

*Visible Hand:  
Trials & Tribulations in the  
Narratives of Adam Smith*

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Judith Goldman  
Poetics Program  
Department of English  
SUNY, Buffalo

## Outline:

- Defining social systems and philosophical systems; the “human natural” system as riddle; and the “invisible-handed” explanation.
- The disciplinary breakthroughs of Smith’s *Wealth of Nations* as invisible-handed narrative – and its narratological problems.
- Example 1: Early drafts’ opening gambit on the leisured and laboring classes; WN’s bravura “showpiece” riddles that rewrite and redirect this problem.
- Example 2: The many inconsistencies in causal reasoning with regard to the priority of exchange over the division of labor.
- Conclusion (time permitting): Marx’s misreading of vicious circularity in WN; narrative holes in Smith

From a search on “system” in Eighteenth Century Catalogues Online:

- Hamilton, Robert. [\*An introduction to merchandize. Containing a compleat system of arithmetic. A system of algebra.\*](#) Edinburgh, 1777-79.
- Wallace, George. [\*A system of the principles of the law of Scotland.\*](#) Edinburgh, 1760.
- Citizen of Edinburgh. *A plan for the better providing for the poor of the city of Edinburgh, by an alteration of the system of management of the Charity-Workhouse.* Edinburgh, 1777.
- Bell, Benjamin. [\*A system of surgery.\*](#) Edinburgh, 1783-88.
- Monro, Alexander. *Observations on the structure and functions of the nervous system.* Edinburgh, 1783.
- Macfait, Ebenezer. *A new system of general geography, in which the principles of that science are explained; with a view of the solar system.* Edinburgh, 1780.
- Rose, John. *An essay upon the British fisheries: wherein the errors of the system on which they are at present conducted, are pointed out; a better system is recommended; and sundry experiments, tending to improvement, are proposed.* Edinburgh, 1785.

Smith's major systems written as "invisible-handed" narratives:

"The Principles which Lead and Direct Philosophical Inquiries;  
Illustrated by the History of Astronomy." c.1746-58.

*The Theory of Moral Sentiments.* 1759

*Considerations concerning the First Formation of Languages.* 1761

*An Inquiry into the Nature and Cause of the Wealth of Nations.* 1776. 3<sup>rd</sup> ed.,  
1784.

What is a social system?

- The complex figure of “system” was used to conceive relations between and among individuals as part of a larger social unity.
- Uncoordinated, distributed actions undertaken by individuals in society contribute functionally to group processes that reciprocally enable them and in which they are inescapably enmeshed.
- A social system is the resulting meta-circuit of activity that comprises the sum total of human activities in a given domain, a larger whole that is self-regulating in that its integrated components exist by virtue of their system-sustaining interrelation.
- Social systems are historical, immanent to the dynamics of life in society as those dynamics change over time.
- Systems embody felicitous, optimal arrangements for preserving human life at each step of a society’s progress

Why are social systems “human natural”?

- Tautology: Both the systems of nature and those of the human world are “natural” because that quality is equated with the expression of essential systemic or structure-producing tendencies.
- Social systems inevitably emerge, apart from any purposively authored laws, contracts, or plans, in the natural course of human interaction, as a result of the operations of universal principles of human nature.
- Human phenomena can only be considered properly human *natural* insofar as an “insensible” socialization, rather than the conscious designs and commands of rational thought, or purposively concerted efforts and external directives, drives them towards systematicity.
- Human natural principles lead to the production of norms, or formal limitations of feeling and action that regulate behavior. These norms vary in structure and in their mode of necessity, depending upon the human natural system in which they are generated.

Ullmann-Margalit, on the “invisible-handed” narrative:

**“The onus of the explanation lies on the process, or mechanism, that aggregates the dispersed individual actions into the patterned outcome” (267).**

**“There should in principle be no reference to the explanandum phenomenon within the spelled out explanation;** the linguistic expression which stands for it need neither be used nor mentioned in the course of the explanation” (277).

**“[The story] has got to sound like a description of the ordinary and normal course of events”** (271). Over against this “normalcy,” indeed, *because* of it, she asserts, the explanation incorporates **“the element of *surprise*”** (271; emphasis original). The genre’s crux, then, is that the “unexpected” follows from “the description of the process” characterized by its “fluency and naturalness” (272), this incommensurability **“partly responsible for the pleasure and satisfaction derived”** (271).

Edna Ullmann-Margalit, “Invisible Hand Explanations.” *Synthese* 39.2 (Oct. 1978), 263-291.

(See also: Edna Ullmann-Margalit, “The Invisible Hand and the Cunning of Reason.” *Social Research* 64.2 (SUM 1997), 181-198.)



Dugald Stewart, *Account of the Life and Writings of Adam Smith, LL.D.*

**Superlative praise for *The Theory of Moral Sentiments*:**

The question of originality is of little or no moment; for the particular merit of Mr Smith's work does not lie in his general principle, but in the skilful use he has made of it **to give a systematical arrangement to the most important discussions and doctrines of Ethics...***[T]he Theory of Moral Sentiments* may justly be regarded as one of the most original efforts of the human mind in that branch of science...and even if we were to suppose that it was first suggested to the author by a remark of which the world was in possession for two thousand years before, this very circumstance would only reflect a stronger lustre on the novelty of his design.

Dugald Stewart, *Account of the Life and Writings of Adam Smith, LL.D.*

**Superlative praise for the *Wealth of Nations*:**

[WN forms an] analysis [of] **singular difficulty, [involving] by far the most complicated class of phenomena that can possibly engage our attention,** those which result from the intricate and often the imperceptible mechanism of political society;—a subject of observation which seems, at first view, so little commensurate to our faculties, that it has been generally regarded **with the same passive emotions of wonder and submission,** with which, in the material world, we survey the effects produced by **the mysterious and uncontrollable operation of physical causes.**

**On the obsessive holism of Smith's texts:**

For it is only when digested in a clear and natural order, that truths make their proper impressions on the mind.

[Smith] considered every species of note as a blemish or imperfection; indicating, either an idle accumulation of superfluous particulars, or want of skill and comprehension in the general design.

Disciplinary “breakthroughs” of the focus and argument of WN:

- Rigorous theorization of the pre-conditions of the division of labor
- Re-defining the issue of the division of labor by excising from consideration the question of the origins of social rank, wealth (e.g. the existence of leisured v. working classes)
- Repressing political and economic-political power from the discussion of the division of labor, in order to unfold its workings invisibly-handedly.

# *Wealth of Nations*

BOOK I: Of the Causes of Improvement in the productive Powers of Labour, and of the Order according to which its Produce is naturally distributed among the different Ranks of the People.

CHAPTER I: OF THE DIVISION OF LABOUR<sup>1</sup>

CHAPTER II: OF THE PRINCIPLE WHICH GIVES OCCASION TO THE DIVISION OF LABOUR

CHAPTER III: THAT THE DIVISION OF LABOUR IS LIMITED BY THE EXTENT OF THE MARKET

CHAPTER IV: OF THE ORIGIN AND USE OF MONEY

## Narratological problems in WN, Book I

- Smith's revisions of the opening gambit of WN, deflecting questions around the causality of rank or class disparity through suggestive, distracting paradoxes that depend on various logical fallacies;
- In WN, Book I, Chap. 1: Smith purposely elides the microdivision of labor in the pin factory with the social division of labor among the trades, to be able to narrate the wondrous productivity of industrial labor invisible-handedly

## Narratological problems in WN, Book I [ctd.]

- With regard to drafts, but also within *Wealth of Nations* itself, Smith seems unable to settle on the originary state of relations amongst humankind
- Exchange as the driver of the division of labor: Smith both admits that exchange functions in his argument circularly, as both the precondition and the result of the division of labor, and also theorizes that exchange is entirely an effect of the human affective need to persuade.
- Smith also interrupts his story of development with Chapter 3, a discussion of the effects of shipping on the development of specialized labor. Later, in Chapter 7, Smith argues that the degree of the division of labor and its distribution depends on the extent or limit of the market according to the homeostatic model of that opening book . But in Chap. 3, water-carriage suddenly allows for the expansion of the market and becomes a driver of the further specialization or division of labor

## Narratological problems in WN, Book I [ctd.]

- In Chap. 2, Smith shows how the advent of the market allows the division of labor to come fully to fruition, in which exchangers exclusively pursue specialized labor based on market expectations. The market is narrated as coming into being as a self-fulfilling prophecy.
- In Chapter 4, it turns out that this market scenario as a means of dialectically developing the division of labor must also be revised: barter is a terrible mechanism for exchange and would never allow the division of labor to develop fully without the placeholder of money, which comes into being invisible-handedly.

Earlier drafts that include rank/class difference as phenomenon to be explained -- with many phrases calibrating probability/expectation:

Early Drafts: Among savages...every individual enjoys the whole produce of his own industry. There are among them no landlords, no usurers, no taxgatherers. **We might naturally expect, therefore, if experience did not demonstrate the contrary,** that every individual among them should have a much greater affluence of the necessaries and conveniencies of life than can be possessed by the inferior ranks of the people in a civilized society. (ED 4; my emphasis)

Early Drafts: **It is very easy to conceive** that the person who can at all times direct the labours of thousands to his own purposes, should be better provided with whatever he has occasion for than he who depends upon his own industry only. But how it comes about that the labourer and the peasant should likewise be better provided **is not perhaps so easily understood.** In a civilized society the poor provide both for themselves and for the enormous luxury of their superiors. (ED 3-4; my emphasis)



Early composition that includes rank/class difference as phenomenon to be explained -- with many phrases calibrating probability /expectation:

Lectures on Jurisprudence, Version A:

**It may not indeed seem wonderful that** the great man who has 1000 dependents and tenants and servants who are oppressed that he may live in luxury and affluence, that the moneyed man and man of rank, should be so very affluent, when the merchant, the poor, and the needy all give their assistance to his support. **It need not, I say, seem very surprising** that these should far exceed the greatest man amongst a whole tribe of savages. But that the poor day labourer or indigent farmer should be more at his ease, notwithstanding all oppression and tyranny...than the savage, does not appear so probable. (vi.23-4; my emphasis)

Early composition that includes rank/class difference as phenomenon to be explained -- with many phrases calibrating probability / expectation:

Early Drafts: **What considerably increases this difficulty [of understanding the true riches of the wage laborer]** is the consideration that the labour of an hundred, or of an hundred thousand men, should seem to bear the same proportion to the support of an hundred of an hundred thousand men, which the labour of one bears to the support of one man. Supposing therefore that the produce of labour of the multitude was to be equally and fairly divided, each individual, we should expect, could be little better provided for than the single person who laboured alone. (ED 5)

But with regard to the produce of the labour of a great society **there is never any such thing as a fair and equal division.** In a society of an hundred thousand families, **there will perhaps be one hundred who don't labour at all, and who yet, either by violence or by the more orderly oppression of law, employ a greater part of the labour of society than any other ten thousand in it.** The division of what remains, too, after this enormous defalcation, is by no means made in proportion to the labour of each individual. **On the contrary those who labour most get least...the poor labourer who has the soil and the seasons to struggle with, and who, while he affords the materials for supplying the luxury of all the other members of the common wealth, and bears, as it were upon his shoulders the whole fabric of human society, seems himself to be pressed down below ground by the weight, and to be buried out of sight in the lowest foundations of the building.** In the midst of so much oppressive inequality, in what manner shall we account for the superior affluence and abundance commonly possessed even by this lowest and most despised member of civilized society, compared with what the most respected and active savage can attain to. (ED 5-6)

Showpiece riddles opening the final version of *Wealth of Nations*

WN will demonstrate “causes of this improvement, in the productive powers of labor, and the order, according to which its produce is **naturally distributed among the different ranks and conditions of the people**” (Intro.5).

**Without the assistance and cooperation of many thousands, the very meanest person in a civilized country could not be provided, even according to, what we very falsely imagine, the easy and simple manner in which he is commonly accommodated...**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.** (I.i.11)

The paradoxically sublimely complex workman's coat:

**Observe the accommodation of the most common artificer or daylabourer in a civilized and thriving country, and you will perceive that the number of people of whose industry a part, though but a small part, has been employed in procuring him this accommodation, exceeds all computation.** The woollen coat, for example, which covers the daylabourer, as coarse and rough as it may appear, is **the produce of the joint labour** of a great multitude of workmen. The shepherd, the sorter of the wool, the wool-comber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser, with many others, must all join their different arts in order to complete even this homely production. How many merchants and carriers, besides, must have been employed in transporting the materials from some of those workmen to others who often live in a very distant part of the country! How much commerce and navigation in particular, how many ship-builders, sailors, sail-makers, rope-makers, must have been employed in order to bring together the different drugs made use of by the dyer, **which often come from the remotest corners of the world!** (I.i.11; my emphasis)

In the drafts: competition or exchange as the causal origin of the division of labor?:

Lectures on Jurisprudence, Version A: **No human prudence is requisite to make this division.** We are told indeed that Sesostris made a law that every one should for ever adhere to his fathers [profession], and the same rule has been made in other eastern countries. The reason of this constitution was that they feared lest every one endeavouring to advance himself into what we call a gentlemanny character, the lower trades should be deserted. But in this generall scramble for preeminence, when some get up others must necessarily fall undermost, and these may supply the lower trades as well as any others. **The naturall course of things will in this manner either give or leave enough of hands to the lower professions;** and if things be allowed to take their naturall course there is no great danger that any branch of trade should be either over or under stocked with hands. The constitution of Sesostris also did not endeavour to introduce it but to preserve the division of trades, which he without reason was afraid would not be maintained by the causes which had produced it. **I showed also how the disposition to truck, barter, and exchange is the foundation of this division.** (vi.55; my emphasis)

Lectures on Jurisprudence, Version B: **We shall next consider what gives occasion to the division of labour, or from what principles in our nature it can best be accounted for. We cannot imagine this to be an effect of human prudence.** It was indeed made a law by [Sesostris] that every man should follow the employment of his father. But this is by no means suitable to the dispositions of human nature and can never long take place. Every one is fond of being a gentleman, be his father what he would. They who are strongest and in the bustle of society have got above the weak, must have as many under to defend them in their station; from necessary causes, therefore, there must be as many in the lower stations as there is occasion for. There must be as many up as down, and no division can be over-stretched. **But it is not this which gives occasion to the division of labour. It flows from a direct propensity in human nature for one man to barter with another.** (219)

Final version in *Wealth of Nations*:

This division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion (I.ii.1).

It is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another (I.ii.1).



*Wealth of Nations*: Is man constitutively self-sufficient, interdependent, or likely to create surplus? Where does exchange come in, and how does it work?

In almost every other race of animals each individual, when it is grown up to maturity, is intirely independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren and it is in vain for him to expect it of their benevolence only. **He will be more likely to prevail if he can interest their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them.** (I.ii.2)

**It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest** (I.ii.2).

Without the disposition to truck, barter, and exchange, **every man must have procured to himself every necessary and conveniency of life which he wanted. All must have had the same duties to perform, and there could have been no such difference of employment** (I.ii.4).

Or is it:

In a tribe of hunters or shepherds a particular person makes bows and arrows, for example, **with more readiness and dexterity than any other**. He frequently exchanges them for cattle or for venison with his companions; and he finds at last that he can in this manner get more cattle and venison, than if he himself went to the field to catch them. **From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business**, and he becomes a sort of armourer. (I.ii.3)

But *in reality*, talents are socially acquired, not innate!

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions...is not upon many occasions so much the cause, as the effect of the division of labour (I.ii.4).

As it is this disposition [to barter and exchange] which forms that difference of talents...so it is this same disposition which renders that difference useful [by bringing it] as it were, into a common stock (I.ii.5).

Exchange as persuasion:

From Lectures on Jurisprudence, Version A:

If we should enquire into the principle in the human mind on which this disposition of trucking is founded, **it is clearly the naturall inclination every one has to persuade.** The offering of a shilling, which to us appears to have so plain and simple a meaning, is in reality offering an argument to persuade one to do so and so as it is for his interest. (vi.56)

**Men always endeavour to persuade others to be of their opinion even when the matter is of no consequence to them.** If one advances any thing concerning China or the more distant moon which contradicts what you imagine to be true, you immediately try to persuade him to alter his opinion. And in this manner every one is practicing oratory on others thro the whole of his life. (LJ (A); vi.56)

**In this manner they acquire a certain dexterity and address in managing their affairs, or in other words in managing of men; and this is altogether the practise of every man in the most ordinary affairs.--** This being the constant employment or trade of every man, in the same manner as the artisans invent simple methods of doing their work, so will each one here endeavour to do this work in the simplest manner. That is bartering, by which they address themselves to the self interest of the person and seldom fail immediately to gain their end.  
(vi.56-7)

Lectures on Jurisprudence, Version B: **The real foundation of [this disposition to barter] is that principle to perswade which so much prevails in human nature.** When any arguments are offered to perswade, it is always expected that they should have their proper effect. If a person asserts any thing about the moon, tho' it should not be true, he will feel a kind of uneasiness in being contradicted, and would be very glad that the person he is endeavouring to perswade should be of the same way of thinking with himself. **We ought then mainly to cultivate the power of perswasion, and indeed we do so without intending it.** Since a whole life is spent in the exercise of it, a ready method of bargaining with each other must undoubtedly be attained. (222)

## Marx, *Capital*, Vol. I: “The Secret of Primitive Accumulation”

We have seen how money is changed into capital; how through capital surplus-value is made, and from surplus-value more capital. **But the accumulation of capital pre-supposes surplus-value; surplus-value pre-supposes capitalistic production; capitalistic production presupposes the pre-existence of considerable masses of capital and of labour-power in the hands of producers of commodities. The whole movement, therefore, seems to turn in a vicious circle**, out of which we can only get by supposing a primitive accumulation (previous accumulation of Adam Smith) preceding capitalistic accumulation; an accumulation not the result of the capitalistic mode of production, but its starting point.

Marx, *Capital*, Vol. I: “The Secret of Primitive Accumulation”

So-called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production. It appears as ‘primitive,’ because it forms the pre-history of capital and of the mode of production corresponding with it.



Marx, *Capital*, Vol. I: “The Secret of Primitive Accumulation”

**This primitive accumulation plays approximately the same role in political economy as original sin does in theology. Adam [Smith!] bit the apple, and thereupon sin fell on the human race. Its origin is supposed to be explained when it is told as an anecdote of the past.** Long, long ago there were two sorts of people; one, the diligent, intelligent, and, above all, frugal elite; the other, lazy rascals, spending their substance, and more, in riotous living.

The legend of theological original sin tells us certainly how man came to be condemned to eat his bread in the sweat of his brow; but the history of economic original sin reveals to us that there are people to whom this is by no means essential. Never mind! Thus it came to pass that the former sort accumulated wealth, and the latter sort had at last nothing to sell except their own skins. And from this original sin dates the poverty of the great majority that, despite all its labour, has up to now nothing to sell but itself, and the wealth of the few that increases constantly although they have long ceased to work.

Smith's own formulation of this vicious circle in his early drafts:

Lectures on Jurisprudence, Version B: This is one great cause of the slow progress of opulence in every country; **till some stock be produced there can be no division of labour, and before a division of labour take place there can be very little accumulation of stock.** (286; my emphasis)

Lectures on Jurisprudence, Version B: **Suppose then, as is really the case in every country, that there is in store a stock of food, cloaths, and lodging, the number of people that are employed must be in proportion to it.** (233-4; my emphasis)