

Adam Smith's Implicit Theory of Distributive Justice

Adam Smith wrote at a time when new commercial forces were reshaping national politics, pulling people from the countryside into growing towns, and altering the physical, social, and ideological landscapes. He broke with the mercantilist position, which assumed that all that mattered was the wealth of the ruling classes and the state. Smith argued that the best indicator of a country's success was the prosperity of the workers, created through a commercial system based on natural liberty of self-ownership, equality, liberty, and justice. Although Smith didn't explicitly develop a theory of distributive justice, he considered the interests of the three main social and economic classes in mid-18th century Britain: workers, owners of capital and landlords. Smith thought of equality as a combination of two ideas that were novel at the time: an account of liberty that was rooted in the nascent discipline of economics and a democratic social ideal of dignity for ordinary people. Grounded in Smith's moral philosophy that places human equality as its core value, this paper unpacks his theory of economic growth and efficiency, where rents and wages increase as society develops economically while profit and interest rates fall, thus resulting in an overall fall in inequality.

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Introduction

One of the most significant topics in modern political and economic discourse is how capitalist societies should address growing economic and social inequality. Recent prominent contributions considering the ill effects of inequality have focused on stunted economic growth, reduced social mobility, and impaired democratic processes (Stiglitz, 2012; Piketty, 2020; Wolf, 2023). Others have focused on how inequality violates some standard of justice or fairness (Rawls, 1971; Tomasi, 2012; Chandler, 2023). One of the consequences of being a leading Scottish Enlightenment thinker and a founder of the discipline of economics is that politicians, public intellectuals, and economists have attempted to find inspiration from Adam Smith's work to support their own, often ideologically driven, worldview (Arevuo, 2023). Smith has had the misfortune of either being claimed as a fervent friend of the poor¹ and the intellectual grandfather of modern-day redistributive programmes (Rothchild, 1992; Fleischacker, 2004), a radical egalitarian (MacLean, 2006), while others suggest that Smith's true legacy lies in the libertarian economics of laissez-faire capitalism (Smith, 2012).

Smith saw economic inequality as an inevitable result of a thriving commercial society. He considered a certain degree of it as a motivating factor in

¹Smith referred to 'the poor' as all those who live mainly by their labour and who lack significant property or social position, not only the destitute.

1 encouraging economic productivity: “An augmentation of fortune is the means by
2 which the greater part of men propose and wish to better their condition” (WN II,
3 iii, p. 200). Moreover, Smith considered that the civil government was a helpful
4 by-product of inequality to maintain social and political order: “The acquisition of
5 valuable and extensive property, therefore necessarily requires the establishment
6 of civil government...Civil government supposes a certain subordination” (WN V.
7 ii, p. 298). On the other hand, Smith placed the welfare of the poor at the centre of
8 his political economy: “No society can surely be flourishing and happy, of which
9 the far greater part of the members is poor and miserable. It is but equity, besides,
10 that they who feed, clothe, and lodge the whole body of the people, should have
11 such a share of the produce of their own labour as to be themselves tolerably well
12 fed, clothed, and lodged” (WN I. viii, p. 181). Breaking from the mercantilist
13 position, which assumed that all that mattered was the wealth of the ruling classes
14 and the state, Smith argued that a country's wealth was indistinguishable from the
15 living conditions of its largest class, the workers; the best indicator of a country's
16 success was the prosperity of the workers that was achieved through economic
17 development and growth: “It is not the actual greatness of national wealth, but its
18 continual increase, which occasions a rise in the wages of labour. It is not,
19 accordingly, in the richest countries, but in the most thriving, or in those which are
20 growing rich the fastest, that the wages of labour are the highest” (WN I. viii, p.
21 172).

22 Some scholars have pointed out that although Smith can be considered an
23 egalitarian in natural talents and a supporter of equality under the law and civil
24 rights (Fleischacker, 2016), he expressed contradictory views on economic
25 equality and distributive justice (Niimura, 2016). To better understand Smith's
26 conflicting views, this paper places Smith's perspective on equality in the context
27 of his moral philosophy and the social, political, and economic thought of his era.
28 Smith's views on equality and distributive justice were influenced by other
29 Enlightenment thinkers, including John Locke, David Hume, Jean-Jacques
30 Rousseau², and his teacher Frances Hutcheson. Smith's thinking evolved when he
31 considered equality in the context of the stadial theory of civilisation, namely the
32 idea that the degree of inequality was a function of the stages of economic and
33 social development from a primitive state to a pastoral and then to agricultural or
34 feudal, and eventually to a commercial state. Smith looked back to history to
35 construct a theory of the progression of civilisation built upon his understanding of
36 humanity; his stadial theory explored topics including property rights, explained
37 and created maxims on the development of government administration and state
38 revenue systems, and developed an implicit theory of distributive justice that
39 resulted from the society's movement toward a greater political, social, and
40 economic equality.

41 This paper is structured in three parts. The first section establishes Smith's
42 moral ideal of human equality based on ‘sympathy’ and ‘impartial observer’ as the
43 framework of a moral community of independent and equal people. The second

²There has been a surge of interest in the influence of Rousseau on Smith to argue that he was not a naïve advocate of laissez-faire capitalism or possessive individualism. For fuller discussion, see (Sagar, 2018; Hont, 2015)

1 section considers the conundrum of Smith’s ideal of human equality with his
 2 acceptance of wage inequality between labourers and non-labourers and absolute
 3 inequality between social classes. The article concludes by presenting Smith’s
 4 implicit theory of distributive justice and how a system of political economy could
 5 be designed to preclude steep inequalities and increase society’s overall welfare.

8 **Equality as a Moral Construct**

10 The danger for any modern scholar is to read Adam Smith in a way that
 11 applies our present-day understanding of equality and distributive justice, most
 12 commonly associated with John Rawls’ (1971) justice as fairness, especially the
 13 difference principle that governs the distribution of income and wealth, positions
 14 of responsibility and power, and the social bases of self-respect. Rawls posits that
 15 inequalities in the distribution of these goods and social structures are permissible
 16 only if they benefit the least well-off in society. However, it has been pointed out
 17 that social justice theories can be diverse, including equal liberty, equal income, or
 18 equal treatment of everyone’s rights or needs, but they all have the common
 19 characteristic of wanting equality of something (Sen, 2009). This paper argues that
 20 human equality formed the core of Smith’s thought, and he expanded on
 21 Hutcheson and Hume’s account of moral philosophy by developing the concepts
 22 of ‘sympathy’ (sympathetic imagination that enables us to empathise with the
 23 situation and sentiments of others) and of the ‘impartial spectator’ (an independent
 24 observer of our behaviour and that of others) that culminated in a formulation of
 25 virtue ethics anchored in prudence, temperance, justice, benevolence, and self-
 26 command in commercial society (Arevuo, 2023).

27 Smith developed a framework of equality as a moral community among
 28 independent and equal persons. Therefore, judgments involve “an implicit
 29 intersubjectivity, a projection into the standpoints of independent individuals that
 30 is disciplined by a standard of one among equals” (Darwall, 2004, p. 132) so that
 31 when we make judgments, each person’s perspective is of equal value. Smith also
 32 emphasized that impartiality enabled us to see other people’s interests and views
 33 as of equal value to our own: *“Before we can make any proper comparison of
 34 those opposite interests, we must change our position. We must view them, neither
 35 from our own place nor yet from his...but from the place and the eyes of a third
 36 person...who judges with impartiality between us...and it requires, in this case
 37 too, some degree of reflection, and even of philosophy, to convince us, how little
 38 interest we should take in the greatest concerns of our neighbour, how little we
 39 should be affected by whatever relates to him, if the sense of propriety and justice
 40 did not correct the natural inequality of our sentiments”* (TMS, III, iii, p. 158)

41 Although Adam Smith is widely accepted as a moral egalitarian, he did not
 42 think that all people were equal in virtue, although everyone was capable of
 43 developing virtuous qualities. Smith saw the differing social status among people
 44 primarily as a function of their environments rather than individual, innate
 45 characteristics: *“The difference of natural talents in different men is, in reality,
 46 much less than we are aware of; and the very different genius which appears to*

1 *distinguish men of different professions, when grown up to maturity, is not upon*
 2 *many occasions so much the cause as the effect of the division of labour. The*
 3 *difference between the most dissimilar characters, between a philosopher and a*
 4 *common street porter, for example, seems to arise not so much from nature as*
 5 *from habit, custom, and education. When they came into the world, and for the*
 6 *first or eight years of their existence, they were perhaps very much alike, and*
 7 *neither their parents nor play-fellows could perceive any remarkable difference*
 8 (WN, I, ii, p. 120). Thus, Smith viewed human equality as a normative principle
 9 from the moral perspective and the point of view of the impartial spectator.
 10 However, this emphasis did not preclude that all people were equal in virtue,
 11 intelligence, wealth, political and social status, or happiness. Smith was concerned
 12 that the development of the division of labour was an alienating force in the
 13 rapidly industrialised British economy. Although he advocated the division of
 14 labour as the means of gaining greater economic efficiencies and growth, resulting
 15 in improved overall welfare, Smith witnessed the adverse consequences of the new
 16 industrial production methods on workers' mental and moral state. *“In the*
 17 *progress of the division of labour...[T]he man whose life is spent in performing a*
 18 *few simple operations, of which the effects are perhaps always the same, or very*
 19 *nearly the same, has no occasion to exert his understanding or to exercise his*
 20 *invention in finding out expedients for removing difficulties which never occur. He*
 21 *naturally loses, therefore the habit of such exertion, and generally becomes as*
 22 *stupid and ignorant as it is possible for a human creature to become* (WN V, I, p.
 23 368). To address worker alienation, Smith promoted widespread state-provided
 24 elementary education for all, both for skills development and as a civilizing
 25 institution. He argued that public education was critical for developing people's
 26 sense of morality and the ability to make ethical judgments. Smith's emphasis on
 27 education was probably rooted in Scottish Calvinism that required, unlike in
 28 England, that all boys and girls had to be able to read. On the other hand, Smith
 29 seemed comfortable with the idea that there can be unequal economic outcomes by
 30 endorsing income inequality between industrious and idle workers as a motivating
 31 mechanism for prudence, diligence, and economic efficiency and productivity.
 32 Additionally, Smith preferred an unequal but 'opulent' society to a primitive
 33 society where everyone was equal but poor because even the poorest were
 34 materially better off in an 'opulent' society than those at the very top of a primitive
 35 society. We will consider these two states of inequality in turn.

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38 **Relative Labour Income and Absolute Class Inequality**

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40 Smith's views on labour income inequality were based on his theory of
 41 stadial development of society from hunting, pasturage, and farming to commerce
 42 (LJ I, iii, p. 69). His concepts of property ownership and labour income inequality,
 43 or 'work principle,' were based on Locke's doctrine of self-ownership and the
 44 labour theory of property. According to Locke, who laid the foundations of
 45 empiricism upon which social scientific questions can be formulated (Morell et al.
 46 2015), people developed ownership relations by combining their labour with

1 things in the world. Property resulted from the exertion of individual labour upon
 2 natural resources. These resources were transformed into objects and artefacts that
 3 became the labourer’s property, thus giving the person a right to that property.

4 As a result of the different degrees of labour applied to natural resources,
 5 income inequality was justified: “...*different degrees of industry were apt to give*
 6 *men possessions in different proportions*” (Locke, 1790/1988, p. 301). Locke also
 7 saw people as self-owning in the sense they were the owners of their labour. Hume
 8 adopted Locke’s proposition and justification of inequality and further stated that a
 9 forceful equal distribution of wealth and property would cause idleness and
 10 general poverty: “...*however specious these ideas of perfect equality may seem,*
 11 *they are really, at the bottom, impracticable; and were they not so, would be*
 12 *extremely pernicious to human Society. Render the possessions of men ever so*
 13 *equal, their different degrees of art, care, and industry will immediately break that*
 14 *equality. Or if you check these virtues, you reduce society to the extremest*
 15 *indigence; and instead of preventing want and beggary in a few, render it*
 16 *unavoidable to the whole community*” (Hume, 1751/2011, p. 50). Even Rousseau
 17 accepted that in the early stages of society, property rights and inequality resulted
 18 from different degrees of labour and ability: “...*it is impossible to conceive of the*
 19 *idea of property arising from anything other than manual labour, for one cannot*
 20 *see what besides his own labour a man can add to things he has not actually made*
 21 *in order to appropriate them. It is his labour alone which, in giving the cultivator*
 22 *the right to the product of the land he has tilled, gives him in consequences the*
 23 *right to the land itself, at least until the harvest, which, being repeated from year*
 24 *to year, brings about a continued occupation, easily transformed into property*”
 25 (Rousseau, 1751/1984, p. 118).

26 The influence of these thinkers is evident in Smith’s *The Wealth of Nations*,
 27 Book I, Section viii, On the Wages of Labour. Smith confirms the origins of the
 28 ‘work principle’ and property rights in the opening paragraphs: “*The produce of*
 29 *labour constitutes the natural recompense or wages of labour. In that original state*
 30 *of things, which proceeds both the appropriation of land and accumulation of*
 31 *stock, the whole produce of labour belongs to the labourer.*” (WN I, viii, p. 167).
 32 He then proceeds to justify proportional labour income by endorsing an economic
 33 ideal of an independent worker as an economic motivator: “*Nothing can be more*
 34 *absurd, however, than to imagine that men in general should work less when they*
 35 *work for themselves, than when they work for other people. A poor, independent*
 36 *workman will generally be more industrious than even a journeyman who works*
 37 *by piece. The one enjoys the whole produce of his own industry; the other shares it*
 38 *with his master...The superiority of the independent workman over those servants*
 39 *who are hired by the month or by the year, and whose wages and maintenance are*
 40 *the same whether they do much or do little, is likely to be still greater*” (WN I, viii,
 41 p. 187).

42 However, the invention of money and the process of property acquisition
 43 from occupation, accession, prescription, and succession to the voluntary
 44 transference of property amplified the degree of societal inequality (LJ I, iii, 69-
 45 83). In contrast to the labour income inequality between working and non-working
 46 labour that Smith, Hume, and Rousseau accepted, they also recognized the

1 growing inequality in a ‘civilized society’ between the rich (employers, owners of
 2 capital, and landowners) and the poor- (such as labourers). Hume did not endorse
 3 complete equality between working and non-working labourers as this would have
 4 been against the ‘work principle,’ but he was critical of the inequality between
 5 labourers and non-labourers – different social classes (Niimura, 2016). He
 6 suggested that equality could be achieved by raising the wages for labour as a kind
 7 of income transfer that would result in a more equal distribution of wealth and
 8 greater happiness for society. This could be achieved by a commercial and
 9 political system that protected free exchange that would lead to a virtuous chain of
 10 industry, knowledge, and humanity so that there was an interdependent
 11 relationship between material prosperity and moral progress. Rousseau provided a
 12 more pessimistic assessment of a ‘civilized society’ where the exploitation of the
 13 poor would lead to either dominion and servitude, or violence or robbery “*But*
 14 *when estates become so multiplied in number and extent as to cover the whole of*
 15 *land...no estate could be enlarged except at the expense of its neighbour; and the*
 16 *landless supernumeraries, whom weakness or indolence had prevented from*
 17 *acquiring an estate for themselves, became poor without having lost anything,*
 18 *because while everything around them changed they alone remained unchanged,*
 19 *and so they were obliged to receive their subsistence – or to steal it – from the*
 20 *rich; and out of this situation there was born, according to the different characters*
 21 *of the rich and the poor, either dominion and servitude, or violence and robbery”*
 22 (Rousseau, 1751/1884, p. 119-120).

23 Unlike Hume and Rousseau, Smith justified inequality between labourers and
 24 non-labourers in a ‘civilized society’ by comparing their relative position in a
 25 ‘primitive society.’ Although more advanced societies were more unequal than
 26 primitive ones, from Smith’s perspective, the poor fell beneath the others only in
 27 terms of their material living standards, and the poorest in advanced societies
 28 were, in absolute terms, better off than those at the top of ‘primitive societies.’
 29 Although less well-off than the wealthy, Smith didn’t think the poor were innately
 30 less worthy or deserving of respect than the rich. In Smith’s view, it was not
 31 wealth that deserved respect and admiration but one’s wisdom and virtue that was
 32 in everyone’s reach through social and economic progress.

33 Smith was highly critical of the morally corrupting nature of wealth and
 34 thought that society did not adequately recognise the positive qualities of the poor
 35 and humble who, by their work, “supports the whole frame of society...he bears on
 36 his shoulders the whole of mankind” (Martin, 202, p. 843). Hence, the dilemma
 37 society faced was how to organize a form of government appropriate to the
 38 condition of freedom, equality, and need in which people find themselves
 39 (Tomasi, 2012). Locke had proposed that the only legitimate function of the
 40 government was the protection of natural rights to life, liberty, and property, while
 41 Rousseau insisted that such a political system would lead to little more than
 42 inequality, dependence, and corruption (Rasmussen, 2017, p. 135). Smith’s
 43 position on the civilizing effects of commerce was less rose-coloured than
 44 Hume’s. Although Smith called for a system of “natural liberty” where the
 45 function of the government should be limited to three spheres: national defence,
 46 the provision of a limited set of public goods and the administration of justice,

1 including property rights, he thought that social institutions should be arranged to
 2 provide all people the opportunity to better their position. He was convinced that
 3 the best way to achieve this was by creating favourable conditions for free markets
 4 where productive material, technological, and human resources could be combined
 5 to achieve economic efficiency through the division of labour and growth to create
 6 national “opulence” for all: “*That state is properly opulent in which opulence is*
 7 *easily come at, or in which a littler labour, properly and judiciously employed, is*
 8 *capable of procuring any man a great abundance of all necessaries and*
 9 *conveniences of life...National opulence is the opulence of the whole people”*
 10 (WN I, viii). Smith’s market economy would thrive on the operation of self-
 11 interest in a moral environment where people’s basic rights were respected and the
 12 distribution of opportunities for consumption was provided by growth in economic
 13 welfare among social classes.

14
 15

16 **Implicit Theory of Distributive Justice**

17

18 Smith’s concern for the welfare of the poor included abhorrence of extreme
 19 poverty and the morally corrupting nature of wealth. In *The Theory of Moral*
 20 *Sentiments* (TMS) he described how “*the poor man...is ashamed of his poverty.*
 21 *He feels that it either places him out of the sight of mankind, or, if they take any*
 22 *notice of him, they have, however, scarce any fellow-feeling with the misery and*
 23 *distress which he suffers* (TMS I, III, ii, p. 63). Smith describes the vanity of the
 24 wealthy who gain more pleasure from the attention of the less well-off than the
 25 pleasure afforded by their material holdings: “*But vanity is always founded upon*
 26 *the belief of our being the object of attention and approbation. The rich man*
 27 *glories in his riches, because he feels naturally draw upon him the attention of the*
 28 *world, and that mankind are disposed to go along with him in all those agreeable*
 29 *emotions with which the advantages of his situation so readily inspire him”* (TMS,
 30 I, III, ii, p. 62).

31 Nevertheless, Smith was intellectually wedded to the structure of the class
 32 society, partially because such a structure maintained social order and stability,
 33 and he considered that a certain amount of inequality would be positively helpful
 34 to encourage productivity that results from the universal desire for admiration that
 35 motives us to strive, driven by the baser characteristics of human nature. To
 36 understand Smith’s theory of distributive justice, we must place it in the social
 37 and, in particular, the economic context of his time.

38 The population of England in 1759 was made up of six social classes with
 39 corresponding annual per-capita income: Workers (56.4%, £14 p.a.); Farmers
 40 (18.9%, £22 p.a.); Shop owners (9.4%, £27 p.a.); Capital Owners (4.2%, 145 p.a.);
 41 Landed aristocrats (1.5%, £450 p.a.); and Paupers (9.6%, < £3 p.a.) (Milanovic,
 42 2023). England and Scotland were more advanced than other European countries,
 43 save Holland, and comparative prosperity extended far down the social scale. The
 44 average working-class member consumed over three baskets of subsistence goods
 45 annually compared to the workers in the rest of the world, who consumed a little
 46 more than one basket. Only paupers in England had incomes that low (Allen,

1 2019). Smith’s focus on the absolute wealth of the ‘civilized society’ compared to
 2 the ‘primitive society’ is understandable in the context of the ‘opulence’ of Britain
 3 at the time. On the other hand, the country was highly unequal. Milanovic (2023)
 4 and Allen (2019) acknowledge that some studies on interpersonal inequality
 5 measured by the Gini coefficient³ have produced conflicting results based on the
 6 same set of social tables for the same period. However, there seems to be a
 7 consensus that the changes in the size and incomes of the social classes indicate
 8 that in 1688 and 1759, the Gini coefficient was about 0.54, but it jumped to about
 9 0.6 in 1798 as incomes became concentrated among the landed classes and capital
 10 owners. It was not until the middle of the 19th century that the Gini coefficient
 11 declined to 0.48, indicating that the benefits of economic growth began trickling
 12 down to the working classes.⁴

13 While Smith accepted inequality and its benefits in creating political stability
 14 and as a motivating force for economic efficiency and growth, he didn’t accept the
 15 ethical validity of social hierarchies. Although the rich may be at the top of the
 16 social pyramid, Smith didn’t think that they may be deserving of their wealth as
 17 high income was often the product of collusion (WN I, x, pp. 232-233), monopoly
 18 power at home and abroad (WN IV, ii, p. 29; WN IV, vii, pp. 77-83), plunder of
 19 colonies (WN IV, vii, pp. 136-145) or use of political influence (WN IV, ii, p. 48-
 20 49). Smith’s criticism extended beyond merchants and capital owners to the
 21 landed gentry. He was critical of old feudal institutions that allowed the
 22 consolidation of property, including inheritance laws, primogeniture and entails,
 23 which were used to tie up land for generations and increase inequality: “*Entails*
 24 *are thought necessary for maintaining this exclusive privilege of the nobility to the*
 25 *great offices and honours of their country; and that order having usurped one*
 26 *unjust advantage over the rest of their fellow-citizens, lest their poverty should*
 27 *render it ridiculous, it is thought reasonable that they should have another”* (WN
 28 III, ii, p. 486). Smith denied the moral superiority of the rich as origins of their
 29 wealth were morally questionable. Therefore, he saw the wealth gap as a product
 30 of unfair social order, or a product of an unfair commercial society.

31 Smith addressed inequality indirectly, not through what one would today
 32 consider a social democratic redistributive policy, but by envisioning an economic
 33 and political system that, if fully implemented, would preclude steep inequalities.
 34 This was not out of a normative concern with equality, however distasteful Smith
 35 found it, but by virtue of institutional frameworks that aimed to maximise national
 36 wealth (Boucoyannis, 2013). Smith praised Holland as the most advanced
 37 economy of his time and as an example for Britain: “*The province of Holland ... in*
 38 *proportion to the extent of its territory and the number of people, is a richer*
 39 *country than England ... The wages of labour are said to be higher in Holland*
 40 *than in England, and the Dutch, it is well known, trade upon lower profits than*

³The Gini coefficient is the most commonly used measure of inequality. It measures inequality on a scale from 0 to 1, where higher values indicate higher inequality.

⁴For comparison purposes, the modern day Gini coefficients: USA 0.39 (2021); South Africa 0.63 (2014); Norway 0.23 (2019) World Bank data <https://worldpopulationreview.com/country-rankings/gini-coefficient-by-country>.

1 *any other people in Europe ... the ordinary rate of profit would be very small, so*
2 *that usual market rate of interest which could be afforded out if it, would be so low*
3 *as to render it impossible for any but the very wealthiest people to live upon the*
4 *interest of their money”* (WN, I. ix, p. 194)

5 Smith envisioned a political economy that would provide greater consumption
6 opportunities for all, achieved by competitive markets, economic efficiency that
7 was based on the division of labour and low market entry barriers that would keep
8 profits low and labour wages high. Such an economic system would prevent the
9 emergence of a social class living off interest alone, a form of Smith's
10 unproductive labour. Hence, wages should rise with increased national wealth and
11 do so naturally, not only as a result of the simple factor of supply and demand. The
12 key principles of Smith's legislation and taxation of unproductive wealth, such as
13 unproductive land holdings, formed a system against the concentration of wealth,
14 freeing capital for productive purposes. In a structurally sound and competitive
15 economy, wealth concentration should not occur. Smith thought that profit rates
16 were tied to capital availability: the scarcer the capital, the worse off the economy
17 and the higher the interest rate. When capital is abundant, by contrast, it is cheap,
18 so interest rates are low, and the economy prospers (Boucoyannis, 2013). When
19 capital is scarce, lowering wages while increasing the price of goods makes
20 everyone worse off, except manufacturers.

21 Smith illustrated this relationship by citing the case of France, where interest
22 rates and profits were high, much higher than in Britain. Yet in France, living
23 standards were lower despite the country's richer natural resources. For Smith,
24 high profits denoted economic pathology (Boucoyannis, 2013). The rate of profit,
25 he said, was “always highest in the countries which are going fastest to ruin” (WN,
26 I. x, p. 148). This pathology resulted from the incentives for the economic groups
27 living by profit alone. Smith believed the interests of profit-seekers were
28 structurally and “*directly opposite to that of the great body of the people because*
29 *the rate of profit does not, like rent and wages, rise with the prosperity, and fall*
30 *with the declension of the society- ety. On the contrary, it is naturally low in rich,*
31 *and high in poor countries”* (WN, I. x, p. 148). It is only through government
32 intervention and as a result of lobbying by special interest groups that wage growth
33 could be suppressed. Wages are only lowered artificially, through state
34 intervention, because of the sophistry of merchants and manufacturers, who are
35 much more adroit in manipulating legislatures to pass laws in their favour.
36 Moreover, employers enjoy a bargaining advantage over workers and can coerce
37 them to accept worse terms, because they need individual workers less than
38 individual workers need employment (Boucoyannis, 2013).

39 For Smith, land should be distributed widely and evenly, inheritance laws
40 should partition fortunes, taxation could be high to incentivise the productive use
41 of capital, and legislation was necessary to thwart rent-seekers and manipulators.
42 Smith envisioned a corrective system that would ensure abundant capital
43 availability with low rates of interest and competitive markets could provide both
44 an economic and moral logic for increasing national wealth, preventing a rise in
45 steep inequalities, and resulting in improved living standards, especially for the
46 working poor.

1 Conclusion

2
3 Adam Smith's implicit theory of distributive justice is a complex and
4 multifaceted concept that stems from his broader ideas on the natural liberty of
5 self-ownership, economic development, and growth. Although Smith did not
6 explicitly develop a theory of distributive justice, his works provide a framework
7 for understanding how a commercial society based on natural liberty, equality,
8 liberty, and justice can lead to prosperity and economic growth for workers,
9 owners of capital, and landlords alike.

10 Smith's ideas on economic inequality may seem contradictory at first glance,
11 but they can be reconciled through his moral philosophy and the state of the
12 British economy at his time. While Smith recognized the motivating power of
13 economic inequality, he also placed the welfare of the poor at the centre of his
14 political economy, arguing that a flourishing and happy society requires that the
15 “far greater part of its members be well-fed, clothed, and lodged (WN I. viii, p.
16 181). Smith also recognised the role of civil government in maintaining social and
17 political order, but he saw it as a helpful by-product of inequality and not as an end
18 in itself.

19 Moreover, Smith's theory of economic growth and efficiency demonstrates
20 how rents and wages increase as society develops economically while profit and
21 interest rates fall in competitive markets, resulting in an overall fall in inequality.
22 This idea is grounded in Smith's moral philosophy that places human equality as
23 its core value, and it provides a way to reconcile his seemingly contradictory views
24 on economic inequality.

25 Smith's ideas on distributive justice are still relevant today, especially in the
26 context of growing economic and social inequality. His work provides a basis for
27 understanding how a capitalist society can promote economic growth and
28 prosperity while also ensuring that the welfare of the poor is not overlooked. This
29 is an important consideration for policymakers and economists as they seek to
30 address the challenges of inequality in the modern world (Boucoyannis, 2013).
31 However, it is important to note that Smith's ideas on distributive justice are not
32 without their limitations and criticisms. For example, some scholars have argued
33 that Smith's focus on economic growth and efficiency may neglect the impact of
34 social and environmental costs (Chandler, 2023). Others have criticized his views
35 on property rights and the role of the state in regulating economic activity (Wolf,
36 2023), and Rawls has questioned Smith's social system based on the concept of
37 the “impartial spectator” as it “makes no assumptions from which the principles of
38 right and justice may be derived” (Rawls, 1971, pp. 185).

39 Despite these criticisms, Smith's thoughts on distributive justice remain an
40 important contribution to political and economic philosophy. His work has
41 influenced generations of thinkers and policymakers, and his ideas continue to
42 shape our thinking about the role of the market, the state, and distributive justice in
43 modern society. His ideas on economic inequality, civil government, economic
44 growth, and efficiency demonstrate the complexity of his moral and economic
45 theories, and they provide a basis for policymakers and economists to address the
46 challenges of inequality in the modern world. While his ideas are not without their

1 limitations and criticisms, they remain an important contribution to the field of
 2 political and economic philosophy and continue to shape the way we think about
 3 distributive justice, economic growth, and the role of the state in modern society.
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