



# When Providence divided the earth

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Values are important: a person's views of moral ways of living are significant determinants of that person's behaviour – where some people's moralities might not seem very “moral” to others. People in a society might agree on what is moral behaviour in some circumstances, and disagree in others. Different societies have different agreements, different moralities with different ethical ways of living; and different groups in a particular society might have different moralities with different ethical ways of living. We, from our own social perspective, might not find other moralities acceptable – be those the moralities of other societies or of other groups within our society – and there are basic questions of how we accommodate moralities not our own, or which is the “correct” morality. There are those who think they know what is right and what is wrong, and others who take a more nuanced approach, though they might prefer a certain morality/ideology.

On the one hand, Adam Smith, for example, knew there was a true morality which came from God (or the Deity) and thus cultural relativism was based on an incorrect premise – “Part III, Chapter V: Of the influence and authority of the general Rules of Morality, and that they are justly regarded as the Laws of the Deity” [[Smith\(1759, 1790\)](#)]. In a famous/infamous article, Francis Fukuyama when discussing the natures of different types of society (fascist, communist, democratic) made the ideological difference almost one of morality, and he foresaw the ultimate dominance of the morality/ideology of “economic and political liberalism”. He argued that, when talking about changes in communist societies, commentators “sense dimly that there is some larger process at work, a process that gives

coherence and order to the daily headlines.” (“The End of History?”, *The National Interest*, Summer 1989).

More recently, a conservative who wanted to be in “perfect harmony with the Bible, the Declaration and the Constitution” saw the USA as irretrievably polarized, and divided into two nations: “One of those two nations clings to the promises and covenants of the past, the Bible, the Declaration of Independence, the Constitution, as the guiding principles. The other believes in and lives with no immutable standards.” (Joseph Farah, “‘One nation under God, indivisible . . .’?”, *WorldNetDaily* (online), 21 October 2008)

On the other hand, when two eminent German thinkers met to talk about an ethics of life in society, things were not so dogmatic. The thinkers came from different religious perspectives: one, Jürgen Habermas, has said he is tone deaf in the religious sphere, and the other, Joseph Ratzinger, was elected Pope. Each reached out to the other side: “When secularized citizens act in their role as citizens of the state, they must not deny in principle the religious images of the world have the potential to express truth” (Habermas), or “the rational or ethical or religious formula that would embrace the whole world and unite all persons does not exist” (Ratzinger) [[Habermas and Ratzinger\(2006\)](#)].

## The beggar and the peasant

Probably inclining towards deism in his adult years, though raised a Presbyterian, Adam Smith thought that by acting according to what we think is morally correct we follow the most effective way to promote the happiness of mankind, because morality comes from a/the deity. Thus, in some sense, we seem “to co-operate with the Deity, and to advance as far as in our power the plan of Providence”.<sup>1</sup> “Happiness” was important to people in the 1700s, especially in the later years – “the pursuit of happiness” was a key assertion at the beginning of the *US Declaration of Independence* (1776). Smith also wrote that:

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.*  
— Adam Smith, “Part IV, Chapter I: Of the Effect of Utility upon the Sen-

timent of Approbation”, *The theory of moral sentiments* [Smith(1759, 1790)]  
[My emphasis]

In *The Wealth of Nations* (*An inquiry into the nature and causes of the wealth of nations*, [Smith(1776, 1783)]) Smith wrote “A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation.” – which seems more realistic, if lacking in empathy. Smith mentioned Richard Cantillon’s [Cantillon(1755, 1931)] ideas of what were sufficient wages to maintain a family, including the need to double the number of children born because so many died before they could assist with the family finances – using the circumstances of a slave as a baseline. Smith made clear the inferiority of some of those left out in the partition – without any reference to happiness in human life, even in the lowest species of common labour:

Thus far at least seems certain, that, in order to bring up a family, the labour of the husband and wife together must, even in the lowest species of common labour, be able to earn something more than what is precisely necessary for their own maintenance; but in what proportion, whether in that above mentioned, or in any other, *I shall not take upon me to determine.*— Adam Smith, “Book I, Chapter VIII: Of the Wages of Labour”, *An inquiry into the nature and causes of the wealth of nations* [Smith(1776, 1783)] [My emphasis. In a similar vein, Cantillon said “It is something that does not allow an exact calculation, and in which precision is not extremely necessary, it is sufficient not to get too far from reality.”<sup>2</sup>]

Smith’s hard-nosed dissection of what the lowest species need to continue to exist, and thus continue to provide workers, does not seem in keeping with his remarks (a few chapters earlier) about “the very meanest person in a civilized country” (somebody left out in the partition?):

Compared, indeed, with the more extravagant luxury of the great, his accommodation must no doubt appear extremely simple and easy; and yet it may be true, perhaps, that the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages. — Adam Smith, “Book

I, Chapter I: Of the Division of Labour”, *An inquiry into the nature and causes of the wealth of nations* [Smith(1776, 1783)]

In fact, Smith explains in *Moral sentiments* that, when a person admires the condition of the rich and the great, it is not the “superior ease or pleasure” of the rich but the many artificial and elegant contrivances for promoting this ease or pleasure that are admired: for example, a more accurate (and more expensive) watch is of little use if the owner is too lazy to keep appointments on time – the watch is a mere expensive bauble. Smith thinks people often envy the appearance of affluence, without knowing the substance of what it is to be rich: almost delusional, he thinks that an ordinary person does not even imagine that the rich are really happier than other people, it is just that the rich possess more means to achieve happiness. Smith’s arguments are very involved, and many seem to be very removed from poorer people’s realities – for example, Smith’s psychology of the beggar. This alternative reasoning resonated well with those who were not poor, and the book sold well.

Along with many other persons in a comfortable situation, Smith wanted to reassure those in a less comfortable situation that their inferior situation was still far better than benighted individuals (“naked savages”) in faraway lands, and he was promoting the received view, as did his friend David Hume:

I am apt to suspect the negroes and in general all the other species of men (for there are four or five different kinds) to be naturally inferior to the whites. There never was a civilized nation of any other complexion than white, nor even any individual eminent either in action or speculation. No ingenious manufactures amongst them, no arts, no sciences. — David Hume, *Of national characters* (1748) [Original footnote in the first edition.]

A few years later, Hume tried to offend fewer people – negroes, of course, could still be offended.

I am apt to suspect the negroes to be naturally inferior to the whites. There scarcely ever was a civilized nation of that complexion, nor even any individual eminent either in action or speculation. No ingenious manufactures amongst them, no arts, no sciences.— David Hume, *Of national characters*, 1753 [Revised footnote in later editions.]<sup>3</sup>

Smith’s reassurance was intended to keep the peasants happy, though the idea of *relative* deprivation within one society seems to be important to many peasants or other lower

status individuals – as the first descendent of a slave to be a US Supreme Court justice said: “You know, I used to be amazed at people who would say that, ‘The poorest Negro kid in the South was better off than the kid in South Africa.’ So what! We are not in South Africa. We are here.” (Thurgood Marshall, *Speech*, Howard University Law School, 1978).

A similar pablum has recently resurfaced in a book by Arthur Laffer and others: while noting that the poor and “even the middle class” face real financial challenges, the authors claim, for example, that “Today the poor generally have access to more modern goods, services, and technologies than the middle class did in the middle of last century” [Laffer et al.(2008)]. Of course, one would hope that after 60 years there had been progress and all would benefit in some way, but inequality is much worse in the USA today than it was 60 years ago<sup>4</sup> – not forgetting that real median incomes declined during the tax-cutting regime of President GW Bush. As with Smith, the comparison with other societies or other eras is a convenient way to try to distract attention from contemporary realities.

More of Smith’s establishment views in *Moral sentiments* are illustrated when, after noting “Humanity, justice, generosity, and public spirit, are the qualities most useful to others”, he writes “Humanity is the virtue of a woman, generosity of a man”. Reading further you discover that Smith believes that women cannot be generous because they are not, generally, in a position that enables them to be generous according to Smith’s notion – an example of generosity is a “soldier who throws away his life in order to defend that of his officer”, which seems to illustrate an idiosyncratic view of generosity. Smith not only disparaged women, but also – in keeping with his views of the lives of beggars and peasants – he disparaged the majority of humanity. Smith tells the story of Brutus who reported his sons to the Roman authorities because they were conspirators against the “rising liberty of Rome” – resulting in his sons’ deaths. The utility or value of Brutus’s actions derived from their great, noble, and exalted propriety, giving rise to a certain beauty:

This beauty, however, is chiefly perceived by men of reflection and speculation, and is by no means the quality which first recommends such actions to the natural sentiments of the bulk of mankind.

That is, Smith claimed it took a sophisticated thinker to appreciate such beauty, and he thought most people’s natural sentiments were too primitive. Smith’s “men of reflection and speculation” were not part of “the bulk of mankind”. This alternative reasoning resonated well with those who thought they were men of reflection and speculation, and the book sold well.

When we look at Smith's work we cannot ignore context: Smith was a very traditional person with very traditional upper-income views.

## Led by an invisible hand

The distinction between sophistication and primitiveness was important to Smith: for example, in early writings, Smith had explained that savages and heathens could not understand things out of the ordinary unless they were the work of gods such as Jupiter. Smith thought their divine rationale was primitive rather than sophisticated (after all, they were savages and heathens):

... in all Polytheistic religions, among savages, as well as in the early ages of Heathen antiquity, it is the irregular events of nature only that are ascribed to the agency and power of their gods. Fire burns, and water refreshes; heavy bodies descend, and lighter substances fly upwards, by the necessity of their own nature; nor was the invisible hand of Jupiter ever apprehended to be employed in those matters. But thunder and lightning, storms and sunshine, those more irregular events, were ascribed to his favour, or his anger. — Adam Smith, “Of the Origin of Philosophy”, *The History of Astronomy* ([Smith(1795, 1982)] – thought to be written about 1750)

A few years later, immediately before the dissertation in *Moral sentiments* on the unbelievable luck of a beggar who possessed a security for which kings were fighting, Smith's image of the invisible hand made its return. Smith was talking about explaining some seemingly unexplainable aspects of human society (irregular events?) – how the necessities of life are distributed nearly equally, and advance the interest of the society, in spite of the selfishness and rapacity of the rich:

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 necessities 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. . . .

— Adam Smith, “Part IV, Chapter I: Of the Effect of Utility upon the Sentiment of Approbation”, *The theory of moral sentiments* [Smith(1759, 1790)]  
[My *emphasis*]

The invisible hand was that of Smith’s deity acting in a moral manner – Providence had not forgotten or abandoned those seemingly left out in the partition. Because the invisible hand was that of the Deity, the results conformed to the general laws of morality Smith thought were “justly regarded as the Laws of the Deity”.

There are various ways to explain irregular events such as thunder and lightning, storms and sunshine: once we have reached a certain level of knowledge and sophistication, we have the scientific discipline of meteorology to provide explanations, whereas, at more primitive level (savages and heathens), we have the invisible hand of Jupiter to direct the elements. There are various ways to explain that society is fair in its division of wealth: once we have reached a certain level of knowledge and sophistication, a rigorous discipline of economics (possibly a science) will explain how the distribution advances the interests of society, whereas, at a more primitive level (the beggar and the peasant?), we have the invisible hand of the Deity to direct the allocation. In 1759 there was no scientific discipline of economics, and – in ascribing an agency and power to the owner of an invisible hand – either Smith was being ironic about people’s understanding of economic life, or he believed that the Deity intervened in the distribution of the necessities of life. As there was no readily available scientific explanation, perhaps Smith meant “*It is almost as if* they are led by an invisible hand to make nearly the same distribution of the necessities of life” and that would be more in keeping with his reference to heathens invoking the invisible hand of Jupiter – as long as we remember that Smith had different ideas about what constituted nearly the same distribution of the necessities of life, and what were the real situations of beggars and peasants.

There have been many arguments about whether even contemporary economics can be considered a science, but economics is certainly a rigorous discipline, and that rigour is often considered to have started with Smith in *The Wealth of Nations*, but even so the invisible hand of the Deity appeared again (once). Smith writes of an individual who:

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. — Adam Smith, “Book IV, Chapter II: Of Restraints upon the Importation from Foreign Countries of such Goods as can be Produced at Home”, *An inquiry into the nature and causes of the wealth of nations* [Smith(1776, 1783)][My emphasis]

The invisible hand was not explicitly that of a deity in *The Wealth of Nations*, but the language was very similar to that of *Moral sentiments*. In *The Wealth of Nations* a person is “led by an invisible hand to promote an end which was no part of his intention”, which can be compared (*Moral sentiments*) to the people who are “led by an invisible hand to make nearly the same distribution of the necessaries of life”. Despite many glosses by later writers, the invisible hand was not at the forefront of Smith’s thought – it appeared these three times in all his writings, but its appearance in *The Wealth of Nations* seems to have resonated with later commentators.

## Mystical economics

The invisible hand has been so powerful an idea that its metaphorical use has expanded, so that now we read that the invisible hand slaps people, or it has an iron fist – the list is interminable. Even given the extraordinary elaborations of such a minor idea, I cannot see how the notion can be turned into a theorem:

Perfect competition is the central paradigm economists have relied on to describe capitalist economies. This paradigm, which underlies Adam Smith’s “Invisible Hand” theorem, focuses on production processes and abstracts from the informational tasks that managers, professionals, clerks, and sales workers perform. — Leonard I Nakamura, “Economics and the new economy: the invisible hand meets creative destruction”, *Business Review* of the Federal Reserve Bank of Philadelphia (July 2000)

A theorem is something testable, a proposition in the form “If these basic propositions are true, then the assertion YYY is true”, but what are these basic propositions? Are are



the propositions self-evident truths? And is the assertion something along the lines that a person's actions may "promote an end which was no part of his intention"? – which assumes we know the end and we know the person's intentions, and there is no in clarity about either the end or the intentions.

Smith's concern with the morality of the seemingly unequal distribution of human resources, and how that distribution was actually just, is missing from such more recent excursuses on Smith's thought and his trifling mention of the invisible hand of some supernatural being. Nowhere did Smith suggest that the invisible hand was that *of* the market, but rather it was almost as if that the invisible hand was *guiding* the actions of those involved in markets in an almost mystical way to give a just and beneficial result. Given the context of the other two appearances of the invisible hand, it seems clear that Smith was not providing an explanation of the working of markets and distribution of resources, but (like Jupiter's invisible hand) he was giving an "almost as if" analogy. A more interesting observation by Smith, from about the time of the invisible hand of Jupiter, savages and heathens is that "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things." (a lecture in 1755 [Stewart(1793)]).

Peace and justice involve notions of fairness and legitimacy: so we have to establish what is fair and what is legitimate, which raises difficult ethical questions, and then we need to know what is the natural course of things. Though Smith might have had traditional views about savages, he was not a conservative – he believed that society changed and that try to regress to an earlier state, to be against change, was unnatural. As Friedrich Hayek notes "The conservative feels safe and content only if he is assured that some higher wisdom watches and supervises change, only if he knows that some authority is charged with keeping the change 'orderly.'" [Hayek(1960)]<sup>5</sup>

Hayek might have been talking about the mystical conservative view that considers the nature of progress in some way preordained, with a laudable endpoint, so the conservative works to keep on the natural course. Karl Marx was this type of conservative, as was neoconservative Fukuyama until recently:

What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of postwar history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of

Western liberal democracy as the final form of human government. – Francis Fukuyama, “The End of History?”, *The National Interest* (Summer 1989)

After his comment about barbarism, peace, taxes, and the natural course Smith added “All governments which thwart this natural course, which force things into another channel or which endeavour to arrest the progress of society at a particular point, are unnatural, and to support themselves are obliged to be oppressive and tyrannical. In the case of Fukuyama reality intervened, as it often does, and a year after US government intervention in the economy and more of Iraq (otherwise known as the invasion of Iraq) he changed his mind about the end of history:

Of all of the different views that have now come to be associated with neoconservatives, the strangest one to me was the confidence that the United States could transform Iraq into a Western-style democracy, and go on from there to democratize the broader Middle East. . . . Though I, more than most people, am associated with the idea that history’s arrow points to democracy, *I have never believed that democracies can be created anywhere and everywhere through sheer political will.* . . . But the United States needs to be more realistic about its nation-building abilities, and cautious in taking on large social-engineering projects in parts of the world it does not understand very well. – Francis Fukuyama, “The Neoconservative Moment”, *The National Interest* (Summer 2004) [My *emphasis*]

Did Smith think that the laws of the Deity decide what is fair and what is legitimate, and was the natural course of things the invisible hand of the Deity guiding events? The “natural course” is a term Smith often uses in *The wealth of nations* and, soon after his aside about the invisible hand, Smith writes:

According to the supposition, that commodity could be purchased from foreign countries cheaper than it can be made at home. It could, therefore, have been purchased with a part only of the commodities, . . . *had it been left to follow its natural course.* The industry of the country, therefore, is thus turned away from a more to a less advantageous employment, and the exchangeable value of its annual produce, instead of being increased, according to the intention of the lawgiver, must necessarily be diminished by every such regulation. — Adam Smith, “Book IV, Chapter II: Of Restraints upon the Importation from Foreign

Countries of such Goods as can be Produced at Home”, *An inquiry into the nature and causes of the wealth of nations* [Smith(1776, 1783)][My emphasis]

Given Smith’s repeated recourse to the idea of the natural course of events, it seems that the invisible hand is less central to his thinking than the natural course – whatever the “natural course” means.

The mystical image of an invisible hand is very seductive, especially to conservatives/regressives, and when Bryan Caplan suggests “People do not grasp the ‘invisible hand’ of the market, with its ability to harmonize private greed and the public interest” [Caplan(2007)], he should perhaps add that people do not grasp the invible hand of Jupiter with its ability to create thunder storms. It seems that Caplan does not grasp that the invisible hand is a metaphor, an image with theological underpinnings, which attempts to explain or justify why some people have more than others. To fail to grasp the importance of the invisible hand of the market is not irrational, as Caplan has claimed, but possibly to partake of a different theological rationale – as many rational people do.

An additional problem with Caplan’s loose use of language is “the market”: Smith was talking about an individual whose behaviour promoted ends beneficial to society (in this case, a nation), unintended consequences of his actions which arose almost as if he was guided by an invisible hand. The market is not society, and even then the invisible hand guided a person not society – Smith noted that what happens in society (the end or result of behaviour) is the result of the intended and unintended results of human action (“no part of his intention”). A market may be internal to a society, or – as Smith noted above – a market may be between different societies (domestic and foreign industries). It takes a good deal of intuition and economic mysticism to be able to say (investopedia.com):

Thus, the invisible hand is essentially a natural phenomenon that guides free markets and capitalism through competition for scarce resources. . . . Smith assumed that individuals try to maximize their own good (and become wealthier), and by doing so, through trade and entrepreneurship, society as a whole is better off. Furthermore, any government intervention in the economy isn’t needed because the invisible hand is the best guide for the economy. [Investopedia is “A Forbes Digital Company” and Steven Forbes, a Republican, has had presidential aspirations.]

This seems like the overglossing of reality, bounding on the outright mysterious, that Hayek had in mind when he wrote of “the mysticism to which the conservative so frequently has to resort” [Hayek(1960)]<sup>6</sup>.

## Notes

1. “Part III: Of the Foundation of our Judgments concerning our own Sentiments and Conduct, and of the Sense of Duty ” [Smith(1759, 1790)]
2. My translation of “C’est une matière qui n’admet pas un calcul exact, et dans laquelle la précision n’est pas même fort nécessaire, il suffit qu’on ne s’y éloigne pas beaucoup de la réalité.”
3. Hume’s *Of national characters* appears in various collections.
4. The US Census Bureau gives figures for a measure of inequality, the Gini coefficient. For families, in 1947 the Gini coefficient was 0.376 (estimate) and in 2006 it was 0.444 (the highest measurement ever) – the equivalent value for the European Union is about 0.31.
5. In an appendix entitled “Why I am not a conservative”.
6. “Why I am not a conservative”.

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