

Have economists got Adam Smith completely wrong?

Published: April 6, 2026, 6:02 am

Neoliberalism claims Adam Smith as its founding father, but that claim is built on a lie. Smith's first great work, *The Theory of Moral Sentiments* (1759), placed empathy and sympathy for others at the very heart of economic life. That foundation was deliberately discarded by the Chicago School in the 1970s, who weaponised a single phrase, the "invisible hand," which was hardly used across his entire body of work, to justify a radical ideology of selfish individualism that Smith himself would have rejected. The result is an economic model that treats fear, insecurity, and social division as acceptable costs of doing business. But Smith understood something today's neoliberal economists refuse to accept: our well-being is interconnected. When others suffer, we all suffer. Addressing economic insecurity isn't charity; it's an economic necessity. This video makes the case for a return to Smith's original insight: that care, empathy, and collective well-being must be the foundations of political economy, and not the pursuit of personal wealth at any cost. If we want an economy that works for everyone, we need to reclaim Adam Smith from those who misrepresented him.

https://www.youtube.com/watch?v=IN3__qTcquw?si=z2tGrGv4a0Zcr06m

This is the audio version:

https://www.podbean.com/player-v2/?i=7gvvy-1a8b6e9-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Economics today is too often dominated by negative narratives. The economics profession is shaped by the failures of neoliberal thinking, and neoliberalism itself promotes the cult of the individual above all else. Personal wealth is treated as the primary economic objective, and the consequences for society and the planet are routinely ignored.

Economics was not always defined in this way. It was not always defined as selfish individualism. I often reflect on how we reached this diminished position we are now in, and to understand that, I returned to Adam Smith's earlier work.

I revisited his *Theory of Moral Sentiments*, that was published in 1759. Adam Smith is, of course, considered to be the father of modern economics, and that book I've just referred to, *The Theory of Moral Sentiments*, predates and informs his 1776 book, *The Wealth of Nations*, which is considered to be the first ever serious economics book, but we have to read them together.

When you read the opening paragraph in Smith's Theory of Moral Sentiments, you see what he really believes. It sets out the moral foundation of his economic thinking right there, right up front, for everyone to notice. This is not a marginal idea, but his starting point for all his work, and it directly challenges modern interpretations of that work.

Let me quote it in full, as a result. He said:

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. Of this kind is pity or compassion, the emotion which we feel for the misery of others when we either see it, or are made to conceive it in a very lively manner. That we often derive sorrow from the sorrow of others, is a matter of fact too obvious to require any instances to prove it; for this sentiment, like all the other original passions of human nature, is by no means confined to the virtuous and humane, though they perhaps may feel it with the most exquisite sensibility. The greatest ruffian, the most hardened violator of the laws of society, is not altogether without it.

Now, this is an astonishing piece of writing. Clear and unambiguous in its intent, I would argue. He is saying that all people possess sympathy for others. What Smith chose to use is the word 'sympathy'. In modern parlance, we'd probably call it 'empathy', but it doesn't really matter. What he's saying is our well-being depends on the well-being of those around us, and even distant and remote from us, if we understand their situation. We are, he says, affected by the distress and suffering of others. This, he's saying, is a universal human trait and not a moral quality.

But in the 1970s, the Chicago School of Economics, based unsurprisingly in Chicago, used Smith's work to promote an economics of radical self-interest with which we now think he has identified. It claimed that the individual pursuit of wealth delivers collective

benefit for all. The so-called invisible hand, which Smith only referred to once in the *Wealth of Nations*, is used to justify this claim, but Smith did not rely on that argument at all. He had already set out his stool in the *Theory of Moral Sentiments*, that this is quite untrue. We are not the individual set out by the Chicago School of economics, and their interpretation of Smith is utterly irreconcilable with his own moral philosophy.

What Smith called sympathy, we now call empathy, and it is present in almost everyone without exception; only those with severe mental health conditions might suppress this human response. We instinctively relate to the experience of others. Our well-being is therefore tied to what we see and imagine of the suffering of others. This is what impacts our everyday lives.

For example, we can imagine the fear of those in conflict zones right now. People in the Middle East are living with real and present danger at present, and there's not one of us who I think cannot imagine the fear that they suffer both for themselves and for their families. The same is true, by the way, of people living in Israel. I also think that they are facing serious risk, and I feel for them as well.

Political leaders may deny this, but people actually feel these sentiments. Fear exists globally, nationally, and within all our communities. This is a matter of fact. That's the point I'm making. We can extrapolate from an extreme situation to our neighbours and understand that very often fear is the one sentiment that undermines the well-being of people, and this is a fact that we all can hold in common.

Economic insecurity is creating widespread anxiety around the world. Social division and prejudice is deepening that fear. If Smith is right, this affects all of us, and I think Smith was right. Ignoring fear does then reduce overall well-being within our economy, and so addressing fear is not just something we do out of being kind or nice. It's actually an economic necessity.

The idea of isolated individuals is, as a matter of fact, fundamentally false. Our well-being is interconnected with that of others. Economics must recognise this shared dependency. That is my argument. Well-being cannot be delivered in isolation. It requires collective conditions that support everyone.

We need, therefore, a politics that is grounded in care for others. We need an economics that creates hope and not fear. We must ensure that there is enough for everyone to live on securely within our economies. That is a basic requirement for well-being. That freedom from fear and a belief that no one should go without should be a core economic goal, and that reflects Smith's original moral insight.

Neoliberalism is based on indifference to others. It promotes division and at times a culture of hate. This is what has led us to today's economic and social crisis. The system undermines the well-being it claims to create. It fails on its own terms as well as morally. We must, then, rethink the foundations of political economy. Care must replace

indifference as our guiding principle. Empathy must be central to economic thinking. This is essential for our future well-being. This is what this channel is seeking to explore. This is what I believe in.

What do you believe in? Do you believe that being selfish is a better sentiment than caring? Do you believe that the well-being of others has an impact on your well-being? Do you believe that you act on that sentiment of care? Let us know. There's a poll down below. Leave us your comments, and if you like this video, please indicate that fact by ticking the box below and share the video with whoever you want. And if you want to, please make a donation, because it costs money to create these videos, and that would help no end.

Poll

[poll id="358"]