

# Erasing the Invisible Hand

*Essays on an Elusive and Misused  
Concept in Economics*

**WARREN J. SAMUELS**

Michigan State University

with the assistance of

**MARIANNE F. JOHNSON**

University of Wisconsin, Oshkosh

and

**WILLIAM H. PERRY**



**CAMBRIDGE**  
UNIVERSITY PRESS

## Contents

<i>Acknowledgments</i>	page xi
<i>Preface</i>	xiii
1. Adam Smith's Invisible Hand and the Nobel Prize in Economic Sciences	1
1.1. The Research Protocols of Economics, the Ironies That Result from Them, and Other Preliminaries	1
1.2. Adam Smith and Some Nobel Prizes	7
1.3. The Foundational Concept of Economics	10
1.4. Exaggeration Criticized	13
1.5. Some History of the Use of the Concept of the Invisible Hand	16
1.6. Adam Smith's Three Known Uses	30
1.7. The Fecundity of Smith's Analysis as Shown by E. K. Hunt	35
2. The Political Economy of Adam Smith	38
2.1. The Interpretation of Adam Smith	38
2.2. Smith's Synoptic and Synthetic System	42
2.3. Interdependence and Tensions	45
2.4. Present Significance	55
3. On the Identities and Functions of the Invisible Hand	59
3.1. Introduction	59
3.2. The Identities of the Invisible Hand	60
3.3. The Functions of the Invisible Hand	77
3.4. Conclusion	82

4.	Adam Smith's <i>History of Astronomy</i> Argument: How Broadly Does It Apply? And Where Do Propositions That "Sooth the Imagination" Come From?	83
4.1.	Introduction: The Principles That Lead and Direct Philosophical Inquiries	83
4.2.	How Broadly Does Smith's Argument Apply?	88
4.3.	The Sources of Propositions That Soothe the Imagination	92
4.4.	The System of Belief and the Mythic System of Society	93
4.5.	The System of Belief	96
4.6.	Social Control as a Social Construction of Reality: The Struggle for Power and Control of the State	99
4.7.	Conclusion	105
5.	The Invisible Hand, Decision Making, and Working Things Out: Conceptual and Substantive Problems	109
5.1.	Introduction	109
5.2.	Smith's Multiple Paradigms	114
5.3.	The Enlightenment	114
5.4.	Naturalism	117
5.5.	Supernaturalism	119
5.6.	The Social Belief System	121
5.7.	Self-Interest	122
5.8.	Self-Interest Further Considered	126
5.9.	Infinite Expansion	132
6.	The Invisible Hand in an Uncertain World with an Uncertain Language	135
6.1.	Introduction	135
6.2.	Language in General: The Political Nature of Language	136
6.3.	Adam Smith and the Tradition He Started	139
6.4.	Language in General: Of Metaphors and Other Figures of Speech, Part 1	142
6.5.	On Metaphors in Economics	146
6.6.	Conclusions Up to This Point	149
6.7.	Language in General: Of Metaphors and Other Figures of Speech, Part 2	151
6.8.	Language in General: Of Metaphors and Other Figures of Speech, Part 3	155
7.	The Invisible Hand as Knowledge	164
7.1.	Introduction	164

7.2. Ontology and the Status of the Invisible Hand	164
7.3. The Epistemology of the Invisible Hand	170
8. The Invisible Hand and the Economic Role of Government	179
8.1. Introduction	179
8.2. Laissez-faire	179
8.3. The Misperception of Adam Smith on the Economic Role of Government: Freeing Smith from the "Free Market" – Prelude	183
8.4. Smith's Legal-Economic Nexus	190
8.5. Milton Friedman	198
8.6. Friedrich Hayek and the Marketing of Capitalism as the Free Market	200
8.7. Lionel Robbins's Approach to the Interpretation of Smith	206
8.8. Institutions of Human Origin but Not of Human Design: Constructivism and Anticonstructivism, the Principle of Unintended and Unexpected Consequences, and Nondeliberative versus Deliberative Decision Making	212
8.9. The Invisible Hand and Intellectual History: A Glimpse	216
8.10. Adam Ferguson	218
8.11. Ignorance and Dispersed Knowledge	221
8.12. Hayekian Spontaneous Order	222
8.13. Hayek's Normative Position in Positivist Context	225
8.14. The Rule of Law and the Capture and Use of Government in a World of Inequality	227
8.15. Conclusion	243
9. The Survival Requirement of Pareto Optimality	247
9.1. Introduction	247
9.2. The Survival Requirement of Pareto Optimality	250
9.3. Some History of the Treatment and Disregard of the Survival Requirement in High Theory	252
9.4. Adam Smith and the Survival Requirement	263
9.5. The Ubiquity of the Survival Problem	265
9.6. Conclusion	276
10. Conclusions and Further Insights	280
10.1. Conclusions	280
10.2. Discretion over Continuity and Change	283
10.3. The Argument and Its Meaning	284
10.4. The Invisible Hand as Argument	287

10.5. Invisible-Hand Thinking	289
10.6. What Is Left of the Invisible Hand? Invisible-Hand Processes as Explanation	290
10.7. Order, Power, and Nondeliberative Social Control	293
10.8. Conclusion	294
<i>References</i>	297
<i>Index</i>	317