

Economic questions: the Adam Smith question

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This is one of a series of posts that will ask what the most pertinent question raised by a prominent influencer of [political economy](#) might have been, and what the relevance of that question might be today. There is a list of all posts in the series at the end of each entry. The [origin of this series is noted here](#).

After the first two posts in this series, the topics have been chosen by me, and this is one of those. This series has been produced using what I describe as directed AI searches to establish positions with which I agree, followed by final editing before publication.

*In this post, I give due attention to the supposed first economist of all, Adam Smith. I read Smith's *Wealth of Nations* in 1976, which year happened to mark the 200th anniversary of its publication. I still have that copy, although these days I find a Kindle edition more useful for searching, which I still do. Why? Because Smith was not the man most now claim him to be. He no doubt thought of himself as a moral philosopher, as that is what he was a professor of in Glasgow. The world has largely forgotten that. We should not have done so. Recalling it, the relevance of what Smith had to say remains significant today, but not in the way most people think.*

Adam Smith is widely invoked by economists but rarely read. The modern right claims him as the father of the self-regulating market, the apostle of competition, and the patron saint of the “invisible hand.” But the real Smith — the moral philosopher of Kirkcaldy — is almost unrecognisable in these distortions. His first great work, *The Theory of Moral Sentiments*, argued that society rests on sympathy, mutual regard, and the capacity to imagine ourselves into the lives of others. Only on that moral foundation did he later examine markets in *The Wealth of Nations*, and even there, he was clear: markets are fragile, prone to monopoly, easily corrupted, and dependent on a well-governed society.

Hence the Adam Smith Question: *if markets depend on moral sympathy, public virtue,*

and shared responsibility to function, why do we still pretend that economic life can be governed by self-interest alone?

Sympathy as the foundation of society

Smith begins not with trade but with sympathy, or the human capacity to feel with others, to imagine ourselves in their circumstances, and to respond with concern. He argued that without sympathy there could be no trust, no cooperation, and no social stability. Economic exchange presupposes moral exchange; markets rely on the character of those who enter them. Far from celebrating selfishness, Smith believed that individual flourishing was bound up with the well-being of others. The idea that he endorsed a world of isolated self-interest is a fiction created by those eager to strip markets of their moral obligations.

Markets require moral restraint

In ***The Wealth of Nations***, Smith examined markets with curiosity but also with suspicion. He admired their capacity to allocate resources, but never suggested that they were naturally just or self-correcting. Indeed, he warned repeatedly that merchants and manufacturers, left to their own devices, would conspire to raise prices, reduce wages, and rig the system in their favour. Competition was not a natural state but a fragile achievement that required regulation, standards, and vigilance from the state. Smith's understanding was moral as much as economic: markets work only when participants behave with integrity, and only when society defends itself against the concentration of economic power.

The betrayal of public trust

Smith had little patience for those who used the language of free markets to justify private enrichment. He condemned monopolists, rentiers, tax-dodgers, and those who lived off the labour of others while contributing nothing to the common good. He believed that public officials had a duty to uphold justice, prevent exploitation, and ensure that economic arrangements served the whole community. In this respect, he was far closer to modern critiques of inequality than to the neoliberal ideologues who claim him as their own. For Smith, an economy that rewarded idleness at the top while punishing effort at the bottom was morally corrupt.

Wealth, virtue, and the danger of admiration

Smith observed something morally unsettling in commercial societies: people admired the wealthy not for their virtue but for their wealth. This admiration distorted moral judgment, encouraged vanity among the rich, and induced the poor to internalise feelings of inadequacy. Smith feared a society in which wealth became the measure of

merit, and in which public respect shifted from character to possession. He understood that inequality was not merely a distributional problem but a moral one because it corroded sympathy, frayed social bonds, and undermined public virtue.

The limits of the invisible hand

Smith mentioned “an invisible hand” only once in ***The Wealth of Nations*** and once in ***Moral Sentiments***, on both occasions in contexts far removed from the mythology built around them. He did not believe that markets magically transformed private greed into public good. Rather, he believed that, under certain conditions - moral, institutional, and social, as well as economic - self-interest could unintentionally contribute to wider prosperity. But those conditions were demanding, requiring stable institutions, fair taxation, justice, infrastructure, and a public realm strong enough to prevent corruption. The modern cult of the invisible hand strips Smith’s argument of all complexity, and with it, all truth.

Smith the moral reformer

Smith was also no libertarian. He believed in progressive taxation, public education, regulation of financial markets, and state investment in infrastructure. He supported the enforcement of labour standards and condemned the imbalance of power between employers and workers. He was, above all, a moral reformer: someone who believed that economic systems should promote virtue, not vice, and that the wealth of a nation lay ultimately in the well-being of its people. The modern habit of reducing Smith to a slogan is therefore an act of intellectual vandalism.

What answering the Adam Smith Question would require

To take Smith seriously — the real Smith, that is, and not the invention of neoliberal commentary — would require:

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Rebuilding moral foundations, recognising that trust, sympathy, and social responsibility are prerequisites for any functioning economy.

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Taming concentrated power by enforcing anti-monopoly rules, regulating finance, and preventing corporate capture of the state.

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Revaluing public goods requiring investment in infrastructure, education, health, and justice as the supports that markets depend on but cannot themselves create.

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Challenging the moral prestige of wealth by confronting the cultural assumption that money is the measure of merit.

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Restoring fairness in labour markets, ensuring that wages, conditions, and bargaining power reflect the moral reality that workers create value.

These are not modern intrusions into Smith's philosophy; they are its continuation.

Inference

The Adam Smith Question invites us to recover the thinker we have lost. Smith believed that markets were useful but morally fragile, dependent on sympathy, fairness, and justice. He understood that economic life could not be separated from moral life, and that the strength of a society lay in its capacity for mutual regard. To answer his question is to reject the hollow doctrines that claim markets function best when stripped of moral responsibility. It is to recognise instead that freedom, prosperity, and trust depend on a shared ethical foundation.

Smith's work points us toward a simple truth, which is that an economy that neglects its moral basis will lose both its prosperity and its soul.

Previous posts in this series

- * [The economic questions](#)
- * [Economic questions: The Henry Ford Question](#)
- * [Economic questions: The Mark Carney Question](#)
- * [Economics questions: The Keynes question](#)
- * [Economics questions: The Karl Marx question](#)
- * [Economics questions: the Milton Friedman question](#)
- * [Economic questions: The Hayek question](#)
- * [Economic questions: The James Buchanan question](#)
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