

*Editor's note on style:* This article follows Professor Kennedy's British style in spelling and quotation marks. Italics are used to distinguish Adam Smith's words in the text, though not in block quotations.

# A Reply to Daniel Klein on Adam Smith and the Invisible Hand

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## ABSTRACT

Daniel Klein generously invited me to 'rejoin and conclude' our exchanges on "Adam Smith and the Invisible Hand" (Kennedy 2009a; Klein 2009b). Of all the debates I have had with disputants since I began publishing on the mythology of the invisible hand (Kennedy 2005a, 165-68; 2005b, *passim*), Daniel's is by far the most thoughtful and constructive, and I treat his views accordingly.

## The Debate

Let us be clear what I think we are debating: Is the invisible-hand, a popular literary 17<sup>th</sup>-18<sup>th</sup>-century metaphor of no significance to Adam Smith as I contend, or was it for him something with a deeper, yet unspecified, substance, as suggested by Daniel and many others today?

Debate on these propositions, legitimately in my view, must examine exactly what Adam Smith said about the invisible hand, as the main indicator of the role it may have played in his thinking. Modern, post-mid-20<sup>th</sup>-century assertions and

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expansions of the metaphor's meaning, while interesting, carry less weight in assessing Adam Smith's 18<sup>th</sup>-century views.

Daniel adds two more debateable issues: 'whether the three occurrences [of Smith's use of the metaphor] can be reconciled' and 'whether the phrase may properly serve as a tag for an important idea in natural jurisprudence' (264). The last issue is entwined in interpretations from the late 19<sup>th</sup>-century onward (Maitland 1875; Young 1997; Minowitz 2004; Klein 2009a, etc.) and, therefore, I only comment briefly on them.

There are at least two other possible issues. First, its alleged role as a 'concept', 'theory', or 'paradigm' of Adam Smith's (Arrow and Hahn 1971, 1; Arrow 1987, 71; Tobin 1992, 117; Stiglitz 2000, 1448, 1457; Stiglitz 2002, 460, 477), which is the common treatment of the metaphor by most modern economists, and second, the large and still growing literature on theological interpretations of Smith's thinking (specifically the invisible hand metaphor), which I did not discuss directly with Daniel, though I have joined that debate elsewhere (Kennedy, 2009b).

My reply to Daniel concentrates on finding a mutual understanding by clarifying what Adam Smith actually said about 'an invisible hand', which is at the root of our present differences. This approach is separated from the debate on the mutually supportive myths nurtured about Smith's use of the invisible-hand metaphor in a few late-19<sup>th</sup>-century references, but mainly from the second-half of the 20<sup>th</sup> century onwards. The myths are largely responsible for the current ubiquitous status of the invisible hand in academic literature and in daily media usage. At root, I regard these myths as a kind of rhetorical fiction, especially when they are linked directly to Adam Smith, and, as ingenious and creative as some of their literary constructions are, they remain imaginative and fictional, in my humble view.

Again (Kennedy 2009b, 240-41), not much notice was taken of Adam Smith's use of the metaphor except for a few isolated references, with limited, if any, cross dialogue among them, that appeared in the late 19<sup>th</sup> century (Maitland 1875; Onken 1874; Leslie 1879; Buckle 1885; Bonar 1892, 1893; Smart 1899).<sup>2</sup>

However, I think it is ambitious of Daniel to include Dugald Stewart (1753 - 1828) as evidence of an early use "of Smith's phrase prior to the twentieth century". Stewart's reference to Adam Smith's use of the invisible hand metaphor is a lonely footnote in his *Lectures on Political Economy*, given in the winter of 1800-01 at the University of Edinburgh and reproduced in an 11-volume edition

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2. I am grateful to Daniel for identifying four additional late-19th-century references to the invisible hand; I have recently seen a list of over 30 references to the metaphor from the 17th-18th centuries, in addition to the 17 references collected in Kennedy, 2009a.

of his collected works over 50 years later (Stewart 1854, 1856). Significantly, Stewart's *Account of the Life and Writings of Adam Smith* (Stewart 1794/5), the first biography of Smith, was reproduced in almost every edition of *Wealth of Nations* and *Moral Sentiments* published throughout the 19<sup>th</sup> century, but it did not mention the invisible hand.

By any standards, a period from the 18<sup>th</sup> to the 20<sup>th</sup> century is a long gestation period for an allegedly key principle of Adam Smith's oeuvre. Therefore, we can agree that the metaphor did not achieve mainstream textbook and journal recognition prior to the early decades of the twentieth century.

In short, I agree with Mark Blaug's entry on the invisible hand in the *New Palgrave* (2008):

It was only in the last quarter of the 19th century (as a result of German critics of Smith) that the phrase 'invisible hand', which after all occurs only once in the *Wealth of Nations*, was elevated to a proposition of profound significance. Rothschild deals expertly with the subject and concludes that 'the image of the invisible hand is best interpreted as a mildly ironic joke' (Rothschild 2001, 116). This may be going a little too far in the opposite direction to the now prevailing interpretation, but there is no doubt that Smith himself did not attach great importance to the idea of an invisible agency channelling the behaviour of self-interested individuals and instead regarded the metaphor of the invisible hand as a sardonic, if not ironic, comment on the self-deception of all of us, including moral philosophers. (Blaug 2008)

However, the exact number of citations is a minor issue amidst the relatively limited interest in the invisible hand prior to the mid-20<sup>th</sup> century. Each week, *Google Alerts* sends to me scores of references to the 'invisible hand' from today's academia and media, a few of which I comment upon daily.<sup>3</sup> Nothing remotely like today's "invisible hand" currency existed from Smith's death to the late-19<sup>th</sup> century. My statement broadly stands: The invisible hand metaphor has become a 20<sup>th</sup>-21<sup>st</sup>-century icon, to the embarrassment of many modern economists, who encouraged investors and governments to bet their banks on the wondrous safety of what they assured them were Adam Smith's invisible hand—hence the spate of anti-invisible hand outbursts and renunciations recently.

I have been waiting for a new paper on the invisible hand by the distinguished scholar, Warren Samuels to be published in October (to appear in Young 2009) before developing my considered response to the metamorphosis of

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3. See: [www.adamsmithslostlegacy.com](http://www.adamsmithslostlegacy.com)

the metaphor into a modern icon. However, I was much encouraged by a comment made by Jeffrey Young at the June 2009 meeting of the History of Economics Society at the University of Colorado, Denver, when he asked a speaker why Adam Smith did not mention the metaphor despite several passages in *WN* Book I and II, *Wealth of Nations* where Smith would have done so if the invisible hand had the attributes credited to Smith today.<sup>4</sup>

## The Three Occurrences

Daniel makes a strong case for the links among the three occurrences of the invisible hand metaphor to support the weight of his contentions about the significance of the phrase to Adam Smith. If they are not linked (as I contend), or are only loosely so, then Daniel's appeal for their significance in Smith's oeuvre is fatally weakened. Daniel calls on supporting evidence of their linkage from Professor Alec L. Macfie (1898-1980), (Macfie 1971), one of the Glasgow University senior scholars who made a major editorial contribution to the publication of the Glasgow Edition of the *Works and Correspondence of Adam Smith* (1976-82). However, such support as modern scholars give for their interpretations may be less substantial than their reputation warrants. After all, they wrote almost entirely from within a consensus that was, and remains, wholly committed to Daniel's broad assessments, which are, in my view, problematical, bearing in mind that we are discussing matters of fact—what exactly did Smith write between 1744 and 1790? But when we examine modern interpretations of Smith's works over two-hundred years later, we confront disputable opinions of what he may have meant over two hundred years earlier.

My contention is that the closer we get to Smith's indisputable writings (facts) and the further we get from modern interpretations (opinions), the closer we get to resolving disputes, such as whether the three occurrences were linked in Smith's thinking, as evidenced by what he actually wrote and when he wrote it, and not from what modern authors claim him to have meant by looking through the prism of their own modern agenda (Professor Macfie included). Also, it is not clear to me that Macfie is a steady witness, as Daniel (266) is unsure as to what Macfie actually meant in his assessment of the invisible hand: 'rather paradoxically...'; '...might refer to...'; '...perhaps Macfie means...' or '...and means to suggest...'; and '...may engender...'.

Meanwhile, Daniel (265) gently chides me for implying that Macfie's considered views on the invisible hand contain 'nothing with which [I] need

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4. Beside its absence in Books I and II, see also Book IV: *WN* IV.vii.c.88: 630.

contend', just because I did not go on to discuss them. If I had discussed them I would have mentioned that Macfie writes that "the invisible hand appears only once in the *Wealth of Nations* in a rather slight way" and that the reference to the invisible hand in the *Astronomy* is also slight, and that even the passage in the *Theory of Moral Sentiments* is not especially emphatic (Macfie 1967, 103). In 1976, in a mixture of fact and opinion, Alec Macfie and D. D. Raphael assert (in their introduction to the *Theory of Moral Sentiments*) that "commentators have laid too much stress on the 'invisible hand', which appears only once in each of Smith's two books. On both occasions the context is the Stoic idea of a harmonious system, seen in the working of society" (Macfie and Raphael 1976, 7).

In summary, I am less impressed by Macfie's interpretation of Smith's views than I am with Smith's views as he expressed them.

Therefore, I stand by my comments on the lack of significance of the invisible hand phrase in Smith's writings. The 'invisible hand of Jupiter' is a classical literary reference by a 21 year-old, Balliol classical scholar, Adam Smith, to the pagan/heathen beliefs of credulous Roman citizens that their god, Jupiter (Jove), cast lightning bolts at the enemies of Rome. Jupiter's statue, placed prominently on the Capitoline Hill of ancient Rome, and replicated by statuettes in many homes and public buildings, and sometimes on their coins, was not in any way connected to Smith's other two uses, despite Daniel's masterly attempts to show a connection.

The time-line of Smith's authorship of his *Astronomy* essay shows that it was his first literary product (began in 1744 and completed sometime before 1758). Moreover, Smith kept the manuscript of his 'juvenile essay', *Astronomy*, in his bureau,<sup>5</sup> unpublished until he told his Literary Executors, Joseph Black and James Hutton, on his deathbed of its existence and asked them to ensure it was published posthumously, which suggests a long-term deliberate intention to have it published, unlike the rest of his private papers and manuscripts which were burned on his orders. To suggest, as Daniel does, in his penultimate paragraph that there is significance in the invisible hand phrase appearing near the 'dead center' of both of Smith's major books, *WN* and *TMS*, in their last editions, may also be an exhibition of the tenuous debating equivalent of clutching at straws. We don't know where the metaphor may have appeared in Smith's lost manuscript of his third unpublished Book, *Jurisprudence*, though we do know that it does not appear in the student notes of his jurisprudence lectures (Smith 1982 [1762-3]).

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5. Twenty-one years after meeting, Smith informed David Hume of the essay's existence in April, 1773, and asked him to publish it if he died while away in London seeing to the publication of *Wealth of Nations* (Smith Corr. p. 168). That Smith had kept it secret from his intimate friend suggests it had special significance.

In searching for other links among the three instances of Smith's use of the metaphor, Daniel makes heavy play with what other authorities have attributed to Smith (Maitland 1875; Hirst 1904; Minowitz 1993, 2004; Young 1997; Buchanan 1999; Griswold 1999; Grampp 2000; Cropsey 2001; Rothschild 2001; and Craig 2006, and Hayek is also mentioned). Interesting as such undoubted authorities are as contributors to modern thinking, and dozens more could be quoted too—Daniel by no means ploughs a lonely furrow—including Noble Prize winners and other distinguished senior colleagues, they are not necessarily decisive for our debate. None of them is immune to the charge that in this case the 'emperor is naked'.

The absence of discussion of the actual instances where Smith refers to the invisible hand metaphor (though it was not a metaphor in *Astronomy*; for Roman citizens, including Emperors, Jupiter was all too real) is a remarkable feature of our debate. Daniel, almost uniquely, does attend to the context of the invisible hand in *Astronomy*, and I am grateful for his exposition and impressed with his skilful weaving of his evident scholarship, unfortunately on this occasion without agreeing with his conclusions. But most authorities seldom go further than truncated quotations from *Moral Sentiments* and *Wealth of Nations* without any context, nor apparently are they familiar with the surrounding paragraphs.

Why is this? For some, their conclusions are pre-formed from their accepting uncritically the assertions of others—Smith, apparently, was, variously, a Christian, a Stoic, a Deist, a Providentialist, a proponent of Natural Religion, or any combination of these. A few others have read the relevant chapters, made up their minds and expect readers to take their assertions on trust. I recommend that everybody read the relevant chapters for themselves.

I report Smith's actual words, without importing pre-conceptions. Like most students, I too accepted what I was taught about Adam Smith's 'invisible hand', until I read closely what he had written in the context of *Astronomy* and in his two major books. I read the first 20 pages of *Astronomy* as being a critique of the 'pusillanimous superstition' and ignorance, and the last 52 pages as an (outdated) history of astronomy. Thus, in my paper (Kennedy 2009b), I treat the first part of *Astronomy* as Smith's disguised critique of religious beliefs, and as an interesting philosophical exposition of the sentiments of 'Wonder, Surprise, and Admiration'.

Parenthetically, I am surprised that Daniel suggests that I believe that '*philosophy saps the wonder out of the matter*' (Klein 2009b, 267) when I wrote that 'Smith illustrates the pathway to wonder' (245). Smith noted the example of the loadstone that moved the bits of iron along the table, causing the observer who did not '*behold it*' '*extreme Surprise*', and he would '*still wonder how it came to be enjoined to an event so little expected to have any connection*', after which, with understanding, comes '*admiration*'. Wonder is '*the effect of novelty*' (*Astronomy*, II.1-12), following Surprise,

and both lead to admiration. It is philosophical knowledge, says Smith, that ensures that *‘our Wonder accordingly is entirely at an end’* (Astronomy II.9: 43).

Daniel partly disagrees with my assessment, though I found some comfort in his comment that “Maybe Smith held back the *Astronomy*, spared it from the flames, and authorized its posthumous publication as another gentle giveaway that he wasn’t all that serious about the God business” (266), but it seems to me we should be able to agree on what Smith actually says prior to any interpretations we give to what Smith actually says.

## The Two Related Occurrences

The two other references to the invisible hand are closely related but not in the manner that Daniel and others think they are, and I shall discuss why we arrive at different conclusions as to their significance in Adam Smith’s thinking.

In *Moral Sentiments*, Smith discusses the *“beauty which the appearance of UTILITY bestows upon all the productions of art, and of the extensive influence of this species of Beauty”* (TMS, 179). Smith states, if somewhat awkwardly, his theme’s central and original principle: *‘that the exact adjustment of the means of attaining any conveniency or pleasure, should frequently be more regarded, than that very conveniency or pleasure, in the attainment of which their whole merit would seem to consist, has not, so far as I know, been yet taken notice of by any body’* (TMS, 179-80).

His parable of the *‘poor man’s son’* (TMS, 181-83), who seeks *‘power and riches’* only to find that at the end of it he acquired *‘a few trifling conveniences’* that *‘leave him always as much, and sometimes more exposed than before, to anxiety, to fear, and to sorrow; to diseases, to danger, and to death’* is meant to illustrate his central principle, specifically that *‘the pleasures of wealth and greatness’* also *‘strike the imagination as something grand and beautiful and noble, of which the attainment is well worth all the toil and anxiety which we are so apt to bestow upon it’* (TMS, 183) and *‘it is well that nature imposes on us in this manner’*, because *‘this deception’* keeps *‘in continual motion the industry of mankind’* and enables *‘a greater multitude of inhabitants’* to be maintained (TMS, 183-84).

Smith introduces the *‘invisible hand’* metaphor by using the example of the *‘proud and unfeeling landlord’* who *‘views his extensive fields, and without a thought for the wants of his brethren [and in his] imagination consumes himself the whole harvest that grows upon them’*. This is nature’s *‘deception’* at work on the landlord. Smith removes the deception and immediately switches attention to the reality of what happens. The landlord’s stomach could not consume but a portion of the total produce of his fields, albeit a portion that is *‘most precious and agreeable’*. Critically, *‘[t]he rest he is obliged to distribute’* (note the word ‘obliged’) to his family, guests, retainers, and servants, so that in actuality (with poetic licence) the deluded landlord *‘receives no*

*more than that of the meanest peasant*. The dependents receive their (albeit less *precious and agreeable*) portions of the *necessaries of life*, not from the landlord's *humanity or his justice*, but from his delusionary drive for *luxury and caprice* (TMS 184).

The landlords' *obligatory* distribution includes the subsistence of *all the thousands whom they employ* (farm labourers and their families, and tradesmen who supply *all the different baubles and trinkets, which are employed in the oeconomy of greatness*, TMS, 184), not forgetting the seed-stock for next season's planting, all of which must be taken from the landlords' total harvests each season. This is undertaken by the *rich and unfeeling landlord* because he can do no other: he is not driven by a mystical and invisible force or by disembodied hands.

Without extensive distributions beyond the personal consumption of landlords, *the continual motion of the industry* would cease and the *thousands who they employ* would not last the winter. Nothing more need be added to complete Smith's explanation for the socially fortuitous and delusive behaviour of the *proud and unfeeling landlord*. Yet Daniel, and others, are adamant that there is something more to be added and claim, sincerely, that Adam Smith says so.

The famous 'invisible hand' paragraph follows, and is often quoted without comment as if its claimed hidden meaning is obvious. Daniel admits to regarding 'the invisible hand passage in TMS as a terrible muddle' and I appreciate his honest judgement, but I believe the muddle comes from imputing far too much to the passage than it deserves or Smith intended.

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 interests of society, and afford means to the multiplication of the species. When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to be left out in the partition. These last too enjoy their share of all that it produces. In what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them. In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of a highway, possesses that security which kings are fighting for. (TMS, 184-85)

Smith floats two ideas in this passage. The first is that rich landlords, because of the necessities of their treadmill-like obligation, are bound *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*. But the land was never divided equally; it's a thought experiment only. There certainly is no archaeological,

anthropological, historical or literary evidence for equal distribution that happened on any scale, though it may have been tried locally without lasting, for reasons similar to those Smith outlines (WN 556-57).

The second idea is Smith's (fairly typical) palliative comment: the existing unequal division of the land made no real difference in practice to the diets of the poor. The division of the produce gives the poor roughly enough to live on and richer landlords can do no other whether '*led by an invisible hand*' or not, because they must feed the '*thousands whom they employ*' or their '*greatness*' would collapse. Who would till the land next Spring without winter food? Neat!

Clearly, it does not require the (highly) imaginative fiction of Providence, under which rich landlords '*without intending it, without knowing it*' do what they must do anyway. They had been doing it for millennia before anybody imagined the rhetorical fiction of Providence, which in Smith's time he used, perhaps, to mollify readers among the families of, or those in political service to, landlords (the dominant class in the British Parliament) whom Smith hoped to influence.

Smith did likewise in *Wealth of Nations* when explaining the sequence of events leading to his invocation of the invisible hand metaphor. Daniel finds the example in *Wealth of Nations* 'much less muddled' (271). I agree; it is fairly straightforward when read within the chapter it is contained in and not read just as a simple, short quotation, to which I suspect most readers restrict themselves. Therefore, I find Daniel's charge that I read the passage 'rather narrowly', perplexing. However, I only paraphrased what Smith wrote. For Daniel, the metaphor has a 'broader reading' (as it needs to have if Daniel's readings are to sustain the heavy implications that he places upon them). For Smith it had a specific meaning, hence his use of the popular 18<sup>th</sup>-century metaphor!

To help settle this matter, I encourage readers to do what most modern proponents of 'theories' of Smith's use of the invisible hand seldom, if ever, do, which is to consider for themselves paragraphs 1-9 in the relevant chapter 2 in Book IV which is headed '*Of the Restraints upon the Importation from foreign countries of such Goods as can be produced at home*'.

The first nine paragraphs leading to Smith's invocation of the invisible hand metaphor fully explain the circumstances in which some, but clearly not all,<sup>6</sup> merchants act to protect their capital stock, and how commercial society permits them to do so in a fuss-free manner, with consequential beneficial effects on domestic output and employment.

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6. Foreign trade—and the carrying trade—were major economic activities with Europe from the 15<sup>th</sup> century, and even more significant to and from the British colonies in North America, the Caribbean and India in the 17<sup>th</sup> and 18<sup>th</sup> century.

First, he sets out the effects of duties and prohibitions on domestic industry (paragraph 1, 452); then he explains how this diverts domestic resources, not necessarily for the benefit of society (paragraph 2), and he identifies the restrictions on the capital a country can employ when it diverts it in an ‘*artificial direction*’ (paragraph 3). Crucially, Smith turns to the individual who seeks the best employment of his capital in pursuit of his own advantage, not society’s (paragraph 4) and shows why some merchants prefer their capital to be invested locally (paragraph 5). This observation is constrained by the profit motive—as long as profit is ‘*equal or nearly equal*’ to that of foreign trade he will indulge his fears about the insecurity of foreign trade (paragraph 6). Smith gives reasons for the preferences among some, but not all merchants: ‘*his capital is never so long out of his sight; he can know better the character and situation of the persons whom he trusts; and should he happen to be deceived, he knows better the laws of the country from which he must seek redress*’. In the carrying trade—the trade he least prefers—his capital is ‘*divided between two foreign countries*’, and ‘*no part*’ of it ‘*is ever necessarily brought home, or placed under his own immediate view and command*’ (paragraph 6).

It follows that by employing his capital locally he endeavours to produce output of the greatest possible value to himself (paragraph 7), to which paragraph 8 supports with a further, clinching, elaboration: ‘*it is only for the sake of profit that any man employs a capital in support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value*’ (WN, 455).

Adam Smith set out his entire case in paragraphs 1-8. Therefore, when I summarised from *Wealth of Nations*, if I am guilty of “narrowness”, so is Adam Smith! Having read the 8 paragraphs for yourself, ask what difference would it have made to Smith’s preceding analysis if the famous invisible hand metaphor in paragraph 9 (WN, 455-6), had not been added? Because Smith had already fully and credibly explained the circumstances leading to the outcome (as he also did in *Moral Sentiments* with the rich landlord’s ‘delusion’) I suggest, respectfully, it would have made no difference at all!

The invisible hand metaphor adds nothing, and as a metaphor it was not intended to add anything, to the explanation of the merchants’ behaviours (protecting their own ‘security’) which is precisely what a metaphor is supposed to do. According to Smith, in his *Lectures on Rhetoric and Belles Lettres* (1983 [1762]): a metaphor is a ‘*figure of speech*’ in which ‘*there must be an allusion betwixt one object and other*’ and it ‘*can have beauty*’ if the metaphor ‘*is so adapted that it gives due strength of expression to the object to be described and at the same time does this in a more striking and interesting manner*’ (29-32). The metaphor of ‘*an invisible hand*’ certainly has ‘*beauty*’ and Smith deploys it in ‘*a more striking and interesting manner*’ than the nine paragraphs leading up to his use of it.

Those of his readers, who found the argument in the nine paragraphs a tax on their understanding of the consequences of the preferences of some, but not all, merchants, would have found the well-known 17<sup>th</sup>-18<sup>th</sup>-century metaphor a helpful guide to Smith's meaning. Always remember that Smith wrote *Wealth of Nations* to persuade legislators and those who influenced them to change the interventionist policies of mercantile political economy that were followed by all British governments since the 1600s.

Only much later did a few readers (at first) attach a deeper, and wider, or if you like, even religious, significance to the metaphor, which may explain why so many economists have lost sight of what Smith actually wrote and, perhaps, why Daniel thinks that self-interest is not the 'referent behavior' that Smith uses in his account of the way a commercial society operated. Indeed, we can go to another chapter in *Wealth of Nations* to note his summary of exactly the same principle discussed in the 'invisible hand' passage, on this occasion applied to British trade with its North American colonies. Open *Wealth of Nations* and compare the passages from Book IV (WN IV.ii.1-9: 452-456) with Smith's remarkably similar language describing the same case, without mentioning 'an invisible hand', which appears later in Book IV (WN IV.viii.85-88: 629-30).

Daniel, however, seems to downplay the fact that Smith anchors his passages in self-interest in both examples, and raises instead the 'centrality in Smith of natural liberty', supported by an assertion that 'The behavior of the investor is significant not merely because it promotes wider utility, but because it works within rules of comparative laissez-faire' (272). I confess to being perplexed by this drift of Daniel's argument, which he supports by a quotation from Jeffery Young (1997, 168). Also, I notice immediately that 'laissez-faire' is not a phrase that Smith ever used—like so much else in modern commentaries, laissez-faire has been regularly imputed to him by economists (and politicians) since the 19<sup>th</sup> century.

On liberty, however, Daniel is on firmer ground but may be stretching it a little by making it central to Smith's use of the metaphor in either *Moral Sentiments* or *Wealth of Nations*, or for that matter crediting it as a 'proper tag for an important idea in natural jurisprudence' (271). The three pages (273-75) Daniel devotes to the views of Frederic Maitland (1850-1906) while interesting historically, are not really germane to the issue of the significance of the metaphor to Adam Smith. Maitland was a distinguished Cambridge academic jurist and the author of several books on jurisprudence, and he held standard 19<sup>th</sup>-century English views on laissez-faire, as opposed to its interventionist alternatives, but I fail to see how they justify Daniel's assertion that, "*In freedom, people tend to act in ways tolerably in line with what a knowing, benevolent being would like to see happen*" (275, italics added) or, indeed, what exactly this has to do with our debate on 'metaphor or myth'. Quoting from

sources a century after *Wealth of Nations* may not illuminate what Smith held to be significant.

I do not for one moment suggest that for Smith, liberty was unimportant. For Smith, who did not have a vote under the existing franchise—and, for me from observation of the pretence at being democracies by tyrannies around the world, such as Iran, North Korea, Zimbabwe, etc. —liberty is more important than democracy. Of course liberty was an important part of Smith’s legacy, but to imply or assert that modern constructions on Smith’s use of the invisible hand tagged to liberty is, in my humble view, tenuously stretching the connection between Smith’s use of the invisible hand metaphor and what some, but not Smith, called *laissez-faire*, a concept which Smith never used. It was first demanded, after all, by M. Le Gendre, a 17<sup>th</sup> century French shopkeeper for his, not his customers’, freedom from ministerial regulations.

I appreciate Daniel’s genuine convictions, as I can see how the implied association of the metaphor to such wider meanings genuinely appeals to modern economists (including such authorities as Hayek), who do not have an agenda other than what they know as accomplished scholars. They genuinely appreciate the neatness of the metaphor for their modern interpretations of how economies evolve (spontaneous order, unintended consequences). Let me be clear, it is not their integrity that I challenge; it’s their associating their modern usage with that of Adam Smith’s.

Therefore, I cannot agree with Daniel (277) that it ‘does not much matter whether Smith *intended* the phrase to serve as a tag for the comparative merit of freedom’ (emphasis added). Yes it does! That is precisely what this debate is about: the significance for Adam Smith of his use of the popular 18<sup>th</sup>-century metaphor of an invisible hand. Its significance as a wider concept—even ‘theory’—as interpreted by modern economists, is another debate entirely, and one I shall join in due course, and see if Daniel and I can reach an agreement.

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