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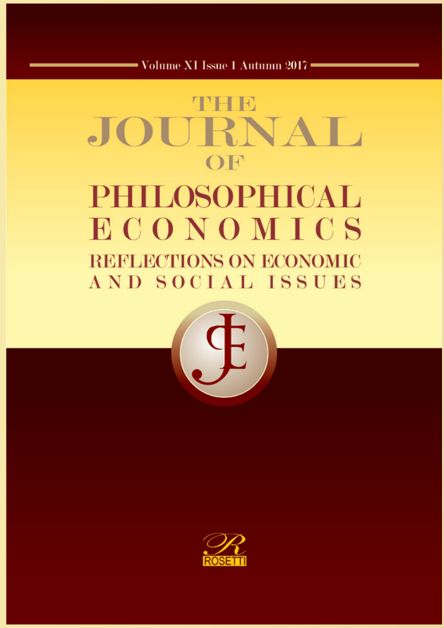

Smith's invisible hand: *controversy is needed*

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Smith's *invisible hand*: controversy is needed

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Abstract. Smith's metaphor of the invisible hand, commonly attributed to *The Wealth of Nations*, is described in the *Theory of Moral Sentiments*. It is a 'deception' fed to the lower classes. Private initiative depends upon the presence of privileged classes in a conservative rather than liberal state. Only thus can the 'invisible hand' improve the nation's 'wealth.' Hence, the economic mainstream cannot easily claim Adam Smith as their ancestor. Nor can the Marxists associate him to the misdeeds of the mainstream. A Smithian ancestry is more plausible for Neoliberals.

Keywords: Smith, invisible hand, mainstream economics, Marxism, neoliberalism

Introduction

Economics and political economy seem to be insufficiently effective in criticizing, in theory and in practice, Neoliberal ideology. Among the roots of this trouble is a lack of radical thinking and an unwillingness to re-consider afresh established ideas. Our intention is to show the importance of such theoretical limit, and its effects in practice, by critically reconsidering a well-known concept: Smith's invisible hand. This will be done by using Micocci's concept of the metaphysics of capitalism, as argued especially in Micocci (2009/10 and 2016), and reconsidering Neoliberalism in this light.

Our main argument is that Smith's invisible hand and much present-day economics are based on a 'deception' (in Smith's own words) and a misunderstood imagination of things capitalist. In this respect, Neoliberalism is closer to Adam Smith than liberal (in both the European and American senses) capitalism. We aim to contribute to economics and political economy the radicalism needed to neatly put

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forward such point of view. In so doing we leave aside a lot of literature relevant to normal, non-controversial economic theory. We simply intend to awaken more economists to controversy, in the belief that discussion, however sharp, helps progress.

To do so, and help shortness of expression, we distinguish, within the economic Mainstream, an orthodoxy and a heterodoxy. The former is easy to figure out because it is based on the teaching (internally incoherent but capable of capturing different schools) imparted by the traditional textbooks: take Samuelson (2002), still widely taught or taken as a model. For the latter, we refer the reader to the IIPPE and WEA Associations, which criticize in various ways the supposed main pillars of the mainstream orthodoxy and offer what they call an alternative view without ever pretending to leave the field of economics. This is particularly serious if you are a Marxist, for in such case you should propose a completely 'other' political economy, which the present study cannot develop. The Austrians and their followers are yet another category, akin to the Mainstream orthodoxy in practice if not in method. Finally, we take an anti-Hegelian stance in Marxism that sets up apart from what we have therefore called the 'Marxist orthodoxy' (see Micocci (2002, 2009/2010, 2016, Micocci and Di Mario, 2017): the majority, Hegelian view.

The following section puts some needed order into the literature and in the main economic ideas to the purposes of this paper. The section which focuses on *The Invisible Hand of Adam Smith* develops the theoretical argument, connecting Smith's *Wealth of Nations* ([1776] 1999) with his *Theory of Moral Sentiments* ([1759] 2009). The section on *Class mobility, financial rent and neoliberalism* sketches the basic sociology of Neoliberal times: financialisation and the presence of a privileged class. The section on *The metaphysics of neoliberal capitalism* compares the present-day privileged class of financial rentiers with Smith's description of the invisible hand. The conclusions come back to economic theorization.

The relevant literature

As announced, the present paper is not offering the reader a considerate screening of the whole literature on Adam Smith. The first reason for it is that Samuels (2011) has reviewed, with his interesting book, the most important, and still quite recent, the literature on the subject of the Invisible Hand. The second is that, as it will be demonstrated subsequently: most of the work around Adam Smith is just tangential to the problems set for ourselves. It is necessary therefore to stick to the aim of this paper by mainly criticizing, in the present section, the recurrent faults of the literature in this regard.

A first, relevant stream comprehends, for instance, Redman (1993), Alvey (2002), Montes (2003, 2008), Andrews (2014). All these people discuss in depth the relationship between Adam Smith and his contemporaries in the Scottish Enlightenment, first and foremost Isaac Newton. In so doing they take a rather common position on the crucial and thorny issue of metaphors in Smith and in all the authors considered. In other words, they reach no solution other than the obvious 'Smith was influenced by everybody', with which most people can agree without much ado.

Others, like Yamamori (2017), take issue with some rather technical questions such as the concept of need. They do so on grounds that concern Smith only as an instance: their true enemy is the easiness with which the economic mainstream treats the theoretical inventions of Adam Smith. To this group also belongs Offer (2012). The paper goal in what follows, we remind the reader, is to criticize the Mainstream and Marxist orthodoxy on deeper grounds than this.

Some more people take a rather political and simultaneously technical stance. Take for instance Napoleoni (1977), who in his book criticizes Smith for not understanding that the relationships of men are social, not technical. Hayek (1978) seeks to make a similar operation by conveying 'Adam Smith's Message in Today's Language' (we shall also see his longer term aims further on). Khalil (2005) transforms Smith into a political scientist, resembling Schumpeter. He claims, among other things, that there is not in Smith a rational acceptance of a contract like in Classical Liberalism. Pack's book (2010) is on Khalil's side when he claims that Smith's thought has been over-interpreted, also underlining the well-known mistake Smith signalled and it is needed to mention again further on of getting entrepreneurs into politics.

Others still, like Holland/Oliveira (2013), put together Hume ([1739] 2011; [1748] 2008), Kant ([1787,1781] 2000), Smith and economic method, noticing that the above people are critical of what they call 'system thinking', thus adding to what already said a terminology. Plus, they are not radical enough in their understanding of all the thinkers they talk about, especially Hume, as argued in Micocci (2014) in this very journal. Herzog's book (2013) correctly associates Smith to Hegel ([1807,1831] 2008), who much relied, as well known, on Smith's economics for his economic forays, revealing an analogous problem. Finally, Wells (2014) associates Smith with the idea of an ethical economics, a concept that was ejected from mainstream economics in the days of the Neoclassicals already, and which cannot be Marxist either.

As said above, the work of all these people, while useful to understand Adam Smith, is of little validity to the purposes of the present article. The Austrians, like Mises and Menger ([1871] 1981) besides the already mentioned Hayek, discuss Smith mainly in that it can be, or not be, associated with their famous 'spontaneous order'. This last, it must be said, is different from the static Mainstream equilibrium, associated for instance with Stigler and Samuelson, which is taught in the majority of economics courses. We consider that the problem with them and with all the Classical Liberal masters (Butler, 2015) is that a 'spontaneous order' requires knowledge of human nature, and its spontaneity in a theoretical wilderness, which Smith never claimed to have. Rather, (take for a perfect instance his page 120 of the Wealth of Nations, 1776/1999) Smith is profoundly aware of the unity and equality of all men. Such a fundamental discussion, however, would take us too far away, exceeding the scope and limit of the present paper. Interestingly, however, which is relevant to the purpose of the present article, Hayek and Mises (see for instance Hayek, 1978, 1952/1967, Mises, 1959/2007) have an anti-Hegelian stance in many of their papers, which loosely associates them with what it will be mentioned further on, which is perfectly anti-Hegelian because it comes from Feuerbach ([1843] 1971) and Marx, as it shall be seen in due course.

Galbraith's critique of the mainstream economic scholarship, both in its theoretical and practical dimensions, helps in our reasoning on the (in)validity of Liberal claims about Smith being the father of Neoclassical and liberal economic theories (Galbraith, 2008). His explanation of current markets dynamics is that 'corporate predation' has replaced the so-called 'invisible hand' that the Liberals claimed to be the foundation of the mainstream doctrine of the free market since Smith's time. Galbraith (2008) takes a quite strong position when he underlines how the modern American Liberals turned free market propaganda into a predatory regime which, held by the capitalist elites of corporations, operates a '*systematic abuse of public institutions for private profits, or equivalently, the systemic undermining of public protections for the benefit of private clients*'. In Galbraith's view, facts like the failure of the big corporations and the recurrent crisis stress the theoretical inconsistency of the free markets paradigm, reducing it to a cultural myth which can be supported neither by the conservative nor by the Liberals anymore. However, his analysis is not followed by alternative proposals, having himself qualified his responses as three simple (old) ideas which are: a renewed role for the U.S. in the global economy, the institutional setting of wages and economic planning (on an alternative, radical approach to this last see Micocci, 2017).

The problem with the Marxists is much more complex precisely because we have chosen, with Micocci (2002, 2009/2010), an anti-Hegelian stance, which the Mainstream Marxists do not share for political (certainly not philological, see Micocci, 2016) reasons, and often straightforwardly oppose in all possible ways. We submit here that Shaikh (2016), with his understanding that the main purpose of the capitalist is profit, is the closest to Smith among the Marxists, if he still is a Marxist. The other Marxists of all types are simply too self-secure that their point of view, by being historical and even scientific, beautifully captures the nature of man (see for instance Geras, 1983). The main question, however, which cannot be faced here due to the limited scope of the present paper, is that they believe in a Hegelian understanding of Marx which, Micocci argues (Micocci, 2002, 2009/2010, 2012, 2016, Micocci and Di Mario, 2017) is not warranted by facts.

Finally, there is a tendency, especially among economists, to read Adam Smith as if he were a present-day writer, or, as above said, as if he were an economic theorist of the present age. In what follows we are instead reading it as an eighteenth-century writer, and in that spirit we offer the argument that follows.

The Invisible Hand of Adam Smith

The most famous mention of Adam Smith's invisible hand is in the Wealth of Nations ([1776] 1999), Book IV, chapter II. The said Book IV discusses 'Systems of political economy'; chapter I has introduced the 'Commercial, or Mercantile System'. Chapter II deals with the 'Restraints upon the Importation from Foreign Countries of such goods as can be produced at home'. Smith is moving to what it would be called international economics. This means he has already outlined the working of the domestic economic system. The invisible hand appears on p.32, and it is only a passing metaphor. [1]

Smith starts by explaining that: '*Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of society, which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer* *that employment which is most advantageous to the society*' ([1776] 1999, 30). The entrepreneur will employ his capital '*in the support of that industry of which the produce is likely to be of the greatest value*' (ibid., 32). The '*annual revenue of every society*' is '*precisely equal to the exchangeable value of the whole annual produce of its industry, or rather it is precisely the same with that exchangeable value*' (ibid.), and '*every individual necessarily labours to render the annual revenue of the society as great as he can*' (ibid.).

The entrepreneur not only does not seek the advantage of society but his own; he does not even know how much, by operating selfishly, he is contributing to the public interest (ibid.).

'[...] *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*' (p.32).

Smith goes on pointing out that promoting the good of society by trade, when openly stated, is just an '*affectation*'. He then moves on to monopoly (keep in mind his anti-Mercantilist polemic) and to the famous comparison of a '*private family*' with a '*great kingdom*' (p.33).

This is the metaphor of the invisible hand, presented in the Wealth of Nations. It makes one wonder how its immense popularity has come about. Popularity, however, produces, as well as needs, a loose meaning. The invisible hand, being often used by people who have never read a line by Adam Smith [2], is all the time referred to the most varied array of concepts. The first common problem, perpetrated by the economic Mainstream, the heterodox and the Marxist practitioners alike, is the identification of the invisible hand with perfect competition. The second most common problem, which is in itself a general logical, philosophical misunderstanding (Micocci, 2014b, 2016), is its identification with that rhetorical, mysterious and undefined object economists and non-economists alike call 'the market'. [3] From these two basic approximations all the others descend.

From the Wealth of Nations, it is very easy to see why the possessor of capital ends up contributing, by pursuing his own advantages, to the wealth of the nation. But one cannot help wondering: why should the labouring classes and the dispossessed contribute to the nation, even despite their will and understanding? Why should they work at all, in Smith's framework that sees wages stuck around the subsistence level, with a perverse class-struggle dynamics that constantly favours the masters? In fact (Book I, chapter VIII), '*The workmen desire to get as much, the masters to give as little as possible*' (p.169). But it is the masters who usually win, for '[...] *being fewer in number, can combine much more easily; and the law, besides, authorizes, or at least does not prohibit their combination, while it prohibits those of the workmen*' (ibid.) '[...] *Whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of a tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate*' (ibid.).

Sometimes masters go too far and wages sink below survival. Such combinations are '*frequently resisted by a contrary defensive combination of the workmen*' (p.170). Workers' resistance is noisy, and much heard of, unlike the combination of the masters. In the end, survival wages are the rule. Interestingly, Smith does not want to say (p.171) what is the right wage level. The feeling of humanity is a good guide. So why should the lower classes ever contribute, or want to contribute, to the wealth of the nation? The how is, in fact, clear: by doing their bit as workmen in the first place, and by possibly improving themselves by behaving as 'commercial men', i.e., entrepreneurs of themselves (given everybody's disposition to '*truck, barter and exchange*'). [4] This last should be easy, because in Smith all men are born equal (p.120): the '*difference of natural talents in different men is, in reality, much less than we are aware of*' (p.120).

To make present-day sense, all the above, with the entailed problems, must be an organic whole, which the Wealth of Nations ([1776] 1999) is not. In fact, Smith had already explained most of what was needed for an understanding of his Theory of Moral Sentiments ([1759] 2009). To this work we must turn for enlightenment. In it the invisible hand is connected with private initiative, but at a political price that present-day Mainstream economists may not be willing to take into consideration. Neoliberals might instead find it pleasing, as it will be illustrated in the following two sections.

Part I (Of the Property of Action) of Smith's ([1759] 2009) provides with what is needed to start with. Chapter II (Of the Origins of Ambition and of the Distinction of Rank) presents the reader with the fact that mankind sympathizes '*more entirely*' with joy than with sorrow (p.62). We tend to hide our sorrows as well as our faults, and the ugliness of our material poverty. So, why do we struggle all the time in the '*pursuit of wealth, of power, and preheminence*' (ibid.)? Certainly, it is not to supply the '*necessities of nature*', for '*The wages of the meanest labourer can supply them*' (ibid.). We all seek to acquire '*superfluities*', for love of vanity and to hide our faults mentioned above, and to get '*approbation*' and '*attention*'. But our stomach is no better in a palace than in a cottage (p.62).

Thus, the poor makes himself just as inconspicuous in Veblen's sense as the rich and powerful make themselves conspicuous. It follows (p.64) that when we consider '*the condition of the great*', '*it seems to be almost the abstract idea of a perfect and happy state*'. '*We feel, therefore, a peculiar sympathy with the satisfaction of those who are in it*' (ibid.). '*Every calamity that befals them, every injury that is done them, excites in the breast of the spectator ten times more compassion and resentment than he would have felt, had the same things happened to other men*' (p.65). The misfortunes of kings resemble '*the misfortunes of lovers*' (ibid.), because '*the prejudice of the imagination attach to these two states a happiness superior to any other*', a '*perfect enjoyment*' (ibid.).

In other words, wealth and power are supposed to be like love's bliss. Few may appear to have them, and of those few only precious fewer likely experience the actual feelings are attributed to their lucky condition. Life is a sad thing, a continuous toil to get what you know you have little chance to gain. What you want, in fact, is not the object but the appearance. You want the others, i.e., society as a whole, with its institutions and its class relationships, to look at you as if you had happiness because you have the means to potentially have it: wealth and power. From a moral point of view, this is not necessarily good. In chapter III Smith observes that '*We frequently see the respectful attention of the world more strongly directed towards the rich and the great, than towards the wise and virtuous*' (p.74). While virtues unfailingly lead the poor to better himself, this is not necessarily valid for the rich and the great.

Now, the invisible hand, which is illustrated in Part V (Of the Effect of Utility upon the Sentiment of Approbation) can be defined better. In chapter I, on the beauty of utility, Smith continues his discussion of how the very same things that the rich and the poor use (houses, chairs, transportation means) can look very different and feed human industry, labour and entrepreneurship. '*The poor man's son, whom heaven in its anger has visited with ambition,* [...] *admires the condition of the rich*'. '*He is enchanted with the distant idea of this felicity*' (p.211). He thus submits to all sorts of fatigues to improve his condition. He also understands, when he fails, the frivolous nature of 'that felicity', and its social rather than utility role.

'*He does not even imagine that they are really happier than other people: but he imagines that they possess more means of happiness*' (p.213).

Life is thus divided by Smith in between those '*splenetic*' moments, characterised by the pointlessness of it all, and the more vigorous moments when instead we feel we can work to improve our condition. This second attitude is more consonant with the purpose of society (p.214) as Smith represents it:

'*And it is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind. It is this which first prompted them to cultivate the ground, to build homes, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life; which have entirely changed the whole face of the globe*' (p.214).

The Earth has multiplied its fertility, and communication has connected nations because of a deception, stated in the second sentence of the above quotation. The deception is clarified by Smith, ibid.:

We are then charmed with the beauty [...] *which reigns in the palaces and economies of the great; and admire how everything is adapted to promote their ease, to prevent their wants, to gratify their wishes, and to amuse and entertain* [...] *If we consider the real satisfaction which all real things are capable of affording, by itself and separated from* [...] *that arrangement* [...] *it still always appears in the highest degree contemptible and trifling. But we rarely view it in this abstract and philosophical light. We naturally confound it in our imagination with the order, the regular and harmonious movement of the system.* [...] *wealth and greatness* [...] *strike the imagination* [...] *of which the attainment is well worth the toil and anxiety* [...]. Most of the following argument depends upon this concept.

The '*homely and vulgar proverb*' '*the eye is larger than the belly*' fits the rich and powerful like a glove. '*The capacity of his stomach bears no proportion to the immensity of his desires, and will receive no more than that of the meanest peasant. The rest he is obliged to distribute among those, who prepare, in the nicest manner, that little which he himself makes use of* [...] *which are employed in the economy of greatness; all of whom thus derive from his luxury and caprice, that share of the necessaries of life, which they would in vain have expected from his humanity or his justice*' (pp. 214-215).

Here comes the fundamental relevance of the invisible hand, the direct result of a class society in which the deception of private initiative is given the poor to make them redouble their inane efforts to improve themselves. Like in the Wealth of Nations, the less they understand what is going on, the better for the country.

'*They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species*' (p.215).

There remains to better justify, in the above quasi-socialist world, the presence of such a class division: why are the great placed so far above the others, and is it unjust?

To provide the answer, it suffices to continue reading Smith on the same page: '*When Providence divided the Earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out of 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*'. Like in the Wealth of Nations, all men are equal; many are, however, deceived, and that is what society is about and where the wealth of the nation comes from. '*All constitutions of government, however, are valued only in proportion as they tend to promote the happiness of those who live under them. This is their sole use and end*' (p.216).

There is quite a visible problem in the whole reasoning, and is to do with the role of government in the distribution of material goods. [5] Their uneven distribution to the various classes makes the deception of the invisible hand work for the good of socially organized humanity. Very importantly, that does not grant happiness; it only feeds the economic mechanism. Happiness, like erotic bliss, is likely an illusion for most people, great or wretched, as illustrated. In Part IV (Of Systems of Moral Philosophy) Smith even notices that great, generous and useful political actions do not necessarily come from the love of virtue, but from the love of glory. Just like for economic actions, evil is creeping everywhere (p. 362), and it shouldn't be underestimated like Mainstream economists do.

Smith is in fact worried that his system looks too much like that of Mandeville ([1723] 1997). '*Dr. Mandeville considers whatever is done from a sense of propriety,* *from a regard to what is commendable and praiseworthy, as being done from a love of praise and commendation, or as he calls it from vanity*' (p.362, chapter IV). He cannot help admitting, however, that Mandeville's system would not have caused such concern '*had it not in some respect bordered upon the truth*' (p.368). Although immoral, or precisely for this reason, Mandeville's system to be credible must contain some truthful bases.

The lines of Smith's argument can be now drawn. His invisible hand has little to do with any form of competition (especially as it is described in Mainstream economics [6] and criticized by Mainstream Marxists) because, unlike mainstream economics, Adam Smith considers reality's shortcomings. It is, as aforesaid, a deception of the imagination fed to the lower classes by the system itself. It concerns three aspects of life: the social (it needs a rigid class structure with non-entrepreneurial upper classes on top, and very little class mobility), the economic (it needs private property and private economic initiative, but this last is not likely to succeed, or the institutional organization would be challenged by too much class mobility) and even the natural (bellies, necessaries of life, luxuries are all delusions that are often well understood in their deceptive character, and yet pursued). Finally, there is plenty of room for evil and hypocrisy: for Mandeville's cynicism.

Wealth and welfare, in other words, are metaphysical in the sense of Micocci (2009/10, 2016): neither concrete nor abstract. They are an intellectual all-encompassing framework conceived on flawed bases (more on this in the following section). Their natural materiality and their human cost are unimportant and go unnoticed except for those few 'splenetic' moments of individual doubting that do not help society and the economy. Importantly, Smith's invisible hand needs, besides a misled imagination, both profit and rent. The poor practices profit-seeking in the hope to gain a rent, which will give him the security and idleness of the great, and their respectability. The material nature of such rent does not matter, for the necessaries of life are available to everybody. As a consequence, the metaphysical (in Micocci's intellectual sense) nature of power and riches is enhanced. These do not have to be strictly material, but just exist from the perspective of those who are deceived and deluded. They do not need to be actually used to feed, cloth, shelter and transport the holder.

Such world can usefully be compared to our present-day Neoliberalism, especially accounting for financial rent. This latter was inconceivable in its present form in Smith's time, but the rent features (Palma, 2009, Harvey, 2007, Lapavitsas, 2010) of our contemporary privileged fit his description. The condition for financial rent to exist and be stable is a conservative class regime with a vast majority of poor who do not think of themselves as poor, or hide it to themselves and to the others, while painfully perceiving the gap in between their predicament and that of the great. To them, the only tool available for improvement is the deception of an individual private initiative. The other individuals become a means to an end, to be blandished, trampled upon or elbowed away as needed, as pointed out by John Stuart Mill ([1848] 1998).

Wrenn (2015) is a recent attempt to pinpoint the misguided nature of Neoliberal individualism. In Neoliberal societies individual agency is 'non-authentic', but is perceived as if it were. There are a number of problems with Wrenn's approach (first and foremost the attempt to attribute to the Neoliberal man the generalized alienation Marx observes in all capitalist men). Yet, its similarities with Smith's individual in ([1759] 2009) and ([1776] 1999) are undeniable. Davis (2016) points at the appeal of the 'collective punishment' aspect of Neoliberalism. He is limited, however, by his recurring to the concept of 'human capital', which would require a discussion of its own, and by not seeing the Reichian (see Reich, [1942] 1970) meaning of collective punishment.

Class mobility, financial rent and neoliberalism

Now that we have argued through the relevant part of Adam Smith we can concentrate on Neoliberalism starting from class mobility, for this is the issue that caused changes in the mode of production, which Smith also dealt with. The origins of capitalism in England as a restructuring of classes were notoriously determined by the policy of 'enclosures' and the limitations to various economic and sub-economic activities that fed lower and agricultural classes into the cities. As pictured by Hobbes ([1651] 2008) and Smith (as shown in the preceding section) and many others, capitalism makes the character of the rentier emerge together with the character of the poor expecting in vain humanity, justice and redistribution through class mobility. Capitalism itself has changed deeply since, which, however, only Marx (1978), for our purposes here, had begun to notice above all. Finance had started gaining a growing importance since the 19th century (Micocci, 2016). The most advanced capitalist economies have consequently undergone, in our days, processes of de-industrialization and financialisation (see e.g. Palma, 2009, Gallino, 2011, Micocci, 2011a, 2011b).

The present-day financialisation of developed economies is related to important modifications in capitalism's class structure, and to the restriction of class mobility: Piketty (2014), for all its fame, is just stating the obvious. The tendency towards what we called deception noticed by Smith seems to remain. This is obtained by removing or applying constraints to the potential of individuals and groups: to class mobility. As seen in Smith ([1776] 1999), capitalism starts by prioritizing private property and private economic initiative. Mainstream economists have taken to themselves the task of spreading this private initiative gospel. But they were not aware of what Neoliberals would have made of it (Micocci and Di Mario, 2017).

The evolution of the entrepreneurial process that a rather bewildered Marx noticed (see Micocci, 2016), in any case, pushes capitalists to dis-engage their action from productive activities: '*Thus it comes to pass, that in old and rich countries, the amount of national capital belonging to those who are unwilling to take the trouble of employing it themselves, bears a larger proportion to the whole productive stock of the society, than in newly settled and poorer districts*' (Marx, 1978, Vol.III. Ch.22, p.226). Dis-engagement from productive activities is related to engagement in financial activities. In Marx's Capital, moving from Volume I, to II, to III (see Micocci, 2016, for a detailed treatment) a progress is notable both in capitalism and in Marx's own thought towards the outline of a 'retired' (1978, p.226) capitalist who engages in finance to then move on (Vol. III) to become a proper financial capitalist or financial institution (naturally, in Marx this is done in 19th century terms). [7]

Financialisation is deliberate, but finance is mysteriously seen, by Mainstream and mainstream Marxist economists alike, as necessary for financing materially productive activities, while producing a rent to its practitioners. These last are likely to decide to restrict their work to purely financial activities. In our Neoliberal days the rentier thus produced, as further explained in the following section, has found a legitimating power for his immense desires ('*the eye is larger than the belly*') by disregarding the distribution and inequality outcome of material production a la Smith (see for instance Oxfam, 2016, Stiglitz J., 2012, Piketty, 2014), and more in general in what Micocci names the metaphysics of financial escape and protection. [8] [9]

To our specific purposes here financialization can be simply defined following Blackburn (2008) as the growing and systemic power of finance and financial engineering. The financialization of mature economies means an economic hegemony held by financial products, mechanisms and relations. Financial capitalists prevail over the industrial ones (as Gallino, 2011 shows). This has gone together with the said entrepreneur's false role of financial 'wealth maker' (see Gallino, 2011, Harvey 1989).

The preponderance of finance, with its huge rates of expansion, invites and allows financiers to withdraw capitals from the actual, materially productive economy. It makes an investment in material production simply unpalatable to the possessors and/or managers of vast capital resources (Micocci, 2011a, 2011b, 2012, 2016). Financial innovations have, however, made speculation both highly attractive and highly risky. Since the crisis sparked by the 2008 sub-prime episode that has disrupted the functioning of material production in Western capitalism, not even banks easily lend to the old-style, material production entrepreneurs. Growth is jeopardized and crises have become more likely. Philippon/Reshef (2013) (for a mainstream instance among many) have to admit the following:

'*But it is quite difficult to make a clear-cut case that at the margin reached in high-income economies, the expanding financial sector increases the rate of economic gro*wth' (Philippon/Reshef, 2013, p.92)

'*While it is difficult to believe that the growth of finance has not come with some benefit - either a wider reach or an increase in quality of services - our findings show that this conclusion is not straightforward, especially for the subset of economies with large and growing financial sectors*' (ibid., p.93)

'[…] *there is no particular correlation between the size of the financial sector and economic growth in time series data. Moreover, the correlation between financial output and per capita income varies considerably over the last 130 years.*' (ibid., p.94)

Nonetheless, as noticed, the Neoliberal ideology (and the mainstream, and the Marxists) state, starting with supply side economics, that the rich are the originators of productive activities and hence wealth (Smith's exchangeable value and state/society revenue). The main component of Neoliberal policies is based on the equation: rich person = entrepreneur, which is absurd when financialization is taken into account.

The latest crisis further helped the Neoliberal policies in Europe as a part of the EU austerity plan (Davis, 2016), aggravating the cheapening of labour power (Di Mario, 2015) that was already occurring in the world economy. Nonetheless, the production of goods in the earlier quantities and at the previous technical level has been rendered loss-making (see, among others, Palma, 2009). The crisis, with its focus on public sector debt, has made the eurozone countries, especially the peripheral ones, discover the instability of the 'Stability Pact' as an arbitrary mechanism of setting limits for the relation of national debt relative to GDP and for budget deficits that instead of preventing the level of public debt from rising placed in a straightjacket the Eurozone states for nearly two decades (see e.g. Lapavitsas, C. et al., 2010, Davis, 2016).

During the crisis, speculation was pursued by a heterogeneous array of financial actors, not only venture capitalists, but also investment banks, hedge funds and pension funds, which borrowed to buy assets worth as much as thirty times their capital (see e.g. Blackburn, 2008). Before the explosion of the financial bubble in the US, the speculation process appeared to yield results: between 1980-2007, in real terms the four components of the stock of global financial assets (equity, public and private bonds and bank assets) jumped 9-fold, increasing from US$27 to US$241 trillion (US$ at 2007 value) and the multiple of the stock of financial assets to world output augmented nearly 4-fold (Blackburn, 2008). Things have got worse since.

As Blackburn (2008) observed: '*The collapse of cdo valuations, and the doubts about cds coverage, reflected mutual distrust among those holding the securities rather than simple incomprehension. The credit crunch was a product of the banks' justified doubts concerning one another, as well as the quality of the underlying assets. The banks knew how to assess the problems of the cdos, because they had helped package them. Their in-house Finance PhDs had enough information to know-whatever the complexity-just how dubious these assets were, despite their aaa grades. They were aware that fear of contamination would take its toll on securities, including some that, in the fullness of time, might be okay; likewise that the insurance wrappers around these products might disintegrate just when really needed. The credit crunch has taken a toll on all mortgage securities and on the very concept of the cdo and cds* (p.95).

Blackburn also discusses (Blackburn, 2006) the concept of '*mutual distrust*' among finance speculators.

The following simple table [10] shows the results of Neoliberal policies in relation to income level and class composition, giving an idea of the possibility of class mobility in the way envisaged by Adam Smith, bringing us back to the main topic of this paper.

The Unequal Distribution of the World's Income, 2000

Top 20%:	74.1% of World income
Second-richest 20%:	14.6% of World income
Middle 20%:	6.3% of World income
Second-poorest 20%:	3.5% of World income
Bottom 20%:	1.5% of World income

Source: Goodwin et al. (2013) from Dikhanov (2005)

The potential for class mobility in the individuals according to Smith is innate in the social human being, an effort by each to ameliorate his/her condition within society ([1759] 1999, IV, IX). In Smith's own time the industrial revolution was taking place and class mobility was quite possible because English society at the early stages of the industrial revolution was active in this sense and thus, at least potentially, in redistributing wealth (Briggs, 1959). The clearest example is the mobility of the merchant class (see for instance Brenner, 1993), which would eventually enable the merchants to convert their economic power in societal and institutional power by being admitted to the 'class of gentle men', represented until then by the great landowner. The trader represents a model for the poor on his way to progress economically in society.

Class mobility in England worked in a way similar to the 'deception' of Adam Smith, favouring 'liberal trade' first and the industrial revolution second. Yet it had to nearly grind to a halt, or the invisible hand would produce too many miracles, and an eventual stasis. In a perfectly mobile social configuration it is known that capitalism would end up producing zero profits, or equal profit rates in all sectors, or a resource crisis like that envisaged by J.S.Mill ([1845] 1998). [11] The deception of the invisible hand would not work in a world where everybody has a true chance.

By a similar reasoning Starrs (2014) argues that China and more so the other BRIC countries will be another Japan rather than a serious competitor for the Western Multinational Corporations, which still retain control of the productive and non-productive economy, for instance patents and Research and Development. Financialization is more important than it seems.

The metaphysics of neoliberal capitalism

The origins of the 'Neoliberal era' are linked to the oil and production crises that started in 1973. The 1970s changed the capitalist system, i.e. what has been labelled flexible accumulation and post-fordism (Harvey, 1989). Capital accumulation has indeed changed: now it can easily escape material and societal constraints and spread risk out of financial capitalism. The financial rentiers (Palma, 2009) together with the media and the politicians impose their free finance market regime by imposing their ideological domination, what Gallino labels '*finanzcapitalism*' (Gallino, 2011).

To Palma (2009): '*neo-liberalism is not a set of economic policies but a new and more effective technology of power. [...] the capitalist elite, mainly because of lack of credible opposition and its intrinsic rentier nature, instead of using this new technology of power for its intended 'rationalising' effects, ended up misusing it to support more effective forms of dispossession and more rentier forms of accumulation. This has transformed capitalism into a ('sub-prime') system with little capacity to develop the productive forces of society-i.e., one that has lost its only historical legitimacy*' (p.847). The capitalist system moved, as said in the preceding section, from a productive and material based economy to an economy dominated by financial rent. [2] As noticed, the Neoliberal institutions (for instance the WB and the IMF) emphasize the role of financial economics to spread the effects of risks among large numbers of people, (wrongly) assuming that financial capitalists, as their colleagues, the industrial capitalists, would use finance for the overall growth of the economy. In the de-regulated capital market, finance did actually implement a rent-seeking mechanism to let the class of rentiers decrease its risk by increasing risk for the real, productive economy through financial speculation.

In order to identify the financial rentier to the purposes of this paper, it is essential, firstly, to make the distinction between salaried operators (say, Stock Exchange operators, bank personnel, shadow banking personnel, mutual funds personnel and similar, at all levels up to the CEOs) and what can be called, with a degree of irony, financial tycoons or magnates. The former is (also) engaged in the services industry. As such they contribute to GDP and the material economy, however marginally, by helping the credit system. The latter are a world apart, and are akin to Adam Smith's privileged classes, in fact and in function.

This is what Micocci's Metaphysics of Capitalism (Micocci, 2002, 2008/10, 2011a, 2011b, 2012, 2014a, 2014b, 2016) is all about. Capitalism as we know it, i.e., the actual capitalism we witness, is based on a 'human understanding' (a shared intellectual framework) that comes down to a pervasive metaphysics based on a flawed, limited and limiting logic of the vulgar Hegelian kind. As a consequence important to us here, the items of capitalist intercourses, be them material, human, institutional or intellectual are a philosophical artefact that makes them neither fully material nor fully abstract: this last is what we mean by vulgar Hegelian logics. Money is a perfect instance of what is meant here.

Commodities, workers, transactions, and what have you are transcended into metaphysical items that feed an intellectual rather than material system of life (Micocci, 2009/10, 2016). Life's needs and pleasures are metaphysical in that sense as well. This is akin to Marx's triple alienation from yourself, from your fellow humans and from nature in general, but goes well beyond both Smith and Marx. Contemporary capitalism becomes conducive to an intellectual and sentimental atmosphere similar to, but wider than, that described by Adam Smith in his ([1759] 2009) and ([1776] 1999). Sentiments, as well as material wealth, are not valid *per se*. They matter only in that they pertain to that intellectual set of relationships that, on the basis of the quasi-impossibility of fully intense feelings in reality, people tend to attribute to the privileged, who have the material and emotional means to potentially enjoy material possibilities. Naturally, this belief is in itself, like its practice, metaphysics. In present capitalism, concrete reality is forever out of everybody's reach.

It is fairly obvious than that in this all-pervasive metaphysics money plays a paramount role, for it is the most intrinsically and naturally metaphysical player in the intellectual game that is played. [13] It exceeds its technically economic uses by also granting, through its very presence and usage, the reciprocal recognition of the users as participants in the capitalist intellectual relations. This role is strengthened by the fact that the presence of money appears inevitable, dragging even the revolutionary and the subversive in this vulgar Hegelian game of reciprocal recognition and of intellectually iterative activity detached from the actual materiality of things (see Micocci, 2002, 2016).

All of the above leads us to understand how finance has easily and naturally become preponderant, *pace* the mainstream Marxists and their hanging on to the theory of exploitation of labour as the only or main source of surplus (Micocci, 2014a, 2014b). Finance yields, instead of a rate of profit in the Mainstream and common sense of revenues minus costs and all that follows, a rate of expansion based on the capacity of 'money to beget money', as Marx noticed in Vol.III of Capital (Marx, 1978, Micocci, 2016). No material entrepreneurial activity can ever match, however high its rates of profit, the expansion rates of finance, and the instant speed at which such multiplication is achieved. Finance resides in the electro-magnetic waves that fly in our skies all the time, or, to use an ugly fashionable word, it is 'virtual'. The financial tycoon seats in his high castle and at the push of a button instantly makes inordinate quantities of billions, enough, in the popular understanding of the matter, to buy anything, first of all politics, [14] and happiness second.

Here is a mainstream summary (among many) of the making of this new financial class:

'*Hedge fund, private equity, and venture capital fees were all near zero in 1990 because assets under management were low. However, by 2007, approximately $854 billion of assets was managed by private equity firms, $258 billion by venture capital firms, and another $1.46 trillion by US-domiciled hedge funds. Hedge fund fees peaked at $69 billion in 2007* [...] *Together, fees for these alternative investments are comparable to the $91 billion that was collected by mutual fund managers, who managed more than five times as many assets*' (Greenwood, R., Scharfestein, D., 2013, p.10).

Wealth is easily and correctly, within the flawed, metaphysical logic of capitalism, identified with money, and, in present-day capitalism, with finance (Micocci, 2011a, 2011b). It is a difference with Smith's own times, in which the meaning of wealth was still bound together with material items (say, land, palaces, cattle); this was obviously a remnant of the ancient world, which the preponderance of the capitalist metaphysics (the capitalist proper, i.e. intellectual, understanding of things) in our days has helped mutate into the limited role of conspicuous consumption a la Veblen ([1899] 1953) (this function was also partly present in Smith, as noticeable in section on *The relevant literature*). In any case, in Smith just like in our days money can buy material items; so this issue is easily settled.

There remains to discuss whether, despite the differences, it is possible to compare our present-day financial class to Smith's own rented privileged class. The similarities are quite evident: their wealth comes from a world unreachable to common people, despite some of them appearing obliged, by a powerful exertion, to become affluent. Their wealth can buy all sort of conspicuous luxury, again precisely what is out of the reach of each of us, objects and pleasures we sometimes cannot even imagine. Their wealth is endless to common standards, even more so because, as said above, its origins are shrouded in mystery for us. They are more likely to have what we cannot even experience, i.e., blissful emotions, sentiments and feelings. This is even easier in the metaphysics of contemporary capitalism than in Smith's times, for feelings, emotions and sentiments are uniformly metaphysical: objects of endless verbal descriptions, unreachable in their material nature but always there for each of us to discuss and use (this last being Smith's 'deception') (Micocci, 2016). Class mobility is, like in Smith, a deceptive dream the poor as well as the system cultivate.

The financial class can be considered the new privileged class à *la* Smith. It has superseded the other privileged classes, the 'normal' rich people and old-fashioned aristocrats. These old 'normal' privileged classes are debased by the aura that surrounds financial classes, and assimilated to us poor mortals. Like us, they can only accept the deception and work their way up to the financial heaven, where happiness appears unlikely instead of being, like in 'normal' reality, just impossible.

In our metaphysics of capitalism, the financial privileged are not engaged in material production. Their wealth influences the economy only by mistake, or tangentially, for 'money begets money' much more easily than factories, services firms and farms. Marx (1978) was right in being bewildered by the role of these people. They are another thing altogether from entrepreneurs. Their wealth produces more wealth, and their wealth is a rent in itself. Differently from material and immaterial productions, and very much like 18th century aristocracy, it depends on institutional presence: as long as money and finance are granted, authorized and protected by the state and by Neoliberal ideas there will be such rent.

This matter can be also analysed from a microeconomic perspective. The financial tycoon is enjoying a situation of 'pure rent': his supply curve is vertical in that quantity does not matter. Like artists and football players he can bestow the world with a masterpiece that adds nothing to the world's material wealth, let alone to its material needs. Even when he/she chooses to be of service, e.g., to produce a multiplication of finance for somebody else, his/her act (however often it is repeated) is unique, and the outcome is not a production but a mystery that appears to then withdraw back to its mysterious abodes and its mysterious uses, and to a possible consumption that is as mysterious, for stomachs have not changed their capacity since Adam Smith's own time. The new privileged classes make billions that lie somewhere, unrepeatable, unused and unusable, just like a Picasso in a private collector's own gallery, or the kicks of Francesco Totti of AS Roma.

In sum, a rentier is a person who does not contribute to the invisible hand in proportion to his capacities and wealth. This last comes from financial capital and is only occasionally and marginally a source of entrepreneurial activity. Rentiers do not shut down a plant to turn to another activity. They, however, inspire the whole mechanism of the invisible hand as it is perceived by the majority. Can this contribute to the wealth of the nation, i.e., growth?

In Smith's time, material production (exchangeable value) represented the way for the poor (and rich) man to improve his condition and participate in, and contribute to, the general wealth of society (state revenues) by the opportunity given by his entrepreneurship. Contrariwise, the financialisation of capitalism has transformed this 'mutual' understanding of participating in material production. As argued in the preceding sections, the capitalist rentiers, whenever possible, escape material production focusing on finance. The poor man is instead still constrained inside a material production that he intimately refuses, for with Neoliberalism (see e.g. Fleming, 2015) he/she is a (metaphysical) entrepreneur of himself, which increases his Marxian alienation. The general metaphysics, which the rich man potentially enjoys, changes the poor man's attitude towards material production. He refuses it on the same basis as the rich man: why should it be reasonable to work hard when material productions are less rewarding and emancipating than immaterial ones? The poor is again a victim of the image/perception that he has of the rich man, well represented in today's stereotype of the financial rentier. This leads the poor to enter, in the Neoliberal era like in the pre-Neoliberal era, an imaginary deception that instead of empowering him by granting class mobility makes him lose his tension against capital.

The Neoliberal poor aims at changing his/her condition by the same metaphysical means that are used by the new, Neoliberal rich. Most working men have rejected revolution, which combines with the intangible essence of Neoliberal capitalism. Many material productions, factories and agricultural activities are in the hands of finance, which act in the name of the 'invisible capitalists/rentiers'. The poor man perceives the pervasive metaphysical role of capitalism and thinks that immateriality, fluidity, and ignorance can be an opportunity for him to escape the physical toil of material production and, like the 'metaphysical' rentier, eventually achieve a greater and immediate wealth. This Neoliberal mirage can, for an instance meaningful to this paper, explain the 'investments' of the poor in the gaming industry, just to mention one typical Neoliberal industry.

The '*predator state*' Galbraith (2008) proposes enables society to establish the most various forms of production that can be alternative to the material ones: gaming, formal education for all and international labour mobility, just to mention the most representative. Naturally, gaming activities are not an invention of Neoliberalism, but the exasperation of gaming as a rescue for the poor classes is a consequence of Neoliberalism. The poor are the biggest losers, and most of them probably cannot even afford to play it (CNN, 19 Dec. 2013). With its metaphysics, the Neoliberal economy institutionalizes a 'lottery life' which is by definition a life of investment for uncertainty: lottery to get rich fast and to achieve an eventual (but immediate when it comes) class mobility, lottery for schooling to achieve an uncertain job and lottery as a visa to move upwards.

The problem of the Neoliberal era is now clear: why should the poor man engage in material production when he can play one of the Neoliberal lotteries and be a rich man faster? Material production is no longer rewarding not only because capitalist rentiers have established their power and control on society through metaphysical means (financial speculation, patents, legislation, fiscal paradises) but because they have changed their system of power, as Palma (2009) argues, into a 'technology of power'. This has made the workers less sensitive to their exploitation perpetrated by the rich man. The poor man does not perceive the waste of his power as he used to do before the Neoliberal era.

In such era, the waste of material productions, including labour power, is accepted by the rich and the poor alike as a standard waste of human energy and creativity for a 'society of waste and inequality' ruled by a metaphysics (Di Mario, 2015). Neoliberal institutions have created a metaphysics of production which allows them to raise profits disregarding reality, attracting investments from the poor (making them waste their various resources), distracting workers from class awareness and struggle with the many 'Neoliberal lotteries' the rentiers system makes available, for all to play the Neoliberal game as the only and false opportunity for class mobility.

Conclusions

The point is not whether the invisible hand metaphor fits the present-day market rhetoric, be it Mainstream, Neoliberal or Marxist. If this were the problem, the case would be simple: for their ranting in favour and against the market all economists have chosen the wrong metaphor, as noticed before us by Samuels (2011). Rather, the question is that economic theories have studiously avoided all the relevant issues raised by Smith's invisible hand. The Neoliberal result is not only that they are not prepared to face the preponderance of finance and the decline of material production. Also, they are not prepared to re-discuss the bases of their own doctrines. The orthodox, the heterodox, and the Marxist have lost the capacity for radical thinking, and hence for perceiving changes in reality. In this intellectual desert the Neoliberals stand out as the best interpreters of the historical present precisely because of their lack of theoretical background and their perceived (for instance by the mass media, see Micocci and Di Mario, 2017), and welcome, ignorance, dogmatism and superficiality.

No matter what disasters take place in reality, and no matter how impotent economic theories prove to be, there seems to be no way to wake economic theorists up. This paper proposes, nonetheless, some exemplary issues that could be useful to make economists start thinking radically again.

The main controversial issue on the interpretation of Smith's invisible hand, which leads to all other controversies, refers to the concepts of market fairness and self-regulation, which was turned by Neoliberalism into a biased and hypocritical call for unregulated laissez-faire doctrine, not necessarily granted by pre-Neoliberal economic thought. The second is the ambiguous role of the 'market' actors as represented in the Neoliberal dogma, especially the economic and societal function of the entrepreneur as the initiator of economic activities and generator of welfare for all. The financial venture capitalist, if not imagined as a rentier, represents an even higher paradox: a generator of wealth who spreads inequalities. This second conception has, thirdly, negative implications for the understanding of the concept of class mobility which, like in Adam Smith ([1776] 1999, [1759] 2009), in the Neoliberal era has turned into class immobility within inequality. Only the industrial revolution saw some mobility, which should alert us as to the way history, and human welfare, progress. Fourthly, the function of material production, that is for Smith [15] a visible aspect of capitalism, has turned into the metaphysics of Neoliberal capitalism, which is participated by entrepreneurs and workers. Production finds its value in the artificial interaction of intangible components that are logically flawed intellectual interactions (Micocci, 2009/10, 2016) rather than in the natural resources which were at the basis of pre-capitalist production and were also considered in early capitalism.

Endnotes

[1] Samuels (2011) has a number of judicious things to say about the invisible hand being a metaphor of a metaphor (the market), with which we agree. Therefore, the discussion of the literature treated in Samuels can be left aside for the objectives of the present paper.

[2] This is a well-known feature of the economic profession, or we would not need associations such as ESHET.

[3] For a treatment of the logical problems of economics see Micocci (2009/2010, 2016).

[4] '*Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to what is properly a commercial society*' (Book I, chapter IV, p.126).

[5] Also here the literature is huge, but its discussion useless, for we are not pursuing Smithian philology but a general, theoretical point.

[6] Which, funny enough, only knows of competition, perfect or imperfect. All the rest is in the rubric of distortion.

[7] For the importance of the modern means of communications to do so in a monetary economy (and much more) in Marx, see Evans (1997).

[8] See Micocci (2009/10, 2011a, 2011b, 2012, 2016).

[9] Hobson ([1902] 1968) and Lenin ([1916] 1975) argued that financialisation caused imperialism. Keynes linked the role of '*rentiers*' to financialisation, as defined by 'the functionless investor' (Keynes, 1987).

[10] The purpose of this table is not to be exhaustive, but to succinctly represent a general situation.

[11] See especially Book IV, chapter VI.

[12] While this phenomenon is evident to everybody, for instance in the mentioned reluctance of banks to finance material entrepreneurs, we do not supply figures because its quantification is, to our opinion, unreliable and distorted by ideology as well as by measurement problems.

[13] This is clearly in Marx, if we read him for what he writes and not through the Hegelian prejudices of the Marxists. For a very good account of the metaphysical role of money and of its role as a facilitator of the reciprocal recognition among capitalist individuals see Rosenthal (1998). See also Micocci (2009/10, 2012). Mann (2009) almost recognizes this aspect. Orlean (2014) has recently come close to seeing this crucial point with its value argument, but shrank from pursuing it, taking refuge in conventional mainstream economics.

[14] And indeed many of the present-day politicians in power all over the world are tycoons with endless financial resources. Likely, as said, Adam Smith would not like it: *'To found a great empire for the sole purpose of raising up a people of customers may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers. Such statesmen, and such statesmen only, are capable of fancying that they will find some advantage in employing the blood and treasure of their fellow-citizens to found and maintain such an empire'* (Smith, 1999, p.197, ch.7, part second, Book IV).

[15] While Marx had the intuition of the preponderance of finance.

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