

Funding the Future

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One of the questions within economics is on whose behalf should it be assumed that a person acts, and with what motivation?

The answer was actually answered before economics really began when this was written:

HOW selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.

This next quotation seems to me to be the perfect explanation of this text and follows shortly after the above sentence:

As we have no immediate experience of what other men feel, we can form no idea of the manner in which they are affected, but by conceiving what we ourselves should feel in the like situation.

For the record, the first quote is the [first sentence of Adam Smith's Theory of Moral Sentiment](#), written in 1759, and to which The Wealth of Nations is usually considered a footnote. The second sentence is the one that opens the second paragraph. It was written to interpret the first.

Why does this matter? For three reasons.

It says that our wellbeing is dependent upon the happiness of others. We are not, in that case, ever able to ignore their situation.

It adds that the sufficiency of the wellbeing of others is enough to provide us with satisfaction: we do not need to directly benefit from it in turn

And it adds that because we cannot ever really know the position of another person it is our duty to imagine their position, however incompletely we might do so, to ensure that their wellbeing is best considered, and so improved, by us. That adds a massive amount of subjectivity into economics, which is, of course, exactly what it is about when so many decisions we make have direct consequences for others.

Does that sound like the Adam Smith projected to the world by the neoliberal era - where the supposed guiding hand of self-interest is what drives markets and economies, but is in fact only worthy of a single minor comment in the Wealth of Nations when the whole of Smith's greater work is devoted to the themes I note above? It does not sound like that caricature, of course, because that caricature is not in any sense a proper abstraction from what Smith really thought.

I would suggest that the above sentences, chosen by Smith to open what is his great treatise, are what really represent his thinking. I am confident in that opinion because they survived in the positions that they have despite Smith's notorious near-constant tinkering with his own work.

If that is the case, and if Smith did found economics, as is commonly said, what did he set out to make it achieve? It was, surely, an explanation of how the wellbeing of all might be improved, which might be done by imaging those ways that the discipline might achieve that goal that are necessarily impacted by the decisions that others make. Whatever theory, technique, observation or anecdote might be involved, this was the aim.

What does that mean now? I'd suggest that four questions need be asked whenever an economic activity is promoted. They are:

- * Do I know what might improve the well being of others?
 - * Might what is proposed improve that well being?
 - * Would the proposed activity cause others to have a reasonable concern as to my wellbeing?
 - * Can the proposed activity, in the light of these answers, be justified?
- It's a simple sequence of questions. They're pretty powerful. And they follow in the footsteps of Smith.

The ideas for this article came out of a discussion with Danny Blanchflower on the [Mile End Road Economists agenda](#). Right now I am suggesting this as a methodological approach for its use.