuates into his discussion his own possible agenda for government, such as revision of corporate law restricting the power of corporations to be predatory (possibly including expansion of the term "predatory" from its narrow confinement in contemporary antitrust theory), as well as his own version of the welfare state. The discussion focuses on Hayek's two "principles": that of "unintended and unexpected consequences" and that of "institutions of human origin but not of human design." These propositions are shown to be valuable as positive propositions but not with the twist Hayek gives them on the basis of his normative formulations. Indeed, in Hayek's hands, these propositions serve to introduce into the legal-economic decision-making process the agenda items the process desires and the exclusion of those agenda items it does not desire. To argue for laissez-faire is, once again, to fail to open to scrutiny the uses to which government will be put by those who claim to have no or very minimal uses of their own. Much the same



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applies to two other “principles” promoted by Hayek, namely “spontaneous order” and “rule of law.” For Hayek and his disciples, much as for those who claim allegiance to Smith’s invisible hand, the invocation of an invisible hand constitutes a special kind of linguistic, ontological, and epistemological sleight of hand.

Government is important and inevitable as a mode of social control, social change, and social construction. Nominal positions of laissez-faire and nonintervention are shown to be the selective agendas they fundamentally are. It is through pretense that the concept of the invisible hand selectively serves as social control and psychic balm, that it is selectively grounded in the mythic, symbolic, and belief systems of society, and that rhetoric about the invisible hand comes selectively to dominate debate over the economic role of government through which the details of government activism, *always* ubiquitous, are worked out. The alternative to one program of government activism is not the natural order of things to which humankind should, if not must, submit. The alternative to that program of government activism is another program of government activism.

In some respects, what I found in Smith on the economic role of government, and the various glues used to tie ideas together, echoed my earlier findings on the Physiocrats. They, too, were doing what later people had been doing, namely masking (inadvertently or otherwise) the important economic roles of government by identifying their system as part of the natural order of things, and also opposing any system of economic policy deemed by them to be contradictory, all the while seeking to use and to manipulate government for their own purposes.

A persistent problem is the role of language. While studying the alternatives that arise in discussions of the invisible hand, I eventually focused on the linguistic term used by most people to classify the notion of an invisible hand, namely metaphor (though comparable questions could be raised regarding simile, trope, and so on). One question I pondered was, if B is a metaphor for A, because A came first, then what about a situation in which B came first; was A a metaphor for B? I also posed to myself the following questions: Was the invisible hand a metaphor or something else? For what was the invisible hand a metaphor, what did it tell us, and did it matter? And for what purpose was the invisible hand a means of introducing into the legal-economic decision-making process the agenda items (and their supporting arguments) desired by the introducers, to the exclusion of those agenda items they do not desire? The purpose, I concluded, is to put one group and not another in a position to control government, thereby effectuating its interests and not the interests of some other group(s) – in other



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words, to promote certain consolidations of social interests and not others. To argue for laissez-faire or nonintervention is to fail to acknowledge (admit to) and open to scrutiny the uses to which government had already been put and will be put by those who claim to have no or very “minimal” uses of their own. I further concluded that the significance of discussions as to whether the term “invisible hand” was actually one thing or another, metaphor or simile, and of discussions of the specific identity and correlative function(s) of the invisible hand, was that those discussions already assumed and – by using the term – reinforced the belief that the invisible hand actually did exist.

Many people consider the invisible hand to be a metaphor. Does it matter? I then made two connections: I found that the argument of the *History of Astronomy* applied to Smith’s use of the invisible hand, and that soothing the imagination was akin to psychic balm and social control. It eventually became clear that virtually all of the discussions of the invisible hand – for example, about its identity and its function – were by people seeking to set their own minds and the minds of others at rest by doing exactly what Smith said they would do if they could not end up with truth, including, I surmise, if they thought that they could generate truth but not of the type they were seeking.

Essay 9 raises a highly neglected topic, one unknown even to many economists: the survival requirement of Pareto optimality. Inasmuch as the invisible-hand reasoning has assumed the form of Pareto optimality, it seems important to consider that Pareto optimality applies only to marginal decisions, and that nonsurvival, or death, is not a marginal decision. I examine some important writings that introduce and support the survival requirement, some reactions to those writings, and a variety of materials, by economists and noneconomists, suggesting that the topic is alive and well. Essay 10 recapitulates and somewhat extends the argument and conclusions of the preceding eight essays. It focuses on the problem of the exercise of discretion about the conflict of continuity and change, the invisible hand as argument, Lionel Robbins’s approach to the interpretation of Smith, the part of the invisible-hand literature known as invisible-hand processes of explanation (in their positive rather than the more common normative formulations), and the context in which invisible-hand analyses acquire their meaning.

I found very revealing and suggestive the variety of meanings attributed to each and every facet of the Enlightenment. The important matter was not that the Enlightenment in the eighteenth century putatively was about the independence of man, but what its subsequent interpreters have been

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trying to portray as the Enlightenment in order to influence the society and the economic role of government in the present. Hayek, like many others, was engaged in undertaking the very things he criticized others for doing. Then, too, even putting aside such intentions, individuals define reality as they see it, based on the array of intellectual movements in which their minds – and the minds of those who taught them or with whom they identify and/or interact – were enmeshed and their mentalities formed.

The invisible hand is also involved with something far different from the concept as it is usually defined and whatever function it is said to perform. The function of the invisible hand has to be dealt with as a concept on a different level from that of its particular identities and its particular functions. To appreciate my analysis, the reader must recognize that economics is the only discipline, science, or field of inquiry where practitioners pride themselves on having something invisible as the foundational concept of their discipline. I had been cognizant of the idea of economics both competing with and supplementing religion as social control. I had been aware of the ideological role performed by individual economists or by certain groups, or schools, of economists. I had concentrated, in part, in my work as an economist on developing an understanding of the economic role of government that satisfied neither conservative nor liberal view of it, but rather the one that would enable people to discuss their systems of thought over the centuries. I had concluded in that effort, for example, that government – or decision making, or governance – was important; that government was the object of competition to control the uses to which it would be put; that there was much sense in Lionel Robbins' market-plus-framework approach, especially when one incorporated in it the government as a means of change – that is, legal social control and nonlegal social control such as religion, morals, custom, and education – and went beyond that approach to the analysis of power and what I came to call the legal-economic nexus.

The critical time came when I tried to outline the essays and fit them together. Essay 1 is relatively traditional in its account of Smith's three uses. Two subjects had to fit in and somehow be tied together. One was the praise of the invisible hand as the foundation of economics, coupled with criticism – by economists at the highest levels of the discipline – of that praise as exaggeration. The other was Smith's argument in his *History of Astronomy*. I had found fascinating how economists and others wrote about the identifications and functions of the invisible hand often without labeling them as such, trying to make a case for one or another as *the* invisible hand.

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My thanks go first to Marianne F. Johnson, one of my last two doctoral candidates and dissertation supervisees. Her calm and composed demeanor combines with ability, motivation, diligence, and work ethic to yield academic perfection. She has graciously helped me in a large number of ways, notably in preparing and polishing archival materials for publication in *Research in the History of Economic Thought and Methodology*. My greatest debt was incurred when she responded favorably to my request, on account of illness, to help in the completion of this book.

My second thanks go to numerous other former students and colleagues at Michigan State University and the History of Economics Society. They have shared with me information on items about (in one way or another) the invisible hand they have encountered, often giving or sending me a copy. They have critiqued my ideas and my work, both published and unpublished. I was fortunate to have department, college, and university funds for copying and for either undergraduate or graduate student help (mostly the latter) in searching for and copying materials already on hand at the Michigan State University Library and/or for securing copies through Interlibrary Loan (mostly the period when the computer and the Internet were not as research-friendly as they are now). Steven Medema has humorously remarked that working for me was like getting a doctorate in Xerox copying. At any rate, they fed my ego and self-image by letting me think that I knew more than I do and by assuaging my self-esteem when they thought I was enough wrong-headed to warrant criticism. I could not prepare with confidence a complete list of the individuals who have helped me in one way or another. Those who belong on the list know it and know how thankful I am for their support. I have retained the acknowledgment lines for several essays in which the individuals are mentioned by name.

My third thanks go to Holly Floyd of the Reference Department at the Michigan State University Library. Holly has given me invaluable help, especially after I retired and moved with my wife to Gainesville, Florida. Holly has helped on this project and on my work in editing the three annual volumes of *Research in the History of Economic Thought and Methodology*. I owe special thanks to Edward Elgar and Scott Parris. Edward has for more than twenty years provided moral support for my projected three-volume study of the invisible hand, and has agreed to publish a significant collection of invisible-hand materials, which I will edit with Marianne Johnson. Scott and I have discussed for some time the possibility of publishing my work with Cambridge University Press. He, too, has provided moral support.

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I have been exceedingly fortunate to have been joined by William “Bill” H. Perry. He is an expert with the use of computers. He is highly knowledgeable about the history of religion. He knows how to use computer programs to find and download all manner of materials dating from well before 1776. Bill speaks of securing documents from the second century C.E. through the eighteenth century almost as if he were planning a visit to the nearest branch of the public library. He is, needless to say, highly motivated. I met Bill at George Mason University, not by accident; we were brought together by his wife, Jane Perry. Bill later introduced me to Ken Ewell, another computer whiz who lives in Gainesville, Florida. We are extremely fortunate that so many groups in possession of the kinds of documents we have needed have had them translated and put on the Internet in order to make them available to other scholars and/or to proselytize. Some of the pre-Smithian historical materials and most of the more recondite items – all examples of the use of the term “invisible hand” – presented in Essay 1 are due to Bill’s efforts. The first volume(s) in the Elgar series mentioned earlier hopefully will likewise reflect his genius. To him and his wife I owe immeasurable gratitude.

One of my friends, Jim Qualizza, a computer specialist, after first commenting that the use of the invisible hand seemed to point to prediction, remarked that it was useful in giving a name to hide ignorance. Both comments seem to me to be propositions providing for the soothing of the imagination. If the propositions have the ring of truth, it is not because they are true but because people desire to have the music, as it were, of truth, and accept the propositions asserted as belief, notwithstanding their contrivance. This leaves them exposed, to serve as targets of those who seek for them to have the plausible assurance provided by belief in the invisible hand.

I also want to say that much of the picture or model that I have assembled in these essays resembles or is congruent with Vilfredo Pareto’s *Treatise on General Sociology*, also published as *The Mind and Society*. In my 1974 volume, *Pareto on Policy*, I presented – using modern terminology – his ideas on both the deep and the broad processes of decision making centering on power, knowledge, and psychology, and the mutual manipulation through which policies are worked out. Pareto was perverse where Smith was proper. I would relish having both men in my home for an extended period.