



“Summary of article by John Salter: Adam Smith on Justice and Distribution in Commercial Societies” in Frontier Issues in Economic Thought, Volume 3: Human Well-Being and Economic Goals. Island Press: Washington DC, 1997. pp. 58-60

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For many years, scholars have debated the relationship between Adam Smith’s concept of justice and issues of distribution. Some argue that income inequality and the needs of the poor are treated by Smith as questions of justice. In contrast, this paper argues that matters of distribution play no part in Smith’s theory of justice. Rather, Smith restricts the scope of economic justice to respect for existing property rights.

SMITH’S DEFINITION OF JUSTICE

Smith based his narrow legal definition of justice on the views of seventeenth-century natural law theorists such as Locke, but broke from them in many respects. Smith adopted Grotius’ view that justice means abstaining from taking what belongs to another. This approach led Smith to develop a theory that focused on commutative, rather than distributive justice. Commutative justice concerns injury to a person, his estate, or his reputation; distributive justice involves inequality and the subsistence needs of the poor. In accordance with natural law theorists, Smith associated perfect rights (things one is entitled to receive) with commutative justice, and imperfect rights (things one should receive, but which cannot be compelled) with distributive justice. Violations of perfect rights, such as theft, are punishable, whereas violations of imperfect rights, such as ignoring a beggar’s right to charity, are not punishable.

For Smith, breaches of justice -- violations of perfect rights -- were more serious threats to the viability of society than failures of beneficence -- violations of imperfect rights. He reserved the notion of injustice to those acts that cause injury, rather than those harms that result from indifference; in his view it is the former that tend to destroy the fabric of society.

Smith’s distinction between justice and beneficence is grounded in natural sentiments. Justice stems from a natural sense of resentment that a hypothetical impartial spectator would feel when an injury takes place. By definition, the spectator is able to sympathize with the actors in a situation; if this sympathy gives rise to resentment, then a right has been violated.

TWO ALTERNATE VIEWS: A CRITIQUE

Two recent analyses, relating Smith’s concept of justice to distributional questions, are both problematical. J.T. Young argues that Smith could have analyzed the concept of natural price within the framework of commutative justice.¹ In this view, the impartial spectator is used to

decide whether income distributions that flow from labor and property are just. According to Smith, the right of property owners to be paid for the use of their property rests on the fact that an impartial spectator would agree that they possess the property and could reasonably expect to continue to use it. Young extends this point to claim that the impartial spectator would approve of fair economic returns for time and effort expended, thus coming close to traditional notions of a just price. This approach links the social constructs in Smith's major earlier work, *The Theory of Moral Sentiments* with the economic analysis of *Wealth of Nations*.

Young's view confuses the fundamental distinction that Smith makes between perfect and imperfect rights. Smith argues that rights can only be assigned to those things which are possessed. Private property may confer rights to seek financial reward, but this in no way implies that property owners have an enforceable right to receive this reward. Similarly, the object of the impartial spectator's sympathy is the property owner's expectation of continued possession, not the expectation of a natural rate of reward for a given expenditure of labor, time, and pain. Failure to obtain a natural rate of reward is a loss, not an injury. For Smith, only injury falls within the scope of commutative justice.

The second analysis, by I. Hont and M. Ignatieff, views the *Wealth of Nations* as a detailed answer to the paradox of commercial societies: despite extreme inequality, modern commercial societies are better at satisfying the basic needs of the poor than were earlier, more equal societies.² Smith's answer, according to Hont and Ignatieff, was that the productivity of the modern division of labor and the workings of the invisible hand mechanism combined to guarantee the subsistence of the poor, as an unintended consequence of the self-interest of the rich. Market-based distribution of resources was morally legitimate, therefore, because it provided an adequate minimum for all.

While this is an impressive attempt to relate Smith's central economic themes to his concern for justice, it is unsuccessful in two respects. First, a careful reading of Smith's analysis of the determination of wages makes it clear that he never argued that commercial society would automatically provide subsistence for all. The level of wages is contingent on the rate of accumulation of capital, the rate of population growth, and other factors. Scattered passages of optimism about the market providing for everyone, found in some of Smith's earlier writings, are not carried into the *Wealth of Nations*. Second, Smith's justification for property rights does not derive from the imperative of self-preservation. Thus the right of the poor to survival is not, in his theory, a constraint on the right of private appropriation.

SMITH ON PROPERTY RIGHTS

Smith wrote at a time when the views of natural law theorists were very influential. Some of these theorists held that acts of private appropriation are only just if they do not violate humanity's general right to subsistence. The justice of the original acquisition of property was central to their views of property rights. In opposition to this tradition, Smith argued that property rights emerge only after possession is established; he defines possession of property as the expectation of continued use. Those who are accustomed to possessing and using property have a right to own it because an impartial spectator would share their resentment if it were taken away. (This does not mean that the impartial spectator applies a pre-existing set of moral

standards to make judgments. Rather, the spontaneous reaction of the impartial spectator is itself the standard.)

The existing distribution of property requires legitimation in other moral theories, where people are assumed to possess original rights over resources, or rights to subsistence and survival. By omitting any such rights from his theory, Smith avoided this problem of legitimation, and narrowed his conception of justice. While he cared about the poor and hoped that the market would provide for them, he did not establish this as a right that should be enforceable on society.

The *Wealth of Nations* shows that Smith was unprepared to make unrealistic claims about the ability of commercial societies to satisfy the needs of the poor. The contrast with the optimistic stance of the invisible hand passage of the *Theory of Moral Sentiments*, where Smith claims that the needs of the poor will be taken care of in all societies, is clear enough. His reflections on the extreme inequality and oppression in commercial societies show that he is taking a more realistic view of the benefits of progress and how they are distributed. (312)

The invisible hand of the market can always balance the supply and demand of labor, but the process is often a painful one. There is no happily resolved paradox of commercial society which would soften the blow of this message.

Notes

1. J.T. Young, "The impartial spectator and natural jurisprudence: an interpretation of Adam Smith's theory of the natural price," *History of Political Economy* 18 (1986), cited by Salter, 300.
2. I. Hont and M. Ignatieff, "Needs and justice in the *Wealth of Nations*: an introductory essay," *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment*, eds. I. Hont and M. Ignatieff (Cambridge: Cambridge University Press, 1983), cited by Salter, 300.