

## The Politics of Invisible Hand: Individual Actions, and the Emergence of Macro-Level Social Phenomena

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**Keywords:** *Self-Interest, Freedom, Capitalism, Adam Smith, Moral, Political Philosophy*

**DOI No:**

<https://doi.org/10.56976/jsom.v3i1.62>

*This article critiques the account of the invisible hand theory that individual actions bring about macro-level social benefits. The standard account of the invisible hand theory asserts that individual actions, motivated mostly by self-interest, advance the common good inadvertently and unknowingly. The invisible hand theory provides an explanation of how social reality, such as the emergence of language, social morality, and culture, evolves through individual actions. The account of the invisible hand embedded in self-interest is generally attributed to Adam Smith. Adam Smith's account of the invisible hand is centred on self-interest and freedom. In the invisible hand theory, freedom unfetters individual actions based on self-interests and promotes a kind of competition in an economic sense, which is known as capitalism. Certainly, the account of the invisible hand theory, which is based only on self-interest, is un-Smithian. I argue that although the invisible hand theory provides an adequate explanation for the evolution of language, morality, culture, and market, it promotes unbridled capitalism, which, in the economic sense, may cause malign consequences. In qualitative research methodology, I adopt the empirically informed philosophical analysis method to documentary resources, including journal papers, academic books, and proceedings of conferences and congresses.*

## 1. Introduction

This article critiques the central thesis of the invisible hand theory, which holds that individual actions, which are not collective in their intents, produce distinctive collective results. The key idea of the invisible hand theory explains that social benefits come out of the result of individual actions, particularly economically self-interested actions within appropriate social institutions, which involve – and turn into a system – respect for other people’s rights. In an economic arena, the invisible hand creates social benefits in two ways: first, benefits to those who trade with one another. Second, wider social benefits in terms of the effective use of resources. So, the invisible hand theory holds that the pursuit of self-interest shall have large-scale social consequences that promote the welfare of society.

The invisible hand theory is generally attributed to Adam Smith. Adam Smith’s account of the invisible hand holds that individual actions bring about the common good inadvertently and unknowingly (Smith, 2002; Smith, 2007). Many invisible hand theorists consider self-interest to be the only virtue that brings about the common good in terms of large-scale social consequences. Adam Smith is a pluralist philosopher who believes that self-interest is not the only value working in social life. Freedom, goodwill, and sympathy, for example, are other significant values in Adam Smith’s philosophy. Adam Smith used the phrase, the invisible hand, three times in his entire philosophical oeuvre. In contrast, the contemporary account of the invisible hand theory, which emerged in the twentieth century, is reductive, attributing all ethical human motives to self-interest. The account of the invisible hand that holds that self-interest is the only underpinning value is un-Smithian (Rothschild and Sen, 2006). Sometimes, self-interest brings about the common bad rather than the common good.

This article develops an outline of the invisible hand to explain two claims. First, the contemporary view of the invisible hand theory is inconsistent with Adam Smith’s account of the invisible hand. Although Adam Smith considers self-interest to be an essential motive in human life, he does not consider it to be the only underpinning value necessary for the common good. For example, Adam Smith also believes that goodwill matters (Smith, 2002). Second, the invisible hand theory defends the unbridled capitalism that often brings about the common bad rather than the common good. For instance, Geoffrey Chaucer’s *Pardoner’s Tale* and Colin Turnbull’s ethnography entitled *The Mountain People* (1994) show that self-interested individual actions do not bring about the welfare of society.

## 2. Literature Review and Research Methodology

A lot of literature has been produced on Adam Smith’s notion of the invisible hand. In this research, I examine the significant resources dealing with the idea of the invisible hand theory. The phrase ‘the invisible hand’ has attracted enormous attention in the contemporary epoch (Harrison, 2011). In the latter half of the twentieth century, the idea of the invisible hand developed and evolved unexpectedly from a “metaphor into principles, theories, and paradigms of markets which do not correspond to anything written by Adam Smith” (Kennedy, 2009, p. 240). Certainly, Adam Smith uses the metaphor of the invisible hand to explain economic behaviour, and he also mentions that it works in many “other cases” (Smith, 2007, p. 293). Yet

scholars diverge on the nature and scope of the idea. For some, it is “one of the greatest ideas of history” (Tobin, 1997, p. 120), while for others, it is an “ironic joke” (Rothschild, 2001, p. 138). Despite these divergent opinions, the invisible hand theory has fed into ethical and political individualism as well as providing a foundation for economic capitalism (Lukes, 1973, p. 99). The term ‘invisible’ in the phrase ‘the invisible hand’ means unknown in two ways. First, the overall outcome of the individuals’ actions is unknown to the individual actors. For example, individual voters do not know who will win the election. Otteson concludes from this that ‘the invisible hand’ is just a metaphor for “consequences unintended by individuals” (Otteson, 2002, P. 267). Second, the motives of each actor are unknown to the other actors. For instance, the motives of Macbeth, Iago and Brutus were unknown to Duncan, Othello and Caesar, respectively. This means that Duncan, Othello, and Caesar could not alter their actions to take account of Macbeth’s, Iago’s, and Brutus’ motives.

In the domain of qualitative research, this paper employs the method of empirically informed philosophical analysis to critically examine the documentary resources consisting of scholarly books, journal papers, proceedings of congresses and conferences on Adam Smith, economic thought, invisible hand theory, social change, and political philosophy. This research is argumentative, analytical, and critical, and its findings are presented as philosophical arguments.

### **3. The Contemporary Account of the Invisible Hand Theory**

The contemporary account of the invisible hand theory (‘invisible hand theory’, hereafter) is based on the idea of self-interest. The invisible hand theory claims that unintended and unforeseen consequences are often produced by self-interested human actions (Hayek, 2013; Vaughn, 1987). Like the invisible hand theory, ethical egoism and psychological egoism share the idea that human beings are self-interested creatures. Ethical egoism holds that people ought to act out of self-interest. In contrast to ethical egoism, psychological egoism explains that people *can only* act out of self-interest. The standard account of the invisible hand theory is not consistent with psychological egoism but is consistent with ethical egoism. In his work, *The Morality of Self-interest*, Robert G. Olsen best explains the position of ethical egoism: “The individual is most likely to contribute to social betterment by rationally pursuing his own best long-term interests” (Olsen, 1965, p. v). In the line of thought of the ethical egoist, the standard account of the invisible hand theory holds that people can act from self-interest, or act altruistically, or do neither. People often do act from self-interest. The result of many individuals often acting from self-interest is (unintentionally) beneficial for a collection of people. If people acting from self-interest have good consequences for the collective, and bringing about good consequences is morally right, then people ought to act from self-interest.

#### **3.1 Human Agency and the Emergence of Social Reality**

The first principle of the invisible hand theory asserts that human agency can unintentionally create social reality. In order to explain the role of human agency in creating social reality, I explain Edna Ullmann-Margalit’s arguments. Ullmann-Margalit’s exposition of the role of human agency in the invisible hand explanation negates the role of any supernatural agency.

Ullmann-Margalit distinguishes between natural phenomena and artificial phenomena, where natural phenomena are independent of human agency, and artificial phenomena depend upon human agency. According to Ullmann-Margalit: “Those social patterns that can be viewed as results of human action but not of human design are candidates for a special kind of explanation... called *invisible hand explanations*” (Ullmann-Margalit, 1978, p. 263). To explain the dichotomy between natural phenomena and artificial phenomena, Ullmann-Margalit provides a brilliant example. Suppose there is a crater, so well-shaped that it seems to be planned by the human mind to serve as a water reservoir. The crater is so apt for this purpose that one assumes some human mind has planned and made it in the past. Suppose a team of geologists visited the crater and provided the geological argument that it is the creation of volcanic action. Which account would be then eligible to be labelled as the invisible hand explanation? It would be incorrect to say that the geologists' explanation was describing “an invisible hand” because the crater is not a social phenomenon. It could be an artefact of the invisible hand if the human agency has created it (Ullmann-Margalit, 1978). She also holds that “not every unintended consequence of human action [would] qualify as an invisible-hand explanandum” (Ullmann-Margalit, 1978, p. 266). This means that the invisible hand explanation is only applicable to human-made artefacts.

The invisible hand theory claims that unintended and unforeseen consequences are often produced by human actions (Hayek, 2013, p. 36; Vaughn, 1987). The staple claim of the invisible hand is that humans are self-interested rational beings who always act to maximise their interests. There are certain things that are desirable and can only be brought about if people act on the basis of their economic self-interest. According to the invisible hand theory, the social reality that is created unintentionally is beneficent as well as appearing as though it is the product of an intelligent planner. The invisible hand theory relies on the argument that, “the sum of these unintended consequences over a large number of individuals or over a long period of time, may, given the right circumstances, results (sic) in an order that is understandable to the human mind and appears as it were the product of some intelligent planner” (Vaughn, 1987, 998). The unintended consequences of human actions may include introducing order into the economic, social, moral, and political realms. Individuals cannot predict the nature of the overall consequences at the time of their actions. The 'invisible hand' is typically concerned with large-scale consequences that are not intended by the people who are acting. For instance, political revolutions or cultural and linguistic evolutions are the products of individual actions. So, human agency unintentionally leads to the formation of a particular kind of social reality.

### 3.2 State, Freedom, and Human Agency

The second thesis of the invisible hand theory asserts that governments should allow people to freely choose how they live and what they do with their own property, as long as their actions are not unjust. This thesis has its foundation in Adam Smith's principle of natural liberty and account of the invisible hand. According to Smith, the invisible hand is the embodiment of the system of natural liberty (Campbell, 2013) that supports “the centrality of liberty in any moral or political scheme” (Griswold, 1999, P. 12). The key argument of the invisible hand theory

and the system of natural liberty is that unbridling individual creative minds would contribute towards the betterment of the political order (de Haar, 2013), political economy, social justice, and moral and social order. In *Wealth of Nations*, Adam Smith states:

All systems, either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way and to bring both his industry and capital into competition with those of any other man, or order of men (Smith, 2007, p. 444).

And he further states:

The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations: though the effect of those obstructions is always, more or less, either to encroach upon its freedom, or to diminish its security (Smith, 2007, p. 349).

In these excerpts, Adam Smith argues that allowing individuals liberty increases the welfare of society, while human laws often thwart the public good by limiting individual conduct. Smith maintains that by the system of natural liberty, “The sovereign is completely discharged from a duty... the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society” (Smith, 2007, p. 444). However, according to Smith, the sovereign retains three other duties: protecting society from violence and invasion, protecting the security of individuals, and establishing and maintaining public institutions (Smith, 2007).

John Galbraith explains the invisible hand theory: “In the Smithian system the individual, suitably educated, is left free to pursue his own interest. In doing so, he serves not perfectly but better than by any alternative arrangement for the common public purpose. Self-interest or selfishness guides men, as though by the influence of ‘an invisible hand,’ to the exercise of the diligence and intelligence that maximize productive effort and, thus, the public good. Private vice becomes a public virtue, which has been considered ever since the most convenient thing” (Galbraith, 2001, p. 159). Like many contemporary supporters of the invisible hand theory, Galbraith holds that it is a source for the common good.

### **3.3 Human Agency and the Emergence of Macro-Level Social Phenomena**

The third thesis of the invisible hand theory asserts that human agency creates the common good inadvertently and unknowingly. Invisible hand theorists claim that the results of the actions of self-interested individuals will have better consequences for communities than another alternative (Kennedy, 2009, 241). The invisible hand theory claims that the overall consequences of free, rational, self-interested actions benefit societies, even though individuals

did not intend to bring about those benefits (Vaughn, 1987, 998). The school of the Scottish Enlightenment commonly recognised this claim; the main protagonists of the school other than Adam Smith, were Bernard de Mandeville, David Hume, and Adam Ferguson. Mandeville is earlier; neither Hume nor Ferguson share the economic concerns that underpin it in Smith.

Mandeville's work, *The Fable of the Bees or Private Vices and Publick Benefits* (1724), is the locus of the idea that private vices unintentionally promote the public good. Mandeville was writing before Smith. Mandeville argues that human vices, such as pride and theft, help regulate industries and institutions. Mandeville's argument is that if people followed the teachings of moralists, this would have bad consequences for industry and commerce and thus for social well-being. For instance, pride entices individuals to appear aesthetically pleasing in society causing them to promote the fashion industry by consuming cosmetics and clothes, while theft is another vice that makes space for establishing institutions, such as police, courts, and jails in society (Mandeville, 1970, P. 75). The heart of Mandeville's argument claims that by employing people in industries and institutions, society promotes economic activity. A vice, such as a burglary opens opportunities for the general public to gain employment: if people do not engage in theft and other crimes, then there would be no need for police, courts, and jails. Consequently, private vices unintentionally promote the public good.

Similarly to Mandeville, Hume believes that the laws of justice are developed because people are self-interested, and it is this desire to protect oneself from the actions of others that produces laws of justice that are in the public good. So, the public good is unintentionally promoted because individuals promote laws that will protect their interests and in promoting and accepting those laws, they commit themselves to obey them (even when obeying them is against their interest). He claims that social institutions such as justice, maintenance of social order and conventions of promise-keeping, have evolved over time through individual actions following naturalistic rather than rational or teleological mechanisms (Hardin 2007). For instance, according to Hume, "[the justice] system, comprehending the interest of each individual, is, of course, advantageous to the public; ...[though] it be not intended for that purpose by the inventors" (Hume, 2006, p. 119-20). Thus, the emergence of social institutions goes beyond what is initially intended.

Adam Ferguson is another significant advocate of the idea of unintended consequences. Ferguson's *An Essay on the History of Civil Society* concentrates on the structure of society, its institutions and governments. Ferguson maintains that individuals' actions govern society, institutions, and even governments (Ferguson, 1995). According to Ferguson, people achieve ends that they are not mindful of, as they try to attain conveniences in their lives. "Every step and every movement of the multitude, even in what are termed the enlightened ages, are made with equal blindness to the future; and nations stumble upon establishments, which are indeed the result of human action, but not the execution of any human design" (Ferguson, 1995, p. 126). Ferguson's central idea is that social change happens without collective design, but rather by individuals' own actions for themselves. Mandeville, Hume and Ferguson all significantly shared the idea of the invisible hand before Smith's debut.



The debate about the unintended consequences of rational, self-interested action was revived by F. A. Hayek in the twentieth century. Hayek resuscitated the idea initially presented by the Scottish Enlightenment thinkers, arguing that beneficial social and political phenomena emerge spontaneously (Hayek, 2013). Like Ferguson (Ferguson, 1995), Hayek claims that useful institutions are often “the product of human action but not of human design” (Hayek, 2013, p. 57).

In *Law, Legislation and Liberty* (2013), Hayek discusses the idea of “spontaneous order” by making a distinction between two kinds of order: the social order, which can be designed, and another order, which evolves spontaneously. The prior is called “made orders” or ‘taxis’, while the latter is named “grown” or “spontaneous orders” or ‘kosmos’ (Hayek, 2013, p. 36). Hayek illustrates his claim with examples, for instance, an ‘army’ or ‘an order of battle’ is planned or designed and its actions are monitored by some authority. Language is an example of an order that evolves spontaneously.

Spontaneous orders evolve by the collective action of individuals seeking their own ends without any centrally designed and intended end by some authority. Social institutions, including language, morals, market orders, laws and so on, are examples of such spontaneously evolving orders (Hayek, 2013). So, Hayek applied the idea of unintended beneficial consequences in contemporary political and legal theory. Smith's idea of the invisible hand incorporates the law of unintended consequences and the notion of the common good. In contemporary literature, Hayek incorporates the ideas of Mandeville, Hume, and Ferguson into his notion of ‘spontaneous order’.

#### **4. Adam Smith’s Standpoint of the Invisible Hand**

It is generally claimed that the genesis of the invisible hand theory goes back to Adam Smith. To understand whether this claim is true, it is pertinent to expound Adam Smith’s notion of the invisible hand with reference to his works. I argue that Adam Smith does not think that people are simply self-interested creatures while he believes that, in some circumstances, self-interest may have macro-level social benefits. Adam Smith does not explain the phrase, ‘invisible hand’, in his works. Many scholars interpret the ‘invisible hand’ in different senses, some relate it to rational self-interest. To clarify the relationship between Smith’s work and the ideas that are critically discussed, it is pertinent to explain in which sense Adam Smith uses the phrase, for self-interest or for something else. Adam Smith uses the phrase, invisible hand, three times in his entire philosophical oeuvre. He first used the expression in *The History of Astronomy* in the 1750s to explain the laws of nature and calls it the ‘invisible hand of Jupiter’. He later used it in *The Theory of Moral Sentiments* (1759), and *The Wealth of Nations* (1776) to explain the ‘laws of society’. There are several critical questions. First, what does Adam Smith mean by the ‘invisible hand’? Secondly, can Adam Smith successfully distinguish between descriptive and prescriptive laws of human society? Finally, how does Adam Smith use the phrase ‘invisible hand’ in his three works?

#### 4.1 The Invisible Hand of Jupiter

In *The History of Astronomy*, Adam Smith used the expression, 'the invisible hand' for explaining the law of nature, calling it the 'invisible hand of Jupiter'. When explaining the invisible hand of Jupiter, Adam Smith makes a distinction between regular and irregular states of affairs in natural phenomena. He argues that in the initial stages of human society, people had less desire to explore the hidden mysteries in nature because savages needed to focus on subsistence due to hard circumstances (Smith, 1982, p. 48). Unlike philosophers, savages could not understand the small irregularities in nature, however, they could not ignore the large irregularities of nature around them, such as comets, eclipses, thunder and lightning. These happenings eventually led to sentiments of fear and terror in savages' minds (Smith, 1982, p. 48). They developed sentiments of admiration for some irregularities of nature that were useful, beneficial and agreeable to them, just as children like delicious sweets and dislike stones that hurt them. Consequently, considering the benign and malign roles of nature, savages believed that irregular events were directed by some invisible powers. Hence, they held that natural irregularities, such as the appearance of comets in the sky, the occurrence of lunar and solar eclipses, lightning and thunder happened due to the pleasure or wrath of the invisible supernatural powers (Smith, 1982, p. 49). This idea of the pleasure or wrath of the invisible supernatural powers seems to provide the foundation for the idea of the Providence Hand in theology (Viner 2014, p. 88-9; Oslington, 2012, p. 433).

According to Adam Smith, savages associated the invisible hand of Jupiter with irregular events, but considered regular events natural. Thus, irregular events were identified with different invisible mythical entities, such as Romans associating changes in the sea with Neptune, a bountiful harvest in fields with Ceres and abundant wine vintages with Bacchus. However, according to Adam Smith, savages believed that regular events, such as fire burning, water refreshing "heavy bodies descend[ing], and lighter substances fly[ing] upwards, [happened] by the necessity of their own nature; ... *the invisible hand of Jupiter* [was never]... apprehended to be employed in those matters" (Smith, 1982, p. 49). Thus, this invisible hand of Jupiter controls irregular events of nature. In Roman mythology, Jupiter was the god of society, the custodian of Rome, its people and its laws (Wolfson, 2002). Smith uses "the invisible hand of Jupiter" to refer to the way in which uneducated people attribute natural events that they cannot explain to supernatural forces.

#### 4.2 The Invisible Hand of Landlords

In *The Theory of Moral Sentiments*, Adam Smith holds that the invisible hand contributes to creating cooperative behaviour for the distribution of goods. Adam Smith explains the notion of the invisible hand and the cooperation between landlords and peasants. Adam Smith writes:

The produce of the soil maintains at all times nearly that number of inhabitants which it is capable of maintaining. The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all



the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. *They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society* [italics added], and afford means to the multiplication of the species (Smith, 2002, p. 215-6).

In the passage, Smith claims that the rich, despite their selfishness and rapacity, distribute some part of the horde to the peasants, and by so doing they unknowingly and unintentionally enhance the interest of the society.

### 4.3 The Invisible Hand of Industrialists

In *An Inquiry into the Nature and Causes of the Wealth of Nations*, Adam Smith states that the interests (wealth) of individuals enhance the interests (wealth) of society without their intention and prior knowledge. This phrase of the invisible hand in *The Wealth of Nations* is used for the expression of local production. Adam Smith articulates:

But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as much as he can, both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, *he 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* [italics added]. Nor is it always the worse for the 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. I have never known much good done by those who affected to trade for the public good (Smith, 2007, p. 293).

Unlike the invisible hand of Jupiter or of landlords, the invisible hand of industrialists focuses on the production of the personal economy to enhance the welfare (wealth) of the public (nation).

### 5. Interpretations of the Invisible Hand

The question of interpretation of the invisible hand entails whether it exists in the world. Joseph E. Stiglitz is a sceptic about the ontology of the invisible hand. He argues, “the invisible hand

may be invisible [because] it is not there” (Stiglitz, 2003, p. 13). Instead of defining the meaning of the invisible hand, Stiglitz even negates the existence of it in the world. In addition, James Otteson agrees with Stiglitz on the existence of the invisible hand. Otteson claims that there is no real hand because it is just a metaphor which explains “consequences unintended by individuals” (Otteson, 2002, p. 267). Stiglitz and Otteson negate the ontology of the invisible hand in the social world. If the invisible hand does not exist why do the invisible hand theorists talk about it. The idea, which was dormant in the nineteenth century, became ubiquitous in the twentieth century, where it appears to fit with the dominant capitalist approach (Kennedy, 2005, p. 165). In *Anarchy, State and Utopia*, Robert Nozick enumerates 16 cases of invisible hand accounts, including theories dealing with evolution, race, ecology, genetics, religion, IQ, markets equilibrium, pricing, crime, trade, managerial incompetence and economics (Nozick, 1999). Similarly, William Grampp (2000) lists ten accounts of the invisible hand, including one of his own. Thus, the invisible hand theory has become a common device in the 20<sup>th</sup> century, used to explain economic, linguistic, social, moral, and political phenomena.

Scholars have developed three kinds of interpretations of Adam Smith’s phrase, invisible hand. One school of thought holds that it is, surely, more a matter of self-interest leading, in some circumstances, to desirable macro-level consequences, another identifies it as a literary metaphor, while a third school of thought identifies it with the Hand of Providence. Of these three accounts of the invisible hand, the account of self-interest is dominant in the contemporary epoch. However, whatever Adam Smith understands by the invisible hand, self-interest, a literary metaphor or the Hand of Providence, it has evolved as a theory that adequately explains social phenomena.

### 5.1 Self-interest

Most contemporary scholars see the invisible hand theory as centred on self-interest. Contemporary explanations of the invisible hand often accept that self-interest is the primary motivation for human action because it in some circumstances, as leading to desirable large-scale consequences. Yet, Joseph Stigler writes: “*The Wealth of Nations* is a stupendous palace erected upon the granite of self-interest” (Stigler, 1971, p. 265). Like Stigler, John Galbraith holds, “Self-interest or selfishness guides men, as though by the influence of ‘an invisible hand’, to the exercise of the diligence and intelligence that maximize productive effort and thus the public good” (Galbraith, 2001, p. 159). In this way, Stigler and Galbraith both link the motif of self-interest with the invisible hand. However, Adam Smith did not develop the invisible hand theory as these contemporary scholars conceive.

Smith mentions people’s tendency to be motivated by self-interest when addressing economic behaviour. The quote from the *Wealth of Nations* given above continues: “I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it” (Smith, 2007, p. 293). However, Adam Smith does not apply self-interest in this way when discussing moral and political behaviour. In his *Theory of Moral Sentiments*, Adam Smith argues that human behaviour is also motivated by different

sentiments, such as love and sympathy. Interestingly, Emma Rothschild and Amartya Sen reach the same conclusion, “[T]he principle of the invisible hand, in its twentieth-century sense, was quite un-Smithian” (Rothschild and Sen, p. 363). Rothschild and Sen hold that self-interest is not the only motive that directs collective action (Rothschild and Sen, p. 363). Adam Smith was an astute observer of human psychology and believed that several sentiments or motives govern human actions.

Like self-interest, sympathy is another significant motive in Adam Smith’s philosophy. Adam Smith writes “When I sympathize with your sorrow or your indignation, it may be pretended, indeed, that my emotion is founded in self-love, because it arises from bringing your case home to myself, from putting myself in your situation, and thence conceiving what I should feel in the like circumstances” (Smith, 2002, p. 374). Smith is, here, suggesting that it is inadequate to explain this in terms of self-interest. Adam Smith explains his position with an example that grieving with someone who has lost his son means to have sympathy for that person (Smith, 2002, p. 374). However, this sympathetic grief is for the father who has lost a child; it is not self-focused grief.

Adam Smith’s notion of the invisible hand seems consistent with goodwill rather than self-interest. In *The Theory of Moral Sentiments*, Adam Smith states, “Our rank and credit among our equals, too, depend very much upon, what, perhaps, a virtuous man would wish them to depend entirely, our character and conduct, or upon the confidence, esteem, and goodwill, which these naturally excite in the people we live with” (Smith, 2002, p. 249). This means that along with confidence and esteem, goodwill matters.

Colin Turnbull’s *The Mountain People* (1994), an ethnography of the starved Ik community in Uganda, Africa, shows that when people live in conditions where they believe that their survival depends on them acting selfishly, they can act very cruelly, where that includes acting in ways that are likely to destroy positive social relationships. When they act in this way, they do not act with reverence for humanity. Turnbull’s study of the Ik clan holds that selfish behaviour was necessary for the biological survival of the Ik people. From the anthropological study of the Ik community, Turnbull claims that society is not essential for the survival of human persons. He argues that human persons are not primarily social creatures but they have the capability to coordinate with others for the sake of their survival (Turnbull, 1994, p. 290). Turnbull states, “the Ik have successfully abandoned useless appendages... [for example,] ‘basic’ qualities such as family, cooperative sociality, belief, love, hope and so forth, for the excellent reason that in their context these militated against survival” (Turnbull, 1994, p. 290). Under the situation of starvation and drought, the Ik people “led their lives without life, without passion and without humanity, just for the sake of their survival” (Turnbull, 1994, p. 294-5). It made the Ik people ‘selfish’, ‘uncaring’ and ‘unloving’, so much so that “love had become dysfunctional and the individual survival was what motivated their actions” (Turnbull, 1994, p. 9-10). It means that the Ik community on the basis of atomistic individualism undermines the central cannons of shared life.

This example suggests that the Ik, who once functioned as a supportive community, acted from individual self-interest to survive, and this undermined their social life. Turnbull’s

ethnographic conclusions from the Ik community are not benign in many ways (Heine, 1985, p. 14). First, as a reductionist, Turnbull reduced all human motivations to self-interest. Jerome H. Barkow criticised Turnbull for failing to consider the psychology of the human mind adequately. Barkow argues that Turnbull ignores the psychological hierarchy of needs which means that after achieving basic needs, one moves to the secondary needs; after getting food, individuals can care about the attainment of love and trust (Barkow, 1975, p. 155). Second, Turnbull conceives that human nature is self-centred. Turnbull draws his conclusion about extreme circumstances where there is insufficient food for all individuals in the community to stay alive, that self-interest and competitive behaviour are essential for the survival of people. Indeed, the actions of Turnbull's actors rely on self-interest to keep themselves alive. To sum up, the ethnography of the IK people shows that self-interest led to conflicts, injustice, and violence.

### 5.2 Providence's Hand

The theological standpoint on the invisible hand account maintains that the human lot is determined by the invisible hand of Providence. There is little evidence that Adam Smith used "the invisible hand" in this theological way. It is only his use of the invisible hand of Jupiter that refers to supernatural powers. However, even then Adam Smith is not using supernatural forces to explain events. Smith was a student of human nature and human society. Dugald Stewart writes about Adam Smith, "The study of human nature in all its branches, more particularly of the political history of mankind...gratified his ruling passion, of contributing the happiness and the improvement of society" (Stewart, 1980, p. 271). Indeed, the Smithian account of the invisible hand of Jupiter is metaphorical and cannot provide reliable evidence of Smith's attitude towards a divine hand. In the same vein, Spencer J. Pack writes, "Smith did not necessarily have faith in God; the invisible hand was not a theological underpinning for Smith's social and / or economic theory" (Pack, 1996, p. 189). Pack's claim may not be repudiated because Smith takes more interest in society rather than in religion.

The theological interpretation of the invisible hand presumes that the natural and social state of affairs of the universe is directed by an omnipotent, omniscient and omnipresent divine hand. Only Smith's reference to the invisible hand of Jupiter could provide a foundation for theological interpretation of the invisible hand. Ironically, Adam Smith posited the historical conception of natural phenomena hypothetically, using it to explain the attitudes of humans in a state of nature, who had a naïve belief in supernatural deities that governed the natural and social universe.

### 5.3 Literary Metaphor

Adam Smith uses 'the invisible hand' rhetorically as a metaphor to explain unintended consequences that might, in the absence of reflection, appear as though they were intended. Spencer J. Pack claims that the invisible hand, "was no joke; it was a rhetorical device which Smith made up and which he knew he made up" (Pack, 1996, p. 189). Like Pack, Gavin Kennedy holds that the invisible hand in the *Theory of Moral Sentiments* was a rhetorical and literary device that contributed to a "connecting chain of events that linked personal

motivations to their unintended consequences” (Kennedy, 2009, 245). Kennedy reasons that because Adam Smith, in *Theory of Moral Sentiments*, explained the idea before using the term, “the invisible hand” was used only for literary or rhetorical import (Kennedy, 2009, 246). However, Kennedy’s argument cannot be reasonable because whether a term is used before the explanation of an idea or after, it does not affect the meaning of the term.

Prior to Adam Smith, the rhetorical use of the invisible hand appeared in some classical works: Ovid’s *Metamorphoses* and William Shakespeare’s *Macbeth*. Ovid, an ancient Roman poet, used the metaphor of the ‘invisible arms’ in his magnum opus, *Metamorphoses*. In this work, he narrated the tragic death of Actaeon, a hunter who was pursued by his own hounds when he turned into a stag after seeing the gorgeous Diana bathing in the woods. In a state of helplessness, while hounds were attacking him, he made a plea: “As if in prayer, he dropped upon his knees, wordless, to plead in pantomime, open invisible arms, to those who looked at him”(Ovid, 1958, p. 70-1). Actaeon invoked help from the invisible arms of supernatural deities. Similarly, Shakespeare’s *Macbeth* invoked help from an invisible hand that personified the dark night. *Macbeth* articulates “Come, seeling Night, Scarf up the tender eye of pitiful day, And with thy bloody and invisible hand, Cancel, and tear to pieces, that great bond which keeps me pale” (Shakespeare, 2005, p. 87). There is no evidence found in Adam Smith that supports the rhetorical interpretation of the invisible hand. Adam Smith’s invisible hand can neither be contextualised as the providential hand, an ironic joke, nor as a rhetorical device, but it is widely recognised as a metaphor for unintended consequences, or something similar to this, like unintended consequences of a set of individuals’ self-interested actions.

## 6. Invisible Hand, Individual Actions and the Common Good

The question is whether the invisible hand promotes the common good. I argue that the invisible hand theory is primarily based on two values: self-interest and freedom. As far as the value of freedom is concerned, the invisible hand theory discourages state intervention in the state of affairs of individuals. The invisible hand theory promotes capitalism. Let us first see the value of freedom and its implications for the common good before the discussion of the value of self-interest and its implications for malign consequences.

Adam Smith’s account of natural liberty needs to be analysed for an adequate explanation of the invisible hand. Joseph Cropsey holds that the phrase, ‘natural liberty’ is either a tautology or a paradox (Cropsey, 1979). In the case of tautology, by terming the primary state as ‘natural’, and the state of unconstraint as ‘liberty’, both are not different but a tautology. The primary state or nature is freedom, while artifice or conventions are sources of restriction. Cropsey states that if freedom is to be considered the end of society, the eventual end of society is then returning to nature or reinstating nature through public institutions (Cropsey, 1979). This conception of nature without social conventions resembles Thomas Hobbes’ notion of the state of nature where the individual can wage a war of all against all for pursuing their self-interests (Hobbes, 1984).

In the case of the paradox between “natural” and “liberty”, Cropsey argues that transforming society to nature is diminishing social artefacts, as conventions or laws eventually



lead to the diminishing of civil life. However, the diminishing of civil life would be identical to the diminishing of society itself. Hence, the “naturalisation” of society means the dissolution of society. In this context, a tautology becomes a paradox between naturalisation and liberalisation regarding the breaking of society (Cropsey, 1979). In this line of argument of Cropsey, society is the construction of moral, political and legal conventions, and naturalisation and liberalisation would lead society to perish.

Cropsey goes on to suggest a solution to the problem; that society be modified to nature in such a way that it does not dissolve the social conventions, but rather promotes the natural conventions and human constructions. Also, “the whole import of the artificial social construction is the recovery of natural liberty in the form of self-legislation. After all, the liberty of the natural man consisted of the freedom of a being that legislates for itself. Then the conventions of self-legislation would be those natural artefacts whose possibility we were questioning” (Cropsey, 1979, p. 167). However, Cropsey’s proposal for the reconciliation between natural and social constructions cannot be compatible with the principle of the invisible hand that asserts that self-interested individuals ought to pursue only their own interests. Craig Smith postulates that natural liberty functions by the principle of self-adjustment “because it is not restrained or directed, it is free to react to circumstances and the accuracy of the information that it passes depends on this” (Craig Smith, 2006, p. 90). Craig Smith’s principle of self-adjustment seems plausible because there is something that makes things adjusted knowingly or unknowingly, willingly or unwillingly.

Cropsey’s interpretation of nature from Adam Smith’s system of natural liberty has striking similarities to Thomas Hobbes’ state of nature; both empower individuals with autonomy, self-interest and liberty. However, despite the similarities between the two, there are some obvious dissimilarities: Hobbes argues for developing a political society from a state of nature, while Smith argues that an emergent society will develop from the system of natural liberty. Hobbes is a contractarian philosopher while Smith is a non-contractarian philosopher. Smith is certainly a non-contractarian philosopher who does not support the contract, as the cornerstone of the origin of political society. For instance, Robert Nozick, in *Anarchy, State and Utopia* (1999), justifies the idea of a political society in line with the Smithian idea of freedom. Nozick offers a distinctive argument for the invisible hand based on rights. Certainly, the spontaneous order of evolutionary phenomena is a significant approach in the non-contractarian tradition. It is freedom that causes the evolution of political institutions. Freedom is one of the crucial values for the advancement of human society. When taking freedom in relation to the invisible hand, it means not having state laws controlling economic behaviour. Many scholars interpret the idea of the invisible hand in the domain of the market, and they intend to explain whether markets ought to be regulated. Many supports unregulated markets in which people have competitions for maximising their economic interests. This capitalistic competition sometimes exploits people. In this context, Douglas Long states, “The “obvious and simple system of natural liberty” over which the “invisible hand” presides is a system of market exchange” (Long, 2006, 291). Long makes a nexus between natural liberty and the invisible hand and looks at how market exchange becomes possible.

The invisible hand theory holds that individual actions, motivated by self-interest, may cause social betterment inadvertently. However, the invisible hand theory does not make the actors better off economically or ethically. In *Taking Rights Seriously*, Ronald Dworkin calls it “silly faith” to believe that, “ethics as well as economics moves by an invisible hand, so that individual rights and the general goodwill coalesce, and law based on principle will move the nation to a frictionless utopia where everyone is better off than he was before” (Dworkin, 1977, 147). Dworkin correctly identifies that the invisible hand theory supports the fusion of individual rights and the general good. As argued below, people often cause common ruin rather than the common good by pursuing their own self-interest. If people acting from self-interest has bad consequences for the collective, and bringing about bad consequences is morally wrong, then people ought not to act from self-interest. I argue that the invisible hand is not fit for creating social justice. It is in people's self-interest to have at least some degree of reverence for others' humanity. On the contrary, it is, sometimes, not in people's self-interest to have respect for others's humanity.

Geoffrey Chaucer, a fourteenth-century English poet, adapted a famous oriental fable, called “The Pardoner’s Tale”, in his magnum opus work, *The Canterbury Tales*. *The Pardoner’s Tale* deals with the problem of self-interest. Let us Pardoner’s three Flemish agents to be named Charles, François, and Hubert, who claimed to be best friends and took an oath to be loyal to each other in thick and thin. One day, they came across a treasure trove of gold by chance in a forest. They altogether decided that the gold ought to be distributed equally among themselves. They found the hoard in the morning and they decided to wait till dark to carry their individual shares of the gold to their homes so that other people would not take them for burglars. At midday, they drew straws to decide who would bring food and drinks from a nearby town. François left to procure lunch and drinks from a nearby town, while Charles and Hubert negotiated between themselves and reached a decision to kill François on his return so that they could acquire a bigger share of the treasure by dividing it into two rather than three parts. Meanwhile, François also desired the whole treasure for himself. He bought poison and put it into two out of the three bottles to kill Charles and Hubert. As soon as François reached the hiding place, Charles and Hubert attacked and killed him. Hereafter, they ate the food and took the drink brought by François. By chance, they drank from the poisoned bottle. Like François, Charles and Hubert also found death (Chaucer, 1958, p. 262-74).

To sum up, the invisible hand theorists link the free market with the invisible hand. Mark Notturmo states, ‘free market’, as it actually exists, has as much to do with the invisible pocket as it does with the invisible hand” (Notturmo, 2015, p. 97). Notturmo is right that the invisible pocket underpins divergent state of affairs in the social world. According to Notturmo, Adam Smith envisages the ‘virtue’ of the invisible hand, but he ignores the possibility of the ‘vice’ of the invisible pocket. For instance, the cases of Jeffrey Skilling and the Enrons of the world are the results of the vices of the invisible pocket (Notturmo, 2006). Jeffrey Skilling and the Enrons of the world are companies which bankrupt due to corruption. Yet Notturmo’s worry about the vice of the invisible pocket does not apply to Adam Smith but to the creators of the invisible hand theory.

## 7. Conclusion

This paper examined the invisible hand theory to determine whether it is adequate approach to explain different kinds of social phenomena, such as language, culture, morality and market. I argued that although the invisible hand theory well explains numerous kinds of social phenomena, it causes the creation of an unbridled capitalism which often lead to malign consequences, such as social injustice through economic exploitation and corruption. Adam Smith is a pluralist philosopher who believes that numerous moral values, including freedom, sympathy, love and self-interest work in a society. Adam Smith is not a reductive philosopher that means that he does not think that self-interest is the only working value in social life. Instead, many contemporary scholars interpret invisible hand theory in terms of self-interest as a reductive approach: nothing but self-interest matters in social life. This is an un-Smithian approach because Adam Smith supports numerous values working in social life.

***Acknowledgements:** The author would like to thank Dr Carolyn Mason, Dr Douglas Campbell, Dr Jeremy Shearmur and Professor Mark Francis for reading the manuscript and making valuable comments and suggestions.*

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