

HETSA Conference Write Up – Paul Oslington’s Presentation on The Invisible Hand and its Connection to Divinity

The most widely used, but also most misunderstood notion in economics is Adam Smith’s Invisible hand. For modern economists it is the analogy for the unintended consequences of market actions to bring the best for society as a whole, and used as the defining case for free markets. But, it has also been used in some instances to show the errors in the case for the market economy (Foley 2006), while others just dismiss it as an “ironic but useful joke” (Rothschild 1994). It is the disparity in interpretations, and an apparent disregard for early interpretations of the Hand, which had led Paul Oslington to present his paper “Divine Action, Providence and Adam Smith’s Invisible Hand” at the 2008 HETSA conference, where he argues that the Hand should be interpreted in a Christian theological context similar to Isaac Newton’s concepts of Divine providence and action.

Oslington’s approach to the question of the Invisible Hand is to place it, and Adam Smith, within the context of British Natural Theology where Isaac Newton was a central figure. The Natural Theology tradition asserts that science is a spiritual endeavour; the study of the universe is the study of G-d’s creation, and therefore a study of G-d. Within the Natural Theology tradition, providence (G-d’s continual care or maintenance of his creation) plays a central role, and Newton advances this concept; asserting that all that happens in the universe is in some sense an act of G-d. He distinguishes between general (G-d care expressed in the regularity of the universe) and special providence, the irregular acts of G-d. Newton frequently used bodily images as a metaphor for the actions of G-d’s inaction of special providence, in essence, the divine hand acting irregularly to maintain order.

Oslington asserts that the placement of Smith within the natural theology tradition does not depend on how personally devout Smith was, and that all that is required for him is to show that it is plausible that Smith’s views on divine action and providence were influenced by Newton. Ross (1995) provides evidence for Newton’s influence on Smith, where it is asserted that “Newton was a scientific hero of the young Smith” and there were a number of comments from the first readers of *The Wealth of Nations* about its “Newtonianism”.

Since we know that Newton had a large influence on Smith, now Oslington goes on to show that Smith’s work does have elements of the Natural Theology’s (i.e. Newton’s) concept of providence. Oslington highlights that Smith’s providentialism is most evident in his earlier works, *The History of Astronomy* and *The Theory of Moral Sentiments* and it is not the providentialist language that is more muted in *The Wealth of Nations*. This is easily reconciled as *The Wealth of Nations* is about economics as opposed to moral philosophy like his earlier works, and this is similar to Newton as in his major work, the *Principia*, he was cautious in his approach to the subject of providence.

If the concept of providence in Smith’s work is accepted, then we must analyse how the Invisible Hand fits into the distinction between general and special providence. Oslington regards that the Invisible hand should be put into the category of special providence (against the

interpretations of others who follow the theological aspects of Smith's work) acting against, but supporting general providence. To analyse the Invisible Hand, a detailed look at each of the three instances of it within Smith's work; it appears once in each of his texts, *The History of Astronomy*, *The Theory of Moral Sentiment* and *The Wealth of Nations*.

The History of Astronomy

In this text, Smith delves into the history of astronomy (as the name suggests) and ancient physics and metaphysics. His description of the early Heathen religions emphasises that they attributed the gods only to the irregular events of nature. "The invisible hand of Jupiter" was not employed in the analysis of the regular events, only in the irregular events such as lightning, comets or storms. When the society develops and the population has more free time to sit and ponder, only then do they begin to see the gods in the more regular events.

This first description of the Hand's involvement in irregular events is what attracts Oslington to the idea that Smith has special providence in mind when he analyses the actions of humans in his latter works, *The Theory of Moral Sentiment* and *The Wealth of Nations*.

The Theory of Moral Sentiment

In this text, the Invisible Hand manifests itself in a discussion of a wealthy man who does not consume anything more than a poor man, even with his endowment of insatiable desires, because of his limited stomach. The rich man is "led by an invisible hand to make nearly the same division of the necessities of life, which would have been made, has the earth been divided into equal portions among its inhabitants, and thus without intending it, without knowing it, advance the interest of the society." As such the levelling out of consumption maintains the stability of the system, and this is led by an Invisible Hand.

According to Oslington a long line of interpretations points to this Hand being divine (though he gives no references), and asserts that he believes that this Hand is of special providence, though he admits that the line between special and general providence is blurred in this situation.

The Wealth of Nations

The most well known instance of the Invisible Hand, but also very misquoted. As part of a chapter on foreign trade (and the restraints on it), Smith says that a merchant who has the choice of investment at home or an investment abroad (which would give them a greater return), the merchant is led by an Invisible Hand to invest domestically so that the investment is more secure. By doing this he promotes an end which was not intended, that is, by ensuring his security he develops his country's infrastructure and makes the country better off.

The most offered interpretation of this passage is that through the price mechanism, competition or some other economic phenomenon, the whole society is made better off through the

selfish actions of the merchant. But, Oslington does not agree with this interpretation of the passage for 4 reasons:

1. This is not what the passage says, there is no mention of any economic phenomena such as competition or price mechanisms,
2. In Smiths earlier discussions of markets, there is no mention of the invisible hand, which does not coincide with this interpretation,
3. Too much weight has been give to the phrase “in this, as in many other cases”, which has formed the Invisible Hand into some sort of economic law,
4. Too much weight placed on “as if”.

Based on these points, Oslington believes that the Invisible Hand here is not a general law for economic mechanisms, but is a specific point about international trade. He also adds, in relation to this, that this Invisible Hand is an act of special providence (keeping capital at home) working against the general providence (the profit seeking nature of man).

Combined, Oslington believes that the Invsible Hand can be interpreted as special providence. He outlines six reasons why he believes that this interpretation is attractive:

- i. It gives weight to the providential aspect of Smiths work previously noticed, while expanding this to distinguish between general and special providence,
- ii. It explains how the language came to be – he was influenced by Newton,
- iii. The interpretation fits all of the passages,
- iv. It gives a plausible line of development of the idea,
- v. The special providence gives an explanation of why the Hand is lacking in prominence in his writing, if it was a metaphor for the whole market, you would assume that it would be mentioned numerous times, and
- vi. Because of Smiths ambivalence about special providence, it gives credence to the interpretation of Rothschild who saw it as an ironic joke.