Adam Smith on Virtue, Prosperity, and Justice

James R. Ottesen

The reception of Adam Smith’s political economy has undergone a sea change. For almost two centuries, Smith was hailed as the founding father of capitalism, with his 1776 Inquiry into the Nature and Causes of the Wealth of Nations seen as the definitive case for free trade and free markets. Since the 1970s, however, a succession of commentators has claimed that Smith was not a classical liberal after all but more like a progressive liberal: his concerns for the poor, his worries about the damage that excessive division of labor can do to workers, his criticisms of merchants and monopoly corporations, and his apparent support for progressive taxation are all taken as evidence that he was no supporter of laissez-faire. Indeed, some have gone so far as to claim that Smith was a proto-Marxist. So who is the real Adam Smith?

The problem is exacerbated by the fact that Smith wrote only two books: his Theory of Moral Sentiments, first published in 1759, and then Wealth of Nations, first published in 1776. The former focused its analysis on what Smith called our natural desire for “mutual sympathy” of sentiments (TMS I.1.2), while the latter focused its analysis on what Smith claimed was our “desire of bettering our condition,” which, Smith continued, was a desire that “comes with us from the womb, and never leaves us till we go into the grave” (WN II.iii.28). Several prominent German scholars in the nineteenth century thought that the two books thus offered conflicting conceptions of human nature and human motivation, assuming sympathy to be an other-regarding motivation and the desire of bettering one’s own condition to be a self-interested motivation. The German scholars gave it the grave name “Das Adam Smith Problem.” Although their formulation was in important respects misguided—more on this in a moment—nevertheless it signaled an important question that remains with us today, namely, “How do markets and morality mix?” Smith’s answer to that question might thus help us understand how we should construct a system of what Smith called “political economy” that can integrate economics and virtue.

In what follows, I begin with an overview of Smith’s account of virtue. I then turn to his conception of justice, and after spelling it out, I raise an objection to it, drawing on recent criticism that might fall under the heading of “social justice.” I suggest what I think would be three “Smithian” responses to the objection, and then conclude by considering a connection between Smithian justice and equality that might underlie a broader claim about a Smithian connection between economics and virtue.

1. Smith’s Account of Morality and Virtue

Smith argues that moral standards arise as a result of an interactive social process. Since human beings live in different times and places, the systems of commonly shared moral standards vary in their details but since human beings also share, in some specific respects, a common human nature, their moral systems also enjoy significant overlap. The element of human nature most crucial for Smith’s account is what he calls the desire for mutual sympathy of sentiments. Smith’s usage of “sympathy” is broader than mere pity: “Pity and compassion are words appropriated to signify our fellow-feeling with the sorrow of others. Sympathy, though its meaning was, perhaps, originally the same, may now, however, without much impropriety, be made use of to denote our fellow-feeling with any passion whatever” (TMS I.1.1.5). The desire for the mutual sympathy of sentiments is, according to Smith, the desire to see our own sentiments, whatever they are, reflected in others: “nothing pleases us more than to observe in other men a fellow-feeling with all the emotions of our own breast; nor are we ever so much shocked as by the appearance of the contrary” (TMS I.1.2.1).

This desire is the sine qua non of Smith’s theory. Smith believes it is what drives us into society, what motivates much of our conversation and conduct, what leads us to moderate our sentiments and behavior so that they more closely accord with what others would expect, and what ultimately gives rise to the habits and rules of moral judgment that come to constitute commonly shared morality. Smith provides many examples that he believes show that we not only feel, to varying degrees, the “sentiments” of others but that we also receive pleasure from realizing or imagining that our sentiments correspond with theirs. Though this is a descriptive claim for Smith, he nevertheless believes it serves as the mechanism that generates what we regard as “moral” sentiments. Here is how Smith thinks the process works. We are born, he thinks, with no morality whatsoever. A baby knows only its own wants, with no notion of a
proper (or improper) thing to ask for, of a proper (or improper) way to ask for it, or of shame or remorse for having asked for something it should not have been asked for. The baby attempts to have its wants satisfied simply by alarming its caregiver with howls and cries. According to Smith, it is not until the baby begins interacting with other children that it has joying experiences leading it to realize that it is not the center of everyone's life. This is the child's introduction into the "great school of self-command" (TMS II.1.3.32); the experience of being negatively judged by others generates in the child the displeasure associated with not sharing a mutual sympathy of sentiments (MSS). When one becomes aware that others do not share one's sentiments, one feels embarrassed, disgraced, isolated. The degree of one's displeasure depends on the particularity of the situation, but it is always unpleasant. When the child is spurred by its playmates, it causes the child to cast about for a way to relieve the displeasure. Eventually the child comes to modify his behavior to more closely match the expectations of his playmates. When he does so, a new pleasure is experienced, that of the mutual sympathy of sentiments (MSS), and a new and permanent desire for that pleasure has been aroused.

From that point on, according to Smith, the child regularly engages in trial-and-error investigation into what behaviors will achieve this sympathy and thus satisfy this desire.

This investigation encourages the individual to discover and then adopt rules of behavior and judgment that increase the chance of achieving mutual sympathy. By the time the individual becomes an adult, he has adopted, often unconsciously or only implicitly, a wide range of principles of behavior and judgment. Because everyone else is similarly engaging in the same investigation, our desire for mutual sympathy of sentiments thereby generates, via an invisible-hand mechanism, commonly shared standards of behavior and judgment and even a shared system of morality. It is an invisible hand because the agents in question do not intend to create a shared system of morality—they intend only to achieve mutual sympathy here, now, with this person. In so doing, however, they (unintentionally) establish the precedents and behavioral habits that will generate, constitute, and maintain a shared system of expectations and sentiments.

For Smith, then, the principles informing moral judgments are generalizations arrived at inductively on the basis of past experience. The experience in this case is of our own approvals and disapprovals of our own and others' conduct, as well as of our observations of others' approvals and disapprovals. Frequently repeated patterns of judgment can come to have the appearance of moral duties or even commandments from on high, while patterns that recur with less frequency will enjoy commensurately less confidence.

That is Smith's basic account. Let me now elaborate on three of its elements: "sympathy," moral objectivity, and utility.

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1.1 Sympathy

Though there is more to the "Adam Smith Problem" than many contemporary scholars allow, nevertheless its early versions rested on a crucial mistake. Smithian "sympathy" is not a motive to action at all. It is, rather, the "concord" or "harmony" between agents' sentiments. It is generated, moreover, not by more observance of another's sentiments, but, rather, by a comparison of a person's sentiments against what one imagines would be the sentiments generated in either oneself or in an impartial observer in the same situation as the "person principally concerned" (PPC).

Whether a sympathy of sentiments is achieved in any given case is dependent, for Smith, on the degree to which we can "bring home to our own breast the situation of those principally concerned" (TMS II.1.5.3 and passim). And this, in turn, is dependent on several factors: our knowledge of the PPC and of the PPC's situation; our willingness to "enter into" the PPC's situation imaginatively; our skill at imaginatively fleshing out another's situation; what our experiences have been with the PPC, with people like the PPC, and with situations like the PPC's; and so on. This means that the process of seeking sympathy of sentiments is complicated and delicate, and it frequently, despite our mutual desires, fails. Some have argued that Smith's description of the process of passing a moral judgment is indeed too complicated to be an accurate portrayal of what we do. But the process is not obviously more complicated than, for example, driving a car in traffic, and if, as Smith suggests, it involves skills, then, as with driving, practice can lead to better, or at least more routine and less deliberate, performance.

Smith believes that the level of propriety of most sentiments lies "in a certain mediocrity," by which he means that the "pitch" of one's passions must not be too high or too low (TMS II.1.5c.1). This is the natural result of the interactions Smith believes go on between the PPC, who wants others to enter into his sentiment, and the spectators, who are not as inclined to enter into them: they settle on a level somewhere in the middle. As those negotiations are executed over and over again, patterns emerge that become the equilibrium default settings. Deploying "self-command" to keep one's behavior close to those levels typically results in MSS, while straying too far from them results in a lack of sympathy or even antipathy unless special circumstances obtain.

Although Smith's analysis might not qualify as a proper moral injunction, it does indicate that there are incentives at work leading us in mutually beneficial ways. Given that you desire MSS, and given that your chances of achieving it increase with the delicacy of your imagination and the accuracy of your judgments, you should strive to hone your skills of imagining others' situations. If you do so, you will thereby increase the chances of satisfying your own desire for MSS, while simultaneously—if unintentionally—providing
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others with the MSS they also desire. Though Smith does not use the phrase “invisible hand” here, I suggest that this is an invisible-hand argument nonetheless. Language from WVN applies here, mutatis mutandis: as each of us strives to satisfy his own desire for MSS, each of us is encouraged to behave in ways that enable others to satisfy his desires for MSS, thereby leading to behavior that “is most advantageous to the society” (see also WVN IV.9.4); thus each of us “is in this, as in many other cases, led by an invisible hand to promote an end that was no part of his intention” (WN IV.8.9).

1.2 Moral objectivity

In a striking thought experiment, Smith asks what sort of moral judgments a person would make, and what sort of moral sentiments he would have, if he grew up entirely alone: “Were it possible that a human creature could grow up to manhood in some solitary place, without any communication with his own species, he could no more think of his own character, of the propriety or demerit of his own sentiments and conduct, of the beauty or deformity of his own mind, than of the beauty or deformity of his own face” (TMS III.1.3). He might have a sense of which things in his environment conduced to his ends and which did not—whether things “pleased or hurt him” (ibid.)—but he would have no sense of propriety or impropriety of his own behavior. The reason is suggested by Smith’s continuation of the thought experiment: “Bringing him into society, and he is immediately provided with the mirror which he wanted before” (ibid.). What the solitary man lacked while in isolation is experience of the judgment of others, which makes him confront his own behavior: this is the social “mirror” to which Smith refers. Once in “society” with other humans he experiences their (sometimes negative) judgments, and his formerly latent desire for mutual sympathy of sentiments is triggered, initiating the process of gradually developing moral sentiments.

This thought experiment provides two key elements indicating the moral objectivity Smith thinks our moral judgments enjoy: (1) moral judgments are the products of rules that develop historically and are not externally fixed or handed down from on high; (2) they originate from and depend upon human “society” and interaction. Smith repeatedly describes the sentiments of morality as unfolding according to a process of negative and positive feedback dependent upon whether people achieve or fail to achieve MSS. Smith writes of the solitary man:

Bringing him into society, and all his own pastimes will immediately become the cause of new passions. He will observe that mankind approve of some of them, and are disgusted by others. He will be elevated in the one case, and cast down in the other; his desires and aversions, his joys and sorrows, will now often become

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the cause of new desires and new aversions, new joys and new sorrows: they will now, therefore, interest him deeply, and often call upon his most attentive consideration. (TMS III.3)

Smith here recapitulates the process through which he believes all humans normally go when they transition from infants with no sense of moral propriety to adults with a sophisticated sense of it. The moment in that process described here—when the solitary man is brought “into society”—is analogous to the moment Smith elsewhere describes as normally occurring to children when they first play with their mates and thus enter “the great school of self-command” (TMS III.3.22).

The mutual adjustment of sentiments and behavior that begin upon this first experience of being judged by others leads to the development of habits and conceptions of behavior, and then gradually, Smith thinks, to “general rules of morality”: “It is thus that the general rules of morality are formed. They are ultimately founded upon experience of what, in particular instances, our moral faculties, our natural sense of merit and propriety, approve, or disapprove of…” The general rule… is formed, by finding from experience, that all actions of a certain kind, or circumstances in a certain manner, are approved or disapproved of” (TMS III.4.8). Note the repeated emphasis on experience: Smith’s argument is apparently that there is no way to form moral judgments other than by relying on one’s experience of what one’s self and others approve or disapprove. This act of generalizing from one’s past experience is also what generates the perspective of the “impartial spectator” by which we judge ourselves. When judging our own conduct, we engage in a kind of moral triangulation. When we behave in a certain way towards another person, we have not two but three perspectives to consider: “We must view [our sentiments], neither from our own place nor yet from his [that is, the object of our actions], but from the place and with the eyes of a third person, who has no particular connexion with either, and who judges with impartiality between us” (TMS III.3.3). In practice, Smith thinks we accomplish this feat of triangulation often unconsciously: “habit and experience have taught us to do this so easily and so readily, that we are scarce sensible that we do it” (ibid.). Our moral standards thus arise from “habit and experience,” not from apprehension of first principles, and they are pragmatically oriented towards the actual purposes and experiences people have.

But are they right? If the standards of morality are merely the coalescence of our inductively arrived-at generalizations based on our past contingent experiences, then are they not simply a creature of the particular place and time in which one lives? And how could Smith’s account provide any normative reason, beyond strategic prudence, to follow them?

In the process of passing judgment, what one does, according to Smith, is consult the relevant general rules, ask whether the sentiment or behavior one
is judging comports with those rules, and thereby deduce whether it should be approved. Such a deduction might approximate the following form:

Step 1: Observe that a "stranger passes by us in the street with all the marks of the deepest affliction" (TMS I.1.3.4).
Step 2: Apply the general rule that, unless there are special circumstances, a person should not behave like that in public.
Step 3: Realize that there are no special circumstances in this case.
Step 4: Therefore disapprove of his behavior.

The disapproval is caused by our realization that the stranger's behavior is inconsistent with the general rule. But the rule has no special authority of its own; it is merely our shorthand heuristic representing what an imagined "impartial spectator" (TMS I.1.5.4 and passim), whose perspective is formed by induction from our past experiences, would hold in the present case.

Suppose, however, "we are immediately told that he [the stranger] has just received the news of the death of his father" (TMS I.1.3.4). Now the deduction changes:

Step 1: Same as Step 1.
Step 2: Same as Step 2.
Step 3: Realizing that this is a special circumstance, apply a new rule based on the nature of the special circumstance in question: People who recently learned of the death of a close relative are given far more latitude to express their emotions, even publicly.
Step 4: Realize that this stranger's public display falls within the proper scope.
Step 5: Conclude that it is now "impossible that, in this case, we should not approve of his grief" (TMS I.1.3.4).

Moral standards that arise in the way Smith describes are thus what John Searle calls "institutional facts," which "are portions of the real world, objective facts in the world, that are facts only by human agreement."10 They are, using Searle's terminology, ontologically subjective, meaning that their existence depends on the beliefs and attitudes of particular agents; on the other hand, they are epistemically objective, meaning that it is not simply a matter of any single person's opinion whether they exist or not or what their basic features are. Their existence and nature are rather a matter of objectively ascertainable fact. I call this a "middle-way" objectivity, not directly dependent on any transcendent sanction—like God, pure reason, or natural law—and yet neither arbitrary nor dependent on any person's individual opinion.17 They are objective facts of our social reality. This objectivity arises because they are the result of the invisible-hand process of local (micro) behaviors creating general (macro) patterns of order. It also arises because the shared standards rely on and develop in consequence of certain features of our common human nature. In particular, our desire for MSS. A community's moral standards will, Smith says, vary along less important themes—conventions of dress, forms of greeting and address, and so on.14—in the complete description of any given community's shared system of morality will be itself both unique and changing, at least at the margins. Nonetheless, because of our shared humanity and the overlapping commonalities of the human condition, certain rules will almost invariably obtain—in particular, what Smith calls the "rules of justice," to which we return momentarily.

I.3 Utility

Smith's account suggests that moral systems can be judged by utility. He did not envision an exact mathematical calculation or a summation of individual utility functions, but he does seem to believe that an empirical judgment can be formed about whether a given set of rules conduces to people's well-being.19 His expectation is that the systems of order produced will send overall and in the long run be beneficial rather than harmful. Because each person is always acting to better his own condition, the rules of behavior and judgment that the community develops tend to be conducive to everyone's benefit.20

The role Smith ascribes to utility in morality is more complicated, however, than this description would suggest. Early in TMS, Smith writes, "Philosophers have, of late years"—he is thinking of Hume—"considered chiefly the tendency of affections, and have given little attention to the relation which they stand in to the cause which excites them. In common life, however, when we judge of any person's conduct, and of the sentiments which directed it, we constantly consider them under both these aspects" (TMS I.3.5.8). Smith continues, "The utility of those qualities [viz., the intellectual virtues], it may be thought, is what first recommends them to us; and, no doubt, the consideration of this, when we come to attend to it, gives them a new value. Originally, however, we approve of another man's judgment, not as something useful, but as right, as accurate, as agreeable to truth and reality" (TMS I.1.6.4). These passages contain not one but two levels of explanation for a moral judgment.21 The first is the deduction from the applicable general moral rule of approval or disapproval, as described earlier. This is the level that Smith here describes as what one does "originally," and a sentiment's or behavior's comportment with the relevant rules is, I suggest, what he describes here as "right, as accurate, as agreeable to truth and reality." The second level of explanation, however, pertains to the origin of the general rules themselves: to the winnowing and calling market-like process by which rules of morality are selected according to whether they conduce to MSS. When Smith writes that the "idea of the utility of all qualities of this kind, is plainly an after-thought, and not what first recommends them to our
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The concept of justice is central to Smith's analysis of utility and virtue. He argues that justice involves the equitable distribution of benefits and burdens, and that it is a moral virtue that guides human behavior. Smith distinguishes between positive and negative conceptions of justice, and he discusses the role of utility in shaping justice.

Smith observes that the concept of justice is closely linked to the idea of utility. He notes that the pursuit of utility often leads to decisions that may be seen as unjust by some. However, Smith argues that these decisions can be justified if they are consistent with the overall utility of the society. He cites examples of situations where individuals or groups may act in ways that are seen as unfair, but which ultimately contribute to the greater good.

In conclusion, Smith emphasizes the importance of considering the utility of actions when making judgments about justice. He argues that justice is not a static concept, but is instead a dynamic force that evolves as society changes. He contends that the best way to achieve justice is through a continuous process of evaluating the utility of actions and adjusting our moral judgments accordingly.

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Smith's views on justice have had a lasting impact on moral philosophy and economics. His ideas have been influential in shaping modern conceptions of justice and fairness. Despite the challenges he faced in his own time, Smith's contributions to the field of justice continue to be relevant and influential today.
argues, it is "sufficient to recommend, but by no means necessary to impose" beneficence (TMS II.iii.3.4). Thus justice is both necessary and sufficient for the existence of society, while beneficence is neither necessary nor sufficient. That means that they enjoy a lexical priority—justice first, beneficence only thereafter—and, if we assume that the state is justified in providing only what is necessary for human society, then it follows that it is justified in providing only justice.

A second reason Smith supports this "thin" conception of justice is its relative ease of administration in terms of (1) capturing its essence in simple rules, (2) detecting infractions of it, and (3) remedying infractions. By contrast, beneficence is far more difficult to describe in rules, far more difficult to detect in its absence, and far more difficult to remedy.17 Unlike infractions of justice, improper beneficence can be detected and adjudicated only on the basis of detailed, context-specific knowledge of the situation and persons involved in particular cases. We might all agree, for example, that we should be generous and that generosity is a virtue; nevertheless, it would be very difficult to generate a set of precise rules that will allow us to determine what generosity requires of me, here, now. In practice, we have to rely on practical judgment, which Smith, like Aristotle, believes does not operate by mechanical execution of general rules.

Thus Smith believes that his negative conception of justice allows for a proper sensitivity to individual circumstances. What counts as being sufficiently generous depends on the particular circumstances of the case in question: the history and situation of the people involved, their available means and tradeoffs and opportunity costs, and even their goals and ambitions are all material considerations. There is also typically a range of behaviors or actions that might qualify as properly beneficent, which means that no single course of action will be required to satisfy one's obligations. Therefore, beneficence cannot plausibly be incorporated into the definition of justice, which, because it can license correction, requires predictable and relatively precise application of clear rules. Smith's thin concept of justice restricts it, therefore, to those few areas of conduct that it can plausibly and effectively address, and leaves to localized judgment the determination of what positive beneficence requires in light of particular circumstances.

3. A SOCIAL-JUSTICE OBJECTION TO SMITH

Those are some of Smith's reasons for his conception of justice, but what are some reasons to object to it? To start, it fails to rectify, or even address, material inequality. It does presume a formal equality insofar as it holds all people equally subject to its conception of justice, but it would not deem material inequality per se as injustice. It would also run afoul of a lack egalitarian conception of justice that requires inequalities due to things other than deliberate choice (properly defined) to be reduced to the extent possible or feasible.38

But let me raise a social-justice objection that can be adapted from an argument John Tomasi has given recently in defense of what he calls "market democracy."39 Tomasi argues that social justice, which pays attention not only to the rules regarding acquisition and transfer of property but also the resulting patterns of holdings, should be a robust concern of all political theorists, including those espousing market economies. Tomasi finds wanting the argument that holds that the free market is justified because it adheres to proper principles of acquisition and transfer, but holds that its (allegedly) beneficial effects for the poor are merely a happy consequence. Instead, Tomasi argues that concern for proper distribution of holdings, which focuses in particular on the holdings of the poor, should be a central aspect of both the analysis and putative judgment in favor of market economies. Tomasi laments "Traditional classical liberals and libertarians oppose social justice so strongly that their reaction seems almost biological," adding that their resistance is "a malady that I shall call social justice."39 Tomasi's argument is that the Rawlsian "justice as fairness" argument should (1) be taken seriously even by (classical) liberals like Adam Smith and (2) that the market's relative ability to realize the social justice implied by "justice as fairness" should be an integral component in the evaluation of market economies. "In a just society, institutions and rules should be crafted so that whatever broad patterns of inequality emerge reflect our commitment to respecting all citizens as valued members of a cooperative whole."39 Even more recently, Thomas Piketty took a similar position when he argued, "social inequalities are acceptable only if they are in the interest of all and in particular of the most disadvantaged social groups."40

This objection to Smith relies on a conception of justice that requires us to take positive action to remedy at least some kinds of inequalities that, as both Smith and Piketty put it, are inconsistent with social justice.41 Although "social justice" is defined differently by different people, one common feature is what I call the Incorporation Doctrine, or the incorporation into negative justice of at least some positive moral obligations—typically a positive requirement to help the poor, the powerless, and perhaps the undeservedly unlucky. The social justice argument suggests that the Smithian conception of justice, including the limitations it places on justified state action, is too narrow because (1) it disallows too many important vehicles for the alleviation of misery and suffering, (2) it fails to acknowledge any corporate or public obligation towards those less fortunate, and (3) it seems unfair to privilege
3.1 First argument defending Smith’s conception: Knowledge

Let me now propose three considerations that I think a “Smithian” would marshal in defense of Smith’s thin conception of justice.

The first is based on what I call Smith’s Local Knowledge Argument (LKA); given that everyone has unique knowledge of his own “local” situation, including his goals, desires, and opportunities, each individual is therefore typically the person best positioned to make decisions about what courses of action he should take to achieve his goals. That does not mean that people are infallible in judging their own situations, but rather that individuals have a better chance of knowing how best to use their own resources and what courses of actions to take to achieve their own goals than do third parties because they are more likely to possess the knowledge required to make such determinations reliably. Because third parties do not know your schedule of values, your opportunity costs and tradeoffs, or your tastes and preferences, the LKA implies that they are unlikely to be able to make reliable judgments about how you should allocate your scarce resources and energies.

A challenge to the LKA comes, however, from recent non-behaviorist work informing public policy—as found, for example, in Thaler and Sunstein’s Nudge, which argues that experts should arrange the way options appear so that people are more inclined to choose things they should. An example will illustrate both the challenge and the Smithian position. Suppose the mayor of your city has banned soft drinks over sixteen ounces out of concerns for the growing incidence of obesity. But you like a big soda with your pastrami sandwich, so because of the ban you decide not to go to a particular deli for lunch today. Perhaps you were not dead-set on going to this deli anyway, so something as seemingly trivial as this was enough to tip you in a different direction. The Smithian argues that it cannot be known by the mayor of your city, or by any centralized authority (however expert), whether you were better off going somewhere else because of that large soda ban. It is possible that you would be better off, even if only marginally, but possible does not mean probable. To justify such a ban on the grounds that it would benefit people, one would have to demonstrate, not merely presume, that it would in fact benefit people—or at least that it is likely to benefit people. But this cannot be shown for you, or, probably, for any other single person because such a demonstration would require knowledge of all those crucial facts about individuals and their peculiar circumstances that are unknown, and perhaps unknowable, to centralized experts or policy-makers. The policy imposes costs—on soda drinkers, delis, soda manufacturers, and so forth—but we cannot know whether it is helping anyone because we cannot know (1) what the right amount of soda is for any given person in any particular circumstance, (2) what the opportunities and tradeoffs any individual faces are, or (3) how any given individual will alter his behavior in light of the ban. So the ban imposes certain costs in the hope of uncertain gain.

This Smithian response counts against the Incorporation Doctrine in two ways. First, it claims that mayors, legislators, or other third parties would know neither what exactly to incorporate nor how to do so effectively. The second is a two-step argument: because justice implicates state duties and thus coercion, it claims that a higher threshold of certainty should be met when proposing to incorporate duties into “justice” than into other virtues, and the implication of the LKA regarding the absence of this certainty constitutes a reason to oppose incorporating such positive duties into justice.

3.2 Second argument: Trust

Market-based societies generate material prosperity, yet they seem to require a background ethic that may not be produced by the market order itself. This ethic includes things like keeping one’s word, honest dealing, industriousness, and so on—what Diderot McCloud calls the “bourgeois virtues.” But there is another requirement that, while not a virtue, is still crucially important: trust.

Numerous studies have shown the high correlation between a country’s prosperity and the relative level of trust its citizens have for one another. The higher their background implicit trust, the more prosperity they realize. The less trust, the less prosperity. One can see why: if people do not trust one another to keep their promises and not to steal, even if confronted with what Robert Frank calls “golden opportunities,” then there is significant incentive not to enter into cooperative agreements in the first place, thereby negatively affecting the production of prosperity. The question is: how do we create, and then maintain, a high-trust society? I do not believe anyone has quite figured that out yet. But what we can show is one principal threat to trust: namely, the Incorporation Doctrine.

Social justice requires that we ask ourselves, when contemplating action, what the likely consequences might be, and then act on whatever it seems would lead to the best overall consequences. This position implies that there are no specific actions that must always be followed or avoided; instead, we determine, on a case-by-case basis, what potential action we might take that we judge would lead to increasing utility (or perhaps to quitting social justice) and that judgment determines what we do. Thus in my associations with you, although my default might be to keep my promise to you, nevertheless I deliberate about what I should do this time, and I will do so every time
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I make a promise to you; similarly, I will deliberate about whether I should steal from you or not, every time I am faced with an opportunity to do so; and so on. You will do the same.

Put aside for the moment whether the intent or even the ultimate result of the actions I take as a result of these deliberations is beneficial. Consider instead merely the effects of the uncertainty that is generated when you do not know whether I will steal from you or keep my promise to you. Perhaps you have run your own calculation and determined that, all things considered, I should keep my word and not steal, and this initially inclines you to cooperate with or trust me; but then you realize that you cannot know whether my own calculations will run the same way—and nothing I can tell you will give you dispositive evidence one way or another, because my statements will also be subject to my calculations. You thus realize you can have little confidence in your ability to predict what I will do, which means you cannot know whether I will default or steal from you this time. But since you know that fraud or theft will leave you worse off, your uncertainty about what I will do generates a disincentive for you to cooperate with me. Thus whatever gains we might have achieved from our associations with one another are foregone.

As this process is repeated across society—meaning, as more and more people employ a social-justice ethic to guide their actions—more and more potentially mutually beneficial gains are forgone, leading to real, if perhaps unseen, losses.24

By contrast, if the people in a society have a background ethic that includes following Smithian rules of justice no matter what, then trust, and hence cooperation, is encouraged. Because Smithian justice debars the central threats to mutually beneficial cooperation—namely, assault, theft, and fraud—it is relatively easy to require and thus relatively easy to rely on. It can thus consolidate trust in society, which is a necessary element for generating prosperous cooperation.

3.3 Third argument: Failure to launch

Finally, a third argument a Smithian would marshal in defense of his thin conception of justice is this: being both undeservedly unlucky and suffering reasonable disappointment does not necessarily justify rectification.

An example will illustrate. Suppose Jack and Jill have been dating for some time; they are in love, and Jack is preparing to ask Jill to marry him. His expectation is that she will say yes, and Jill, for her part, not only expects Jack to ask but also plans to accept. Right before Jack asks Jill to marry him, however, Jill unexpectedly meets Joe. Joe and Jill fall madly in love, and they decide to elope. Jack, of course, is devastated. He has invested a lot of time, energy, and emotion into his relationship with Jill he developed reasonable expectations that their relationship would continue indefinitely into the future, and his disappointment at this sudden, unforeseen, and unlucky change of fortune is both understandable and lamentable. We feel for Jack (and no doubt Jill) does as well. But should we do something about it? What? Prevent Jill from marrying Joe? Prevent people like Joe from meeting or courting people like Jill? Should we allow Jack to sue for damages or demand compensation? The answer to all these is, it seems obvious, no. Jack's disappointment at this undeserved bad luck is entirely reasonable, but he has no right to be with Jill. He has no right to Jill's affections or to her company; he has no right to prevent Joe from associating with her if he and she so choose; and he has no right to punish either of them, or anyone else, if they choose differently from what he wishes they would.

The same applies to firms that go out of business in market economies. Suppose I have been frequenting Coffee Shop A for some time, and the owner has come to expect that I will continue to do so; indeed, I expect I will continue to do so. Then Coffee Shop B opens, and I am surprised to discover that I like its offerings better; I therefore stop going to Coffee Shop A. Does the owner of Coffee Shop A have any rights against me? No, for the same reasons Jack has none against Jill: bad luck and reasonable disappointment do not justify a demand for punishment or compensation. If enough people turn out to prefer Coffee Shop B that Coffee Shop A can no longer remain in operation, Coffee Shop A still has no claim to press; people are entitled to patronize whatever coffee shop they wish. The losses that Coffee Shop A may come to suffer are real, but they generate no justifiable limitation on others' choices or on others' behaviors. We can lament the losses, we can provide our own help to Coffee Shop A's owner or employees, and we can try to convince people not to patronize Coffee Shop B but to patronize Coffee Shop A instead. But we may not force people to patronize Coffee Shop A who do not wish to, and we have no more justification in imposing costs on people who choose not to patronize Coffee Shop A than Jack does in imposing costs on people who choose not to marry him.

In both of these cases, we have undeserved back luck and reasonable expectations that went unfulfilled. Smithian justice denies that you may seek reparation or compensation unless you were done "positive hurt" in your person, your property, or your expectations generated by voluntary promises; since none of those obtain in either of these cases, neither Jack nor the owner of Coffee Shop A can generate a claim of injustice and thus neither of them can justifiably call on state or other third-party coercive intervention.

By contrast, the social justice position holds that justice can require compensation either because of (undeserved) bad luck or because your legitimate expectations were not fulfilled—and especially if both those obtain.40 But I think that these examples indicate that the Smithian conception is more plausible. Bad luck and real disappointment are regrettable, and in specific
dinner, but from their regard to their own interest" (WN II.4.2), some see this as an admission of the fundamental selfishness that motivates market-based economies. For Smith, however, it is a profession of respect. If the rules of justice preclude my commanding your obedience or mandating that you trade or exchange or labor in only the way I want, then the sole means left at my disposal to cooperate with you is by focusing on your needs and desires, and treating them as equally important to mine. As long as you retain the right to say "no, thank you" and go elsewhere, I am disciplined to respect you, your desires, and your wishes, and to treat them as equal in importance to my own. Otherwise you will indeed go elsewhere. For Smith, then, mutually voluntary market transactions preserve a profound equality of moral authority.

Thus while Smithian political economy does not forbid inequality in material outcomes, it does require an equality of respect for moral agency. Smith's conception of justice applies equally to all people: we must respect the person, property, and promises of every person, regardless of status. The prospects of growing prosperity that his political economy promises are possible only if we act on a mutual respect for all parties. If, however, a fully virtuous life also requires numerous, context-specific acts of positive beneficence—which Smith argues it does—then such obligations fall not on the state or other third parties but on us as individuals. The Smithian requirements of virtue, then, are perhaps more demanding than one might have suspected: justice towards all, beneficence towards those whom we credibly believe we can actually help. Constraining the state to the enforcement of the rules of justice would not exhaust virtue, but on Smith's argument it would enable the prosperity required of us as individuals to effectuate the remaining positive aspects of virtue. Smith's conception of justice, then, though "thin," is for him the deep connection between economics and virtue; it is the first, necessary step towards enabling not only a prosperous society but also a fully virtuous life, both for ourselves and for others. For these reasons, I suggest it warrants consideration both from proponents of classical-liberal negative liberty and from progressive and liberal proponents of social justice.

NOTES


2. See, for example, Samuel Hirschacker, A Third Concept of Liberty: Judgment and Freedom in Kant and Adam Smith (Princeton: Princeton University Press, 1999), On Adam Smith's Wealth of Nations: A Philosophical Companion (Princeton University Press, 2004), and A Short History of Distributive Justice
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6. Here are three of Smith's examples: we agonize when we see "our brother" upon the rack even when we ourselves are not threatened (TMS L1.2); we "naturally shrink and draw back our leg" when "we see a stone aimed and just ready to fall upon the leg or arm of another" and the "mob, when they are gazing at a dancer on the slack rope, naturally withes and twist their own bodies, as they see John do" (TMS L1.1.3). 7. And displeasure it is. A small but, for Smith, telling example: "A man is mortified when, after having endeavoured to divert the company, he looks round and sees that nobody heeds at his jests but himself" (TMS L1.1.3).

8. Smith's audience for the lectures on which TMS was based was all male, a fact reflected in various references retained in TMS to "our" sex as opposed to the "fiair" sex, and so forth. For this reason, and not to be slyly questions, I retain Smith's use of the masculine pronouns throughout.

9. See TMS L1.2.


14. Also required is what Smith calls "self-command," from which Smith says "all the other virtues seem to derive their principal justitue" (TMS IV.12.11).

15. Smith summarizes this process in an abbreviated but arguably clearer way in a crucial letter to Gilbert Elliot dated October 10, 1759 (in The Correspondence of Adam Smith, Ernest Campbell Mossner and Ian Simpson Ross (eds.), 2nd ed. (Oxford: Oxford University Press, 1987), 48-57; see especially 54-5).


18. See TMS V.2.1 and V.2.7-8.

19. Feinsochnecker interprets Smith quite differently, see Feinschneider, On Adam Smith's "Wealth of Nations."

20. Scholars disagree about whether Smith was ultimately an optimist or a pessimist about such "natural" systems of order. See James E. Alvey, Adam Smith: Optimist or Pessimist? A New Problem Concerning the Teleological Basis of Commercial Society (Rutgeling: Ashgate, 2003); Lauren Brucker, "Why Adam Smith Is Neither a Conservative nor a Libertarian," The Adam Smith Review 2(2006): 197-202; and Craig Smith, Adam Smith's Political Philosophy.

21. Failure to discern these two levels leads some commentators to find Smith's position on utility "puzzling"; see Robert Shaver, "Values, Utility, and Rules," in Haakonssen, The Cambridge Companion to Adam Smith, 189-213.


39. We need not spend time defining “best”: assume it means something relatively uncontroversial, like producing the most overall good, reducing the most misery, or perhaps Rawls’s maximin principle of redounding most to the benefit of the least advantaged in society.

40. Smith writes: “The moment he thinks of departing from the most staunch and positive adherence to what those inviolable precepts (of justice) prescribe to him, he is no longer to be trusted, and no man can say what degree of guilt he may not arrive at. The thief imagines he does no evil, when he steals from the rich, what he supposes they may easily want, and what possibly they may never know has been stolen from them. The adulterer imagines he does no evil, when he corrupts the wife of his friend, provided he covers his intrigue from the suspicion of the husband, and does not disturb the peace of his family. When once we begin to give way to such refinements, there is no enormity so gross of which we may not be capable” (TMS III.6.10).


42. See Ottosen, Adam Smith’s Marketplace of Life.