

Imaginary Hands

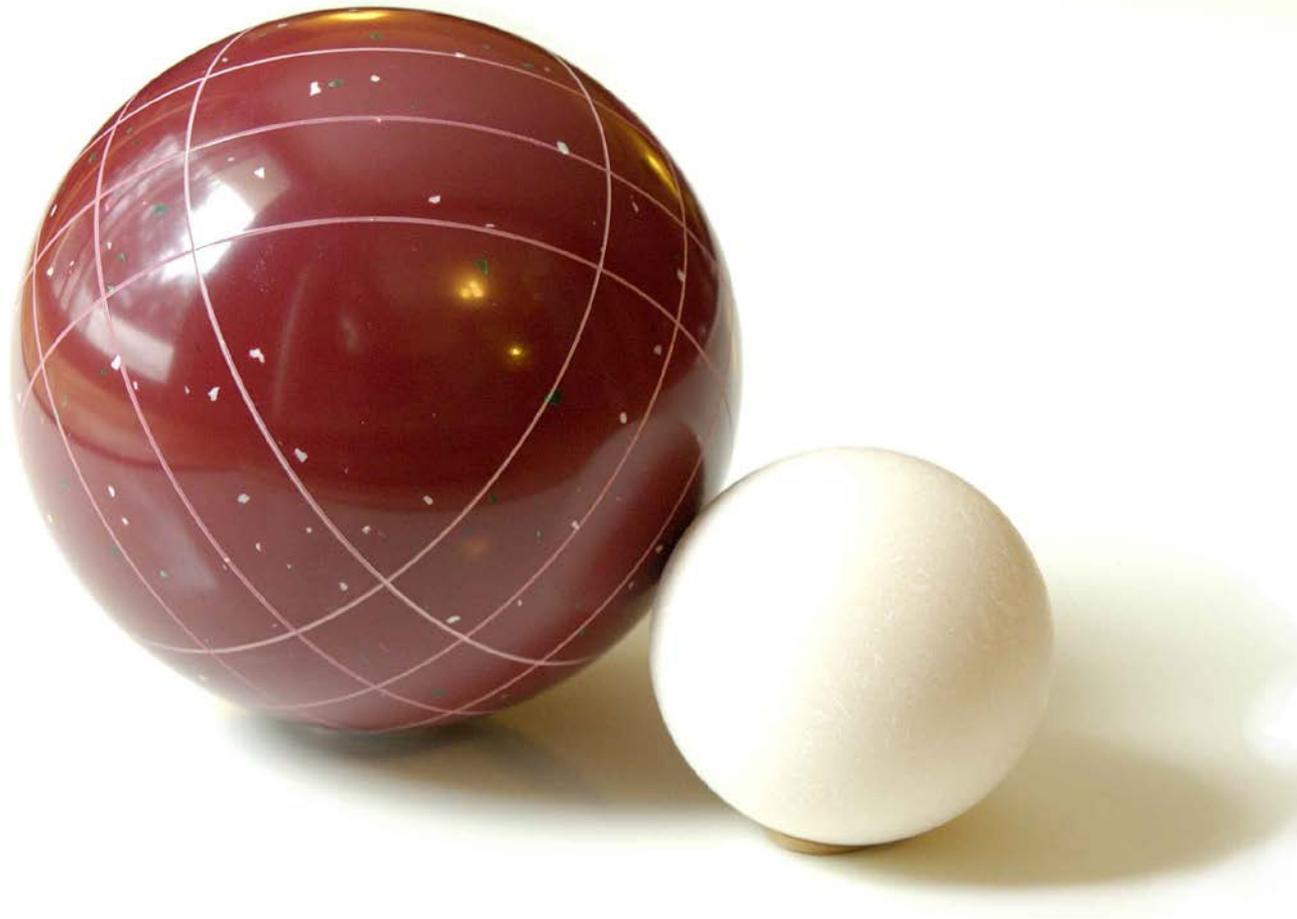
Adam Smith's Anti-System



Sergio Cremaschi

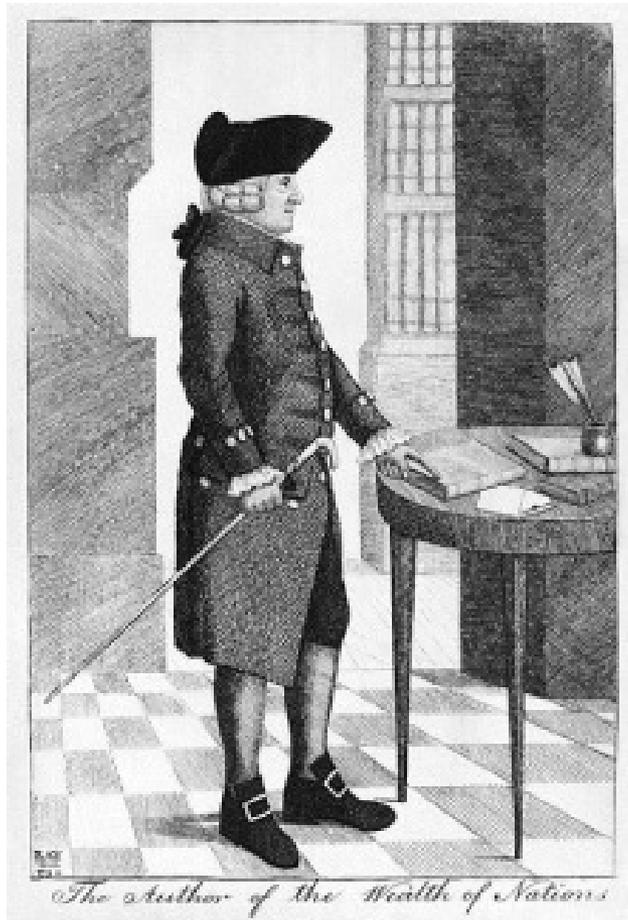
Professor of Moral Philosophy

Università Amedeo Avogadro (Alessandria, Novara, Vercelli)



Was the red sphere **pushed** towards the white one by a hand we cannot observe
or
did a magnet hidden inside one of them **attract** the other?

Adam Smith in space and time



1723 Kirkaldy

1750 ca *History of Astronomy*

1751 Glasgow : Professor of Logic and Rhetoric

1752 Professor of Moral Philosophy (Natural theology, Ethics, Law, Government)

1759 *Theory of Moral Sentiments*

1776 *Wealth of Nations*

1790 *Theory of Moral Sentiments* 6th ed.

1790 Edinburgh

The Scottish Enlightenment

1. “Moderate” Theology - Francis Hutcheson

in favour of ‘natural’ morality and toleration
vs. orthodox Calvinism and a view of the moral law as divine command

2. “Newtonian” Philosophy - Colin McLaurin

A view of “philosophia naturalis” (natural science) stressing the role of analysis (induction, formulation hypothesis) or the hypothetico-deductive method
vs. Cartesian stress of “synthesis” (deduction) or apriori assumptions + deduction

3. A theory of knowledge as Belief - David Hume

Criticism of dogmatism in the theory of knowledge, religion, political theory
and a way to live with sceptical doubt and live happily ever after

4. A four-stages theory of society - Adam Ferguson

A view of society where savages are just our grandfathers and civilizations is just the gift of a long course of unintended consequences

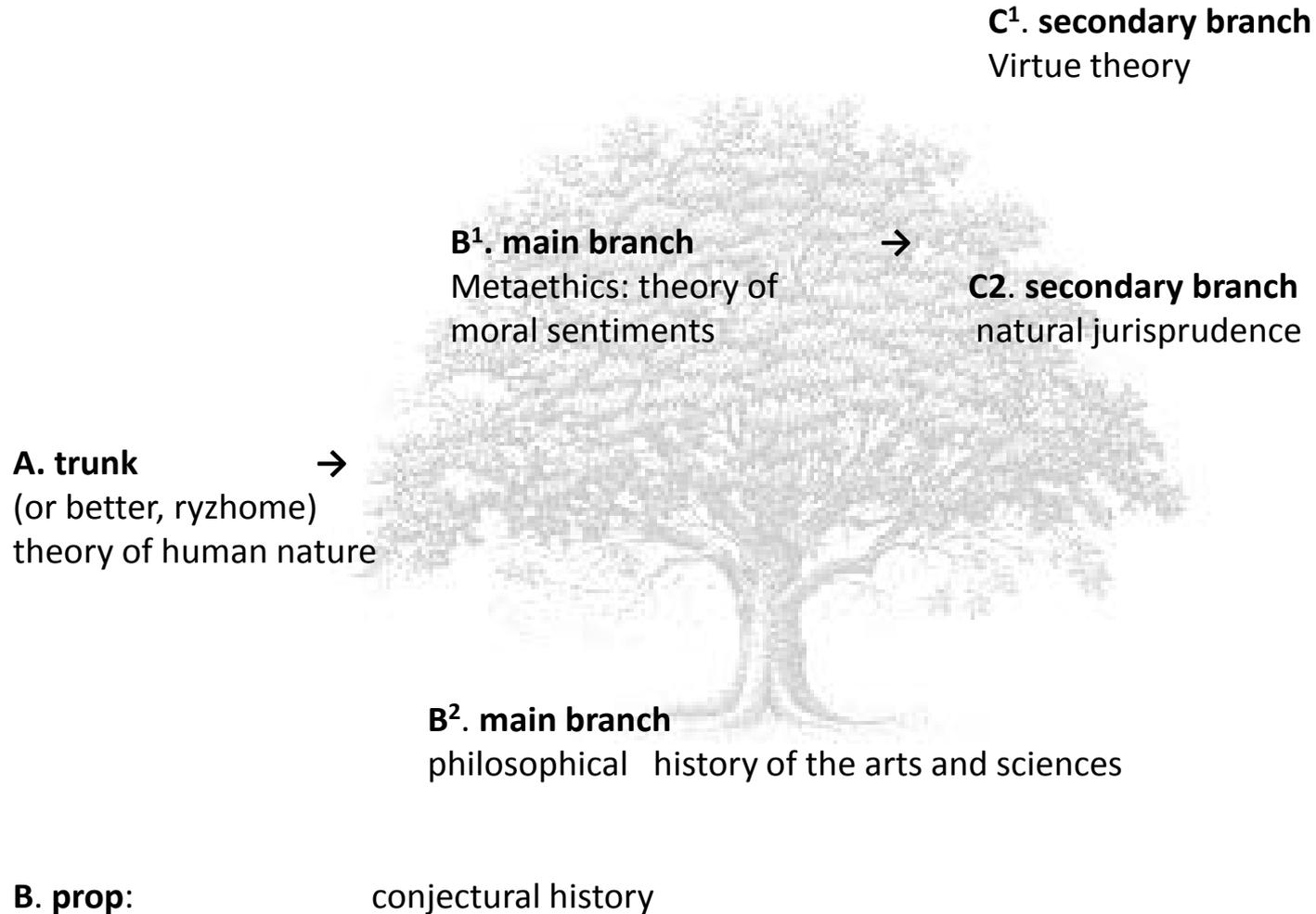
Adam Smith's system



A “tree” of knowledge

like Descartes's

but somewhat shaky



My claims

- Smith had a **unitary oeuvre** in mind, albeit not a **'system'**, but rather an 'anti-system'
- The structure of his oeuvre was lost of sight because two works were left unpublished: a) the philosophical history of the arts and sciences; b) the doctrine of law and government
- There were indeed tensions arising from a preoccupation to skip the opposite shoals of dogmatic Rationalism and self-refuting Scepticism
- Yet, his own overall view was a rather consistent one, namely

Post-scepticism

post-scepticism in a nutshell:

Condone everything the sceptic contends for
(without endorsing his claims)
and then proceed to prove how everything still goes on as before

but

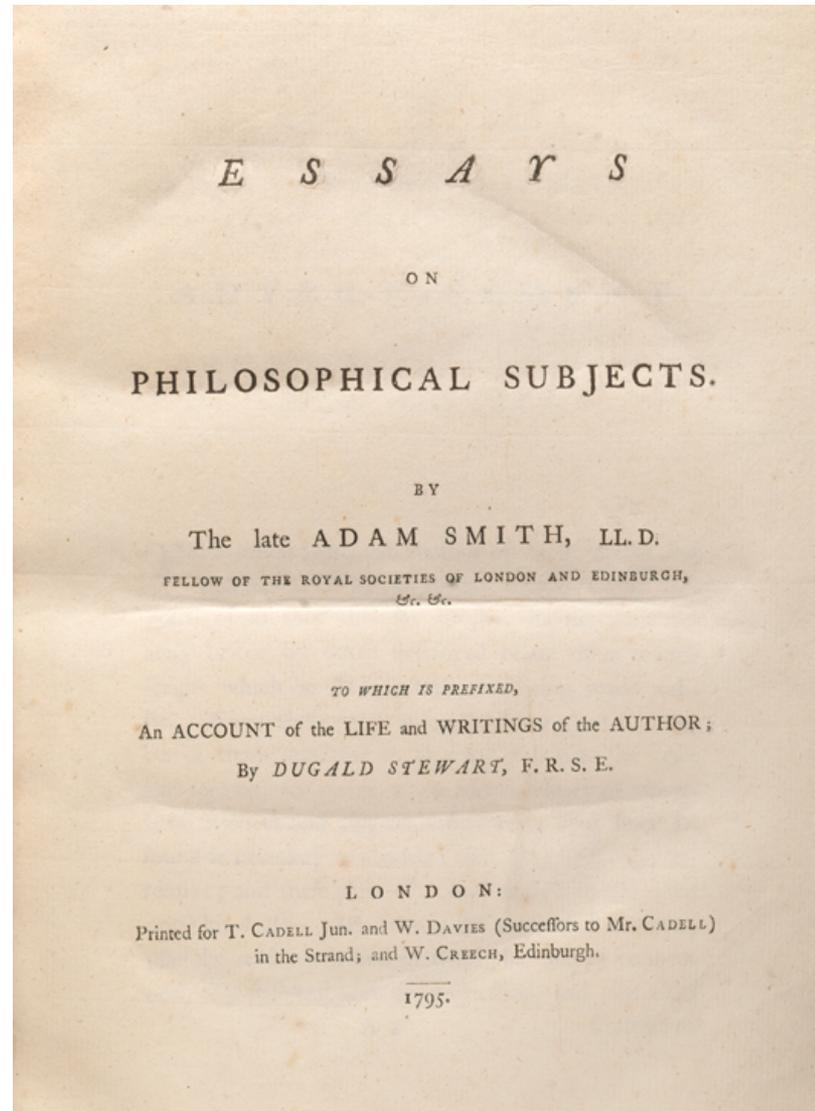
Take what the dogmatic says at its face-value
and then proceed to prove how it heads to sceptical conclusions

With the further implication of

Ruling out such dogmatic delusions as

1. Dogmas of the one true religion
2. Fixed and precise moral laws
3. Ready-made recipes for national wealth (gold and silver, etc.)

Adam Smith's epistemology



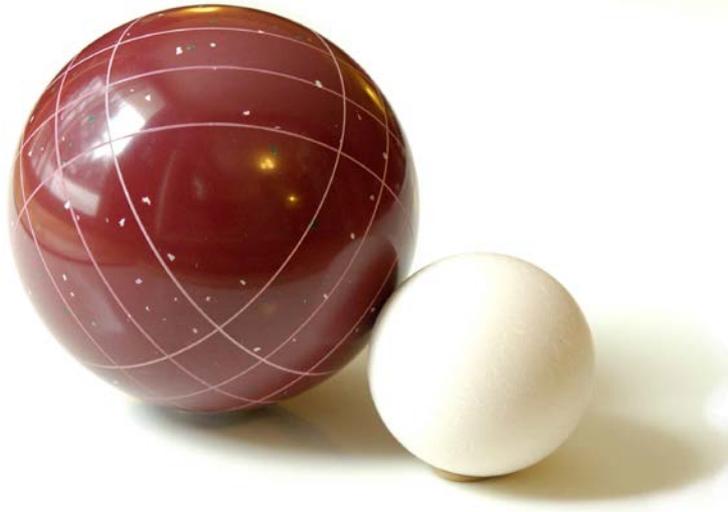
The Cartesian-Newtonian controversy

and its account in the *History of Astronomy*

Descartes

- Cartesian physics accounts for motions of planets bodies on purely “mechanical” assumptions:
- Extended bodies
- Quantities of motion
- Transmission of motion through direct impact between two bodies

ONE BOWL HITS THE OTHER



This sounds fine, but there is no set of equations compatible with any account of heavenly motions along these lines

Newton

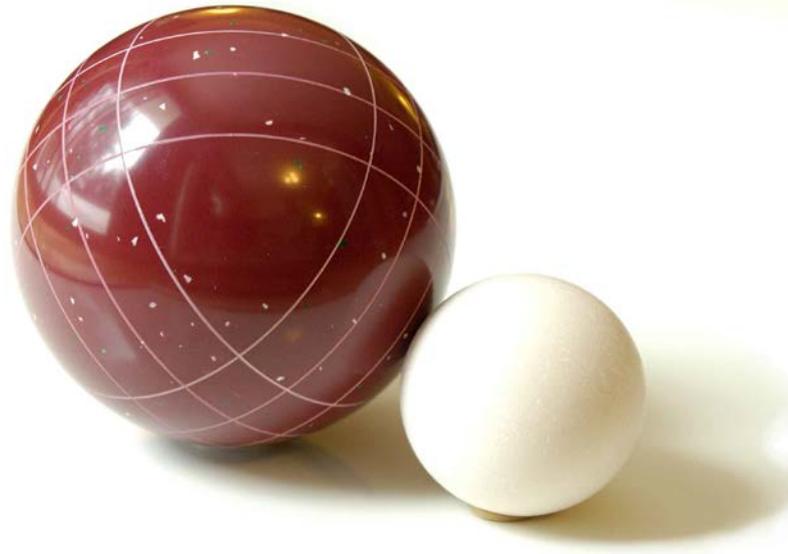
Newtonian physics accounts for celestial motions by assuming that bodies may exert causality on each other at a distance (Gravitation).

This is incompatible with modern Galilean science and looks like a return to Medieval Aristotelian Science.

Yet it has the advantage of allowing for a set of equations through which we may calculate and predict celestial motions.

The price to pay is admitting of an entity (gravitation) unknown in its nature

ONE BOWL ATTRACTS THE OTHER



This does not sound fine, but amounts to the same:
Let's talk of **gravitation (a magnitude we can measure)**.

On this assumption we may calculate and predict.

This is experimental science, not Metaphysics!

And what about the nature of gravitation?

A hidden quality of an Aristotelian kind: Universal attraction?

A not yet discovered mechanism of a Cartesian kind?

I don't know, and

HYPOTHESES NON FINGO

The History of Astronomy

The Newtonian system is not a “discovery” of what lies behind phenomena. It is, no less than any other, an

INVENTION OF THE IMAGINATION.

And yet, one hardly resists a tendency to speak of it in terms of

“DISCOVERY OF A CHAIN OF SUBLIME TRUTHS”

And yet, in his *History of Astronomy*, there is
“More refinement than solidity”

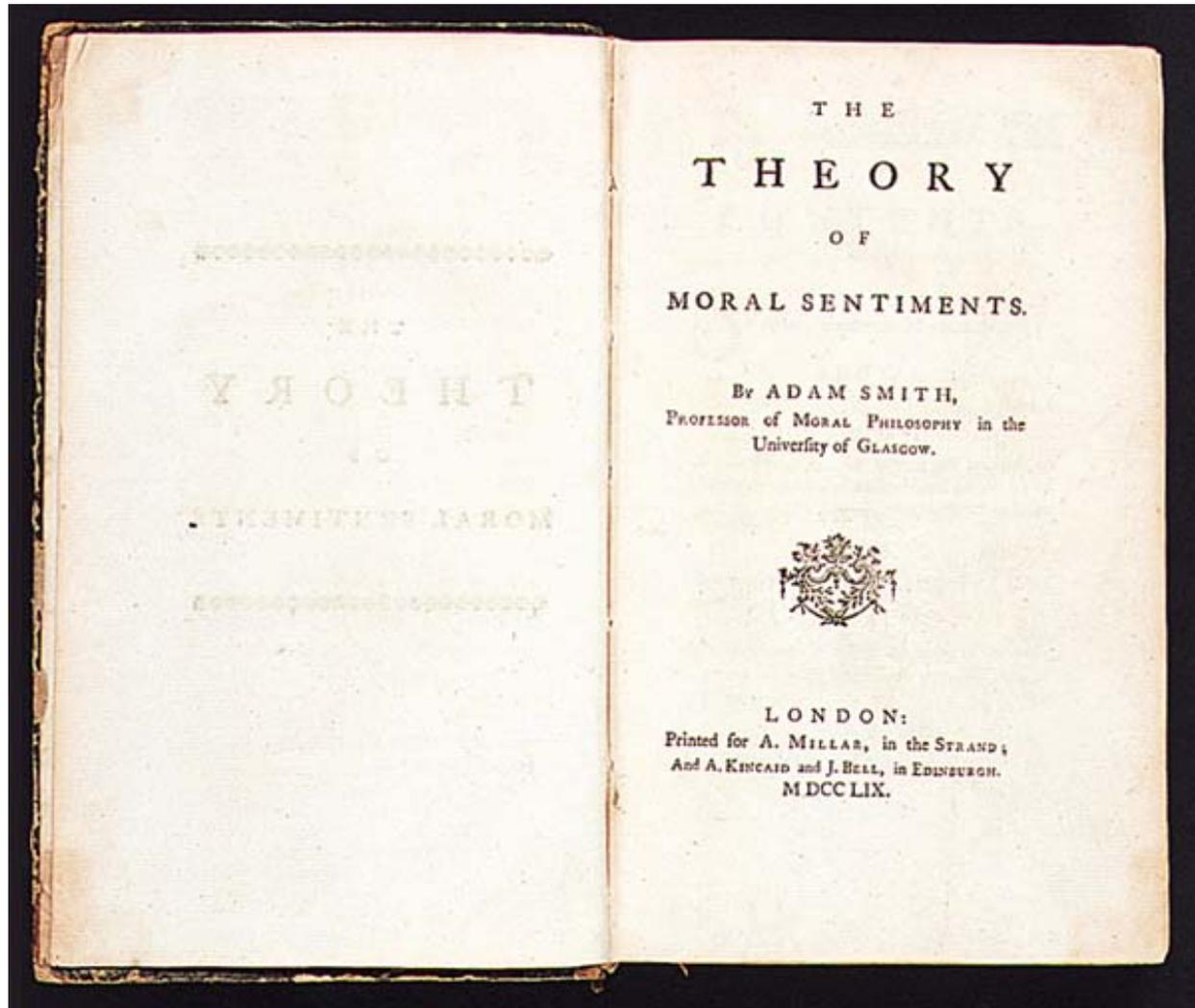
Adam Smith’s response to Cartesianism is a post-sceptical
reaction to scepticism

based on an **insulating strategy**;

leaving some trouble: fear of a possible drift towards **cognitive
relativism**

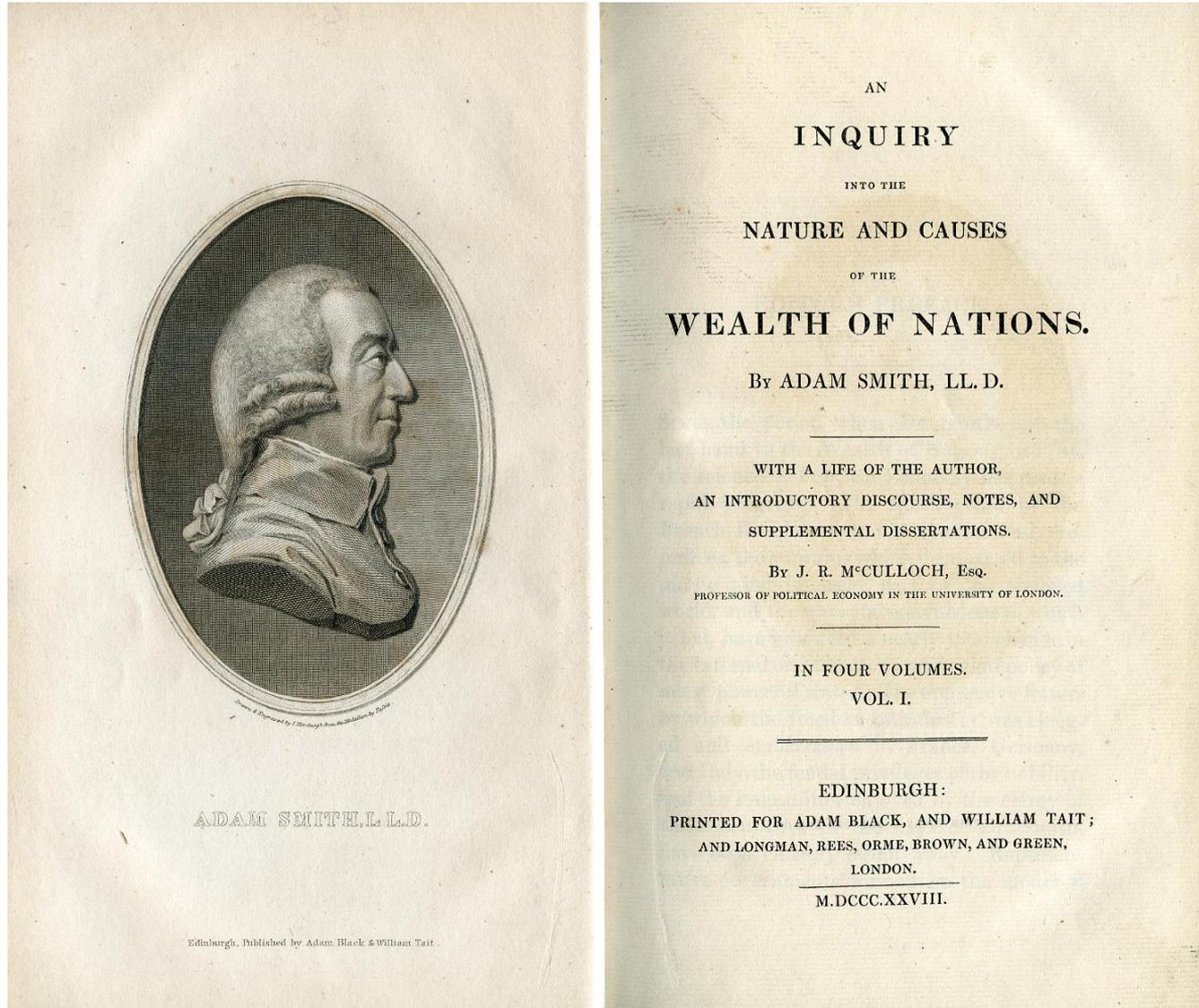
IS ANY THEORY JUST AN INVENTION OF THE IMAGINATION?

Adam Smith's ethics



- A. A theory of the human mind that, starting with observed phenomena, proves the existence of **Sympathy: a tendency to care for others** (no hidden self-interest behind);
- B. The same psychological mechanism makes us uneasy when facing disagreement with others;
- C. Another mechanism, the **Impartial Spectator**, that moderates our spontaneous reactions and harmonizes them with reactions by others.

Adam Smith's political economy



At a surface level:

- A. develops one part of a discipline (the history and theory of law and government) into a self-contained discourse;
- B. tries to prove that there are a number of obvious principles that may be shared by everybody (thus providing reasons for comparative autonomy of economic discourse);
- A. mounts a sustained rhetorical strategy aiming at persuading the public of the goodness of free trade and the danger of monopolies;
- B. tries to prove how free trade is good for the growth of national wealth, improvement in the conditions of the poor, quality of civic life;
- C. diagnoses a number of social evils; shows how certain existing institutions are their sources.

At a deeper level:

- A. attacks, without mentioning, him James Stewart because he was a Scottish nationalist and supposedly a “mercantilist”;
- B. invents a category, mercantilism, that was an *ad hoc* category, and classifies everybody he disliked as a mercantilist;
- C. reconstructs the system of the French *Economistes* as an implausible system that he named the “agricultural system”; actually he favoured the same policies and took a number of theoretical elements from them;
- D. avoids discussing the methodological assumptions, claiming that the theoretical principles introduced were minimal ones, which could be accepted on the basis of ‘common sense’.

At the deepest level:

- A. applies a standard methodological approach, the Newtonian analytico-synthetic method (as Robert Pownall saw clearly enough)

- B. stages two theoretical strategies:
 - i. conjectural history, based on a science of human nature as a source of principles applied to: a) explanation of historical facts; b) construction of conjectural historical developments;

 - ii. ‘imaginary machine’ (invisible hand, gravitation of prices, circulation, money): he tries to show how individual non-coordinated behaviours may be seen **AS IF** they were parts of one mechanism.

unintended results of individual actions that, once added up, tend to produce **NOT TOO BAD** outcomes **AS IF** these were **CAUSED BY** one **FINAL CAUSE**:

SEVERAL EFFICIENT CAUSES = ONE FINAL CAUSE

THE INVISIBLE-HAND PASSAGE

Interpretations:

- A. A profession of theological providentialism
- B. An empirical discovery: self-regulating mechanisms
- C. Capping up a causal explanation with a teleological one (T. Campbell 1974)
- D. Ironic (Rotschild 2002): Smith is not serious in asserting that merchants *are* led by an invisible hand

My claim:

1. both (c) and (d) are right

The story made easy:

TMS with reference to consumption and distribution

WN with reference to investment.

The story made complicated:

History of Ancient Physics:

ancient peoples used to ascribe to divine intervention only **irregular** events, not ordinary ones

‘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’ (ES III.2).

Of the External Senses

‘Alarm is always the fear of some uncertain evil beyond what is immediately felt, and from some unknown and external cause... an impression immediately struck by the **HAND OF NATURE**’ (ES 87, p. 168).

TMS

A. The rich

consume little more than the poor, and [...] by the gratification of their 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 (TMS IV.1.10, p. 184).

TMS 6th ed. (1790)

B. the “man of system”

seems to imagine that he can arrange the different members of a great society with as much ease as **THE HAND** arranges the different pieces upon a chessboard. He does not consider that the piece upon the chessboard has no other <**principle of motion**> of its own, altogether different from that which the legislature might chose to <impress> upon it (TMS VI.ii.42, p. 234)

implication:

individuals in society are like bodies provided with an original motion, previous to any ‘artificial’ intervention.

WN

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command [...] and he is [...] **led by an invisible hand** to promote an end which was no part of his **intention** (WN IV.ii.4-9, p. 456).

The passage has been quoted as

- A. an illustration of the harmony-of-interests thesis and of Smith's **obsolete** metaphysical attitude;
- B. a proof of Smith's **modern** empirical attitude as a discoverer of self-regulating mechanisms;
- C. as a proof of the **theological** (deductive) character of Adam Smith's political economy.

Instead:

the passage proves that human actions can bring about the same effect, both when

- A. either the effect was intended
- B. or it was no part of the agent's intention.

In other words:

SEVERAL EFFICIENT CAUSES = ONE FINAL CAUSE

or

transmission of motion by direct contact = attraction at a distance

What is the real mechanism behind?

HYPOTHESES NON FINGO

A SPONTANEOUS ORDER THEORIST

NOT A BELIEVER IN THE MARKET

Smith believes that in a number of cases spontaneous order emerges without any artificial intervention. Yet, whether such emergence brings about beneficial effects should be assessed carefully in different cases.

For ex.

- A. investment decisions are led by higher rates of profit in a more rational way than any direction from above would do;

BUT

- A. the division of labour on the one hand increases productivity, on the other damages manual workers' physical and mental health

THE OPERA HOUSE

Phenomena arising wonder

Hidden mechanisms **behind the scenes**

(History of Astronomy)



Commercial society **looks like** a *theatre* where the actors play a *role* they did not chose and obey *laws* they did not enact, a theatre where hidden (**but far from magic**) mechanisms work to produce admirable effects

But the genre constantly staged is **tragedy**.

Passions harmonized by invisible/imaginary mechanisms are some of the worst passions.



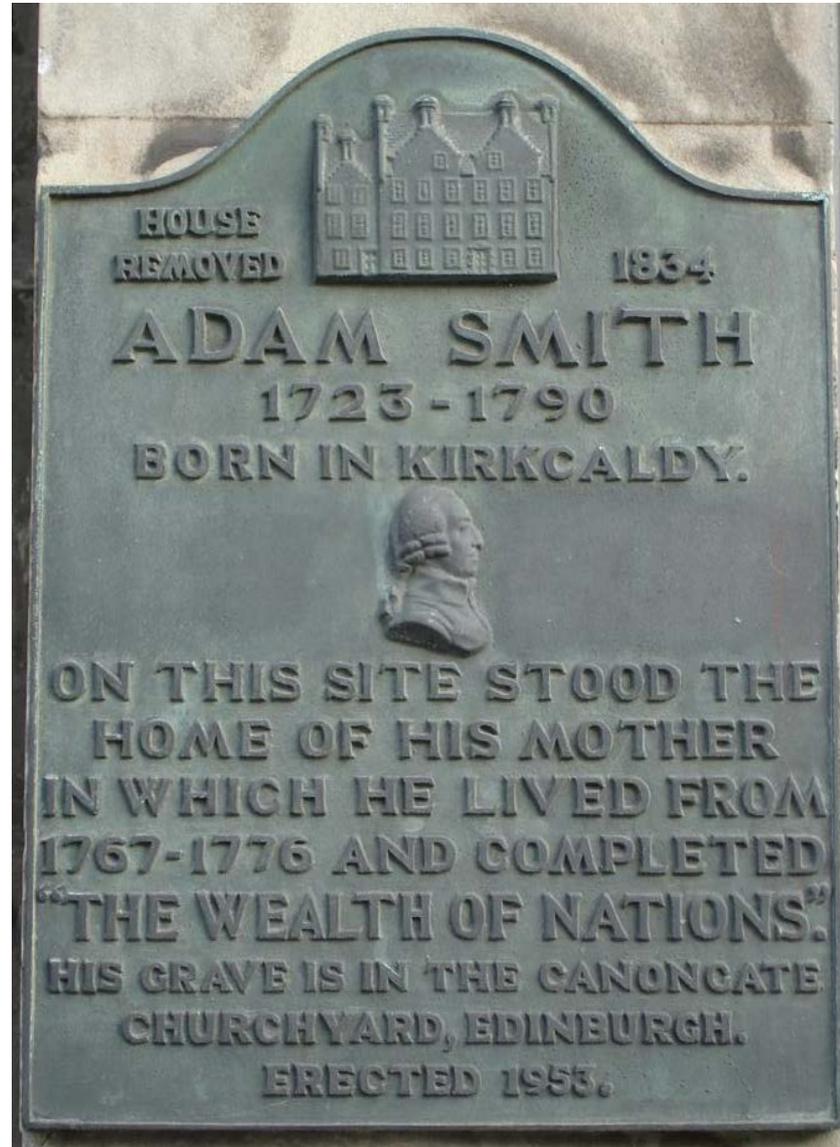
What is left out of the scope of invisible-hand mechanisms is the rest of human psychology: emotions and **sympathetic mechanisms**

On these Adam Smith's hope depends of **limiting** damages carried by the market while **taking advantage** of its benefits

In other words,

- A. In the commercial society the meanest labourer is provided with **more goods** than the king of savages
- B. But this happens notwithstanding all **oppressive inequality**

After Adam Smith's death



Separation of Political Economy from Politics

Adam Smith rise to superior fame



His moral theory is forgotten and

WN is quoted approvingly by everybody

by Whigs in the name of freedom of trade

by Tories in the name of defence of private property

And after the French Revolution

- Adam Smith's system of natural liberty was:

PERFECT LIBERTY, PERFECT JUSTICE, PERFECT EQUALITY

- Radicals quote Adam Smith up to 1815

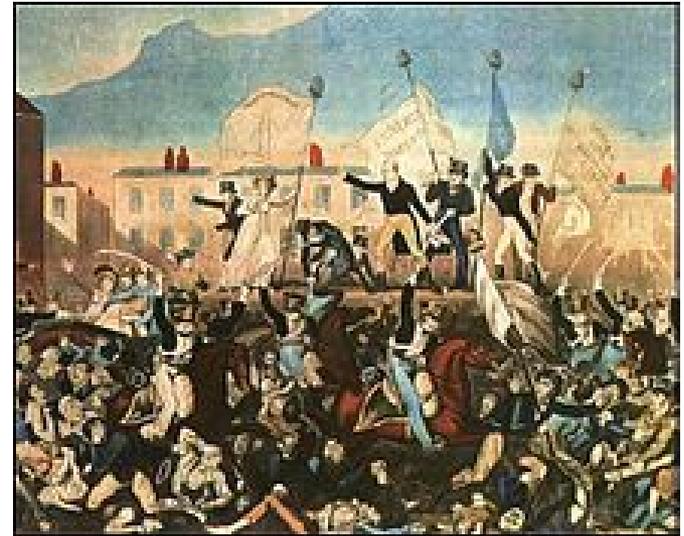
From the mid-Nineties radicals are gradually silenced .

Peterloo Massacre (1819)

- **LIBERTY** becomes a dangerous word

Freedom is the accepted word,

And it means **FREE TRADE**



POLITICAL ECONOMY

A. Before, it was a part of politics

The term show up three times in Adam Smith

1. part of the science of a legislator
2. institutional arrangements concerning commerce, labour, taxation, public expenses

B. Now, it is the name for one “science”

separated from politics

theoretical, not practical

Two styles in classical political economy

Malthus and Ricardo allied in the defence of 'the science' against the 'practical men'

But fighting about the scope, function, and method of political economy

MALTUS

The Wealth of Nations is the paradigm or exemplar

"still of the very highest value" (Malthus [1820], I: 5)

- It would be pointless to oppose any new "consistent whole" to Adam Smith's doctrine but there is still more than one puzzle to solve,
- There are always more causes at work behind phenomena



RICARDO

- there is one big puzzle to solve:

value theory

the own solution will give the paradigm more stability

- There are so many causes at work that it is safer to examine simplified modes with one-to-one causal link



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