



# Concealed Hand of Adam Smith

A Usenet Debate on the Nature of  
Adam Smith's 'Invisible Hand'

Compiled by Christine Dacanay

Concealed Hand of Adam Smith

Compiled by Christine Dacanay

Copyright © 2011

*For what shall it profit a man, if he shall gain the whole world, and lose his own soul?*

Mark 8:36 (KJV)

# Contents

Preface.....	v
Thesis: Economics or Religious Dogma .....	1
AAA .....	1
Stream 1    Small States and Large Animals .....	4
SoW.....	4
AAA .....	4
A42 .....	5
AAA .....	5
A42 .....	6
AAA .....	7
Stream 2    Capitalism versus PROUT .....	10
DDF .....	10
AAA .....	10
DDF .....	10
AAA .....	11
DDF .....	11
AAA .....	12
DDF .....	14
AAA .....	14
DDF .....	18
Stream 3    Impact of Dogma .....	19
Lan .....	19
BrL.....	19
AAA .....	19
Stream 4    Capitalism versus PROUT (Redux).....	21
DDF .....	21
AAA .....	21
DDF .....	23
AAA .....	23
Stream 5    Smith, Marx, and Weber.....	25
JoB .....	25
WiB.....	25
JoB .....	25
Jan.....	26

**CONCEALED HAND OF ADAM SMITH**  
Contents

AAA ..... 27

JoB ..... 28

AAA ..... 29

# Preface

Around the world, capitalism is under attack for its inability to serve the basic needs of society. Around the world, students and actors, farmers and factory workers, young and old are clamoring for change. They claim to represent 99% of the people.

According to Acarya Abhidevananda Avadhuta, there is a fundamental defect in capitalism. That defect was introduced by Adam Smith himself and has been propagated non-stop by proponents of capitalism, including prominent capitalist economists, ever since.

If you want to change the economic system, this book is a must-read. It will disillusion any who still imagine that a kinder, gentler capitalism is possible. The theory of capitalism is innately unjust and socially destructive. Such theory only tends to subjugate those who subscribe to its dogma. Capitalism cannot be reformed. Something new must take its place.

In the debate that follows, the participants are: Acarya Abhidevananda Avadhuta (AAA), David D. Friedman (DDF), SolomonW (SoW), a425couple (A42), John Briggs (JoB), William Black (WiB), Lance (Lan), Jantero (Jan), and Brian Lovett (BrL). The two participants with the most messages are Acarya Abhidevananda Avadhuta and David D. Friedman.

David D. Friedman is a prominent American economist. He is also a leading writer on anarcho-capitalism, a political theory that wants all goods and services, including law itself, to be produced by the free market. This is the subject of David's best known book, *The Machinery of Freedom*, (1973, revised 1989). David was born and bred in economics, being the son of economists, Rose and Milton Friedman. David holds an A.B. from Harvard University and a Ph.D. in Physics from the University of Chicago. Currently, he is a professor of law at Santa Clara University.

Acarya Abhidevananda Avadhuta is an avid student and leading proponent of PROUT, a new socioeconomic theory propounded by Shrii Prabhat Ranjan Sarkar. In the early 1970s Abhidevananda left graduate school in the USA to dedicate his life to service. As a yogic monk, Abhidevananda has traveled much of the world, organizing projects and teaching in both rich and poor countries. Having written numerous articles and commentaries on PROUT, Abhidevananda is respected world-wide for his expertise on this subject. In 2010, he released a short film entitled *PROUT (The Movie)*. Currently, Abhidevananda is working on a series of seven action and adventure films that will be a how-to guide for making a successful revolution.

As some may not yet be familiar with PROUT, a few words on that subject are in order. PROUT offers five fundamental principles. The last three principles cover areas largely untouched by capitalism or communism. The five fundamental principles of PROUT are:

1. There should be no accumulation of wealth without the permission of society.
2. There should be maximum utilization and rational distribution of the crude, subtle, and causal resources.
3. There should be maximum utilization of the physical, mental, and spiritual potentialities of the individual and collective beings.
4. There should be a well-balanced adjustment among the crude, subtle, and causal utilizations.
5. Utilizations vary in accordance with time, space, and form; the utilizations should be progressive.

## CONCEALED HAND OF ADAM SMITH

### Preface

The content of this short book is compiled from an informal and unplanned debate that took place on five Usenet newsgroups (uk.philosophy.humanism, soc.history.medieval, alt.psychology, alt.psychology.jung, and alt.politics.europe). The debate was reflected on the World Wide Web through Google Groups and other Web services reporting Usenet discussion. The discussion reproduced in this book occurred on December 6-7 under the thread, *Concealed Hand of Adam Smith*.

After presenting the thesis of Abhidevananda on Adam Smith's concept of an invisible hand, the rest of the book is organized into chapters that are called *streams*. Each stream represents a discussion that emanates from an initial response to the original posting by Acarya Abhidevananda Avadhuta or a later derivative of that original posting. As multiple streams ran concurrently over the course of this online debate, this book, organized primarily in respect to streams and only secondarily in respect to chronology, cannot and therefore does not present an entirely accurate timeline.

As far as possible, the writing style of all participants is maintained. Only minor typos have been corrected.

To avoid needless repetition, some quoted context material has been removed. Those deletions are all indicated by an ellipsis within curly brackets ({...}). Where you see an ellipsis (...) or three dashes (---) without curly brackets surrounding it, any text deleted was done so by either the participant quoted or the participant responding.

For faster and easier reading, indentation and italicization is used instead of chevrons to distinguish quoted context material from the current remarks of the participant. If the flow of the discussion is already clear in your mind, you will not miss any of the discussion by skipping over the indented text. It is left in place purely for the sake of context and easy reference.

Let the debate begin!

Christine Dacanay  
2011 December 9

# Thesis: Economics or Religious Dogma

## AAA

For many years I have been hearing economists refer to a 'modern version of the invisible hand' as if they are merely extending the original argument of Adam Smith. The fact is that Adam Smith's 'invisible hand' was always a fairy tale based on religious, ivory-tower speculation about the world. When Smith talked about 'an invisible hand', he meant 'Providence' (or God).

In 1759, Smith introduced the concept of an invisible hand in his book, "The Theory of Moral Sentiments". The concept of 'an invisible hand' is found in Paragraph 10 of Part IV Chapter 1. (Part IV consists of only one chapter/section.)

Below I reproduce the entire Paragraph 10 with its preceding Paragraph 9 for further context. A careful reading reveals that what Smith describes has nothing to do with market forces. Smith talks about two things: (1) the 'contemptible' greed of a rapacious elite and (2) the physical capacity of a human belly. In psychological and economic terms, what Smith writes is arrant nonsense. He posits that unfeeling wealthy landlords produce huge fields of grain only because their eyes are bigger than their stomachs. Smith then asserts that those greedy landlords have no alternative but to distribute what they cannot eat to others (rather than maximizing their personal profit based on supply and demand, even if that means letting grains rot in silos).

As I said above, what we read below is just religious, ivory-tower speculation. It has little or no relation to what actually happens in real life. In real life, the distribution of wealth is not at all "nearly the same distribution... which would have been made, had the earth been divided into equal portions among all its inhabitants", not even in respect to the "necessaries of life" which Smith was specifically talking about. But when we go beyond the necessities of life - addressed by PROUT within a broader dimension of 'people's economy' - then the distribution of wealth becomes even less balanced.

It is interesting to note that Adam Smith contemplates, albeit inadequately, some subjects that modern capitalist economists like to sweep under the carpet. Smith talks about "the sentiment of approbation". Indeed, that is the very subject of Part IV of "The Theory of Moral Sentiments". This "sentiment of approbation" is precisely what PROUT stresses when it comes to law (or property rights). According to PROUT, accumulation of wealth should be determined by the 'approval of society'.

It is also interesting to note that Adam Smith recognizes the critical importance of distribution in economics. Smith also understood that 'justice' in respect to distribution means that everyone must receive the "necessaries of life". In other words, Smith recognized that distributive justice means a more equal distribution. Of course, Smith's economic analysis is incomplete. The goods and services produced by any economy go well beyond the mere necessities of life. Economies also produce many amenities (in PROUT, 'atiriktam'), and over time those amenities tend to become recognized as part of the current minimum requirements for all (a broader concept than the necessities of life).

Modern capitalist economists have managed to develop some elements of what PROUT classifies as 'commercial economy'. Unfortunately, however, they have lost sight of even the

little bit of humanity that Adam Smith showed in his recognition of the importance of 'people's economy' and the need for distributive justice. Modern capitalist economists promote the slogan that everyone should be 'free to choose' as a means to make the wealthy elite 'free to exploit'.

---

#### Part IV

#### Of the Effect of Utility upon the Sentiment of Approbation

#### Consisting of One Section

#### Chap. I Of the beauty which the appearance of Utility bestows upon all the productions of art, and of the extensive influence of this species of Beauty

...

#### IV.I.9

But though this splenetic philosophy, which in time of sickness or low spirits is familiar to every man, thus entirely depreciates those great objects of human desire, when in better health and in better humour, we never fail to regard them under a more agreeable aspect. Our imagination, which in pain and sorrow seems to be confined and cooped up within our own persons, in times of ease and prosperity expands itself to every thing around us. We are then charmed with the beauty of that accommodation which reigns in the palaces and oeconomy of the great; and admire how every thing is adapted to promote their ease, to prevent their wants, to gratify their wishes, and to amuse and entertain their most frivolous desires. If we consider the real satisfaction which all these things are capable of affording, by itself and separated from the beauty of that arrangement which is fitted to promote it, it will always appear in the highest degree contemptible and trifling. But we rarely view it in this abstract and philosophical light. We naturally confound it in our imagination with the order, the regular and harmonious movement of the system, the machine or oeconomy by means of which it is produced. The pleasures of wealth and greatness, when considered in this complex view, 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.

#### IV.I.10

And it is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind. It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life; which have entirely changed the whole face of the globe, have turned the rude forests of nature into agreeable and fertile plains, and made the trackless and barren ocean a new fund of subsistence, and the great high road of communication to the different nations of the earth. The earth by these labours of mankind has been obliged to redouble her natural fertility, and to maintain a greater multitude of inhabitants. It is to no purpose, that the proud and unfeeling landlord views his extensive fields, and without a thought for the wants of his brethren, in imagination consumes himself the whole harvest that grows upon them. The homely and vulgar proverb, that the eye is larger than the belly, never was more fully verified than with regard to him. The capacity of his stomach bears no proportion to the immensity of his desires, and will receive no more than that of the meanest peasant. The rest he is



obliged to distribute among those, who prepare, in the nicest manner, that little which he himself makes use of, among those who fit up the palace in which this little is to be consumed, among those who provide and keep in order all the different baubles and trinkets, which are employed in the oeconomy of greatness; all of whom thus derive from his luxury and caprice, that share of the necessaries of life, which they would in vain have expected from his humanity or his justice. 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, 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 have been 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 the highway, possesses that security which kings are fighting for.

<http://tinyurl.com/3n2myt>

~~~~~

## Stream 1 Small States and Large Animals

### SoW

**SoW:** Abhidevananda Avadhuta just proved that he has never read Adam Smith and does not know what he is talking about

### AAA

*SoW: Abhidevananda Avadhuta just proved that he has never read Adam Smith and does not know what he is talking about*

**AAA:** ... says Solomon W, who may or may not have read Adam Smith, but apparently has not thought deeply about what Adam Smith wrote on "an invisible hand".

To the best of my knowledge, Adam Smith mentions this concept in two books: "The Theory of Moral Sentiments" (1759) and "An Inquiry into the Nature and Causes of the Wealth of Nations" (1776). I have already quoted Adam Smith's use of the phrase, "an invisible hand", in the earlier book. From my search on [econlib.org](http://econlib.org), it appears that the phrase appears only once in that first book. From the context of that use of the phrase, it is crystal clear that "an invisible hand" is just Adam Smith's way of describing the working of "Providence", that is, God. Solomon, feel free to present a contrary argument if you have one.

Again from my search on [econlib.org](http://econlib.org), it seems that the same phrase, "an invisible hand", also appears only one time in the later book, "The Wealth of Nations". That second reference to "an invisible hand" appears in Book IV Chapter 2 Paragraph 9. The chapter is entitled: "Of Restraints upon the Importation from Foreign Countries of such Goods as can be Produced at Home". The paragraph reads as follows:

---

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. 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. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

<http://tinyurl.com/cs532ak>

~~~~~

Though the context is a bit different in this later reference to "an invisible hand", the concept that Smith presents seems identical to that which he presented 17 years earlier. And the content of the paragraph as a whole is just as impractical as what he had written in his earlier work.

What we see in the above paragraph from "The Wealth of Nations" is just fantasy. It might have made a bit of sense in Scotland during the early days of the Dundee Jute Barons, when India was a colony of Britain and the Bengal Board of Trade was happy to sell its jute fiber to industrialists in the UK. But from a long-term perspective, building an industry without a local supply of raw materials is a doomed enterprise. Soon the Jute Barons were setting up factories in India that outperformed the Scottish factories. After India won its independence from Britain in 1947, the Dundee Jute Barons mostly evacuated India, leaving behind their industrial setup there. But the Scottish jute industry, turning out finished jute products made out of raw jute fiber from India, had already started to decline when the Jute Barons began investing their money into setting up jute factories in India. That made the finished jute products cheaper to produce due to reduced transportation cost as well as reduced labor cost. Today the jute industry in Dundee, which itself depended for cheap labor by immigrant Irish women and by children, has totally collapsed.

The entire story of the Dundee jute industry only proves that Adam Smith had an unrealistic view of human psychology and economics. The history of the Dundee jute industry contradicts everything that Smith wrote in the above paragraph from "The Wealth of Nations", wherein he talks about "an invisible hand".

## A42

*SoW: Abhidevananda Avadhuta just proved that he has never read Adam Smith and does not know what he is talking about*

*AAA: ... says Solomon W, who may or may not have read Adam Smith, but apparently has not thought deeply about what Adam Smith wrote on "an invisible hand".*

**A42:** Well, Solomon, Abhidevananda Avadhuta might have read some on Adam Smith. But, then his thoughts get very, ahh, 'distorted'.

*AAA: But from a long-term perspective, building an industry without a local supply of raw materials is a doomed enterprise.*

**A42:** (Sarcasm mode = ON) So, Abhidevananda Avadhuta, the above thought of yours explains the reason that Switzerland, Netherlands, Belgium, England, Japan, Singapore, & Hong Kong are going to be forever in poverty, while Brazil and India became world economic super powers.

*AAA: From the context of that use of the phrase, it is crystal clear that "an invisible hand" is just Adam Smith's way of describing the working of "Providence", that is, God. ---*

**A42:** So then, why do you think God chose to bless Western Europe, the USA, and Japan?

## AAA

*AAA: But from a long-term perspective, building an industry without a local supply of raw materials is a doomed enterprise.*

*A42: (Sarcasm mode = ON) So, Abhidevananda Avadhuta, the above thought of yours explains the reason that Switzerland, Netherlands, Belgium, England, Japan, Singapore, & Hong Kong are going to be forever in poverty, while Brazil and India became world economic super powers.*

**AAA:** What I said is that short-term success may be possible, but long-term success is not possible. The age of large animals and small states has passed on this planet. Though the EU has clearly made some mistakes, the effort to create a larger common economic zone is an inevitable trend. Eventually, this entire world will become a single economic zone.

Today, Singapore's economy is thriving. But in the long term, Singapore has no alternative but to affiliate with other nations in Southeast Asia if it wants to ensure its economic future. As to Hong Kong, it has already been subsumed into China.

Regarding India, its economy has tremendous potential. I think anyone who has a little knowledge of the situation there would attest to that. I am not familiar with the Brazilian economy, but I assume that - if the political leadership ever manages to curtail economic corruption - then that country's economic future is also bright.

*AAA: From the context of that use of the phrase, it is crystal clear that "an invisible hand" is just Adam Smith's way of describing the working of "Providence", that is, God. ---*

*A42: So then, why do you think God chose to bless Western Europe, the USA, and Japan?*

**AAA:** Sorry, but I don't understand what you mean by "God chose to bless Western Europe, the USA, and Japan". Assuming from that question that you believe in God, is there some place in the universe that you think God did not bless?

## **A42**

*AAA: But from a long-term perspective, building an industry without a local supply of raw materials is a doomed enterprise.*

*A42: (Sarcasm mode = ON) So, Abhidevananda Avadhuta, the above thought of yours explains the reason that Switzerland, Netherlands, Belgium, England, Japan, Singapore, & Hong Kong are going to be forever in poverty, while Brazil and India became world economic super powers.*

*AAA: What I said is that short-term success may be possible, but long-term success is not possible.*

**A42:** So, in your view, the economic success that Switzerland, Netherlands, Belgium, and England have shared, from medieval days to now, is "short term"? Quite a view of time you have!!!!

*AAA: The age of large animals and small states has passed on this planet. Though the EU has clearly made some mistakes, the effort to create a larger common economic zone is an inevitable trend. Eventually, this entire world will become a single economic zone.*

**A42:** OK, we can somewhat agree on that. The WTO has mostly achieved that. You like the World Trade Organization?

But why do you feel that the time for "small states" has "passed"? A large state is not required in order to get a large common economic zone.

*AAA: Regarding India, its economy has tremendous potential. I think anyone who has a little knowledge of the situation there would attest to that. I am not familiar with the Brazilian economy, but I assume that - if the political leadership ever manages to curtail economic corruption - then that country's economic future is also bright.*

**A42:** Corruption is only one of many things that keep certain countries with "tremendous potential", always looking for the potential, to finally arrive. (and never quite getting there!)

Perhaps another reason, is lacking proper appreciation for things that flow from Adam Smith's 'invisible hand'. (like marketing, entrepreneurial spirit, thrift & savings ethic, etc.)

*A42: So then, why do you think God chose to bless Western Europe, the USA, and Japan?*

*AAA: Sorry, but I don't understand what you mean by "God chose to bless Western Europe, the USA, and Japan".*

**A42:** Their economies have done well. You were the one who said it is the working of God.

**AAA**

{...}

*AAA: What I said is that short-term success may be possible, but long-term success is not possible.*

*A42: So, in your view, the economic success that Switzerland, Netherlands, Belgium, and England have shared, from medieval days to now, is "short term"? Quite a view of time you have!!!!*

**AAA:** I am not talking about medieval times. As for Switzerland, I am not even sure in what respect you are tracing it back to medieval times.

Netherlands and Belgium have been for long in an economic union with Luxemburg, only confirming my point. Not only that, sixty years ago Benelux joined with France, Italy, and West Germany to form the European Coal and Steel Community, an early precursor to the European Union. Again, this only confirms my point.

As to England, it got by for long on the basis of imperialism. But as the British Empire receded, so did England's economic future. Today, England may still be able to suck some blood - though presumably less than in earlier days - from Wales, Scotland, and Northern Ireland as well as whatever remains of the Commonwealth. But would England, standing alone, be able to maintain its relatively high economic status? I doubt it.

*AAA: The age of large animals and small states has passed on this planet. Though the EU has clearly made some mistakes, the effort to create a larger common economic zone is an inevitable trend. Eventually, this entire world will become a single economic zone.*

*A42: OK, we can somewhat agree on that. The WTO has mostly achieved that. You like the World Trade Organization?*

**AAA:** I don't think that the WTO has mostly achieved that. To many, especially in the underdeveloped and developing countries, the WTO serves mainly the interests of the

so-called developed countries (which are mostly not developed in terms of their own resources but rather subsisting on the resources of others).

*A42: But why do you feel that the time for "small states" has "passed"? A large state is not required in order to get a large common economic zone.*

**AAA:** If the economic zone is going to truly serve the interests of everyone within it, then smaller and underdeveloped nations must have proportionate representation with political weightage if deemed necessary by those smaller and underdeveloped nations. The most - and possibly the only - practical way to achieve that is through recognition of a higher political power than any of the constituent nations. The United Nations and the WTO are not substitutes for a world government.

*AAA: Regarding India, its economy has tremendous potential. I think anyone who has a little knowledge of the situation there would attest to that. I am not familiar with the Brazilian economy, but I assume that - if the political leadership ever manages to curtail economic corruption - then that country's economic future is also bright.*

*A42: Corruption is only one of many things that keep certain countries with "tremendous potential", always looking for the potential, to finally arrive. (and never quite getting there!)*

**AAA:** I agree. For example, religious dogma has been a major factor in suppressing economic growth in the poorer countries of the world.

*A42: Perhaps another reason, is lacking proper appreciation for things that flow from Adam Smith's 'invisible hand'. (like marketing, entrepreneurial spirit, thrift & savings ethic, etc.)*

**AAA:** Do those things flow from Adam Smith's 'invisible hand' or from what Max Weber called the Protestant work ethic? I would go more with the latter. Adam Smith's 'invisible hand' served as an excuse for economic injustices, but it hardly inspired marketing, entrepreneurial spirit, and so on.

*AAA: From the context of that use of the phrase, it is crystal clear that "an invisible hand" is just Adam Smith's way of describing the working of "Providence", that is, God. ---*

*A42: So then, why do you think God chose to bless Western Europe, the USA, and Japan?*

*AAA: Sorry, but I don't understand what you mean by "God chose to bless Western Europe, the USA, and Japan".*

*AAA: Their economies have done well. You were the one who said it is the working of God.*

**AAA:** I did not say it was the working of God. Adam Smith said that.

Adam Smith said that the division of property on the planet is determined by "Providence". Personally, I do not blame Providence for the division of property on this planet. Rather, I see that as an abomination that is predominantly man-made.

Consider the tripe that Smith wrote at the end of the paragraph in which he first introduced his notion of 'an invisible hand'.

IV.I.10 ...When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been 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 the highway, possesses that security which kings are fighting for.

The Theory of Moral Sentiments

<http://tinyurl.com/3n2myt>

~~~~~

## Stream 2    Capitalism versus PROUT

### DDF

*SoW: Abhidevananda Avadhuta just proved that he has never read Adam Smith and does not know what he is talking about*

**DDF:** That's too harsh. He has read *\_The Theory of Moral Sentiments\_*, or at least gotten information from someone else who has read it. But his comment is irrelevant to the appearance of the term in *\_The Wealth of Nations\_*, which is where the modern usage comes from.

### AAA

*SoW: Abhidevananda Avadhuta just proved that he has never read Adam Smith and does not know what he is talking about*

*DDF: That's too harsh. He has read \_The Theory of Moral Sentiments\_, or at least gotten information from someone else who has read it. But his comment is irrelevant to the appearance of the term in \_The Wealth of Nations\_, which is where the modern usage comes from.*

**AAA:** Actually, David, if you read my response to Solomon, I give the quote from "The Wealth of Nations". I cite that quotation in its full context paragraph with a reference to the original book.

As I read Adam Smith's reference to "an invisible hand" in "The Wealth of Nations", the meaning is exactly the same as it was in "The Theory of Moral Sentiments". As I read the entire paragraph in "The Wealth of Nations" (and the surrounding material), I found no indication that Adam Smith was talking about market forces. Indeed, what Smith said in the paragraph that refers to "an invisible hand" is simply out of touch with reality.

To explain that, I gave an example of what took place in Smith's own Scotland at a time just after Smith had written "The Wealth of Nations". What took place did not coincide with Smith's prediction. Within a relatively short span of time, big business (in the form of the Dundee Jute Barons) did not invest in domestic industry. Rather, they invested in foreign industry (Indian jute factories) for the sole purpose of reducing production costs and thereby increasing profit. We see this same pattern happening in all of the developed capitalist countries of the world today.

### DDF

*AAA: For many years I have been hearing economists refer to a 'modern version of the invisible hand' as if they are merely extending the original argument of Adam Smith. The fact is that Adam Smith's 'invisible hand' was always a fairy tale based on religious, ivory-tower speculation about the world. When Smith talked about 'an invisible hand', he meant 'Providence' (or God).*

*In 1759, Smith introduced the concept of an invisible hand in his book, "The Theory of Moral Sentiments". The concept of 'an invisible hand' is found in Paragraph 10 of Part IV Chapter 1. (Part IV consists of only one chapter/section.)*



**DDF:** That's where he first used the term, but that isn't the passage that economists refer to when they use it--for one thing, the book you are quoting from is about moral sentiments, not economics. The usual use in economic language is from the appearance of the term in *The Wealth of Nations*, in a very different context.

### **AAA**

*AAA: For many years I have been hearing economists refer to a 'modern version of the invisible hand' as if they are merely extending the original argument of Adam Smith. The fact is that Adam Smith's 'invisible hand' was always a fairy tale based on religious, ivory-tower speculation about the world. When Smith talked about 'an invisible hand', he meant 'Providence' (or God).*

*In 1759, Smith introduced the concept of an invisible hand in his book, "The Theory of Moral Sentiments". The concept of 'an invisible hand' is found in Paragraph 10 of Part IV Chapter 1. (Part IV consists of only one chapter/section.)*

*DDF: That's where he first used the term, but that isn't the passage that economist refer to when they use it--for one thing, the book you are quoting from is about moral sentiments, not economics. The usual use in economic language is from the appearance of the term in *The Wealth of Nations*, in a very different context.*

**AAA:** As I mentioned in my previous response to you, David, I already gave the quotation from "The Wealth of Nations". I do not find that the quotation in "The Wealth of Nations" presents a different concept of "an invisible hand" than what Smith originally gave in "The Theory of Moral Sentiments". I also do not think that what Smith stated in his later book is any more realistic or practical than what he stated in his earlier book.

### **DDF**

*SoW: Abhidevananda Avadhuta just proved that he has never read Adam Smith and does not know what he is talking about*

*DDF: That's too harsh. He has read *The Theory of Moral Sentiments*, or at least gotten information from someone else who has read it. But his comment is irrelevant to the appearance of the term in *The Wealth of Nations*, which is where the modern usage comes from.*

*AAA: Actually, David, if you read my response to Solomon, I give the quote from "The Wealth of Nations". I cite that quotation in its full context paragraph with a reference to the original book.*

**DDF:** I read that after sending my post, as it happens.

*AAA: As I read Adam Smith's reference to "an invisible hand" in "The Wealth of Nations", the meaning is exactly the same as it was in "The Theory of Moral Sentiments".*

**DDF:** You are, however, mistaken.

*AAA: As I read the entire paragraph in "The Wealth of Nations" (and the surrounding material), I found no indication that Adam Smith was talking about market forces.*

*Indeed, what Smith said in the paragraph that refers to "an invisible hand" is simply out of touch with reality.*

**DDF:** Meaning that you disagree with his economics.

The relevant quote:

---

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. 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. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman who should attempt to direct private people in what manner they ought to employ their capitals would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

---

That is an economic argument about self-interested acts leading to promoting the general interest. Whether it is correct or not is irrelevant to whether it is a religious claim, as you suppose, or a claim about economics.

**AAA**

{...}

*AAA: Actually, David, if you read my response to Solomon, I give the quote from "The Wealth of Nations". I cite that quotation in its full context paragraph with a reference to the original book.*

*DDF: I read that after sending my post, as it happens.*

**AAA:** Okay.

*AAA: As I read Adam Smith's reference to "an invisible hand" in "The Wealth of Nations", the meaning is exactly the same as it was in "The Theory of Moral Sentiments".*

*DDF: You are, however, mistaken.*

**AAA:** And yet you do not give a single reason why I am mistaken or in which way I am mistaken. If you have an argument that would substantiate a different view, I am interested. But this type of dogmatic statement has no value.

*AAA: As I read the entire paragraph in "The Wealth of Nations" (and the surrounding material), I found no indication that Adam Smith was talking about market forces. Indeed, what Smith said in the paragraph that refers to "an invisible hand" is simply out of touch with reality.*

*DDF: Meaning that you disagree with his economics.*

**AAA:** Absolutely. As I stated before to you, in my view, economics is quadridimensional, but it ultimately boils down to only two closely entwined elements: production and distribution. In place of offering a constructive distribution system - a distribution system that would meet the demands of social justice - Adam Smith posited "an invisible hand". That superstitious notion is utter claptrap.

*DDF: The relevant quote:*

---

*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. 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. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.*

*What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman who should attempt to direct private people in what manner they ought to employ their capitals would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.*

---

*That is an economic argument about self-interested acts leading to promoting the general interest. Whether it is correct or not is irrelevant to whether it is a religious claim, as you suppose, or a claim about economics.*

**AAA:** David, I would not go so far as to call any of that "economic argument". I would call it "economic dogma".

Adam Smith makes some assertions in those two paragraphs, but he fails to substantiate his assertions in any respect. The only thing that Smith offers in support of his assertions is one non-specific personal anecdote in the first paragraph.

Smith's 'economics' is religious in nature, because it relies entirely on blind faith in an alleged "invisible hand" - a blind faith in something that runs contrary to reason and contrary to history.

## DDF

*AAA: As I read Adam Smith's reference to "an invisible hand" in "The Wealth of Nations", the meaning is exactly the same as it was in "The Theory of Moral Sentiments".*

*DDF: You are, however, mistaken.*

*AAA: And yet you do not give a single reason why I am mistaken or in which way I am mistaken. If you have an argument that would substantiate a different view, I am interested. But this type of dogmatic statement has no value.*

**DDF:** I quote the passage, from which anyone ought to be able to see that your quoted comment above is mistaken.

*AAA: As I read the entire paragraph in "The Wealth of Nations" (and the surrounding material), I found no indication that Adam Smith was talking about market forces. Indeed, what Smith said in the paragraph that refers to "an invisible hand" is simply out of touch with reality.*

*DDF: Meaning that you disagree with his economics.*

*AAA: Absolutely.*

**DDF:** You are confusing two quite different claims:

1. The Invisible Hand passage in *\_'Wealth\_'* is making the same point as the one in *\_'Theory of Moral Sentiments\_'*, and it is a religious point.
2. The former passage is making an economic point which is mistaken.

You argue for the second, but are claiming the first. It ought to be obvious reading the passage that it is an economic claim and that he offers some arguments for it having nothing to do with religion. That doesn't mean that it is correct economics--but that's irrelevant to your original claim.

## AAA

*AAA: As I read Adam Smith's reference to "an invisible hand" in "The Wealth of Nations", the meaning is exactly the same as it was in "The Theory of Moral Sentiments".*

*DDF: You are, however, mistaken.*

*AAA: And yet you do not give a single reason why I am mistaken or in which way I am mistaken. If you have an argument that would substantiate a different view, I am interested. But this type of dogmatic statement has no value.*

*DDF: I quote the passage, from which anyone ought to be able to see that your quoted comment above is mistaken.*

**AAA:** David, you merely quoted a passage from "The Wealth of Nations" that I myself quoted on this thread before you did. Well, actually, you omitted the first half of the very paragraph that contains Smith's reference to 'an invisible hand', whereas I quoted that paragraph in full. You then added the subsequent paragraph, which I saw no value in

presenting. In my opinion, that additional paragraph pertains more to politics than economics and hence does not offer much insight into Smith's absurd economic argument.

To amplify my point, as I read that subsequent paragraph, it only argues that no human beings - individually or collectively - are fit to tell any other human being how to invest her/his money. That, of course, is utter rubbish. But Smith's argument in that paragraph ultimately comes down to the propagation of a blind belief that commerce should not be fettered by government interference. According to the devout Adam Smith, no government - not even a government advised by brilliant economists - can be effective at offsetting the avarice of the wealthy capitalists by reapportioning their ill-gotten gains. For that purpose, Smith tells us that everyone should rely solely on 'an invisible hand', his code name for "Providence", in other words, God.

David, as to your claim that "anyone ought to be able to see" that you are right and I am wrong, that is just bluster. I have made my case with clear and cogent arguments. If you have anything similar to offer, then kindly do so. Hopefully, you can do better than to bluff by pointing everyone to some book or another that you have written. (By the way, David, I really do appreciate your stories and also the poems. I have listened to several, and I found them both charming and insightful.)

*AAA: As I read the entire paragraph in "The Wealth of Nations" (and the surrounding material), I found no indication that Adam Smith was talking about market forces. Indeed, what Smith said in the paragraph that refers to "an invisible hand" is simply out of touch with reality.*

*DDF: Meaning that you disagree with his economics.*

*AAA: Absolutely.*

*DDF: You are confusing two quite different claims:*

- 1. The Invisible Hand passage in \_Wealth\_ is making the same point as the one in \_Theory of Moral Sentiments\_, and it is a religious point.*
- 2. The former passage is making an economic point which is mistaken.*

*You argue for the second, but are claiming the first. It ought to be obvious reading the passage that it is an economic claim and that he offers some arguments for it having nothing to do with religion. That doesn't mean that it is correct economics--but that's irrelevant to your original claim.*

**AAA:** David, I am a bit shocked here. Are you telling us that religion is not subsumed within your broad definition of economics? If so, that would be the first area of life where your rather unusual definition of 'rationality' does not seem to apply ☺

Seriously, though, none of what you say above noticeably pertains to my statement, your implicit question to me, or my one-word response to that implicit question. Fortunately, all of that still appears in the context material that you were gracious enough not to censor before making your incorrect assertions. But before I explain why your assertions are incorrect, let me point out how difficult it was to even comprehend those assertions.

In your Point 2, you mention "the former passage". But it is unclear whether you mean the passage in "The Wealth of Nations" (TWON), which you happened to mention first in your

Point 1, or the passage in "The Theory of Moral Sentiments" (TOMS), which Adam Smith wrote 17 years before TWON.

Also, in the paragraph under your Point 2, you say: "You argue for the second, but are claiming the first. It ought to be obvious reading the passage...". But which passage are you talking about? You refer to two passages, and suddenly you talk about only one passage without defining which one of the two it is.

As you did not remember the earlier passage (the one in TOMS) until I brought it to your attention a couple weeks ago, I assume that by "the passage" you mean the passage in TWON. If you had your way, you would probably censor Smith's TOMS in the same way as you often censor my messages. ☺ But, regardless of which passage you meant, you completely misrepresent my argument in respect to both passages - the passage in TOMS and the passage in TWON.

To be crystal clear, I recognize that the passage in TWON makes a somewhat different point than the passage in TOMS. However, the passage in TWON relies heavily on the abstract concept of 'an invisible hand'. That abstract concept was originally introduced by Smith in TOMS. In TWON, Smith reasserts the concept in a \*slightly\* different context but in no way distinguishes the concept from its earlier and original presentation in TOMS. Rather, in TWON, Smith harks back to his original presentation of 'an invisible hand' by presenting the concept in a phrase that is word-for-word identical to what appears in TOMS and by tacking on the words, "as in many other cases".

The only distinction that I see in TWON as compared to TOMS is the specific application of the abstract concept, not the abstract concept itself. The number '2' is an abstract concept. We can talk about two oranges or two apples, but the meaning of '2' remains the same. In both cases, we apply the concept '2' to fruit, but it might have been otherwise.

Similarly, in TOMS, Smith is talking about an alleged but largely false "sentiment of approbation" as it applies to the "distribution of the necessaries of life" that occurs when the "natural selfishness and rapacity" of "the rich" are given free rein. In TWON, Smith is talking about an alleged but largely false preference of the rich to support domestic industry rather than foreign industry and how that would then (if it were true) "promote the public [economic] interest". In both passages, Smith argues that the public interest is best served - and even only served - by the apparently all-powerful influence of 'an invisible hand'.

Again, to my eye, the abstract concept of "an invisible hand" is exactly the same in both books. The only difference - and that too is very minor - is with respect to the application of the concept, not the concept itself. In both of the two relevant passages, 'an invisible hand' is the primary mechanism that Smith offers for ensuring justice in respect to the distribution of wealth, a goal that pertains primarily to economics. (As I have mentioned on several occasions, my understanding of economics is that it ultimately boils down to two closely entwined, indeed inseparable, processes: production and distribution.)

In both books, TOMS and TWON, Smith's notion of 'an invisible hand' has religious connotations. For example, even in TWON, Smith does not say that \*the economy\* arising from the activity of selfish capitalists is guided by 'an invisible hand' to achieve some result. Had Smith phrased his remarks like that, it would have given some credibility to later interpretations of Smith's 'invisible hand' as market forces. But, no, Smith did not say that. What Smith said is that 'an invisible hand' guides \*each individual capitalist\* - the person, not

the activity. Smith says "he is led by an invisible hand" and not "his investments are led by an invisible hand".

David, as it seems that you are having difficulty comparing the two complete paragraphs, let us narrow our examination of the two paragraphs to only the sentence where "an invisible hand" appears and the immediately preceding and succeeding sentences for contextual purpose. Juxtaposing those three sentences in both books might make the similarities clearer to you.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>TOMS (1759):</b><br>"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, 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 have been left out in the partition." | <b>TWON (1776):</b><br>"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. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it." |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

So, just to be crystal clear here, in both TOMS and TWON, Smith's application of his abstract concept of 'an invisible hand' is economic, not religious. However, in both TOMS and TWON, the abstract concept of 'an invisible hand' is, in and of itself, essentially religious dogma and not economic science.

Over the course of history, in a few places and for a limited duration of time, religious dogma has led to scientific advancement. For example, the Islamic dogma that the faithful must pray facing in the direction of Mecca (the Qiblah) and the complexity of doing that from distant countries inspired Muslim intellectuals to make significant and pathbreaking advancement in the field of astronomy. The Qiblah as well as the complex rules of inheritance under Shariah Law inspired Muslim intellectuals to make perhaps even more significant and pathbreaking advancement in the field of mathematics. All of that took place in the Middle Ages. But once the purpose of religious dogma had been fulfilled, Islam's contribution to astronomy and mathematics rapidly diminished and even stagnated.

In short, David, with very few temporary exceptions, religious dogma has invariably proven to be much more harmful than helpful to the advancement of science. The same may be said in respect to Adam Smith's religious dogma of 'an invisible hand'. No doubt that dogma inspired some economists to deepen their understanding of commercial economy, in particular, market forces. However, for 250 years, all capitalist economists have been trying

to rationalize Smith's dogma with little or no success. In doing so, they have largely neglected the extremely important - rather, absolutely essential - aspect of economics, distribution. Today, with Adam Smith's laissez-faire capitalism on its deathbed, it is highly regrettable that the talent of many of the world's most eminent economists has been constricted by Smith's dogma. It would have been far better for society if that talent had been utilized for the development of a genuinely rational science of economics, a genuinely benevolent and practical science of economics.

**DDF**

*AAA: David, as to your claim that "anyone ought to be able to see" that you are right and I am wrong, that is just bluster. I have made my case with clear and cogent arguments.*

**DDF:** That may be your opinion. It is not mine.



## Stream 3    Impact of Dogma

**Lan**

*AAA: For many years I have been hearing economists refer to a 'modern version of the invisible hand' as if they are merely extending the original argument of Adam Smith. The fact is that Adam Smith's 'invisible hand' was always a fairy tale based on religious, ivory-tower speculation about the world. When Smith talked about 'an invisible hand', he meant 'Providence' (or God).*

*{...}*

**Lan:** There is quite a large literature on invisible hand explanations. Whether they were originated by Adam smith or not is really of little but historical importance. There can be little doubt that invisible hand type mechanisms actually exist. the only question is, how important are they in explaining social phenomena?

**BrL**

*AAA: For many years I have been hearing economists refer to a 'modern version of the invisible hand' as if they are merely extending the original argument of Adam Smith. The fact is that Adam Smith's 'invisible hand' was always a fairy tale based on religious, ivory-tower speculation about the world. When Smith talked about 'an invisible hand', he meant 'Providence' (or God).*

*{...}*

*Lan: There is quite a large literature on invisible hand explanations. Whether they were originated by Adam smith or not is really of little but historical importance. There can be little doubt that invisible hand type mechanisms actually exist. the only question is, how important are they in explaining social phenomena?*

**BrL:** I blame the pin makers myself..

**AAA**

*AAA: For many years I have been hearing economists refer to a 'modern version of the invisible hand' as if they are merely extending the original argument of Adam Smith. The fact is that Adam Smith's 'invisible hand' was always a fairy tale based on religious, ivory-tower speculation about the world. When Smith talked about 'an invisible hand', he meant 'Providence' (or God).*

*{...}*

*Lan: There is quite a large literature on invisible hand explanations. Whether they were originated by Adam smith or not is really of little but historical importance. There can be little doubt that invisible hand type mechanisms actually exist. the only question is, how important are they in explaining social phenomena?*

**AAA:** I understand your point, Lance; and I agree with it to a large extent. But let's say you - or someone else - wants to create a religion. Toward that end, you give a new name to God.

That new name of God lets you - as God's prophet - propagate a dogma so preposterous that no one would believe it if they did not think that it was divinely ordained. That is exactly what Adam Smith did with his "invisible hand".

"Invisible hand" was just a code name for "Providence" (that is, God). Smith's hand of God had to be "invisible", because he simply could not demonstrate that it actually works. If people only opened their eyes, they could easily see that things don't happen the way that Smith described. If people only opened their minds, they could easily understand that what Smith was saying made no sense at all. But they did not open their eyes and they did not open their minds, because Smith's dogma of "an invisible hand" blinded them and then confined them in a mental prison.

Lance, you say that "invisible hand type mechanisms actually exist". Okay, what are those mechanisms, and do they really distribute wealth in a just fashion - in a fashion that genuinely promotes the interest of society? As soon as the Dundee Jute Barons realized they could make more money by setting up their jute factories in India rather than importing the raw jute to Scotland, manufacturing a finished product in Scotland, and then exporting the finished product back to the huge market existing in India, they acted on that basis. By setting up competing factories in India, did the Dundee Jute Barons really help their domestic industry in Scotland? Absolutely not! And when the domestic jute industry in Dundee sought to lower prices of production by employing mostly children and immigrant Irish women, did that really benefit local Scottish society? Again, absolutely not!

So, I have two interrelated points here that I will phrase in the form of questions. (1) Why call market forces "an invisible hand" when the science of economics should be able to explain clearly how commerce works? Why not give a correct and scientific name to this alleged "invisible hand" instead of shrouding it in mystery and hocus pocus? (2) Why pretend that something good is happening when society moves on a path where individual interest is allowed to grow to the detriment of the collective interest? What use is "freedom to choose" if that freedom mostly props up the ability of the wealthy to reduce the real income of the poor and grow yet more wealthy thereby?

## Stream 4 Capitalism versus PROUT (Redux)

### DDF

*AAA: But from a long-term perspective, building an industry without a local supply of raw materials is a doomed enterprise.*

*A42: (Sarcasm mode = ON) So, Abhidevananda Avadhuta, the above thought of yours explains the reason that Switzerland, Netherlands, Belgium, England, Japan, Singapore, & Hong Kong are going to be forever in poverty, while Brazil and India became world economic super powers.*

*AAA: What I said is that short-term success may be possible, but long-term success is not possible. The age of large animals and small states has passed on this planet. Though the EU has clearly made some mistakes, the effort to create a larger common economic zone is an inevitable trend. Eventually, this entire world will become a single economic zone.*

**DDF:** Or in other words, the evidence for your claim is your prophesy, not actual history. If we had reason to believe you were a better economist than Smith that might be worth something, although still not very much.

Further, your claim is that what Smith published in the eighteenth century will be shown not to be true by events that will happen sometime in twenty-first century, and that that proves it was a statement of religious faith.

### AAA

{...}

*DDF: Or in other words, the evidence for your claim is your prophesy, not actual history. If we had reason to believe you were a better economist than Smith that might be worth something, although still not very much.*

*Further, your claim is that what Smith published in the eighteenth century will be shown not to be true by events that will happen sometime in twenty-first century, and that that proves it was a statement of religious faith.*

**AAA:** Not at all, David. Predictive capacity is not invariably religious. Every theory has inherent predictive capacity. Therefore, theories are not tested by their ability to predict but rather by the demonstrable accuracy of the inherent predictions. If a theory predicts behavior or an outcome that does not occur, then we may logically conclude that the theory is faulty.

Do you not recall the historical example of the Scottish jute industry that I presented in my response to Solomon less than a day ago? You claimed to have read my message, but maybe your short-term memory is fading. It happens. So let me repeat what I wrote:

---

What we see in the above paragraph from "The Wealth of Nations" is just fantasy. It might have made a bit of sense in Scotland during the early days of the Dundee Jute Barons, when India was a colony of Britain and the Bengal Board of Trade was happy to sell its jute fiber to industrialists in the UK. But from a long-term perspective, building an industry without a local supply of raw materials is a doomed enterprise. Soon the Jute Barons were setting

up factories in India that outperformed the Scottish factories. After India won its independence from Britain in 1947, the Dundee Jute Barons mostly evacuated India, leaving behind their industrial setup there. But the Scottish jute industry, turning out finished jute products made out of raw jute fiber from India, had already started to decline when the Jute Barons began investing their money into setting up jute factories in India. That made the finished jute products cheaper to produce due to reduced transportation cost as well as reduced labor cost. Today the jute industry in Dundee, which itself depended for cheap labor by immigrant Irish women and by children, has totally collapsed.

The entire story of the Dundee jute industry only proves that Adam Smith had an unrealistic view of human psychology and economics. The history of the Dundee jute industry contradicts everything that Smith wrote in the above paragraph from "The Wealth of Nations", wherein he talks about "an invisible hand".

~~~~~

I gave the example of the Scottish Jute Barons for many reasons:

(1) Adam Smith was Scottish, and he both lived and taught there. Hence, if Adam Smith was well-acquainted with any place - any social conditions - it would have been Scotland.

(2) The Scottish jute industry developed within decades after Adam Smith's demise. Hence, the Scottish jute industry may be viewed as an early test of Smith's economic theory. (As it is said, the proof of the pudding is in the eating.)

(3) The paragraph in "The Wealth of Nations" where we find Adam Smith's reference to "an invisible hand" contains the following sentence, serving as a premise for Smith's 'invisible hand' notion: "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." This claim of Adam Smith has predictive capacity, and that predictive capacity was well tested by the Scottish jute industry.

(4) The history of the Scottish jute industry disproves Smith's premise within the context of Scottish society. If we broaden the context to Indian society - the British colony that was economically exploited - then the early Scottish jute industry and the later Indian jute industry tend to disprove Smith's premise there as well. Greedy people seeking their own selfish pleasure tend to damage the interest of society rather than promote it. It's as simple as that. What Adam Smith asserted is poppycock.

In all of the developed capitalist nations of the world today, we see wealthy industrialists outsourcing jobs or setting up plants in other countries for the purpose of maximizing personal profits. Make a call for technical support in the USA, and you are likely to hear a voice with an Indian accent on the other end of the line. Examine the label on your presumably American product or its component parts, and you are likely to read "Made in Korea" or "Made [anywhere else but the USA]". Even the traffic lights around the USA that direct you when to stop or go at a busy intersection were probably produced in China or Japan rather than America.

Look at the following two charts showing national unemployment rates in the USA: (1) for the last 60 years (<http://tinyurl.com/dxczfsq>) and (2) for the last 10 years (<http://tinyurl.com/bqyly6e>). As may be expected, the movement is systaltic, but there is a very clear trend. That trend is highly alarming. That trend is also completely contrary to the

assertion by Adam Smith and later capitalist economists that some 'invisible hand' - religious or otherwise - makes laissez-faire economics a boon to all of society.

How much credence should we give to Adam Smith's assertion that capitalists tend to resist "importation from foreign countries of such goods as can be produced at home" (as asserted by the very title of the chapter in "The Wealth of Nations" wherein Smith fantasizes about "an invisible hand")? Based on what I see happening, I give it no credence at all.

Perhaps some may take consolation in Adam Smith's ridiculous assertion that "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 the highway, possesses that security which kings are fighting for." (That is the final sentence of the paragraph in "The Theory of Moral Sentiments", wherein Adam Smith introduces his mythical notion of "an invisible hand".) As for me, I prefer a philosophy or economic theory that is more realistic, more practical, and more benevolent. I want that beggar to have the opportunity to work rather than to merely "sun himself by the side of the highway" (assuming that one or two beggars might indeed lead such a carefree life). And let's not even consider Adam Smith's kings who "are fighting" for the security of beggars by spilling the blood of commoners while enjoying the luxurious comforts of royal palaces.

## DDF

*AAA: The paragraph in "The Wealth of Nations" where we find Adam Smith's reference to "an invisible hand" contains the following sentence, serving as a premise for Smith's 'invisible hand' notion: "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." This claim of Adam Smith has predictive capacity, and that predictive capacity was well tested by the Scottish jute industry.*

**DDF:** I don't see any contradiction between the fact that the jute industry eventually declined and what you have just quoted.

## AAA

*AAA: The paragraph in "The Wealth of Nations" where we find Adam Smith's reference to "an invisible hand" contains the following sentence, serving as a premise for Smith's 'invisible hand' notion: "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." This claim of Adam Smith has predictive capacity, and that predictive capacity was well tested by the Scottish jute industry.*

*DDF: I don't see any contradiction between the fact that the jute industry eventually declined and what you have just quoted.*

**AAA:** David, do I say anywhere in this one paragraph that you extracted from my lengthy message - after censoring everything that I wrote both above and below the paragraph and even the number "(3)" at the beginning of it - that the eventual decline of the jute industry is

CONCEALED HAND OF ADAM SMITH  
Capitalism versus PROUT (Redux)

what contradicts the sentence from Adam Smith that is quoted in the paragraph? As that is a rhetorical question, let me answer it for you. No, I do not. Come on, David, I know you can do better than this.

## Stream 5 Smith, Marx, and Weber

### JoB

*AAA: Do those things flow from Adam Smith's 'invisible hand' or from what Max Weber called the Protestant work ethic? I would go more with the latter.*

**JoB:** Just to point out, Weber was wrong about the Protestant work ethic.

### WiB

{...}

*JoB: Just to point out, Weber was wrong about the Protestant work ethic.*

**WiB:** Cite please

### JoB

{...}

*JoB: Just to point out, Weber was wrong about the Protestant work ethic.*

*WiB: Cite please*

**JoB:** It is what Wikipedia stigmatises as "original research" ☺

I posted it here (in response to David - he declined to comment!) some weeks back:

OK, brief summary: Marx said that ideas (e.g. religion) have social and economic causes. Weber set himself up in opposition to Marx, and gave an example of an idea (Protestantism) that had social and economic consequences (the Protestant Work Ethic, leading to the rise of commerce and industry, and capitalism as we know it today - at least in the United States.)

This has a superficial plausibility: take watchmaking and banking in Protestant Geneva and Neuchâtel. Parisian watchmakers were Protestant to a man. With the Revocation of the Edict of Nantes in 1685, skilled refugees fled to Protestant Holland and Britain, where they dominated silversmithing, paper-making and lace-weaving. At a stroke, France had lost all its skilled engineering workers. England went on to become the first country to have an industrial revolution (with members of various Protestant sects as industrial pioneers) - France might have been expected to become the second country, but it wasn't. Ever heard of "Yankee Ingenuity"? Where did America's industrial revolution start - in the slaveholding South?

So, what is wrong with this picture? Quite a lot, actually. The second country to have an industrial revolution was the overwhelmingly Catholic Belgium - the southern half of the old Burgundian Netherlands. The "Dutch Revolt" had actually started in the great wool towns of the South (where the Catholic diocesan structure was very weak) - the religious refugees then fled from the Spanish Army North to Holland and Zeeland, taking their Work Ethic with them. Soon enough, the United Netherlands (Holland) had a commercial empire. But the wool towns of the South remained, and when the Ardennes coalfields came on stream, they formed the nucleus of Belgium's industrial revolution. The point about Belgium is its high density of population: the towns are very close together. England was also very highly

urbanised, with the towns close together, and that was probably the crucial factor in its industrial revolution. In France, by contrast, the towns are widely spaced.

Take Ireland. There is only one industrial city in Ireland: Belfast in what is now Northern Ireland. Those with the industrial work ethic flocked there from all over the island, Protestants outnumbering Catholics in the ratio of two to one. But well into the second half of the twentieth century it remained a very puritan city - and the puritanism was of two varieties, Catholic and Protestant, quite distinct from the rest of Ireland. (What they had in common was the Protestant Work Ethic!)

Yes, those with the Protestant Work Ethic were usually Protestant - except where they were not free to choose as (for different reasons) in Ireland and Belgium. What actually happened was that those with the Work Ethic chose a religion (where they were free to choose) that was congenial to them and to it. (This was usually some variety of Calvinism.) So it was Marx who was actually right: social and economic causes (proto-modern industrial and commercial capitalism) had consequences in ideas (the spread of Protestantism.)

**Jan**

{...}

*JoB: It is what Wikipedia stigmatises as "original research" 😊*

{...}

*So, what is wrong with this picture? Quite a lot, actually. The second country to have an industrial revolution was the overwhelmingly Catholic Belgium - the southern half of the old Burgundian Netherlands. The "Dutch Revolt" had actually started in the great wool towns of the South (where the Catholic diocesan structure was very weak) - the religious refugees then fled from the Spanish Army North to Holland and Zeeland, taking their Work Ethic with them. Soon enough, the United Netherlands (Holland) had a commercial empire. But the wool towns of the South remained, and when the Ardennes coalfields came on stream, they formed the nucleus of Belgium's industrial revolution. The point about Belgium is its high density of population: the towns are very close together. England was also very highly urbanised, with the towns close together, and that was probably the crucial factor in its industrial revolution. In France, by contrast, the towns are widely spaced.*

**Jan:** Ease of transport? Ease of communications? Why would spacing of urban centers be all that key to starting up industrial plants?

Aren't ports, rivers, overall ease of transport more important?

If communication between towns was important, wouldn't flat land areas versus mountainous areas be important for industrialization?

*JoB: Take Ireland. There is only one industrial city in Ireland: Belfast in what is now Northern Ireland. Those with the industrial work ethic flocked there from all over the island, Protestants outnumbering Catholics in the ratio of two to one. But well into the second half of the twentieth century it remained a very puritan city - and the puritanism was of two varieties, Catholic and Protestant, quite distinct from the rest of Ireland. (What they had in common was the Protestant Work Ethic!)*



*Yes, those with the Protestant Work Ethic were usually Protestant - except where they were not free to choose as (for different reasons) in Ireland and Belgium. What actually happened was that those with the Work Ethic chose a religion (where they were free to choose) that was congenial to them and to it. (This was usually some variety of Calvinism.) So it was Marx who was actually right: social and economic causes (proto-modern industrial and commercial capitalism) had consequences in ideas (the spread of Protestantism.)*

**Jan:** How does that apply to a place like pre-revolution Russia, that had lots of resources, but a culture and economic system that suppressed a significant percentage of the populace from freely engaging in new forms of economic activity?

A similar question could be pointed at China. Plenty of work ethic there, but an inherited system and overall situation that suppressed individual efforts.

Why didn't the ancient Greco-Roman world get industrialized? Cheap slave labor, a cultural mindset that was not conducive to a large percentage of the population being free or having a cultural norm conducive to engaging in new forms of economic activity?

I think it matters a lot what people have going on in their heads.

As an example, nowadays our traditional source of energy is causing problems, but vested interests are successful in promulgating propaganda and using their wealth to politically stifle what should be common sense industrial changes/opportunities.

So, it would seem that Marx's idea that a need should cause a logical reaction, is by no means necessarily true...

**AAA**

*AAA: Do those things flow from Adam Smith's 'invisible hand' or from what Max Weber called the Protestant work ethic? I would go more with the latter.*

*JoB: Just to point out, Weber was wrong about the Protestant work ethic.*

*WiB: Cite please*

*JoB: It is what Wikipedia stigmatises as "original research" 😊*

*I posted it here (in response to David - he declined to comment!) some weeks back:*

*OK, brief summary: Marx said that ideas (e.g. religion) have social and economic causes. Weber set himself up in opposition to Marx, and gave an example of an idea (Protestantism) that had social and economic consequences (the Protestant Work Ethic, leading to the rise of commerce and industry, and capitalism as we know it today - at least in the United States.)*

*{...}*

*Yes, those with the Protestant Work Ethic were usually Protestant - except where they were not free to choose as (for different reasons) in Ireland and Belgium. What actually happened was that those with the Work Ethic chose a religion (where they were free to choose) that was congenial to them and to it. (This was usually some variety of Calvinism.) So it was Marx who was actually right: social and economic*

*causes (proto-modern industrial and commercial capitalism) had consequences in ideas (the spread of Protestantism.)*

**AAA:** John, why must we assume that the two concepts are mutually exclusive? Clearly, social and economic conditions have an impact on ideas. But, just as clearly, ideas have an impact on social and economic conditions. It is easy to give examples in both directions. But even Karl Marx recognized that theory can and does impact practice. Indeed, Karl Marx went further than that. He asserted that theory also *\*should\** impact practice.

In his "Theses on Feuerbach" (published posthumously), Marx asserted: "Philosophers have hitherto only interpreted the world in various ways; the point is to change it." In other words, Marx wanted theory that would change practice. The Marxist notion of praxis appears to be theory leading to practice, leading to theory, leading to practice. (The position of PROUT on praxis is that such a cycle is inevitable, but it should begin with practice and not theory. Theory based soundly on practice is more likely to be implementable and hence implemented than theory evolved in an ivory tower.)

The assertion that I countered was: "Things... flow from Adam Smith's 'invisible hand' (like marketing, entrepreneurial spirit, thrift & savings ethic, etc.)." In other words, I was told that some specific social and economic conditions were the result of a particular idea, Adam Smith's 'invisible hand'. I merely suggested that a different idea - the notion that worldly wealth is a sign of election - was more likely to have inspired those specific social and economic conditions (see <http://tinyurl.com/7993cij>).

On this thread, I have presented the two quotations from Adam Smith on "an invisible hand". Everyone now may easily consider and arrive at an informed opinion on the question of what Adam Smith actually meant by the phrase, "an invisible hand", in those two quotations. To my thinking, it is very clear that Adam Smith used that phrase to assert the patently false premise that "Providence" makes - or tends to make - an equitable distribution of wealth when greedy people act purely out of self-interest.

Would Adam Smith's notion of "an invisible hand" inspire the social and economic conditions that were described? I doubt it. I think that the notion of worldly wealth indicating personal salvation is more likely to have inspired those particular social and economic conditions. However, I do not dispute that Adam Smith's 'invisible hand' does act to excuse - and indirectly encourage - the pursuit of selfish pleasure and a flagrant disregard for the welfare of others.

## JoB

{...}

*AAA: John, why must we assume that the two concepts are mutually exclusive? Clearly, social and economic conditions have an impact on ideas. But, just as clearly, ideas have an impact on social and economic conditions. It is easy to give examples in both directions. But even Karl Marx recognized that theory can and does impact practice. Indeed, Karl Marx went further than that. He asserted that theory also \*should\* impact practice.*

*In his "Theses on Feuerbach" (published posthumously), Marx asserted: "Philosophers have hitherto only interpreted the world in various ways; the point is to change it." {...}*

{...}

**JoB:** Marx may have wanted to change the world, but he will be remembered as the philosopher who interpreted capitalism 😊

**AAA**

{...}

*JoB: Marx may have wanted to change the world, but he will be remembered as the philosopher who interpreted capitalism 😊*

**AAA:** Maybe... but I doubt it. I suspect that the Russian, Chinese, and Cuban revolutions will not be quickly forgotten.

On this thread, we have mostly been discussing Adam Smith's unsubstantiated belief that the way to heaven is paved with bad intentions. Karl Marx actually substantiated the converse - the conventional wisdom that the way to hell is paved with good intentions.