Resurrecting the Invisible Hand

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Op Editorial

Adam Smith postulated an 'Invisible Hand' that would lead a market economy to perpetual improvement. Joe Stiglitz (2002), writing in the Guardian said it was dead; it died from lack of transparency.

Transparency is indeed a rare commodity in our markets. Advertisers excel at camouflaging their mandated transparency with appeals to our fundamental desires that muddy the issue, and 'the small print' successfully hides it from most of us. As long as the focus of our corporations and our economy is to make a profit for those in charge and the shareholders, transparency is seen as something to be gamed and overwhelmed. We are not likely to win a war with this money and power.

But there is another side to this issue. We humans are complex. We are not the machines that Jacques Monod referenced in his 1974 lecture, "Beyond Chance and Necessity" when he said: ". . .*anything can be reduced to simple, obvious mechanical interactions. The cell is a machine. The animal is a machine. Man is a machine."*

Machines can be taken apart and repaired by finding the faulty part, fixing it, and putting it back together. Surgeons work on this basis with the mechanical elements of our bodies, but it is not so simple for

psychologists, internists, and endocrinologists. People, indeed all living organisms, adapt to their environments. Adaptation is an established characteristic of living organisms. Machines can't adapt. At least not yet, and the adaptation seen in artificial intelligence devices (machines) is only as broad as the programmer.

Accepting our universal ability to adapt leads to the same question Adam Smith pondered. Is there an invisible hand somewhere in this?

Adaption is a part of evolution and evolution has two pathways; survival and diversity. And these two pathways, and the principles of evolution they embody, work the same whether we are talking of genes, in the traditional world of evolution, or memes, in our economic and cultural world. The primary difference between the two realms is the speed of change. Genetic change is slow, except in the viral and bacterial experts. Memetic change takes place in our brains and is much faster.

Survival is by far the more powerful in both areas–it's existential, in both the physical world and the economic and social one. It lives on what Daniel Kahneman calls fast thinking and Jonathan Haidt calls instinctive. In our evolutionary past it saved many lives when we had to deal with predators that ate us. But the repertoire of responses is limited. Fast, instinctive thinking comes from the midbrain, the part of the brain that Paul MacLean called the reptilian brain because it was first seen at this time in evolution. It is the source of our fight or flight response–to

which should be added freeze. The first two are what we commonly see, but even freezing works. Antelopes taken down by large cats will freeze, even go unconscious, and if they are dragged to a den or somewhere else for eating later they can wake up, run, and live for another day. These responses help us survive.

Children in today's demanding–often seen as threatening–school environments will sometimes refuse to read aloud to the teacher, parents, even other students, but they will read to a non-threatening service dog. That's freezing. And of course, the other two options are open as well: they can cop out (flee) either passively or actively, and they can fight back, even to the point of returning with a gun.

Survival thinking is also tactical; it lacks the strategy of the cortex where the various elements of the environment are examined. Moshe Yaalon, Israel's Defense Minister until 2016, when he resigned in protest to the right shifting government, summed it up nicely as reported in the Washington Post (30 Oct. 2003): "Our tactical decisions are often not in our strategic interest." Cortical decisions are slow thinking for Kahneman. They are the rider on the elephant for Haidt, and his metaphor is a good representation of the respective powers of the midbrain and the cortex in our decision making. But it is only with cortical thinking that we can get to win-win solutions. It's only the cortex that leads more to diversity than to survival, and as any biologist will tell you–if you want to measure the health of a system you don't

look at the survival of its elements, you look at their diversity. That holds for all living systems, from the diversity of bacteria in our GI tracts to the ecology of Yellowstone with its wolves–and it is just as true with our nation-states.

The question about the 'Invisible hand' now becomes one asking how we can promote the cortical adaptations that increase our diversity. How can we increase the power and the role of Haidt's elephant rider? This is a bit easier to answer, but it requires stepping out of our analytical paradigm to see humans as the adaptive creatures we are.

My Registered Play Therapist wife knows that children thrive when they have a safe sand box with lots of toys. Lockheed Martin tried the same approach and created the Skunkworks. These are not large-scale examples, but they lead the way, and many are walking the path.

Aaron Antonovsky was a sociologist interested in people and their health. Some people are just healthier than others and Antonovsky looked at a group of them–holocaust survivors–in Israel over forty years ago. He found that they all shared what he termed a Sense of Coherence, which is made up of a sense of control over their environment, a sense of understanding, and a sense of meaning.

As nebulous as these appear we do know some about them all. Using the environment of healthcare is useful. Third party pay system, or a single

payer system does nothing to give control to the individual. Singapore's healthcare, which Bloomberg calls one of the best in the world, is based on a Social Security type system paid for by the individual, the employer, and the government if needed, but it is under the individuals management–they have the control. It can also be used for education and housing, so the appeal is more inclusive and virtually all Singaporeans participate and are happy with their system. It can be shared within the family–and could be similarly shared to a lesser degree among the local community (faith or otherwise), which is where charity should begin. Singaporeans pay about 5% of their GDP on healthcare. We pay more than 17%, a 12% difference, and 12% of our GDP is over two trillion dollars a year in healthcare costs that could be saved. Such a move does little more than grant a sense of control to the public.

In my wife's terms granting control over a toy exerts pressure to understand it. Kids in India who have control over a simple computer quickly learn how it works–they have a sense of understanding. And the learning process works best in company with others, just like the sand box and the skunkworks. And as Emily Esfahani Smith teaches us in *The Power of Meaning,* meaning comes with such a community.

Approaches fostering these elements are not tactical. They don't come from analyzing our problems. They come from a realization that we are complex and adaptive agents and from doing simple things that make our environment safer, friendlier, and with more toys. In the end the

“Invisible Hand” comes from the choices we make as consumers. In a transparent marketplace those choices reflect cognitive thinking. The same cognitive thinking comes from play in a safe sandbox.