

## The Rise of the “Invisible Hand” Metaphor

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**Abstract:** This article accounts for the increase in the use of Smith’s “invisible hand” metaphor near the end of the nineteenth century. I provide evidence that three interrelated factors can explain the popularization of the metaphor among economists. First, the metaphor was used by economists who belonged to the English Historical School as an exemplar of the deductive way of economic thinking. Second, the moral sciences tripos at Cambridge began to train generations of economists, many of whom were historicists. Third, *The Wealth of Nations* was invoked by politicians as support for, or even proof, of the thesis that free trade or *laissez faire* in general was the undisputed goal of economic policies.

Keywords: Adam Smith, English Historical School, the invisible hand, *laissez faire*.

JEL Codes: B12, B30.

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## 1. Introduction

I use the Google Books Ngram Viewer (case insensitive) to show how often “invisible hand” had occurred in a corpus of all books in English since 1800 (the earliest year available). While the search results may be incomplete, the data show that the metaphor became popular in the twentieth century. During the nineteenth century, the “invisible hand” metaphor appeared due to many posthumous editions of his two major works (*The Theory of Moral Sentiments* and *The Wealth of Nations*, henceforth TMS and WN), while other occurrences are mostly from religious references unrelated to Smith. As the time series for “Wealth of Nations” shows, it is not that Smith himself or his works were ignored, but that the “invisible hand” metaphor was often not referenced together with WN. Today the metaphor is mentioned as often as the book itself.

I also searched through all major periodicals and journals in the nineteenth century. I found few references to Smith’s metaphor until the last few decades when the number increased markedly.<sup>1</sup> There are occasional quotations by politicians and newspapers in the earlier part of the century. However, they are far from common.<sup>2</sup> Move forward to 1906, in Taussig’s presidential address to the American Economic Association, the metaphor was referred to as part of an “oft-quoted phrase.”

What happened in the later part of the nineteenth century that made the “invisible hand” metaphor “oft-quoted”? Before answering that question, let us look at the earlier part of that century, right after Smith’s death.

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<sup>1</sup> They include *The Contemporary Review*, *The Fortnightly Review*, *The Edinburgh Review*, among many others. I access to their archives through *Nineteenth Century Collections Online*, *The HathiTrust Digital Library*, and *JSTOR*. The few notable exceptions before the later nineteenth century will be discussed later in this paper.

<sup>2</sup> Again, those few examples will be discussed later.

## **2. A Largely Ignored Metaphor Until the Late Nineteenth Century**

The metaphor appears three times in Smith's published works. The first one is in his early work *History of Astronomy* (Smith 1980, 95) where "the invisible hand of Jupiter" belongs to the existence of the Roman god. The second one is in TMS (Smith 1976a, 184-185), where landowners or feudal lords "are led by an invisible hand to make nearly the same distribution of the necessities of life" and share with the poor. The third, and the most famous, one is in WN (Smith 1976b, 456), where merchants are "led by an invisible hand to promote an end which was no part of his intention" and prefer to invest domestically. There is a huge literature tracing the origin and interpreting the metaphor, but those inquiries do not fall into the scope of this article.<sup>3</sup> This paper focuses on why and how economists in the late nineteenth century referred to the metaphor, and it does not touch on what Smith meant with the metaphor or its origins.

After Smith's death, his more prominent followers and popularizers had not picked up the metaphor. It is nowhere to be found in Dugald Stewart's writings on Smith, and it is also not in Jean-Baptiste Say's *A Treatise on Political Economy* (1803).<sup>4</sup> The metaphor also does not

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<sup>3</sup> The literature on the interpretation of the "invisible hand" is massive, and the reader may begin with Persky (1989), Rothschild (1994), Bishop (1995), Smith (2006), Harrison (2011), Kennedy (2009), and Oslington (2012). For a more recent contribution, see Fiori (2021). These works focus on the metaphor, and most books on Smith will have at least some discussion on it.

<sup>4</sup> Stewart did make use of the metaphor once in volume 1 of his *Elements of the Philosophy of the Human Mind* (first published in 1792), clearly under the influence of Smith: "Even in those rude periods of society, when, like the lower animals, he follows blindly his instinctive principles of action, he is led by an invisible hand, and contributes his share to the execution of a plan, of the nature and advantages of which he has no conception." (Stewart 1818, page 203). The final version of the three-volume treatise, finished right before Stewart's death in 1828, is over 1000

appear in any writing by Frédéric Bastiat, one of the most vocal supporters of *laissez faire* and some Smithian views. John Stuart Mill's *Principles of Political Economy*, the major textbook for much of the nineteenth century that goes through several editions from 1848 to 1870, also does not take notice of the metaphor.

I have also searched for all publications that contain the words "invisible hand" from 1790 (the year of Smith's death) and 1870 (the year Leslie published his article on Smith, to be explained below) using *Nineteenth Century Collections Online*. There are about 350 results that are not various editions of TMS and WN, and after going through each one of them, almost none of them are about Smith and most come from some religious contexts.

There are a few notable exceptions. The earlier one is by John Rae (1834), who is not to be confused with Smith's biographer John Rae who was born more than half a century later. Rae spent most of his life as an adventurer and schoolteacher, and he wrote about economics briefly as an autodidact (James (1965)). His *Statement of Some New Principles on the Subject of Political Economy* was published in 1834, and its stance is largely against Smith and in support of protectionist policies. Smith's invisible hand metaphor is mentioned early in the book (in Book 1, Chapter 2). Unfortunately, the book was not received and probably only a small number of were printed. It was mentioned by J.S. Mill (with whom Rae corresponded with) and others, but other than that its impact seems rather limited, if any (James (1965)). It is only in the early twentieth century that it was rediscovered due to its discussion on the theory of capital (Fisher

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pages long and rather intimidating. To make it more accessible, the American philosopher Francis Bowen in 1854 published a "revised and abridged" version of it "with critical and explanatory notes, for the use of colleges and schools", and he omitted the "invisible hand" metaphor. It shows that, at least until the middle of the nineteenth century, the metaphor did not play a major role.

dedicated his *Theory of Interest* to Rae and Böhm-Bawerk. Long after his death in 1872, his book was reprinted with a new title *The Sociological Theory of Capital* in 1905.

The other two works are even more obscure. The first is from a book published in 1848 called *Public Economy for the United States* by Calvin Colton (1812 – 1857). According to the McClintock and Strong Biblical Cyclopedias, Colton was a clergyman and became the chair of Political Economy at Trinity College, Hartford, near the end of his life.<sup>5</sup> First, Colton argued that “the following argument of Adam Smith, made for Free Trade, is, so pertinent and forcible here, that we can not resist the temptation of using it for our own purpose” (page 312) and then quoted the famous passage from Book 4 of WN. Colton was in favor of protection, and he charged Smith as misrepresenting the case for mercantilism after the quote. Second is a book in German (roughly translated as “On the guiding principle of economics, especially national economy, in relation to morality and law”) written by Julius Mikszewicz in 1852, for whom I cannot find any biographical information. He quoted the same passage in a footnote in the introduction.

The later one was published by Thomas Edward Cliffe Leslie (1825 – 1882) in 1870, and his influential article leads us to the main theme of this paper.

### **3. The English Historical School**

Leslie and adherents of the loosely organized English Historical School helped to make the metaphor popular.<sup>6</sup> Leslie’s “The Political Economy of Adam Smith” was published in the

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<sup>5</sup> A brief biography can be accessed at at <https://www.biblicalencyclopedia.com/C/colton-calvin-dd.html>

<sup>6</sup> Rothschild (2001, page 118) first mentioned the connection: “It was indeed to a great extent Smith’s historicist critics, toward the end of the nineteenth century, who first made much of the invisible hand.” She mentioned Leslie and John Kells Ingram, but she did not go further into how the metaphor became popular after Leslie. I cannot find

*Fortnightly Review* in 1870, and it was partly a response to Robert Lowe's, who was then the Chancellor of the Exchequer, remark on the Irish Land Bill: "Political Economy belongs to no nation; it is of no country: it is the science of the rules for the production, the accumulation, the distribution, and the consumption of wealth. It will assert itself whether you wish it or not. It is founded on the attributes of the human mind, and no power can change it." Early in the article, Leslie quoted in full the "invisible hand" metaphor in both TMS and WN, and he followed that with a criticism on the *a priori* way of economic reasoning: "The mischief done in political economy by this assumption respecting the beneficent constitution of Nature, and therefore of all human inclinations and desires, has been incalculable. It became an axiom of science with many economists, and with all English statesmen, that by a natural law the interests of individuals harmonize with the interests of the public; and one pernicious consequence is, that the important department of the consumption of wealth has though Mr. Lowe properly includes it in his definition of political economy been in reality either altogether set aside, as lying beyond the pale of economic investigation, or passed over with a general assumption, after the manner of Mandeville, that private vices are public benefits."

Ten years later, in another piece published in the same journal (Leslie (1880)), Leslie made a similar point about the metaphor: "The assumption of an invisible hand directing to the general good the efforts of individuals seeking their own gain, appears only in a single passage of the *Wealth of Nations*, and Adam Smith's economic philosophy could stand without it."

Leslie's view set the stage for the next generations of historians who cited the metaphor as an exemplar of *a priori* reasoning. John Kells Ingram (1823 – 1907), another major historian,

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more discussion on this point in her other works. In a sense, this paper is a follow-up to that brief remark in Rothschild (2001).

cited Leslie's article and made a similar point in his *History of Political Economy* (1888, page 91): "But there is another vicious species of deduction which, as Cliffe Leslie has shown, seriously tainted the philosophy of Smith, in which the premises are not facts ascertained by observation, but the same a priori assumptions, half theological half metaphysical, respecting a supposed harmonious and beneficent natural order of things which we found in the physiocrats, and which, as we saw, were embodied in the name of that sect. In his view, Nature has made provision for social wellbeing by the principle of the human constitution which prompts every man to better his condition the individual aims only at his private gain, but in doing so is 'led by an invisible hand' to promote the public good, which was no part of his intention; human institutions, by interfering with the action of this principle in the name of the public interest, defeat their own end; but, when all systems of preference or restraint are taken away, 'the obvious and simple system of natural liberty establishes itself of its own accord.' This theory is, of course, not explicitly presented by Smith as a foundation of his economic doctrines, but it is really the secret substratum on which they rest."

Leslie and Ingram are sometimes referred to as representative members of an Irish Historical School. According to the account by Hodgson (2001, page 72): "Although Irish by birth, Ingram and Leslie resided for much of their lives in London. For this and other reasons, historicist ideas spread to England, especially in the last two decades of the nineteenth century, and particularly to economic historians...Of greater impact were William Cunningham and Herbert Foxwell of the University of Cambridge."

For several decades, Herbert Somerton Foxwell (1849 – 1936) was a lecturer of political economy at Cambridge. He did not publish much, and the only reference to the "invisible hand"

metaphor I can find is from his notes on Smith.<sup>7</sup> The notes were not dated, and they were likely prepared for teaching purpose. On a page titled “Smith’s view of laissez-faire”, the metaphor is mentioned with the short comment of “private interest leads to public good.” The other page titled “Adam Smith. The invisible hand” contains the original quote from WN, with a longer and more curious comment: “Observe that Smith speaks of interest, widely and rationally pursued. But he left the impression that there was a sort of religious function of greed. Hence you often found men of strict personal religion among the hardest masters.”

William Cunningham (1849 – 1919) did not mention of the metaphor in his works, but he had made a similar point in several of his works. For example, he made the following argument in *The Growth of English Industry and Commerce* (1903, volume 3, page 738): “Adam Smith’s practical sense had saved him from the exaggeration into which they fell; he dealt with concrete instances and the actual life of a nation.....The principles of Natural Liberty , which formed the basis of Adam Smith ’ s criticism of actual measures, were accepted by his disciples as and were an ideal which they strove to realise.”

It is in the works of other adherents of the English Historical School where we find most of the appearances of the metaphor. In his *Principles of Political Economy* (1893 – 1901), Joseph Shield Nicholson (1850 – 1927) referred to the metaphor three times. For example, in the first volume he wrote: “The principle of the ‘greatest happiness of the greatest number’ having lost touch with the ‘invisible hand’, by which, on Adam Smith’s view, the individual was ‘led to promote an end which was no part of his intention’, now seeks support in the visible hand of

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<sup>7</sup> It is from the H.S. Foxwell Papers held at the Kansai Gakuin University in Japan. The item number is 642-2 and it can be assessed at [https://library.kwansei.ac.jp/archives/keizaishokan/foxwell/document\\_pdf/239/642\\_002.pdf](https://library.kwansei.ac.jp/archives/keizaishokan/foxwell/document_pdf/239/642_002.pdf). The “invisible hand” reference is on pages 17 and 19.

popular government, and literally the *vox populi* is being substituted for the *vox dei.*” (page 16) Nicholson also wrote the entry of “Commercial System” for the Palgrave’s Dictionary (1894 – 1899), and in it he made the point that “Adam Smith was not in a position to state the free trade theory with the dogmatic simplicity of some modern writers...on the other hand logically we must take into account his optimistic views on nature and his references to the ‘invisible hand,’ which directs private interest so as to increase the public good.”<sup>8</sup> Most importantly, he was editor of the 1883 edition of WN, and the metaphor was mentioned in the introduction. None of the previous editions ever mentioned the metaphor. Before he quoted the passage from WN, Nicholson cited the article by Leslie and wrote: “It is under the influence of the conception of ‘that great, benevolent, and all-wise Being who directs all the movements of nature, and who is determined to maintain in it at all times the greatest possible quantity of happiness,’ that Smith supposes the pursuit of self-interest will result in the general benefit of society.” The metaphor was never mentioned in the previous editions of WN. As the “authoritative” edition of WN before that of Cannan in 1904, Nicholson’s promotion of the metaphor was likely to be influential.

At least five other people who belonged, or at least sympathetic, to the English Historical School also mentioned the metaphor in their work. In *The Distribution of Income* (1899),

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<sup>8</sup> In the Palgrave Dictionary, the article on Adam Smith also invoked the metaphor when comparing the TMS and WN: “A belief in the ‘invisible hand’ is common to both, and there is the same belief that, on the whole, ‘nature’ works for human happiness and progress.” The author of the article is James Bonar (1852 – 1941) from Oxford. He also discussed the metaphor in another essay collected in Seth Pringle-Pattison and Haldane (1883). He referred to the metaphor once in a review in 1892 and discussed all three occurrences of the metaphor in Smith’s work in a book published in 1893. He seemed to be close with Foxwell, based on the large number of correspondences between them (again, see the H.S. Foxwell Papers held at the Kansai Gakuin University in Japan).

William Smart (1853 – 1915) made use of the metaphor twice. For example, on page 329, he wrote: “But, unlike them, as we advance in knowledge of its complexity and coherence, we are almost ready to say, with Adam Smith, that in industry the individual is ‘led by an invisible hand to promote an end which was no part of his intention.’” (page 330) In the book on John Ruskin by J. A. Hobson (1858 – 1940) in 1898, the metaphor was mentioned in a more negative light: “Adam Smith's doctrine of ‘the invisible hand,’ by whose guidance every industrial man, in following his own individual gain, was necessarily impelled to conduct which contributed to the welfare of society, indisputably underlay the current teaching, furnishing a utilitarian sanction.” (page 129) W. J. Ashley (1860 – 1927) discussed the metaphor in *An Introduction to English Economic History and Theory* (1888, pages 392 – 393): “How far, on the other hand, the fathers of modern political economy had moved away from the mental position of the medieval churchman we may be reminded by the famous argument of Adam Smith, that merchants are best left to follow their own gain without any thought of the public welfare, since an ‘invisible hand’ always overrules their selfishness for the common.” Langford Lovell Price (1862 – 1950), a prominent economist who was sympathetic to the historicists, made a similar point before quoting the metaphor in his *A Short History of Political Economy in England* (1891, page 9): “[Smith] gave emphatic expression in his moral treatise, that the benevolent government of the world by God would, in most cases, lead the individual, who was freely seeking his own interests, to advance the interests of the common weal.” The last reference I have is from the less famous Michael Sadler (1861 – 1943), who was a student of Arnold Toynbee and Ruskin, and it is in his syllabus in 1893 where he quoted the metaphor, under the title “Adam Smith on the Guidance of Nature in Economics.”

Émile Louis Victor de Laveleye (1822 – 1892), an economist from Belgium, was also related to the historical school.<sup>9</sup> His *New Tendencies of Political Economy* in 1879 use of the metaphor was unflattering: “The selfishness and the vices of mankind seemed to give the lie to the system which maintains that all is well, and that with liberty everything arranges itself for the best, in the best of worlds. It had been truly said that the vices of individuals contributed to the general well -being. Adam Smith had also maintained that men, simply by pursuing their own interests, uniformly did the things most advantageous to the nation; and that the rich, for example, in seeking merely the satisfaction of their caprices , accomplished the most favorable distribution of products ‘as though they were led by an invisible hand.’”<sup>10</sup> Curiously, I am not able to find the metaphor in major works by historicists in Germany during the later nineteenth century.<sup>11</sup>

By the end of the nineteenth century, at least among the adherents of the English Historical School, the “invisible hand” metaphor was already “a doctrine” or “a famous argument”. In the next section, I would point another common thread among those who mentioned the metaphor: they were often the product of the Moral Sciences Tripos at Cambridge.

#### **4. The Moral Sciences Tripos at Cambridge**

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<sup>9</sup> Leslie wrote the introduction to the English translation of his *Primitive Economy* in 1878.

<sup>10</sup> It was translated from French for the Banker's magazine by George Walker.

<sup>11</sup> In addition to translated works, I also searched for “Die unsichtbare Hand” in the original works by Wilhelm Roscher, Bruno Hildebrand, Gustav von Schmoller, and Werner Sombart.

The Moral Sciences Tripos was established at Cambridge in 1848, but only honors could be awarded upon them but not a degree. As a result, few students were interested in the Tripos and it gained a bad reputation. According to Winstanley (1947), “there were rumours that it could be passed, and even a first class obtained in it, on very little work; and Luard, who had examined for it, expressed his disgust with the ignorance and lack of intelligence of the candidates.” After the reform led by John Grote and Joseph Mayor, the Tripos was established in the 1860s as a respectable academic pursuit and attracted the likes of Frederic William Maitland, John Neville Keynes, and several of the historicists discussed in the previous section (for a recent account of the history of the Moral Sciences Tripos, see Chapter 4 of Tribe, 2022).

According to the *Cambridge University Calendar* in 1869, to prepare for the political economy portion of the Tripos, candidates were expected to be familiar with WN, Ricardo’s *Principles*, Mill’s *Principles*, Cairnes’s *Character and Logical Method of Political Economy*, and Bastiat’s *Economic Harmonies*. Candidates for the Tripos were usually asked to summarize and comment on certain portions of the works. For example, in the 1871 Tripos, candidates had to give a sketch of the “mercantile system” as described by Smith and to discuss Smith’s views on “cash accounts” on trade (see *Cambridge University Examination Papers*, 1878). To pass the Tripos, candidates needed to be familiar with WN and other basic texts.

Three of the major historicists studied for the Moral Sciences Tripos. Foxwell was a graduate in 1870, Cunningham in 1872, and Nicholson in 1877. In 1875 Foxwell became a lecturer for the Moral Sciences Tripos, and he had taught Adam Smith and the political economy of the eighteenth century.<sup>12</sup> At least one other graduate mentioned the metaphor in their work. William Ritchie Sorley (1835 – 1955), graduated in 1882, made use of the metaphor in a review

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<sup>12</sup> See Tribe (2022), page 95.

of Marshall's *Principles* in 1891 written for *Mind*: "The optimism of Adam Smith, which made him believe that industrial self-seeking was over-ruled " by an invisible hand" to promote the common happiness, was not unnatural at a time when' free competition meant freedom from artificial restrictions and privileges. In many of his successors the doctrine persisted rather as an a priori dogma of the schools than as a position verified by experience."

Another major figure is Henry Sidgwick (1838 -1900), who taught political economy and philosophy and played other administrative roles for the Moral Sciences Tripos.<sup>13</sup> In an address to the British Association in 1885, he made a point that is similar to that of Leslie and the histocists: "And no doubt the element of Adam Smith's treatise which makes the most impression on the ordinary reader is his forcible advocacy of the 'system of natural liberty,' his exposition of the natural 'division of labour' - tending, if left alone, to become an international division of employments - as the main cause of the 'universal opulence' of 'well governed' societies; and of the manner in which, in this distribution of employments, individual capitalists seeking their own advantage are led 'by an invisible hand' to 'prefer that employment of their capital which is most advantageous to society.' But Smith is "too cool and too shrewd an observer of facts to be carried, even by the force and persuasiveness of his own arguments, into a sweeping and unqualified assertion of the universality of the tendency that he describes. His advocacy of natural liberty in no way blinds him to the perpetual and complex opposition and conflict of economic interests involved in the unfettered efforts of individuals to get rich."

Sidgwick's point is that, despite the "invisible hand" metaphor, Smith's reasonings do not ignore facts and exclude the "necessity of examining carefully the grounds for industrial intervention in any particular case."

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<sup>13</sup> See Chapter 4 of Tribe (2022) for more details.

Frederic William Maitland, who was not an economist, took the Moral Sciences Tripos and provided the most detailed elaboration on the “invisible hand” metaphor. He was a graduate in 1872 with first-class honors, and he self-published a dissertation titled *A Historical Sketch of Liberty and Equality, as Ideals of English Political Philosophy from the Time of Hobbes to the Time of Coleridge* in 1875.<sup>14</sup> The main theme of that book is how the concept of liberty, both at the personal and societal levels, evolve over time. It contains a long discussion on Smith’s view on commercial freedom, and the “invisible hand” metaphor is discussed at length. We will see that Maitland’s invoke of Smith sets the tone for the meaning of the “invisible hand” metaphor for the following decades.

“Now to consider the arguments in favour of commercial freedom. The first and most popular is based on a supposed harmony of economic interests. It is said that every man best provides for the economic interests of the whole by providing for his own economic interests. Adam Smith started this argument.” (Maitland 2000, page 130) Here the “most popular” view of “harmony of economic interests” likely refers to that proposed by Bastiat, especially in his *Economic Harmonies*, which is another text that was repeatedly touched upon in the Tripos. Then Maitland quotes the famous “invisible hand” section from WN : ”First let us notice the ‘invisible hand’; these words point to the source of Adam Smith’s ethics, the optimist school of Hobbes’ opponents, those who thought that true self-love and social are the same, that it was derogatory to the honour of God Almighty that he should have left his master-workmanship Man in a state of war. This is not unimportant, for this belief in a providence directing our selfish aims

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<sup>14</sup> Maitland (2002). Kennedy (2014) also discusses Maitland’s dissertation but does not link it to the role of the Moral Sciences Tripos.

to social good has formed one of the strongest arguments for *laissez faire*.” (Maitland 2000, page 130)

We can see that in 1875 the “invisible hand” metaphor was not well-known yet. Maitland only called the *laissez faire* argument “famous”, but that did not include the metaphor. He found it necessary to explain how the metaphor is used to argue that “selfish aims” lead to “social good”. Maitland then made an elaborated point that is crucial for this paper: “But passing this by, it will be seen that Adam Smith’s belief in the harmony of economic interests did not carry him very far. In one place he admits that the interest of the capitalist is not consonant with the interests of the landlord and the labourer. His grounds for thinking that the interests of the landlord are more consonant with those of the labourers than with those of the capitalist would now be considered unsound; but this admission of a partial dissonance is extremely damaging to the popular argument for *laissez faire*. The invisible hand has after all failed to harmonize our economic interests. It cannot be too much insisted on that Adam Smith threw really very little weight on these *a priori* arguments about harmony, in which Bastiat delights; they are not essential parts of his argument against the mercantile theory, they are *obiter dicta*.” (Maitland 2000, page 131) While Bastiat “delights” in “*a priori* arguments” for economic “harmony”, Maitland thought that Smith did not go that far. He brought up the conflict of interests between capitalists on the one side and landowners and labors on the other. The “invisible hand” clearly “has after all failed to harmonize our economic interests”.

To Maitland, the “invisible hand” is not a crucial element of Smith’s grand scheme of things, and it is only a representation of those arguments which are merely *obiter dicta* (something said in passing). “The real leading argument is: you say that your system of interference enriches the country, by bringing into it gold and silver; I will shew that gold and

silver are not peculiarly desirable forms of wealth, that your system checks the growth of what you will admit is real wealth, that it does not even attain its own worthless object. Adam Smith's argument is for the most part *ad homines*, his opponents justified a meddling policy as productive of wealth, and Adam Smith completely refuted this justification. But what is the really powerful part of the refutation? Not the assertion about an invisible hand, but the detailed proof that all the restraints on free trade imposed or suggested had failed, and must fail. When we further notice that Adam Smith's assertions about the harmony of interests are chiefly meant to show that all men have an interest (not necessarily an equal interest) in the freedom of international trade, when we notice that in the conclusion of his first book in a sort of summary of its results, he warns us that the judgment of capitalists about the interests of society is to be taken with reserve, as it is warped by their judgment of their own interests, we cannot appeal to him as the father of those who see nothing but harmonies in political economy. What would Bastiat say to this: the proposals made by capitalists come from “an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public”? Above all, Adam Smith certainly did not believe that the economic interests of a nation are always harmonious with its other interests.” (Maitland 2000, page 131)

The influence of the English Historical School is obvious. To Maitland, Smith did not use the “invisible hand” to refute mercantilism, and he only provides reasonings and empirical evidence that the “visible hand” of mercantilism is a particularly clumsy one. Smith is not “the father of those who see nothing but harmonies in political economy”, and to Maitland it is a role played much better by the likes of Bastiat.

Kennedy (2014) suggested that there is a “Cambridge oral tradition”, and that the “invisible hand” metaphor became well-known. He asserted that “students at Cambridge were

exposed to lectures, tutorials and lively conversations about laissez-faire and its asserted linkage to Smith's 'invisible hand'." He did not provide, and I could not find, evidence on this. I merely want to make the weaker point that several historicists who used the metaphor in the late nineteenth century were products of or related to the Moral Sciences Tripos, and that WN was for a time a principal text that some Cambridge students needed to read closely and be tested on.

Intellectual interests do not often come out of nowhere. The concerns of the English historicists and students of political economy in Cambridge (with several notable figures belonging to both) were a response to the social and political environments in late nineteenth century, to which we now turn.

## **5. "Political Economy as a Finished Subject" and Free Trade**

Remember that Leslie's influential article on Adam Smith was part of a reaction to the Chancellor of the Exchequer Robert Lowe. Leslie, who was born in 1827, experienced the post-famine Ireland firsthand, and he had proposed several land reform measures to deal with the backward state Ireland agriculture. The article was motivated by Lowe's opposition to the Irish Land Act in 1870. Leslie believed that Lowe was not alone, and that there were others in the Parliament that used (misused) classical political economy to oppose land reform in Ireland (Moore 1995). For Lowe, the answer to the Irish agricultural problem is not new legislation, but capital, confidence, and free trade in land (Koot 1975).

In 1876, the Political Economy Club met to celebrate the centenary of WN.<sup>15</sup> Lowe made a speech that characterized of political economy as a finished subject, announcing that "The great work has been done" (Political Economy Club 1876, p. 21). Such conviction on the validity

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<sup>15</sup> The following account is drawn from Maloney (2005).

of the subject could not be farther to the views held by historians like Leslie. Lowe also provided a controversial portrayal of Smith. Lowe told the audience that Smith had “the power of raising Political Economy to the dignity of a deductive science; and of all the so-called sciences which deal with mankind, with their thoughts, their wishes, and their actions, this is the only one which appears to me to have the slightest pretence to any such dignity.” (Political Economy Club 1876, p. 79) Two years later, in a piece titled “Recent Attacks on Political Economy”, Lowe challenged Ingram “to produce a single instance” from the WN where “Smith has had recourse to the method of induction.”

While it is debatable whether there was an “Age of *Laissez Faire*” in the middle of the nineteenth century in Britain,<sup>16</sup> Lowe was not alone. While he did not use the “invisible hand” metaphor, but I managed to find two news items that did.

The first one is from the *Economist* on January 24 of 1846.<sup>17</sup> In a piece titled “Commercial and Penal Laws”, the metaphor was used to conclude that “sentimental” writers in the media unintentionally improved the society: “What Adam Smith said of merchants may, with some trifling change in phraseology, be now applied to the sentimental and witty writers of the day. As traders, while they pursue only their own interests, do enlarge the annual revenue of the country as much as they can so these writers, by consulting only their own gratification, do amazingly help forward the general improvement of opinion. They do not intend, perhaps, to bring about that distrust in public men, and in all past legislation, which their jibes or their

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<sup>16</sup> For example, see the classic argument by Brebner (1948).

<sup>17</sup> It can be accessed at [https://upload.wikimedia.org/wikipedia/commons/0/04/The\\_Economist\\_1846-01-24.pdf](https://upload.wikimedia.org/wikipedia/commons/0/04/The_Economist_1846-01-24.pdf)

graphic arts are helping forward; but they are led, as Adam Smith says merchants are led, by an invisible hand to promote an object, which is no part of their intention.”

The second one is from the Union News, a newspaper that was published in Washington D.C.<sup>18</sup> On October 31 of 1846, an article titled “Truth Upon the Surface” attacked the “high-tariff system”, arguing that “a man is a better judge of his own pecuniary interests than the government is.” The article concluded with the “invisible hand” quote from Book 4 of WN.

It is well-documented that free trade was prevalent until the late nineteenth century (e.g., the Corn Law was repealed in 1846 and the abolition of imperial preference and the repeal of the Navigation Acts in 1849). According to Findlay and O’Rourke (2009), in Europe “the broad picture is one of gradual liberalization until the 1870s”, and “the first major economy to liberalize was Britain, where power was shifting to export-oriented urban interests.” Here is how Howe (1997) describes the middle of that century: “Since the 1840s, school textbooks had been strongly liberal in economic teaching. Mechanics institutes, mutual improvement societies, and working men’s clubs all saw few effective challenges to free trade views, as any Chartist leanings towards protectionism were eradicated from working class political economy. Equally, by the 1860s trade unions and the cooperative societies were bulwarks of Cobdenite and Gladstonian views. While the secular religion of free trade took root at both elite and popular levels, within the context of Liberal politics, the economic, moral, and political ideas of Cobden became the property of the Cobden Club, an intellectual colony loosely modelled on the Fox Club of the early 19th century. As an ideological lobbying group, its activities helped reinforce the ‘Cobdenic’ message at a time when it was coming under threat both at home and abroad.” (page 111) The same atmosphere also dominated the academia: “At Cambridge in the 1870s,

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<sup>18</sup> It can be accessed at <https://chroniclingamerica.loc.gov/lccn/sn82003410/1846-10-31/ed-1/seq-3/>

Henry Fawcett supplied a popular and orthodox defence of free trade to counter emerging fair trade arguments. From the universities there also issued a succession of free trade evangelists, such as Toynbee, Leadam, and de Gibbins.” (page 115)

Correlated or probably caused by the growing volume international trade is an increase in income and wealth inequality in the nineteenth century. Lindert (1987) shows that landownership was as “unequally distributed in mid-Victorian England and Wales as in any other western country at that time, and certainly more unequally than anytime after World War I.” And the inequality in real estate (both in terms of net worth and of income), was “at least as great in the middle of Victoria's reign as it had been over the two preceding centuries.” Merchants and landowners enjoyed, as shown by Lindert (1986), a growth in wealth “much faster than the rest of society between 1740 and 1875. These two classes will continue to stand out, both in wealth level and in rate of accumulation, after we have added real estate and considered debt patterns. The top percentile of household heads consisted almost entirely of titled persons and ‘merchants’ (including financiers and industrialists) throughout the two centuries spanned here.”

We only know that Leslie was criticizing Lowe in 1870s, and the other economists who used the metaphor were not targeting anyone specifically. All I have shown in this section is the social and political milieu they were in, and we can only speculate if their were responding to it. For example, the drastic increase in wealth for those who benefited from free trade and industrial revolution in the later part of the nineteenth century may explain why Maitland emphasizes the conflict of interests between different social classes.

## 6. The Metaphor in America

Before the AEA presidential speech by Taussig (1906) mentioned at the beginning of this paper, there was a more influential work that better summarizes the status of the metaphor at the turn of the century. Thorstein Veblen, an economist who was more than sympathetic to the historicists, wrote a three-part article titled “Preconceptions of economic science” for the *Quarterly Journal of Economics* in 1899 and 1900 (coincidentally, the chief editor at that time was Taussig). Right at the beginning of the second part, Veblen focused on the metaphor to decipher the “preconceptions” of Smith. To Veblen, the “invisible hand” passage in Book 4 of WN is “[a]n extreme resort to this animistic ground”. He then continued: “In the proposition that men are ‘led by an invisible hand,’ Smith does not fall back on a meddling Providence who is to set human affairs straight when they are in danger of going askew. He conceives the Creator to be very continent in the matter of interference with the natural course of things. The Creator has established the natural order to serve the ends of human welfare; and he has very nicely adjusted the efficient causes comprised in the natural order, including human aims and motives, to this work that they are to accomplish. The guidance of the invisible hand takes place not by way of interposition, but through a comprehensive scheme of contrivances established from the beginning. For the purpose of economic theory, man is conceived to be consistently self-seeking; but this economic man is a part of the mechanism of nature, and his self-seeking traffic is but a means whereby, in the natural course of things, the general welfare is worked out.” Veblen’s “animistic” interpretation is that, while people act like as if they are self-interested, they are unknowingly guided by some natural order and behave in a way that benefits the public. While it is debatable whether it is a fair interpretation of Smith’s system, Veblen’s view on the metaphor is not any more positive than that of the historicists.

When Taussig gave his 1906 presidential address, probably under the influence of Veblen, he observed that: “We can no longer hold the semi-theological view reflected in Adam Smith’s oft-quoted phrase, that the individual is ‘led by an invisible hand to promote an end which was no part of his intention’; but we may at least be thankful that the impulses which move the strong and ambitious are so often turned to the achievements of peace and industry.” Notice how Taussig reminded the audience that the “invisible hand” was a “semi-theological view” that we could no longer hold, and that its implications were only “often” but not always true.

## 7. Conclusion

Since Leslie brought up the “invisible hand” metaphor, economists in the late nineteenth century mostly referred to it with reservations. Smith was either charged with being too deductive and relying on *a priori* reasonings or was exonerated with empirical or historical examples from his works that he had more than the deductive side.

The history of the metaphor does not end with the nineteenth century, and we are still a long way from the characterizations of the “invisible hand” that came later in the twentieth century. For example, we have Tobin (1991) pronouncing that: “The Invisible Hand, one of the Great Ideas of history and one of the most influential, is Adam Smith’s most important legacy to macroeconomics, as to all economics.” Such laudatory expressions are not what the historicists and the Cambridge students had in mind, and Veblen or Taussig would also find them questionable. Leslie would undoubtedly find them displeasing.



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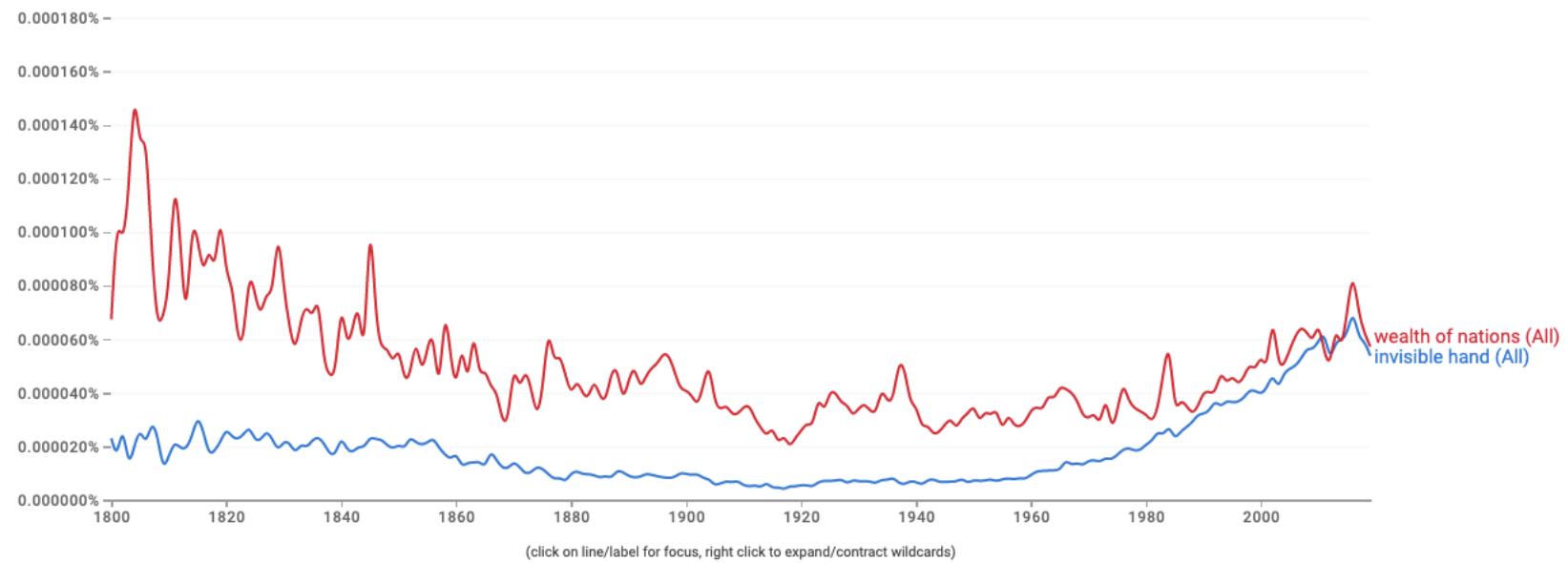
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**Figure 1: Google Ngram Data for “Invisible Hand” and “Wealth of Nations” (1800-2019)**



Note: The Y-axis shows the frequency with which certain phrases appear throughout the corpus of all scanned books available in Google Books.