

GOD AND THE MARKET:

THE RELIGIOUS BACKGROUND OF ADAM SMITH'S INVISIBLE HAND

*“Modern professors of economics and ethics operate in disciplines which have been secularized to the point where the religious elements and implications which were once an integral part of them have been painstakingly eliminated ... [scholars] either put on mental blinders which hide from their sight these aberrations of Smith’s thought, or they treat them as merely traditional and in Smith’s day fashionable ornaments to what is essentially naturalistic and rational analysis... I am obliged to insist that Adam Smith’s system of thought, including his economics, is not intelligible if one disregards the role he assigns in it to the teleological elements, to the ‘invisible hand’” Jacob Viner *The Role of Providence in the Social Order* 1972 p81-82*

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Abstract

The invisible hand image is at the centre of contemporary debates about capacities of markets. However, its meaning in Adam Smith's writings remains obscure, particularly the religious associations that were obvious to early readers. He draws on Isaac Newton’s theories of divine action and providence. Within the context of Smith's general providential account of markets, the invisible hand restrains inequality and capital flight, thereby stabilising the market system. Such an understanding of the invisible hand raises questions for contemporary religious and secular discussions of the capacities of markets.

1) INTRODUCTION

The invisible hand image is at the centre of contemporary debates about the capacities of markets. For George Stigler (1976 p1201) the invisible hand idea was the “crown jewel” of the *Wealth of Nations*, expressing Adam Smith’s “one overwhelmingly important triumph: he put into the centre of economics the systematic analysis of the behaviour of individuals pursuing their self interest under conditions of competition”. For Deirdre McCloskey (2006 p456-8) the hand reconciles private self-interested action with the common good. Mark Blaug (2008) in a recent survey concluded that for economists the invisible hand expresses three interconnected ideas: “the private actions of individuals can have unforeseen and unintended social consequences”, that these are “harmonious in mutually promoting the interests of all members of society” and they generate “order”. Even critics of mainstream economics such as Duncan Foley (2006) interpret the invisible hand in a similar way, though regarding it as summarizing the errors of the case for the market economy; as Adam Smith’s mistake which has cursed subsequent economic analysis. Joseph Stiglitz (2002) has suggested the hand as understood by most economists is invisible because it is not there.

All these contemporary writers refer back to Adam Smith’s use of the image in *Theory of Moral Sentiments* and *Wealth of Nations*¹, so it is important to understand its meaning in the original writings. This is so even if economists perfectly legitimately wish to go beyond Smith’s usage in contemporary debates about the capacities of markets.

Despite the invisible hand being increasingly invoked by economists, its place and meaning in Adam Smith's work remains obscure². The religious associations of the image are particularly obscure. Early readers, though they did not emphasise the hand within Smith's system as much as contemporary writers, regarded its religious associations as obvious. For Smith's early readers it was a divine hand. Among contemporary intellectual historians the religious associations remain important, though there is no consensus about their exact nature. Jacob Viner's view is quoted above. Alec Macfie, one of the editors of the OUP Bicentennial edition of Smith's works, wrote

¹ References to Smith’s works will be to the Bicentennial editions published by Oxford University Press during the 1970s (now Liberty Fund) which will be abbreviated as *TMS* and *WN*.

² Various citation analysis of Smith’s work have been undertaken, utilising the electronic search facilities of Google Scholar and JSTOR. Basically the current upsurge of interest in Smith began in the 1970s, and references to the invisible hand in the early 1980s. This followed neglect of his work for most of the 20th century after his initial rise to fame in the early 19th century.

that “the Invisible Hand is only one of many names given in the *Moral Sentiments* to the Deity” (Macfie 1970 p111). One of the most careful contemporary Smith scholars Gloria Vivenza concluded her survey of contextual and rhetorical analysis of Smith's invisible hand “it is almost unavoidable to give it a teleological, if not theological, sense” (Vivenza 2005 p52).

Establishing its meaning in Smith's writings is not the hopeless task as some economist commentators suggest (for instance Samuels 2009). What is required is close attention to the texts in their original context, including the religious context. Recent contributions along these lines include Macfie (1970, 1971), Rothschild (1994), Winch (1996, 1997), Grampp (2000), Waterman (2004), Kennedy (2008), Brewer (2009), and Harrison (2010). All draw on valuable work on Smith's religious background, such as Ross (1995), Vivenza (2001), Stewart (2003) and Long (2002, 2009), which rests on the huge literature on the Scottish Enlightenment, such as Hont and Ignatieff (1983) and Sher (2005), and the historical literature on relation between science and religion, such as Brooke (1991). This new work on Smith's religious background picks up questions raised in Jacob Viner's (1927) classic paper, and largely neglected in the decades which followed³.

This paper examines Adam Smith's invisible hand in the context of 17th and 18th century theology, especially Smith's scientific exemplar Isaac Newton's theories of divine action and providence. Its contribution is threefold:

Firstly, to get the history right, so as to properly appreciate the place and meaning of the invisible hand image in Smith's writings. It is not an intellectual historical paper, though attention to the historical context is necessary to identify the likely theological influences on his work. Smith did

³ Jacob Viner, after writing his classic paper for the Chicago celebration of the 150th anniversary of the *Wealth of Nations*, published little else on the topic. Two posthumously published works (Viner 1972, 1978) give some indication of Viner's vast reading over subsequent decades as he pursued the question of the religious background of 18th century political economy. The Mudd Manuscript Library at Princeton contains many kilograms of evidence of his pursuit. Two scholars who took up Viner's questions were Bitterman (1940), whose work reinforced Viner's conclusions and Coase (1976) who disagreed. Coase's conclusion “it seems to me that Viner much exaggerates the extent to which Adam Smith was committed to a belief in a personal God” (1976 p554), if correct, is about Smith's personal faith rather than the influence of theology in forming Smith's ideas, which was the more important question that interested Viner. As Viner stated in correspondence November 3 1965, responding to questions from Alec Macfie about Smith's personal faith “I am not really interested in Smith's views re religion except as items of intellectual history to be analyzed if at all for their logical character and their relevance to his thought on other matters”

not invent the invisible hand⁴, but what was novel and interesting is the use he made of the image as he grappled with the developing market economy of 18th century Scotland.

Secondly, to clarify the nature of the invisible hand image as an aid to those deploying it in contemporary discussions about the capacities of markets. Conceptually weak or confused references to the invisible hand undermine otherwise sound arguments for markets.

Thirdly, to augment our stock of ideas for dealing with relationships between religion and free markets through a recovery of Smith's views expressed through the invisible hand image. It models a more modest and historically grounded approach to the relationship between religion and economics. This is a neglected topic, though crucially important for the future of free markets in societies where religion is a significant political and economic force⁵.

⁴ Commentators have speculated about where Smith might have picked up the invisible hand language - ranging from straightforward associations with divine hands in the Bible to Emma Rothschild's (1994) suggestion that it could be bloody and invisible hand of Shakespeare's Macbeth.

A recent thorough investigation of previous usage by the historian of science Peter Harrison (2010) shows that hidden and invisible hands were frequently discussed in sermons, devotional works and Biblical commentaries in the 17th century. The idea usually expressed is that God accomplishes his purposes in history in spite of the intentions of human agents. It is an expression of the Christian doctrine of divine providential care for humanity. Smith seems to be transferring the idea from history to the economy.

An intriguing discovery by Harrison is that the 1762 Glasgow edition of Calvin's *Institutes* translates Calvin's Latin in Book 1 84 as "But those things which appear to us to happen by chance, faith will acknowledge to have been owing to a secret impulse of God. I grant there doth not always appear the like reason, but doubtless we ought to believe, that whatsoever changes of things are seen in the world, are brought about by the direction and influence of God's invisible hand". Harrison suggests that Thomas Norton's 1561 translation "the secret sturring of the hand of God" is truer to the original Latin and that the 1762 editor seems to have been influenced by the providential associations of the invisible hand phrase. It is reasonable to suppose Smith was similarly influenced by the common providential associations.

Another intriguing suggestion about the source of the invisible hand image was made by Gloria Vivenza (2008). She notes that Adam Smith at WN V.ii.h.3 (p859 of the standard edition) cites Dion Cassius on Roman inheritance law and mentions in a note the 1734 work of Burman de Vectigalibus. Examining this work, Vivenza found a discussion of the hidden activity of Jupiter interrupting the normal course of events that connects with Smith's use of the invisible hand image in his early essay *History of Astronomy*. As Vivenza points out, similar discussions in classical literature abound, and we cannot be sure this work was in fact Smith's source.

⁵ Some historical and philosophical aspects of the relationship between economics and religion are dealt with in Oslington (2003, 2008) and the significance of religion for debates about markets by Friedman (2005) and McCloskey (2006).

2) SMITH'S RELIGIOUS BACKGROUND

This paper is about Smith's ideas as expressed in his writings, rather than Smith's personal faith or otherwise. For one thing we cannot ultimately know about Smith's personal faith, but even if we could know, the information that Smith was or was not of orthodox Christian faith would not decide the issue of theological influences on his work. The thought of many an avowed atheist has been deeply influenced by Christian theology, and it is possible for sincere faith to leave little mark on one's intellectual development⁶.

Biographical evidence is helpful to identify the likely religious influences on Smith's intellectual development. It would be very strange if the religious context was unimportant in forming any scholar in the religiously saturated environment of 18th century Scotland. Adam Smith was brought up by his devout Calvinist mother after the early death of his father, and like most of his Scottish contemporaries attended church regularly throughout his life, associating with the moderate party in the Presbyterian Church. On taking up his Chair at the University of Glasgow in 1751 Smith signed the Calvinist Westminster Confession before the Glasgow Presbytery, and took the Oath of Faith. Smith's lectures on moral philosophy in the early 1750s began with natural theology. A student John Millar reported that "His course of lectures ... was delivered in four parts. The first contained Natural Theology; in which he considered the proofs of the being and attributes of God, and those principles of the mind on which religion is founded" (reproduced in Dugald Stewart's *Account of the Life and Writings of Adam Smith*, originally published in 1790, now Smith 1980 p274). These early lectures became the foundation of Smith's system, with the second part on moral philosophy becoming the *Theory of Moral Sentiments* published in 1759, and the final part being developed into the *Wealth of Nations* published in 1776. Smith was reticent about religious matters in public, as he was about other matters likely to arouse needless controversy, and we have no evidence from correspondence or contemporary reports of insincerity of his public professions of faith. It is true that he was an intimate friend of David Hume, but we cannot jump to the conclusion that the religious views of friends are identical or even similar.

⁶ I have no interest in constructing a pious Smith to comfort people of faith, or to advance certain religious agendas. The quotation above from Jacob Viner (himself secular, after an orthodox Jewish upbringing) and other material in the Mudd Manuscript Library at Princeton University questions the construction of a secular Smith by economists to suit mid-20th century American sensibilities. Recent views of Smith's personal faith range from Long's (2009) portrait of Smith as an orthodox Christian believer, to Kennedy (2008) at the other extreme, who suggests Smith had a hostility to religion which he succeeded in hiding from his contemporaries.

What then were the religious ideas that influenced his economics? Some commentators have pointed to Stoicism as the source of the religious language in Smith's works, noting that many Scottish Enlightenment figures including the young Smith were interested in Stoic ideas. For example, Raphael and Macfie's introduction to the standard edition of the *Theory of Moral Sentiments* states: "Stoic philosophy is the primary influence on Smith's ethical thought. It also fundamentally affects his economic theory" (Smith 1975 p5) and "Adam Smith's ethics and natural theology are predominantly Stoic" (Smith 1975 p10). As evidence they point to the importance of self-preservation in Smith, the importance of self command as a virtue, Smith's commitment to a harmonious natural order, and his universalism. While there is no denying Stoic influences on Smith, contemporary writers in my view have been too ready to assume this deals fully with Smith's religious language, disposing of Christian theology as an influence. One reason why this is unsatisfactory is that treats Christianity and Stoicism as mutually exclusive, when in fact they are historically intertwined, especially for the Enlightenment Scots. It is also difficult to reconcile an exclusively Stoic Smith with his own words "The plan and system which Nature has sketched out for our conduct, seems to be altogether different from that of the Stoical philosophy" (Smith *TMS* p292), or with Smith's conspicuous failure to adopt Stoic resignation towards economic deprivation in 18th century Scotland.

A more important influence in my view was the Calvinist theological tradition that provided the intellectual framework for the Presbyterian Church which dominated Scottish life in the 18th century. We have already observed that Smith signed the Calvinist Westminster Confession of Faith and associated with moderate party of the Scottish Presbyterian Church whose position is nicely sketched by David Fergusson (2007 p5) "The dominant theology of moderate intellectuals in the era of the Scottish Enlightenment" as the following: "The role of God as creator and sustainer of the world is emphasised. The signs of the divine presence are evident in the natural world; in this respect, the design argument is widely assumed to be valid. The beneficial role of religion in civil society is stressed. Religion contributes to social order and harmony. When purged of irrational fanaticism and intolerance, faith exercises a cohesive function through the moral direction and focus it offers human life. As benevolent and wise, God has ordered the world so that its moral and scientific laws contribute to human welfare. The prospect of an eschatological state in which virtue and felicity coincide, moreover, provides further moral motivation". Smith fits this

moderate Calvinist picture perfectly. The connections between the Calvinist doctrine of providence and Smith's economics have been noted by many scholars⁷.

In this paper I will instead concentrate on the other main theological influence on Smith - the British tradition of natural theology (discussed at length by Brooke 1991) which was the intellectual framework for the development of British science from the 17th till the early 19th centuries. This tradition includes Francis Bacon, Robert Boyle, Isaac Newton, John Ray, and William Paley with William Whewell perhaps marking the end point of the tradition. Natural theology contrasts with revealed theology, and is often understood as a philosophical project of proving of God's existence without reference to Scriptural revelation. However, the project of these early British scientists was not proving God's existence, but of deepening understanding of God's nature and activity through study of creation. Their project rested on the revealed doctrines of creation and providence. Natural theology functioned in Britain to legitimate scientific activity, to provide a common language and non-sectarian religious basis for scientific work, and occasionally to suggest and select theories.

Adam Smith adhered to this tradition as well as his native Scottish Calvinism⁸. We know Smith and other Enlightenment Scots admired Isaac Newton, that he had a thorough knowledge of Newton's works, and he held up Newton's scientific methods in his *History of Astronomy* as a model for the future science advances⁹. This essay culminates with a description of Newton's contributions, and the judgement that "the superior genius and sagacity of Sir Isaac Newton, therefore, made the most happy, and, we may now say, the greatest and most admirable improvement that was ever made in philosophy" (Smith 1980 p98). Furthermore, early readers of the *Wealth of Nations* such as Governor Pownall of Massachusetts commented on its Newtonianism¹⁰. The role of self-interest in Smith's system was compared to the role of gravity in Newton's.

⁷ Peter Harrison (2010) suggests that Smith's economics represents the extension of the doctrine of providence from history to the economy, and Harrison (2007) argues the doctrine of the fall shaped his system.

⁸ The connections with Calvinism and natural theology are discussed further in Oslington (2010). Moderate Calvinism and the British tradition of scientific natural theology were not in conflict. The opening paragraphs of the Westminster Confession of Faith, the official statement of the Presbyterian faith in Smith's Scotland, which Smith signed, explains that the God the creator is known to us by the light of nature, though imperfectly.

⁹ *The History of Astronomy* essay was probably begun by Smith in the 1740s, polished in Edinburgh before reaching final form in the late 1750s. It was published in 1790 after Smith's death, and was one of the few items he asked be spared when his unpublished papers were burned by his literary executors. Ross (1995) p99 discusses the dating.

¹⁰ Montes (2003, 2008) discusses the influence of Newton on Smith's methodology.

A key part of the argument for reading Smith as a natural theologian is that his works are full of the distinctive language and thought forms of British scientific natural theology. A couple of passages from the many that could be cited:

“All the inhabitants of the universe, the meanest as well as the greatest, are under the immediate care and protection of that great, benevolent and all-wise Being, who directs all the movements of nature; and who is determined, by his own unalterable perfections to maintain in it at all times, the greatest quantity of happiness” (Smith *TMS* p235).

“In every part of the universe we observe means adjusted with the nicest artifice to the ends which they are intended to produce, and admire how everything is contrived for advancing the two great purposes of nature, the support of the individual and the propagation of the species...[and studying this leads us to admire] the wisdom of man, which in reality is the wisdom of God” (Smith *TMS* p87).

3) NEWTON ON PROVIDENCE AND DIVINE ACTION

Within the British tradition of scientific natural theology, Isaac Newton’ theories of divine action and providence are the specific background to the interpretation I am offering of Smith’s invisible hand¹¹.

Newton affirms a strong version of the doctrine of providence. In his universe everything that happens is in some sense an act of God. For scientific work to be fruitful God’s activity must be reasonably regular or law like, and Newton believed his success in explaining universe in terms of regular laws made divine involvement more rather than less plausible. A clockwork universe demonstrated the wisdom and power of God.

Newton followed the theological tradition in distinguishing between general providence - God’s care expressed in the regularity of the universe - and special providence - God’s irregular acts. Newton sums this up nicely in correspondence: “[God is] constantly cooperating with all things in

¹¹ Providence is one the core doctrines of Christianity, with a long history. It is distinguished from the doctrine of creation, God’s finished work, in that God’s providential care for the world continues. It also differs from creation in that the created order is good, while the present order under God’s care is not. Providence is also distinguished from the doctrine of redemption, God’s restorative activity through Christ, as providence has more modest maintenance role. Helm (1993) discusses the doctrine of providence more fully, along Calvinist lines.

accordance with accurate laws, as being the foundation and cause of the whole of nature, except where it is good to act otherwise” (MS245 folio 14a in the Library of the Royal Society London, as quoted in Force 1990 p87). There is no sense in which any irregular actions of God undermine God’s regular action. General and special providence are both part of the divine economy of nature.

For Newton it is not just that special providential action is allowable, but that God has willed a universe where such action is required (Brooke 1991 p147). In the *Principia* Newton writes of the orbits of planets needing periodic adjustment, and of comets tails restoring matter lost by the Sun and planets (discussed Brooke 1991 p148, and also commented on by Smith in *History of Astronomy*). Newton was also fond of the analogy that God could move the universe as we move our bodies, although he rejected pantheism that made God the soul of the universe (Brooke 1988 p169). In Query 31 of the *Optiks* Newton describes God as a “powerful ever-living Agent, who being in all places is more able by his will to move the bodies within his boundless and uniform sensorium, and thereby to reform the parts of the universe, than we are by our will to move the parts of our own bodies” (Janiak p138). Another example of this body imagery is a 1692 letter to Bentley where Newton describes a “divine arm” placing planets (Janiak p100).

So a divine hand acting irregularly to maintain order seems perfectly legitimate within the Newtonian view of divine action, and the arm-hand imagery has precedents in Newton’s own discussion of the planetary system.

4) THE INVISIBLE HAND PASSAGES

Now turn to the passages. The interpretation I am offering of Smith's invisible hand is that it expresses the doctrine of providence. Others have pointed out the connections between the doctrine of providence and Smith's ideas about self-interested behaviour mediated through market institutions working for the general good (notably Viner 1927, and more recently Waterman 2004). The crucial nuance I’m adding to make sense of the invisible hand is the distinction between general and special providence. The invisible hand metaphor is Smith's acknowledgement of the possibility of special providential divine action in the economic system to guarantee its stability. In Smith's understanding of the divine economy the special providential invisible hand balances the general providential activity of God in markets.

(i) History of Astronomy

The first of the three appearances of the invisible hand in Adam Smith's work is his early essay *The History of Astronomy*, section III "Of the Origin of Philosophy" (p48-50 in the standard edition of *Essays on Philosophical Subjects*, Smith 1980).

The passage is part of an argument about how philosophy (which for Smith and other 18th-century authors includes what we would now call science) originates in wonder and curiosity about the irregularities of nature. Smith begins the section describing how savages view events in nature which attract their attention as products of an "invisible and designing power" "whose operations are not perfectly regular" (Smith 1980 p49). It is the irregular events, Smith emphasises, which attracted the attention of the savages and ancient polytheists, and were ascribed to gods. Smith's words are: "For it may be observed, that in all Polytheistic religions, among savages, as well as in the early ages of Heathen antiquity, it is the irregular events of nature only that are ascribed to the agency and power of their gods" (Smith 1980 p49).

He then introduces the invisible hand to explain that the gods are not perceived by savages or ancient polytheists in the regular events of nature. His words are: "Fire burns, and water refreshes; heavy bodies descend, and lighter substances fly upwards, by the necessity of their own nature; nor was the invisible hand of Jupiter ever apprehended to be employed in those matters. But thunder and lightning, storms and sunshine, those more irregular events, were ascribed to his favour, or his anger"(Smith 1980 p49-50)

To reinforce the point Smith adds "intelligent beings, whom they imagined, but knew not, ...did not to employ themselves in supporting the ordinary course of things, which went on of its own accord, but to stop, to thwart, and to disturb it. And thus, in the first ages of the world, the lowest and most pusillanimous superstition supplied the place of philosophy" (Smith 1980 p50)

Then Smith goes on to suggest that as law and order take hold and wealth grows, philosophy develops and the regular events also come to be ascribed to this divine power. The text is: "But when law has established order and security, and subsistence ceases to be precarious, the curiosity of mankind is increased, and their fears are diminished. The leisure which they then enjoy renders them more attentive to the appearances of nature, more observant of her smallest irregularities, and more desirous to know the chain which links them all together.Wonder, therefore, and not any expectation of advantage from its discoveries, is the first principle which prompts mankind to the

study of Philosophy, of that science which pretends to lay open the concealed connections that unite the various appearances of nature” (p50-51)

Smith is suggesting in the passage that after the rise of philosophy the irregular events as well as the regular events (not instead of the regular events) are ascribed to the gods. This is indicated by the structure of the passage, Smith’s statement that for the ancients “only” the irregular events (p49) are attributed to the gods, and his gentle depreciation of the ancients inability to perceive divine activity in regular events of nature¹².

In my view, Smith in this early work is playing with the invisible hand image, and the issue of regular versus irregular divine action that he will develop further in his mature works.

(ii) Theory of Moral Sentiments

The second invisible hand passage is in the *Theory of Moral Sentiments* Part IV section I (Smith 1975 p185). It is a discussion of how the rich man endowed with insatiable desires has a stomach of limited capacity, so that in the end the rich man consumes only as much as a poor man. Smith observes that in this way the rich “in spite of their natural selfishness and rapacity” are “led by an invisible hand to make nearly the same division of the necessaries of life, which would have been made, had the earth been divided into equal portions among its inhabitants, and thus without intending it, without knowing it, advance the interest of the society”.

Elsewhere in the *Theory of Moral Sentiments* self-interest, including that of the rich, has a providential role in a market economy. This passage does not express that idea; instead, the divine hand is working against the greed of the rich, levelling out consumption, and maintaining the stability of the market system. Smith understands that stability depends on adherence to the rules of justice and a not too obscenely unequal a distribution of consumption. This is why the divine hand restraining the consumption of the rich serves to maintain the stability of the market system.

¹² In the literature the most important discussion of the *History of Astronomy* passage Macfie (1971), who finds the reference to the invisible hand in the *History of Astronomy* puzzling, especially the way irregular events are attributed to the gods, seemingly contradicting the other invisible hand passages which he believes are about providential activity in regular events. In the end Macfie suggests this early and somewhat ambiguous reference should not overshadow the later “classic” expressions of the invisible hand idea.

The hand appears, I speculate, because Smith, observing the beginnings of a modern market economy in 18th-century Scotland saw the importance of the question of the long-term stability of such a system. Perhaps, like Newtons planetary system, a market economy cannot generate within itself the conditions for its own stability. The hand stands for something outside the system, like God, able to ensure its stability.

To summarise, I am drawing on the biographical and contextual evidence about Smith's religious background, and previous interpretations of the hand of the *Theory of Moral Sentiments* as divine¹³. My interpretation adds the twist that the hand is special providence, balancing the general providential force of self interest in market.

(iii) Wealth of Nations

The third and most quoted invisible hand passage is from the *Wealth of Nations* IV ii (Smith 1976 p456). It is part of a chapter on restraints on foreign trade where Smith discusses merchants seeking the greatest return on their capital, against the general background of self-interested behaviour in a market economy.

In the passage the Scottish merchant weighs the greater security of investing in domestic industry against the possibility of greater profits abroad, and is led by an invisible hand to invest domestically. The text is “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 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” (WN p456). Smith comments

¹³ Some of the interpreters who see the hand as divine were mentioned in the introduction, notably Viner (1927). The literature specifically on the invisible hand passage in *Theory of Moral Sentiments* is not extensive, with the two substantial treatments being Macfie (1970) and Brewer (2009). Macfie called attention to the natural theological background of the passage, then concentrated on Stoic natural theologies, though he ended up puzzled by the inconsistencies with the other invisible hand passages, and called for further investigation of the natural theological background. Brewer’s contribution was to examine the passage against the background of 18th century debates about luxury, and argued the passage makes the point that while income and consumption may be unequal, the consumption of necessities such as food is equalised, and perhaps the rich are no happier in the end than the poor. Brewer's interpretation is compatible with mine. Considering the theological background allows us to see how the equality-maintaining invisible hand fits into Smith's larger conception of divine activity.

“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 to be done by those who affected to trade for the public good” (WN p456) before returning to the theme of domestic verses foreign industry.

The usual view of this passage among economists is that it expresses Smith’s theory of the market transforming self interest into unintended benefits for all (perhaps even maximising national income) was recently challenged in a major article on the invisible hand in the *Wealth of Nations* by William Grampp (2000). His argument against the usual view has several parts:

- 1) Nothing is said in the passage about the price mechanism or competition or any of the other things the hand supposedly stands for.
- 2) There is no mention of the hand in the earlier sections of the *Wealth of Nations* that discuss markets, competition and the price mechanism. If the hand is part of his argument about markets why does he only use it once, and why does he wait several hundred pages, and bury it in a passage about foreign trade?
- 3) Too much weight has been put on this phrase, “in this, as in many other cases” in making the hand into a general law. Smith simply suggests there are other cases, not that the operation of the hand can be relied on in every case.
- 4) Too much weight has also been put on the “as if” qualification of the invisible hand that isn’t in the passage¹⁴. Smith suggests the action is actually by some hand, not a diffuse process.

On the basis of these objections to the dominant view, Grampp (2000) seeks another interpretation that is truer to the actual context and wording of the passage. For him the invisible hand in the *Wealth of Nations* is “simply the inducement a merchant has to keep his capital at home, thereby increasing the domestic capital stock and enhancing military power” (p441). The end which is no part of the merchant’s intention is maintaining the Scottish capital stock.

I agree with Grampp’s objections to the dominant view and his reading of the passage that the invisible hand operates to restrain capital flight from Scotland. However Grampp’s close reading of the text ignores the religious background of the invisible hand which Smith and his readers would have had their minds. Grampp’s valuable work opens the way the reinterpretation I’m offering of the invisible hand of the special providential hand of God. If too much Scottish capital

¹⁴ It is incredible how often the passage is quoted by economists “as if” by an invisible hand. Stiglitz (2002) is one among many examples.

went abroad seeking higher returns, then Scottish economic development, which Smith saw God providentially watching over, would have been threatened.

5) A PLAUSIBLE INTERPRETATION?

How plausible is to interpret the invisible hand as the special providential hand of God, which works to maintain the stability of the system; a hand operating to balance the general providential hand of God operating through the market mechanism.

This interpretation has a number of attractions.

Firstly, it gives due weight to providential aspects of Smith's work identified by many scholars, adding a nuance in the distinction between special and general providence. Such a distinction is well grounded in Smith's philosophical and theological context.

Secondly, it offers a plausible account of where Smith's hand language comes from – the providential associations of the invisible hand language in Smith's Scotland, and perhaps specifically Newton's discussion of God moving parts of the universe as parts of a body. It is plausible because of the strong link between Smith and Newton, and Smith's first use of the hand image being in a work which discusses Newton's scientific approach. Of course, it is always difficult to identify sources with certainty, and I would not want to be dogmatic about this.

Thirdly, the interpretation fits each of the three invisible hand passages. Some of the other proposals, such as Grampp's, fit only one of the passages and create considerable interpretative problems for the other passages. These interpretive problems can only be avoided by the implausible suggestion that Smith's three references to the invisible hand are unrelated.

Fourth, it gives a plausible account of the development of the idea over time in Smith. In each of the three passages the divine hand is acts against general providential market forces to maintain the stability of the system. As we move through the three passages the description of the action of the hand becomes clearer, though it must be conceded that even in the *Wealth of Nations* discussion of merchants balancing security and profits there is nothing as detailed as the Newtonian description of the mechanism of comets shifting matter around the universe.

Fifth, this interpretation makes sense of the lack of prominence of the invisible hand in Smith's writings. If the hand represents irregular special providential action, then we would not expect it to

be popping up everywhere in Smith's works.

Sixth, it deals with the ironic, almost joking tone which Rothschild sees in the passages. This tone expresses Smith's ambivalence about special providence; Divine intervention to maintain the stability of the system is for Smith a wistfully expressed hope, rather than a certainty. Such a tone is appropriate as special providential action is by definition rare and unpredictable.

6) CONCLUSIONS

In the introduction I suggested that there possible contributions of the paper.

Firstly, in relation to resolving the meaning of the invisible hand in Smith work, the case for the interpretation offered here comprises the argument for the Calvinist and natural theological background to Smith's work, the reading of the passages against this background, and the reasons given in the previous section for its superiority to previous interpretations. The meaning of invisible hand is an intellectual puzzle worth resolving, and I hope that the interpretation offered here will be seriously considered, and even if found to be in need of modification. I hope it will stimulate deeper study of the theological background of Smith's work, including Smith's theodicy, the role of human ignorance and folly, and the role of the future life in his system.

Secondly, unlike some other intellectual puzzles, the meaning of the invisible hand matters greatly for arguments about free markets. It must be one of the most used yet least understood phrases in contemporary public policy discussion. Often, invoking the invisible hand is a lazy substitute for an argument for markets, which undermines rather than assists the argument, especially when the audience is sceptical non-economists. The interpretation offered here detaches the invisible hand from the general case for markets – Smith's invisible hand expresses something different, but ultimately consistent with the general case for markets. Public policy discussion would be greatly improved by carefully making the theoretical and empirical arguments for markets in particular circumstances without the discussion being clouded by references to the invisible hand.

Thirdly, the paper contributes to a more reasonable discussion about the relationship between economics and religion. Economists and theologians get on notoriously badly; mutual misunderstanding and acrimony unfortunately have been the norm. We need a better discussion of the many public policy questions where the economic and religious issues are intertwined, such as faith-based welfare in the US, and economic development in Africa. Grounding the discussion in

history, as this paper has done, provides neutral territory for economists and theologians as well as common reference points.

Finally, all involved in the discussion on economics and religion could learn from Smith's reticence in pronouncing on these matters, for both workings of the economy, and the workings of divine providence are complex. Smith's invisible hand reference respects both the doctrine of providence, including the possibility of special providential action, and the scientific task of explaining the regular workings of economic system.

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