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To my parents, John and Belinda Buchmann,

with love and gratitude.

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Abbreviations

LJ	Adam Smith, *Lectures on Jurisprudence*
SCG	Thomas Aquinas, *Summa Contra Gentiles*
ST	Thomas Aquinas, *Summa Theologiae*
TMS	Adam Smith, *The Theory of Moral Sentiments*
WN	Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*

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Chapter 1: Introduction

This dissertation has two interrelated aims. In the first place, it argues that a theory of justice-in-exchange is necessary in order to maintain social cohesion. Moreover, it defends a specific type of theory, according to which individuals have an obligation to value economic goods rightly. To support these claims, I engage in a constructive, dialectical reconstruction of Thomas Aquinas' thought through the thought of Adam Smith.

Trade brings people together. The idea permeates many people's interpretation of the world, and not without reason. If we look at our networks of friends and acquaintances, many of these relationships are the result of business interactions. To be sure, we have friends from church, or charity organizations, or bowling leagues. But if it were not for business, what are the odds that I would have gotten to know the banker who helped me to secure my mortgage? Would I have met the baristas at the coffee shops I frequent, or the old Italian tailor who managed to mend an unfortunate tear in my beloved wool coat? These are immediate personal connections of varying depths, but they are not unrelated to much larger and less personal ones. Through my relationship with the banker, I participate in global financial markets. My coffee comes from Latin America, Africa, or Indonesia. And that old Italian tailor may never have arrived in the United States if it had not been for a global labor market, one highly limited by immigration law, but nevertheless having an effect on the choices people make. The process of globalization has made relations between people on the opposite sides of the globe not only possible, but necessary. The world shrinks, not only because of the increasing ease of transportation, but because of trade, which encouraged those developments in transportation. So strong is this understanding of trade as promoter of society that the writer Thomas Friedman proposed his

Golden Arches Theory of Conflict Prevention: countries that have McDonalds restaurants do not go to war with each other.[1] More than anything else, on this view, it is commerce that brings diverse people together, first as business and trading partners, then as members of the polity, and finally as part of a cosmopolitan society that transcends even political borders.

Yet, for all this, commerce seems to bring about quite a bit of strife. The problems have long been with us: consider the manipulative contracts given to American coal miners and the violence with which their strikes in the late nineteenth and early twentieth century were put down.[2] Consider, too, colonialism in India, which systematically destroyed the local textile industry for private gain.[3] Perhaps these examples should not count: after all, in neither instance were markets operating freely. Maybe mercantilism should take the blame. But even now, with relatively free markets, we find sweatshops scattered throughout the global south and impoverished persons struggling to survive despite being employed in otherwise well-off nations (not to mention many persons excluded from the very possibility of employment). The 2008 financial crisis shook the confidence of many of the market's previous defenders, but neither the global poor nor the relatively poor in the US needed that collapse to raise the question of whether markets contribute to justice and peace. When faced with these problems, optimism about markets is hard to maintain. Indeed, in the eyes of many, markets frequently seem to be one of the chief threats to our common existence, with modern society more closely imaging Marxian class conflict than a cosmopolitan paradise.

[1] Thomas L. Friedman, "Foreign Affairs Big Mac I," *The New York Times*, December 8, 1996; see also his later book, *The Lexus and the Olive Tree: Understanding Globalization*, 1st edition (New York: Anchor, 2000).
[2] Thomas G. Andrews, *Killing for Coal: America's Deadliest Labor War*, 1st edition (Cambridge, Mass.: Harvard University Press, 2008).
[3] Sven Beckert, *Empire of Cotton: A Global History*, 1st edition (New York, NY: Knopf, 2014).

This dissertation is an attempt to work out the requirements of justice for economic exchange to contribute to, rather than detract from, social cohesion. A theory of justice-in-exchange could foster the formation of personal friendships, but its primary aim is solidarity, or political friendship. Activists and theologians have long maintained that justice is a requirement for peace. When peace is lacking, therefore, we ought to turn to see whether there is an underlying injustice that gives rise to these problems. In my view, at least one form of widespread injustice occurs at the level of exchange: blindly led astray—or worse, confirmed in our baser passions—by an impoverished theory of justice-in-exchange, we inflict unjust harm on others through our economic exchanges, with the result that social cohesion is often wounded, rather than fostered. What is needed, then, is a more robust account of justice-in-exchange, one that will properly order our exchange to promote solidarity.

Our own, pre-theoretical judgments would seem to bear this out. Most people have a notion of what it is to be "ripped off," to be sold a good for too high a price. We often seek a deal for ourselves, whether through coupons or sales, but at the very least, we want a "fair price." When it comes to our wages, we complain if our compensation is "unfair;" when we ask for a raise, we seek what is "due" us. We speak of "price-gouging" when prices rise following natural disasters. Not many people in these circumstances jump to the conclusion that a good is worth the price that someone will pay for it, making all voluntary exchanges just. Not many of us are constitutionally libertarian when we find ourselves on what we think is the wrong side of a deal.

Not only so, but there are growing movements that indicate a concern for justice-in-exchange. Consider the fair trade movement, which seeks to ensure that producers in third world countries are justly compensated for their labor. Look, too, to the minimum and living wage movements.[4] Some advocates will portray these solely as a matter of distributive justice: workers have a right to live and function in society. This has the function of de-emphasizing desert in favor of a notion of communal obligation, but the employees in question rarely see it as such. Instead, they point to the real contributions they make, contributions that indicate that they deserve that higher wage.[5] Regardless, to place the burden at the level of exchange is to indicate that justice-in-exchange requires more than that the exchange be merely voluntary. Finally, consider the growing outrage over executive compensation, manifested most intensely in response to the bonuses handed out in the wake of the 2008 financial collapse. There is recognition here that justice-in-exchange cuts both ways: a person can be paid too much. That these apparent overpayments occurred at the same time that others were losing jobs, retirement savings, and even their homes as the alleged result of decisions made by those executives renders this all the more troubling. At the outset of this study, there is no need to make judgments about the effectiveness of these movements or the veracity of their claims. My point is only that they indicate the acceptance of a higher standard of justice-in-exchange than that which is frequently adopted by market advocates.

To be sure, these claims are not uncontested. Hayek considered our intuitions about justice-in-exchange to be the residue of an ethic passed on from traditional societies: the trouble, as he saw it, was that such an ethic was no longer suited to the dynamic economies of the present day. Other skeptics would point to the inherent difficulties associated with providing a normative notion of value. On some interpretations, we cannot have justice-in-exchange without an idea of a just price, which requires a notion of normative value. But how, especially in our pluralistic

[4] C. Melissa Snarr, *All You That Labor: Religion and Ethics in the Living Wage Movement* (New York: NYU Press, 2011).
[5] On the subject of desert, see Michael Richard Turner, "Does the Laborer Deserve to Be Paid?: The Place of Desert in a Christian Conception of Distributive Justice." (PhD diss., University of Chicago, 2013).

world, would we come up with such a notion? Even supposing that there were such a thing, how would we account for modern knowledge about the relationship between supply and demand? Shall we forsake the benefits of economic growth for the squalor of premarket conditions? These ideas frequently appear in arguments regarding the above intuitions and movements.

In practice, we find that even those who find themselves aligned with a vague notion of justice-in-exchange will frequently challenge particular claims regarding it. Thus, the well-compensated finance professional claims that he truly deserves his bonus check; the McDonalds franchisee claims that a minimum wage salary is really all that is due to her unskilled employees. The average Joe finds the price of fair trade coffee to be a wee bit high, and let's not even touch on the price for humanely-sourced meats.

In politics, those concerned about justice in the economic sphere frequently prescind from questions of justice-in-exchange, instead attempting to promote justice through distributive action of the state. Such action is a crucial part of ensuring a just economy, yet it frequently seems as though this action functions like an ill-fitting bandage cut for a different wound. That is, unjust exchanges are permitted to go unchecked, with the assumption that they will be remedied by distributive action. Nevertheless, the fundamental injustice continues to remain and to create further trouble, leading to yet more distributive action that does not stem the bleeding. Yet, how else could we proceed in the absence of a clear understanding of justice-in-exchange? Private and public action are both forestalled in the face of uncertainty.

This is where scholarship could be particularly helpful: to clarify the meaning of justice-in-exchange so that our public conversation can be more fruitful. Such a clarification will not resolve the debate over whether particular prices are just, nor will it tell us what legislation ought (or ought not) to be enacted with the hopes of remedying problems. Nevertheless, with a better understanding of justice, perhaps more consensus will be found. Regardless, approaching exchange with a clarified concern for justice may actually produce more peace even in spite of continuing disagreement, for it will help to elevate the forms of exchange that do occur. Such, at least, is my hope.

The State of the Question

If we turn to current scholarship, we find a radically different world than that proposed by either our pre-theoretical judgments or the popular movements that have stemmed from them. Where we would hope to find guidance, we find instead that justice-in-exchange is a largely neglected topic. As Lisa Herzog has noted, modern liberal thought about the market often follows two paradigms. The first is that of Adam Smith, who depicts the market as fundamentally ordered and therefore capable of being just. At the same time, commercial society is presented as capable of supporting solidarity and the common good. Juxtaposed to this framework is the Hegelian paradigm, according to which the market is a sphere of radical freedom, whose volatility is destructive even as it is productive. In the latter system, justice does not even pertain as a possible description of exchange; our duty is primarily to limit the sphere of the market so that it does not erode the rest of society.[6]

We are accustomed to think of Smith as the founder of modern economics, and we would anticipate, therefore, that his conception of the market predominates. Smith, to be sure, was not a defender of the idea that price should correspond to any normative value of the good being exchanged—we would need to turn to Aristotle for that idea. Smith held to the libertarian model, according to which a voluntary exchange occurring in competitive markets was just. He is thus a

[6] Lisa Herzog, *Inventing the Market: Smith, Hegel, and Political Theory* (Oxford: Oxford University Press, 2013).

partial critic of the position that I will develop in this dissertation. Nevertheless, his understanding of exchange was itself embedded within a notion of unintentional order in which buyers and sellers in general received what they were due. Justice-in-exchange was, in a sense, central to his inquiry; indeed, his primary argument in favor of free markets and rejecting mercantilism hinged upon it: mercantilism was not just bad economics, but morally wrong, Smith proclaimed, because it is unjust to overcharge consumers for the benefit of select producers. Libertarian thinkers like Robert Nozick can be considered heirs of Smith insofar as they focus on justice in the process of exchange, instead of jumping immediately to the distributive effects (Rawls).[7] The trace of justice-in-exchange is still present. Nevertheless, the language of freedom has largely overtaken that of justice for these thinkers; we do not find in them any metaphysical assumptions that the market will reward the virtues of hard labor and prudence.

If we turn to modern critics of the dominance of markets, we find that they are even more in line with Hegel's position. Consider John Rawls. Rawls' focus on distribution—the betterment of the least well off—leaves the question of exchange untouched.[8] Insofar as he seeks limits upon the market that would ensure the proper distribution, he adopts the Hegelian model of economic exchange and its relation to ethics. Look, too, to communitarian Michael Walzer, who advocates in his notion of complex equality that we isolate spheres in which different values function.[9] In seeking to constrain the sphere of the market, rather than in seeking to order exchanges justly, he follows in the footsteps of Hegel. The Hegelian approaches justice in markets always from the outside; never from within.

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[7] Robert Nozick, *Anarchy, State, and Utopia*, Second Edition (New York: Basic Books, 2013).

[8] John Rawls, *Political Liberalism: Expanded Edition*, 2nd edition (New York: Columbia University Press, 2005).

[9] Michael Walzer, *The Spheres of Justice: A Defense of Pluralism and Equality*, y First printing edition (New York: Basic Books, 1983).

There are, however, a few attempts in contemporary philosophy to recover something approaching a theory of justice-in-exchange. For instance, Lisa Herzog's book, *Inventing the Market*, draws upon Smith to provide a picture of the market as potentially just, even as she corrects Smith's arguably too neat conception of markets with Hegelian elements. Hers is a synthetic approach to the modern dilemma presented by Smith and Hegel. While doing significant work to clarify what is at stake in our conception of the market—work that I have made liberal use of in clarifying my own position—she stops short of providing a theory of justice-in-exchange. Likewise, Mark Reiff's *Exploitation and Economic Justice in the Liberal Capitalist State* pursues this line of thought.[10] In addition to providing a survey of previous theories of just price and a persuasive challenge to *laissez-faire*, he offers a constructive proposal for legislation. Nevertheless, his proposal does not move beyond the political (nor was it intended to do so). It brackets the question of normative value, a question that, on my view, is central to the debates concerning justice-in-exchange and their proper resolution.

Insights on this issue can be gleaned from current writing on consumption ethics. To give one example, Andrew Chignell's essay, "Can We Really Vote With Our Forks? Opportunism and the Threshold Chicken," addresses the impact our food choices have on demand.[11] While not intended to offer anything like a theory of justice-in-exchange—Chignell's focus is on limiting the demand for meat, which to him is a morally-forbidden food—the essay nevertheless provides the type of demand-side analysis necessary for the development of one. Consumption ethics and treatments of justice-in-exchange must be brought together, and one aim of this dissertation is to

[10] Mark R. Reiff, *Exploitation and Economic Justice in the Liberal Capitalist State*, 1 edition (Oxford: Oxford University Press, 2013).
[11] Andrew Chignell, "Can We Really Vote with Our Forks? Opportunism and the Threshold Chicken," in *Philosophy Comes to Dinner: Arguments about the Ethics of Eating*, ed. Andrew Chignell, Terence Cuneo, and Matthew Halteman (New York: Routledge, 2016), 182–202.

do just that. Yet even in this analysis which holds so much potential for the development of a theory of justice-in-exchange, we see the influence of the Hegelian model. The ethical concern is not primarily about the process of exchange, but about discerning whether our own actions can limit the sphere of the market and thereby constrain the evil the market produces. In Chignell's case, this is not a problem: he is addressing what—at least on his understanding—is a Hegelian dilemma. But to treat all of economic ethics in this fashion would be to normalize participation in evil.

Theological ethicists and moral theologians have frequently aligned themselves (though not necessarily consciously) with Hegel's approach. Economic processes themselves stand in an impenetrable black box, leading to increased productivity but leaving messes in their wake, messes that can be cleaned up by public or private action rooted in theological ethics. When most ethicists write about economic justice, then, they immediately look to questions of distribution occurring outside of the market mechanism. This is the triumph of the Hegelian framework.

Theological ethics, however, is not limited to the modern dilemma in the way that much of modern philosophy is. To be sure, the modern horizon set by Smith and Hegel (and especially Hegel) continues to dominate. But Christian theology has another horizon, established by Scripture and by a many-threaded tradition of reflection. Two frameworks predominate, particularly among Catholic theology, but extend—in various iterations—through the many varieties of Protestantism as well. These two pictures can broadly be described as hyper-Augustinian and Thomistic.[12] According to the hyper-Augustinian framework, the existence of property (and therefore exchange) is a result of sin. In a prelapsarian state, we would have shared

[12] I draw this form of categorization from Joan Lockwood O'Donovan's portrayal of the relationship between Thomistic and Franciscan approaches to property in "Christian Platonism and Non-Proprietary Community," in *Bonds of Imperfection* (Grand Rapids: Eerdmans, 2003), 73–96.

all things in common. As Christians living before the final redemption of the world, we do not have the option of perfectly imaging this state. Property and exchange remain ever with us. Nevertheless, the hyper-Augustinian places love and community—and indeed, the call to voluntary poverty, however that may be imagined—at the center of the Christian ethic. One implication of this is that justice tends to be far less important in this ethic than in its counterpart, the Thomistic framework. Why settle for being just, when God has called us to live out of divine love? The question remains as to why I call this a hyper-Augustinian ethic rather than merely an Augustinian one. The reason, in short, is because the theory of just price that Aquinas develops is actually found in a more basic form in Augustine's *City of God*. Augustine himself has a greater role for justice than some of his later followers.

The Thomistic framework is heavily influenced by the works of Augustine, but also Aristotle. The Aristotelian analysis of nature leads those in this camp to view property and trade as, in some sense, natural, provided that these are done in accordance with virtue. Given its grounding in nature, exchange is not a provisional institution for lapsed humans, nor something necessarily to be surpassed by an ethic of love, but rather something to be done justly. Justice-in-exchange finds its fullest expression in those ethics that are most heavily influenced by this paradigm. Such, at least, is a simple sketch of the medieval dilemma. Without doubt, these statements require qualification: Aquinas was, after all, an Augustinian. Nevertheless, these two frameworks can serve as a helpful means of categorization.

A large number of contemporary theological treatments are influenced by the hyper-Augustinian framework. An example here is theologians' recent turn to gift.[13] Emphasizing gift

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[13] William T. Cavanaugh, *Being Consumed: Economics and Christian Desire* (Grand Rapids, Mich: Wm. B. Eerdmans Publishing Co., 2008); Kathryn Tanner, *Economy of Grace* (Minneapolis: Fortress Press, 2005); Jean-Luc

(and with it love) has the tendency to obscure questions of justice-in-exchange. Kathryn Tanner is perhaps the most overt example insofar as she explicitly rejects the place of desert in economics. As God generously bestows gifts on sinners, so also—according to Tanner—must we adopt a "theological principle of unconditional giving." This generosity is underwritten by a sense of abundance due to the gifts of God. Scarcity, meanwhile, exists as a result of human action: private property "creates the very conditions of scarcity that lie behind the competitive fights of capitalism."[14]

While her reminder that structures and individual choices can rob the poor of their rightful share of the world's goods is helpful, and while I agree that theology has resources that should transform our vision of economics, I find Tanner's move between theology and economics here to be problematic on theological as well as economic grounds. Humans are indeed made in the *imago Dei* and Christians are called to live lives formed by the Christian narrative; nevertheless, human finitude and our material reliance on finite resources must be taken into account. We must come to grips with scarcity that is not socially-determined. To do so while also acknowledging our many obligations to those around us requires not merely an account of love, but also of justice. It also requires us to take the claims of economics seriously as analyses of and responses to both kinds of scarcity.

To give one more example that is particularly relevant insofar as it also engages Adam Smith, William Cavanaugh's critique of Smith in *Being Consumed* is rooted in Smith's supposed bifurcation of exchange and gift, and correspondingly, justice and benevolence. Cavanaugh considers the exclusion of gift from economic life to be the key problem, with benevolence's

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Marion, *Being Given: Toward a Phenomenology of Givenness*, trans. Jeffrey L. Kosky, 1 edition (Stanford, Calif: Stanford University Press, 2002).
[14] Tanner, *Economy of Grace*, 38.

absence reifying the distinction between the I and the you, between my possessions and your own. He writes, "In the Eucharistic economy, by contrast, gift relativizes the boundaries between what is mine and what is yours by relativizing the boundary between me and you."[15] On my understanding, Cavanaugh and I have a similar aim: to promote solidarity in the face of a disintegrated social body and an economy that wounds.

Nevertheless, I see several problems to this approach. First, it does not take into account the fact that society is an analogical term, and therefore there are essential differences between family, Church, and political society. Further, even with regard to the most tightly-knit of natural societies, the family, canon lawyers have long treated marriage under the rubric of exchange: contract law was developed in family court. These (permeable, but real) boundaries are essential because without the possession of right (*ius*) one cannot have justice (*iustitia*). The real problem with Smith, which I will articulate in this dissertation, is not that Smith has too little room for benevolence; rather, it is that he has too weak an account of justice, precisely because he assumes too great a separation between individuals. He denies positive duties of justice, and transfers those obligations onto benevolence. Cavanaugh's discourse on gift, in a real sense, leans into Smith's error by asking charity to do the work of justice, or—and this is the same thing—eliding the distinctions necessary for the concept of justice to cohere.

So great is the influence of the hyper-Augustinian framework that even theologians who take for their dominant mode of reflection the Thomistic paradigm often shift into the hyper-Augustinian framework when it comes time to deal with pricing. To give one example, Christopher Franks, whose *He Became Poor* contains arguably the best chapter on justice-in-exchange in recent years, moves on to gift without any adjudication between the categories of

[15] Cavanaugh, *Being Consumed*, 97.

just exchange and gift exchange.[16] Franks would quickly reject the medieval dilemma as I have categorized it here (he presents a more Augustinian Aquinas than I do). But it is important to see what is lost when he does so. His introduction raises the important question of what it might look like to pursue a just price at Walmart, a problem complicated by many parts: institutional inflexibility, in which we are presented with take-it-or-leave-it prices; the remoteness from those factors that would actually inform a particular just price; and the lack of knowledge about what constitutes a just price. In shifting to gift, he never answers this question, and yet it is the very question that motivated his book. There is, however, one living tradition in which the Thomistic framework has been maintained. I am thinking here of the tradition of Catholic Social Teaching. Yet, even in this tradition, gift has made a recent appearance with Pope Benedict XVI's *Caritas in Veritate*.[17] This raises questions about the current status of justice-in-exchange within that tradition.

Lest there be any confusion, I do not wish to imply that the Thomistic framework is sufficient to answer all of our questions about economic justice, and certainly would not hold that the Smithian framework can do so. I maintain that each of these frameworks grasps essential truths both about the nature of markets and morality, truths that must be synthesized into a coherent whole that allows us to respond to the economic injustice that continues to plague us. However, as I've argued above, the synthesis that we have received is unbalanced. We must, I take it, return to Smith and Aquinas if we are to develop the theory of justice-in-exchange that we need.

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[16] Compare pages 67-104 with the treatment of gift and market logic in pages 182-191 of Christopher A. Franks, *He Became Poor: The Poverty of Christ and Aquinas's Economic Teachings*, 1st edition (Grand Rapids, Mich: Eerdmans, 2009).

[17] Pope Benedict XVI, *Caritas in Veritate*, Vatican Website, June 29, 2009, http://w2.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate.html.

There is, of course, one other modern thinker who has influenced our thinking about the market, whose influence has shaped not only philosophical treatments but theological ones as well (e.g. liberation theology), and whose absence thus far has likely been palpable. I am referring to Karl Marx. Marx, as is well noted, is the modern standard-bearer for reflection on justice-in-exchange. As shocking as this may be for some readers today, Marx considered himself to take up Smithian themes, and no less a thinker than Richard Tawney audaciously claimed, "The last of the Schoolmen was Karl Marx."[18] In light of these resonances, the question arises: Why focus on Adam Smith and Thomas Aquinas? Why not Marx? Yet, Marx took up the Aristotelian and Smithian concern for justice-in-exchange only to end up overthrowing its foundations. To fix the abuses in private property and free exchange, he proposed to rid the world of both. Doubtless, there is much that Marx may offer us, but on the question of how to reform our markets through a more robust theory of justice-in-exchange, he cannot speak; under his proposal, they ought not exist.

Argument and Thesis

The thesis of this dissertation is that justice-in-exchange is essential to social cohesion. As seen above, this is far from obvious: many people deny that there is such a thing, let alone that its neglect has the power to disrupt our relationships, or that its practice can facilitate the transformation of a group of strangers into an integrated society. The primary aim of this dissertation is to elevate the theory of justice-in-exchange within the discourse on theology and economics, and to do so based upon its capacity to promote solidarity.

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[18] R. H. Tawney, *Religion and the Rise of Capitalism* (New Brunswick, N.J.: Transaction Publishers, 1998), 36.

Embedded within this thesis, however, is a defense of a specific approach to a theory of justice-in-exchange. I argue that individuals have an obligation to ensure equality-in-exchange, in other words, just prices. The just price, in turn, requires that the participants in the exchange must value economic goods rightly. While supply and demand set market prices, demand is a reflection of values that are subject to ethical critique. In the very act of purchasing (or even, deciding not to purchase) an economic good, claims are being made about how that economic good supports or does not support the good life. Economics, when performed as a positive science, treats these claims, known as preferences, as givens. While economics may remain silent, these claims fall squarely within the subject matter of ethics, the discipline that adjudicates claims about the good life. Their truth or falsity, moreover, is crucial for anyone who wishes to live a just life oriented to the moral good.

This implies two forms of obligation for prices: the obligation, rooted in commutative justice, to ensure that prices in the exchanges we partake in are just, and a responsibility, grounded in general justice, for the justice of prices more broadly. Both require, in different ways, that we value economic goods with respect to our conception of the morally good, and secondly, that we seek to be right in our conception of the morally good (acknowledging, of course, that there is a significant amount of freedom in determining the specific form in which one's life will embody the Good). In my estimation, the attempt to do so fundamentally alters the relationship between buyer and seller, such that exchanges become, in addition to mutual pursuits of self-interest, collaborative pursuits of what is morally good.

At the level of conception and method, the main argument concerns the relationship between social theory and the theory of justice. Theories of justice depend upon a prior theory of how it is that persons relate to each other, and they then, when implemented, structure forms of social relation. A theory of justice-in-exchange can therefore be critiqued from the standpoint of the theory of social relation it depends upon for its foundation, or on account of the social relations that it serves to foster. As a result, this dissertation is constituted by a dialectic between social theory and approaches to justice-in-exchange as an attempt to clarify both.

In terms of interlocutors, I have chosen to begin with Catholic Social Teaching in the first instance because that tradition places significant emphasis on the relation between justice and solidarity. Moreover, it is one religious tradition that has, to some degree, kept alive the question of justice-in-exchange. Thus, the structure of Catholic Social Teaching is particularly well suited to frame this inquiry into the relationship between justice-in-exchange and social cohesion. Finally, it is the tradition that most deeply shapes my own thought. When faced with intellectual and practical challenges, we first turn to the resources of our own tradition to see, what, if any, aid can be gleaned from it. While Catholic Social Teaching does not provide a fully-articulated theory of justice-in-exchange, it furnishes me with the initial concerns that structure and serve as criteria for my engagement of Smith and Aquinas.

In seeking to develop that tradition, I turn to two pivotal figures: Adam Smith and Thomas Aquinas. Smith is known as the founder of modern economics, and that in itself is a good reason for engaging his work. Catholic thought needs to take into account the insights of modern economics. Unlike modern economists, however, Smith also has a very rich treatment of social theory, which engages both the foundations of economics and moral theory. More to the point, if we look to the modern problematic constituted by the tension between Hegel and Smith, he is the modern thinker for whom it makes sense to speak of justice-in-exchange. If Smith does not, in the end, accept the type of theory that I think is necessary, he does have some of the conceptual resources necessary to build an argument in defense of it.

My reasoning for engaging Aquinas is similar. Aquinas is arguably the premier theologian in the history of Catholic thought, and especially following Leo XIII's encyclical, *Aeterni Patris*, his work has had tremendous influence upon the social teaching of the Catholic Church. Internally, he also has well-developed reflections on justice and its relationship to friendship. Most importantly, however, if we look to the medieval problematic constituted by Aquinas and hyper-Augustinianism, Aquinas is the defender of the importance of, and explicator of one attempt at, a theory of justice-in-exchange. That his knowledge of economics was necessarily limited (though not as limited as scholars sometimes make it out to be) means that his ideas are useful, but not sufficient. He must be supplemented by Smith. This dissertation is therefore a constructive dialectical reconstruction of Thomas Aquinas through the thought of Adam Smith in service to the tradition of Catholic Social Teaching and human solidarity.

With such diverse thinkers, the question is inevitably how—or, perhaps, whether—it is possible to bring them into conversation. In my review of recent scholarship, I categorized scholars in terms of position, rather than method. In the text, this approach can be seen as I characterize all thinkers as holding a common commitment to the principles of humanism as articulated by Tzvetan Todorov. These three principles are roughly equivalent to the three formulations of Kant's categorical imperative.

Utilizing humanism as the point of integration has the effect of highlighting broad areas of substantive agreement among persons who have significant disagreement in terms of methods, and likewise, showing divergence among scholars who hold much in common methodologically. Thus, using humanism as the lens (and particularly Todorov's articulation) allows me to highlight, following Maritain, the profound resonances that Aquinas shares with Kant. The same is also true with respect to Smith, such that human dignity undergirds the demand for justice-in-exchange. Nevertheless, it is essential to defend my methodological approach, lest it become a stumbling block for would-be interlocutors.

Unlike some of the scholars I will engage, my concern is not to trace the history of discovery in economics or to provide a narrative of decline with regard to theological ethics. Rather, I am constructing a theory of justice-in-exchange that requires the retrieval of certain historical elements. While this requires sensitivity to the context in which ideas were developed, it does not rely upon narrative for its force. The endless quest for better narratives leaves scholarship in the hands of the poets, but poetry can beguile as well as reveal. Explanatory power with respect to contemporary experience and the ability to address the concerns of the encyclical tradition are the primary criteria for success in my argument.

The key question, as of late, is whether such an approach is possible given the nature of human rationality. In contrast to scholars like Alasdair MacIntyre and Stanley Hauerwas, who hold that reason is culturally-constituted, such that any inquiry must be in the form of a narrative in order to understand and evaluate the positions a thinker holds, I maintain that reason is only mediated by culture.[19] Reasoning necessarily takes place within a culture, and therefore relies upon cultural symbols—language—but we nevertheless have access to the real through those symbols. So, I am seeking a mean between pure historicism or narrative and ancient ideas about reason as eternal and linked to the nature of reality, however conceived.[20]

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[19] Alasdair MacIntyre, *Whose Justice? Which Rationality?*, 1st edition (Notre Dame, Ind: University of Notre Dame Press, 1989); Stanley Hauerwas, *The Peaceable Kingdom: A Primer In Christian Ethics*, 1st edition (Notre Dame, Ind: University of Notre Dame Press, 1991); Stanley Hauerwas, *With the Grain of the Universe: The Church's Witness and Natural Theology*, First Edition (Grand Rapids, Mich: Brazos Press, 2001).

[20] William Schweiker refers to this position as hermeneutical realism. See William Schweiker, *Responsibility and Christian Ethics* (Cambridge: Cambridge University Press, 1999).

Plan of the Work

In chapter two, I uncover the root concerns of Catholic Social Teaching's treatment of the ethics of exchange. Because I am aiming to understand a tradition, I rely upon a narrative in this chapter. Throughout the narrative, I have two objectives. First, I hope to reveal the tensions and ambiguity within the tradition. Second, I highlight two frequently-repeated critiques of capitalism in the tradition, which I label the personalist objection and the teleological objection. The former claims that the dignity of the person is infringed through competitive exchange, whereas the latter asserts that social cohesion is undermined due to the subjection of the common good to self-interest. Third, I argue that while the encyclicals have been hampered in their economic critiques by failing to articulate an account of economic exchange, their resources have grown insofar as they have embraced humanism.

Once the second chapter is finished, I leave narrative behind in favor of a conceptual argument, dialogically constructed through an engagement of Smith and Aquinas. In bringing Aquinas and Smith into conversation (under the aspect of humanism), I am producing a new synthesis that I hope will strengthen Catholic social thought. This dialogical encounter necessarily moves between social theory and justice-in-exchange. As I engage each thinker, I first address social theory (both economic and ethical) and then present one chapter on justice-in-exchange. Yet, this is not a simple comparison of their views. Rather, each chapter moves the argument forward by refining one side of the relationship between social theory and justice-in-exchange.

My next step in this argument is to engage Adam Smith. In chapter three, I recount Smith's articulation of exchange as part of a broader humanistic project. It is Smith's humanism that enables him to be a natural conversation partner with late 20th century Catholicism's

Christian humanism. Using Tzvetan Todorov's articulation of three principles of humanism, I show that Smith's *Theory of Moral Sentiments* effectively embodies all three principles. I then demonstrate that the *Wealth of Nations* can be read as a humanist economics, insofar as it preserves autonomy and human dignity while promoting the human good. Lastly, I present a Smithian (humanist) defense of competitive markets that prima facie avoids the Kantian and teleological objections raised in chapter one. Whether it actually avoids those two objections depends upon whether the exchanges he describes are just.

In chapter four, I argue that Smith underestimates the degree to which our self-interested actions in the market transform the material and social realities of others. I begin by offering an alternate reading of Smith's parable of the poor man's son, a remnant from the time before Smith had fully rejected Mandeville's notion of private vice, public benefits. What unites the parable with the *Wealth of Nations* is the belief that free exchanges within a competitive marketplace are necessarily just. I argue that an error in his economic theory—a neglect of the socially-constructed demand side of the price mechanism and corresponding over-emphasis on the supply side—undermines his theory of just exchange. So-called private vices have the capacity to alter pricing, such that workers can be inadequately compensated for their labor and labor can be poorly allocated—in effect wasting people's lives. Moreover, Smith's moral theory is unable to adequately describe these harms as injustices because he lacks 1) a theory of justice that properly recognizes the social-embeddedness of the individual, and 2) a theory of goods that can articulate how we should value items in the marketplace. These problems at the core of Smith's thought justify my turn to Aquinas, even though I will later reclaim Smithian elements to reconstruct Aquinas' thought.

In chapter 5, I turn to Aquinas in order to embark on another engagement with human sociality, here as a ground for the theory of justice. In conversation with modern interpreters, I provide a reading of Aquinas' writings on the dignity of the person and the person's ordering to the common good in order to resolve the tension between the individual and the community. This grounds Aquinas' theory of justice, which recognizes that we have positive duties to others, providing the foundation necessary for the treatment of exchange in chapter six.

In chapter six, I articulate a Thomistic account of justice-in-exchange. I begin by recounting Aquinas' arguments in favor of the high standard of equality-in-exchange, and then consider various interpretations of what constitutes that equality. Drawing on the Smithian account of exchange from chapters three and four in order to supplement Aquinas' more limited understanding of markets, I move beyond Aquinas' own account in order to develop the stream of interpretation that emphasizes the proper valuing of goods. This reconstructed account avoids the privatization of vice, even as it raises additional challenges for future work. While I do not give a complete theory of justice-in-exchange, I distinguish between two forms of obligations rooted therein, and explain how this might function within a dynamic economy and pluralistic society.

My conclusion is that our social nature necessitates the approach to justice-in-exchange that I have developed in two ways: 1) insofar as the dignity of the person and the person's orientation toward the common good make us responsible for the impact of our exchanges upon others, and 2) insofar as this theory—when put into practice—engenders the type of relationships that are necessary for social cohesion. Given this dissertation's scope, I have been unable to produce a comprehensive theory of just pricing, nor even to explore every facet of the foundations thereof. This dissertation is the justification, on social grounds, for future work on justice-in-exchange that might offer even more clarity on price.

Chapter 2: The Ethics of Exchange in Catholic Social Teaching

In the introduction, I argued that we need a theory of justice-in-exchange that can make sense of many of our pre-theoretical judgments about the ethics of exchange and the nascent recognition that many our economic exchanges are breaking down rather than facilitating social cohesion. Such a theory might in turn guide our actions so that we could strengthen social bonds through just exchange.

In this chapter, I turn to Catholic Social Teaching in order to see what resources, if any, the tradition has to address our current problem. I will argue that the papal encyclicals provide important insights about the importance and nature of justice-in-exchange. These insights will provide the general shape of my own theory of justice-in-exchange, even as I seek to improve upon them. Nevertheless, these insights are not easy to grasp, both because Catholic Social Teaching has not fully developed them and because other concerns within the tradition have overshadowed them. Indeed, on some readings, Catholic Social Teaching itself could be marshaled as an argument against the type of theory I am developing. Thus, my mission is twofold: to identify these insights, and to address those ambiguities and competing concerns that have prevented us from recognizing these insights thus far.

The first task is to narrate the tradition in such a way that the unifying elements of Catholic thinking about the market mechanism will come to the fore. Here, I will rely upon Alasdair MacIntyre's notion of a tradition as "an argument extended through time in which certain fundamental agreements are defined and redefined" through debate.[1] These fundamental

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[1] MacIntyre, *Whose Justice?*, 12. While I find MacIntyre's definition particularly useful here, I am not committed to the conception of rationality that MacIntyre proposes in that work. Narrative is not necessary for all inquiry. Rather,

agreements provide both premises and patterns of thought that will enable me to provide a theory of justice-in-exchange that is recognizably Catholic.

In taking up this task, I am not attempting to restate the full meaning of each document in its historical location, or provide a fully-fledged narrative of the tradition as a whole. This is not a historical project, but rather a constructive one. While I aim to be historically accurate, the primary aim of this chapter is to identify patterns of thought for constructive use: namely, to develop a theory of justice-in-exchange. In turning to the tradition, my purpose is to retrieve elements that may help to propel the tradition forward.

In particular, I will show that Catholic Social Teaching is united in two forms of critique of capitalism, both of which are concerned with a transgression of objective values on the part of an excessive capitalism. For ease of reference, I will refer to these as the *personalist objection* and the *teleological objection*. The first claims that the dignity of the human person is itself transgressed in *laissez-faire* capitalism, whereas the latter argues that the common good is undermined through competition that subjugates the common good to an incorrect understanding of the good of the individual. The implication of both critiques is that the process of exchange in *laissez-faire* capitalism undermines social cohesion and that we need a new theory of justice-in-exchange to structure exchanges in order to maintain solidarity. These critiques in turn point to another fundamental unity: the belief that the problems of capitalist society are largely reducible to fundamental misunderstandings in anthropology and a corresponding failure to adjust market systems to accommodate human nature. Questions about justice are also questions about human nature: to resolve the former we must address the latter.

MacIntyre's definition is particularly apt for inquiries in the Catholic tradition, which—crucially—understands itself as a tradition and carries on arguments accordingly.

The second task is to highlight the incompleteness and competing concerns that have prevented the insights inherent in the tradition from emerging. I will argue that while Catholic Social Teaching has formulated a series of principles to govern exchange, it has never offered a fully-fledged theory of justice-in-exchange. Indeed, such theoretical precision is sometimes eschewed as being outside the scope of the Church's teaching competence.[2] Each of the encyclicals treated provides an inadequate proposal, revealing that the project is incomplete. Not only so, but frequent appeals to relative equality and distributive justice—important themes within the tradition—have served to obscure both the centrality and the inadequacy of Catholic treatments of justice-in-exchange, even as the problem continues to hinder Catholic teaching on economics. The implication of this narrative, then, is that rather than having closed the book on justice-in-exchange, the Catholic project has just begun.

A New Narrative

The following narrative is one in which Catholic Social Teaching aims to escape from the duality of market and state by reconceiving the nature of economic exchange. On my account, the treatment of justice-in-exchange is most clear in the Leonine tradition, but remains in *Mater et Magistra* and to some degree in *Laborem Exercens.* In the writings of Popes Benedict XVI and Francis, the problem of justice-in-exchange is not explicit, but is implied by the quest to rethink economics as *praxis*, rather than mere *poiesis*. Insofar as these attempts depend upon, but do not provide, an adequate theory of justice-in-exchange, Catholic thought is still committed to the Thomistic project of developing an adequate theory of justice-in-exchange.

[2] For an example, see Pius XI, *Quadragesimo Anno,* Vatican Website, May 15, 1931, http://w2.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno.html, 41.

Rerum Noverum and Commutative Justice

Leo XIII's *Rerum Novarum* stands as the preeminent encyclical in the Leonine tradition, so we will begin there. Leo states at the outset that the motivating context of the encyclical is "the condition of the workers," workers who "have been surrendered, isolated and helpless, to the hardheartedness of employers and the greed of unchecked competition.[3] Leo is responding to the major challenge of his day, the rise of a class of wage-laborers doubly injured. On the one hand, they had been excluded from partaking in the benefits of industrialization. On the other, they had borne the primary costs of industrialization through increased hours and dangerous working conditions.[4]

At the time of *Rerum Novarum*'s composition, the general public was embroiled in a debate over the form of duty incumbent upon capitalists in relation to their employees. One side maintained that paying wages sufficient to ameliorate the condition of the poor was a duty of justice, whereas the other held that it was a duty of charity. The ethical debate also held political implications, for the latter group typically held that only duties of justice could be enforced by the state. Catholics were likewise divided, with Cardinal Mermillod issuing a call to "go beyond charity to justice." Leo's response, a wholesale assault on the notion that obligations to wage earners could be relegated to the level of charity, set the stage for future encyclicals that prioritize justice.

Not only does Leo place duty to the workers on the level of justice, but he goes one step further: to place justice concerning wages on the level of commutative justice. The alternative

[3] Pope Leo XIII, *Rerum Novarum*, Vatican Website, May 15, 1891, http://w2.vatican.va/content/leo-xiii/en/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum.html, 2-3.

[4] Some have maintained that the standard of living for workers actually improved during industrialization. If this is the case, *Rerum Novarum* and the debate from which it stemmed resulted from a growing awareness of the plight of the working classes throughout this period. Such a claim, if true, does not emancipate industrialists from blame, but rather indicts their predecessors as well.

would have been to place wage justice on the level of distributive justice, that is, as a necessity in order to ensure that each worker had enough to subsist. Distributive justice does in fact require this, but Leo's point is that the higher wage is rooted in more than a generic appeal to the laborer's humanity or membership in society. The labor itself possesses value sufficient to require a higher wage, and those employers who refuse to grant it are guilty of theft.[5]

On Leo's account, a libertarian notion of justice fails precisely because of the lack of freedom that workers often face in entering into contracts. Freedom is thus a more positive notion than libertarian freedom. However, Leo does not need to provide such an account of freedom, because he can approach it from the other side of the equation: a free agent would never act in such a way that the very purpose for which she acts cannot be achieved through that act. Likewise, a laborer would never work for a wage that does not allow for the purpose of labor, her sustenance, to be achieved. If a contract requires her to do so, her consent must have been coerced.[6] This is Leo's articulation of the *personalist objection* to "free" exchange.

What Leo offers in response to this problem is a minimal criterion of wage justice grounded in human dignity as one means of addressing this problem: "wages ought not to be insufficient to support a frugal and well-behaved wage-earner."[7] The criterion is minimal because it is not sufficient to tell us whether a wage is just. We can rule out as unjust those wages that are insufficient to provide adequate support on the grounds that they cannot be agreed upon in a truly free fashion. Yet, the fact a given wage is above that minimum does not necessarily mean that it is just. Beyond this, Leo hints at further criteria of justice. In admonishing employers that they have a duty not to oppress their employees, he acknowledges that "before deciding what wages

[5] *Rerum Novarum*, 20.
[6] *Rerum Novarum,* 43-45.
[7] *Rerum Novarum,* 45.

are fair, many things have to be considered."[8] However, he stops at the minimal criterion, and does not explain what these things are.

It is important to note that while Leo's critique of libertarian justice is rooted in its transgression of the individual laborer, he also observes that this transgression undermines social cohesion as well. That is, Leo offers not only a version of the *personalist objection*, but a version of the *teleological objection* as well. A *laissez-faire* economy undermines family insofar as laborers are incapable of supporting children and devoting time to their familial obligations. So too with the Church, as workers frequently lack time to devote to their religious obligations. Most directly, however, unjust exchanges undermine solidarity through breeding conflict, in which workers react against their unjust treatment in unjust ways. Such wounded persons are easily manipulated into revolt, when they would rather be treated fairly in the first place. Here, we find an objection, directed, not to markets as such, but to unrestrained competition. Simply stated, one's theory of justice has widespread societal consequences.

Leo's arguments are limited to a discussion of labor markets, but if we abstract from his discussion of the labor market to the market mechanism itself, it is clear that unregulated competition itself is proscribed. His arguments against the libertarian notion of justice-in-exchange in the labor market do not depend upon any special feature of the labor market. The labor market is not the only place where power dynamics limit freedom. Yet, this raises the same question as above: is human dignity the only limit on prices (such that prices are only immoral if they fail to provide sufficient wages for producers), or are there further criteria that need to be met in order for justice-in-exchange to be achieved? Or, more broadly, does justice function as a mere external constraint upon the destructiveness of markets (as in the Hegelian model of

[8] *Rerum Novarum,* 20.

exchange), or is it the case that justice is the very principle that ought to animate all exchange (as in Aquinas)? As we shall see in *Quadragesimo Anno*, the question is whether we are placing limits on the realm in which a certain rationality can operate or whether we are transforming the very nature of economic rationality itself.

Quadragesimo Anno and the Logic of Exchange

Quadragesimo Anno takes a clear stance on this question, arguing that what is needed is not a limit on economic rationality, but a new rationality itself. This can be seen even in the early sections that are presented as a commentary on *Rerum Novarum.* Indeed, one of the key contributions of the encyclical is in its integration of economics and theology. In contrast to economic determinists, the encyclical argues that economic laws neither dictate all economic practices nor justify all economic results. At the very outset of the encyclical, those defenders of the status quo in Leo XIII's day are criticized for considering "their abundant riches the result of inevitable economic laws" and assuming that charity would "veil the violation of justice" committed against the poor. If economic reality constrains us, it eviscerates neither our freedom nor our responsibility as agents. Neither does it absolve lawmakers who "not only tolerated but at times sanctioned" these injustices.[9]

It is helpful to note that the Jesuit Heinrich Pesch's economic theory is here shining through. Pesch himself drew upon the German historical school of economics, whose work emphasized the role of culture in determining economic realities.[10] One implication of this is that

[9] *Quadragesimo Anno*, 4.
[10] Heinrich Pesch, *Lehrbuch Der Nationalökonomie/Teaching Guide to Economics* (Lewiston, N.Y. : Edwin Mellen Press, 2003); Peter Koslowski, "Solidarism, Capitalism, and Economic Ethics in Heinrich Pesch," in *The Theory of Capitalism in the German Economic Tradition: Historism, Ordo-Liberalism, Critical Theory, Solidarism*, ed. Peter Koslowski, Studies in Economic Ethics and Philosophy (Berlin: Springer Berlin Heidelberg, 2000), 371–96.

members of that school looked to history as a guide in opposition to the Anglo-Saxon model that instead treated economics as a matter of generalizable laws. The German model opened up new horizons by acknowledging that aspects of the economic forces acting upon us could be contingent and recognizing the role of institutions in giving shape to market exchange. For Pesch, as for Catholic Social Teaching, it is this contingency that creates room for moral action that is transformative on a societal level.[11]

To be sure, on *Quadragesimo Anno*'s account, economics does maintain a proper role in any ethical economy. The encyclical seeks only to articulate a proper ordering of the discipline's fundamental principles. Those truths that economics grasps are ultimately rooted in created nature, and therefore ought not to be denied. This includes aspects of human nature—i.e., the limits of our capacities—as well as the natural world we face—the reality of scarcity, the ability of goods to meet our needs, etc. Nevertheless, while economics can "determine the limits of what productive human effort cannot, and of what it can attain in the economic field and by what means," it cannot grasp the purpose for which we ought to act. By contrast, the primary contribution of moral theory (both philosophical and theological) is to determine what purposes we ought to seek.[12] Of course, such purposes will also include within them limits on the means that may be utilized in their approach.[13] The purposes that *Quadragesimo Anno* discusses stretch as high as the attainment of God in the beatific vision.[14] More frequently, however, Pius speaks of a more terrestrial end: the common good.

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[11] Granted, various elements exist whereby mainstream economists can address contingency, whether through emphasizing the variability of preferences or by drawing attention to the distance between models useful for prediction and actual practice. May more of them do so.
[12] *Quadragesimo Anno*, 42-43.
[13] Pius XI does not make this point here, but it is obvious in what follows that the means are also constrained. The distinction between economics studying means and moral science studying ends is thus blurred, as both economics and moral science both address means, but from different perspectives.
[14] *Quadragesimo Anno*, 43.

The critique of Manchestrianism—the pejorative Pius XI uses to denote individualist economics—takes place on two levels: individual and social. In other words, Pius XI offers here both a *personalist* and a *teleological objection* to libertarian exchange. The individual, lulled into a false sense of moral security by theorists' justifications of uninhibited competition, actively and freely infringes upon the dignity of those with whom she trades.[15] This is the *personalist objection*. Society—most specifically the State—is also criticized for its abdication of the duties necessary to ensure a transformation of exchange. Here, I quote the most explicit statement of this critique within the tradition of Catholic social teaching:

> Just as the unity of human society cannot be founded on an opposition of classes, so also the right ordering of economic life cannot be left to a free competition of forces. For from this source, as from a poisoned spring, have originated and spread all the errors of individualist economic teaching. Destroying through forgetfulness or ignorance the social and moral character of economic life, it held that economic life must be considered and treated as altogether free from and independent of public authority, because in the market, i.e., in the free struggle of competitors, it would have a principle of self direction which governs it much more perfectly than would the intervention of any created intellect. But free competition, while justified and certainly useful provided it is kept within certain limits, clearly cannot direct economic life - a truth which the outcome of the application in practice of the tenets of this evil individualistic spirit has more than sufficiently demonstrated.[16]

Instead of granting competition free reign, the encyclical urges that the market be guided by social justice and social charity. That is, it urges that society function as an organic whole, its parts properly functioning for the common good. In light of the *teleological objection*, this cannot be achieved through individuals acting in their self-interest. Neither can it be achieved through individuals striving to be virtuous. Rather, this requires that the government take action in order to constrain the disintegrative effects of the market by, among other things, the

[15] *Quadragesimo Anno,* 4 makes this clear, though later sections are also directed toward the individual.
[16] *Quadragesimo Anno,* 88.

promotion of modern-day guilds, economic groupings which will act to promote just exchange. The proposal itself embodies the principle of subsidiarity put forth within the encyclical, according to which each social grouping performs its proper function while rendering aid to those below it.[17]

Crucial for this organic society, and for our purposes here, is the development of an account of just exchange, for it is just exchange that ensures that competitive exchange will not militate against solidarity. As with *Rerum Novarum*, it is in the context of discussing the labor market that we find *Quadragesimo Anno*'s clearest expression of exchange justice. The analysis of wage justice depends upon property, and therefore exchange, serving a dual purpose, both individual and social. In light of this, Pius articulates a set of considerations that gradually expand from the individual to the society as a whole.

The first source of consideration is the need of the worker and family. Pius states, "The worker must be paid a wage sufficient to support him and his family."[18] At the same time, both capital and labor must keep in mind the good of the business. There can be no duty to perform the impossible. Pius writes, "But if the business in question is not making enough money to pay the workers an equitable wage because it is being crushed by unjust burdens or forced to sell its product at less than a just price, those who are thus the cause of the injury are guilty of grave wrong, for they deprive workers of their just wage and force them under the pinch of necessity to accept a wage that is less fair."[19] Consumers, then, are also implicated in the quest to provide just wages through their duty to pay a just price. In Pius' view, one cannot condemn employers for

[17] *Quadragesimo Anno,* 80.
[18] *Quadragesimo Anno,* 72. Here, it is especially important to note that Pius seems to be aware that the situation of one (typically male) wage-earner is socially constructed and therefore liable to change. That the social order is structured in that fashion is nevertheless sufficient reason to require that sufficient wages are provided, because while this particular order is contingent, the need to support the worker and family is not.
[19] *Quadragesimo Anno*, 72.

their failure to provide for employees without also keeping in mind the economic constraints placed upon them. This is, indeed, a foreshadowing of John Paul II's treatment of the indirect employer in *Laborem Exercens*.[20]

Not only are wages determined in light of the worker and the business, they must also consider the "public economic good," the economic wellbeing of the nation.[21] Here, Pius speaks of proper proportions between various wage levels to allow for maximal employment. At the same time, he calls for a proper proportion between wages and prices for the good of both workers and consumers.[22] The exact nature of this proportional economy is not addressed, though we get some insight into what he has in mind later in the encyclical. Pius criticizes those who "raise or lower prices by their uncontrolled business dealings so rapidly according to their own caprice and greed that they nullify the wisest forecasts of producers."[23] However the proportions are determined, they are meant to provide stability.

Both the meaning and the import of each of these three sources of consideration for wage justice–the worker/family, the business, and the society as a whole–have been disputed. One reason for this is that in his discussion of wage justice, Pius is not explicit about the ways in which the various forms of justice (commutative, distributive, and social) are functioning within the argument. As a result, the duty to provide sufficiently for the worker has been proposed as a duty of commutative, distributive, and social (or general) justice. The encyclical itself has a fundamental ambiguity that renders its implications for justice-in-exchange unclear.

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[20] Pope John Paul II, *Laborem Exercens*, Vatican Website, September 14, 1981, http://w2.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens.html, 17.
[21] *Quadragesimo Anno*, 74.
[22] *Quadragesimo Anno*, 75.
[23] *Quadragesimo Anno*, 132.

While the encyclical has not done us favors in this regard, neither have the encyclical's interpreters. Oswald von Nell-Breuning, whose role in preparing the document provides him something of a privileged voice, argues in *Reorganization of Social Economy* that the duty of social justice falls primarily on the public authorities responsible for determining the form that the economy will take. The encyclical's key section addresses this issue.[24] On a secondary level, Nell-Breuning sees social justice as constraining private individuals insofar as they may not act in any way that undermines social justice. At the same time, he relegates the positive duties of the individual to the realm of commutative justice: the paying of the "correct price" at the time of the exchange.[25] The role of the authorities, then, is to structure the economy in such a way as to make the just wage a duty of commutative justice as well as one of social justice.[26]

Nevertheless, the encyclical itself does not explicitly state this view of the relationship between commutative and social justice. Social justice could also imply that, within the constraints of possibility, an individual owes it to society to pay a wage high enough to allow other members to become full and active participants in this society. Nell-Breuning's desire to make the duties of social justice also duties of commutative justice would still hold weight, however, because this allows the individual to claim the right directly, rather than as a member of society.

If Nell-Breuning may have erred as to the nature of the relationship of social justice to commutative justice, he nevertheless did grasp that commutative justice was at the center of a

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[24] This takes place primarily in the discussion of corporate groups in *Quadragesimo Anno,* 76-97.

[25] Nell-Breuning follows the tradition of distinguishing between the requirements of commutative justice (equality in terms of exchange value) and just price or just wage. Just price is thus a more demanding standard than commutative justice. I prefer to speak of commutative justice as also incorporating a normative conception of exchange value, which will become clear later in the dissertation. For Nell-Breuning, this normative conception of exchange value is required, but not under the title of commutative justice.

[26] Oswald von Nell-Breuning, *Reorganization of Social Economy: The Social Encyclical Developed and Explained*, English ed. (New York: The Bruce Publishing Company, 1937), 176–79.

transformational ideal for the economy. Not so for later interpreters of the encyclical. Consider for instance, the contrasting work of Drew Christiansen and Albino Barrera: two thinkers who have narrated the tradition of Catholic Social Teaching in such a way that justice-in-exchange plays little role.

Despite the fact that it is his foil for understanding the revolution that follows, Christiansen spends little time in his article "On Relative Equality" dealing with the Leonine tradition that stretches from Leo's own writings to those of Pius XII.[27] Even still, we should note two criticisms of that tradition from his comments. First, he views the Leonine tradition to have failed to restrain capitalist abuses because of its reliance on multiple moral principles. He writes, "The prolonged failure of pluralistic conceptions of justice to bring about policies and practices which made inroads against the worst forms of deprivation appears to be the primary occasion for this redirection in Church teaching."[28] On Christiansen's view, the Leonine tradition cannot constrain abuse both because its principles do not easily lead to action, and because the principles themselves are not easily reconcilable. Hence, later popes survey the signs of the times and discover this failure, prompting a change in teaching. This is a wholesale assault on the viability of my project (and a whole lot else besides), and thus I will spend a few words addressing it.

On my view, Christiansen is correct to point to those principles as a source of confusion; we see this already addressed in Nell-Breuning's commentary. Nevertheless, the blame for a lack of action could just as easily be placed on other factors, for instance, an intractable desire to sin on the part of some readers, or insufficient social structures necessary to support individuals

[27] Drew Christiansen, "On Relative Equality: Catholic Egalitarianism after Vatican II," *Theological Studies* 45, no. 4 (December 1, 1984): 651–75.
[28] Christiansen, 655.

willing to change. If we are looking for failures in the realm of ideas, we could blame the failure to *clarify* the relationship between principles more easily than the *existence* of those multiple principles. Economy of principles is of value only to the extent that those principles mirror moral reality, and—as this dissertation aims to make clear—relative equality does nothing to address the injustices that occur on the level of exchange.

Second, Christiansen states that the corporatist thought enshrined in the Leonine tradition is inherently opposed to egalitarianism of later popes. Diversity of social forms requires hierarchy, whereas on the newer model, the "correction of inequality becomes the key to the social strategy of the Church."[29] As a result, these early teachings can largely be left behind.

Organicism is a tricky issue, and I will not touch it here. Leonine approaches to justice-in-exchange are formulated in terms of an organic model of society and cannot easily be divorced from it. In my own view, organicism can be salvaged, and it is a great challenge for contemporary thinkers to integrate it with egalitarian thought.[30] Nevertheless, I contend that the main argument of this dissertation is not dependent upon a prior acceptance of Leonine organicism.

Albino Barrera's approach is quite different from Christiansen's, insofar as Barrera—a trained economist as well as a theologian—is also concerned with the economics that Catholic Social Teaching relies upon. Barrera notes that the encyclical proposes vocational groupings whose role is to ensure proper balance between prices and wages. These groupings are what give teeth to an otherwise heavily theoretical proposal. Unfortunately, Barrera points out, such

[29] Christiansen, 655; 670.
[30] One of the magisterial texts defending this view of organicism is Mary Elizabeth Hobgood, *Catholic Social Teaching and Economic Theory: Paradigms in Conflict* (Philadelphia: Temple University Press, 1991). In a future work, I hope to read her arguments as providing the conditions for the possibility of a future organicism, rather than a defeater of it.

groupings are economically inefficient. In light of this failure, he recommends instead holding fast to what he sees as the three aims of *Quadragesimo Anno* that motivated Pius XI's proposal of vocational groupings: "full employment, a living wage, and the principle of subsidiarity."[31]

I am not qualified to pass judgment on Barrera's economic analysis, but it is worth noting what has been lost in Barrera's march forwards. The treatment of wage justice has been limited to a concern for a living wage. Thus, *Quadragesimo Anno*'s progress in treating price has been negated; it is reduced to the level of analysis in Leo's minimal criterion of wage justice: the living wage. There are reasons why one might hope to turn back the clock on the price question; living wage is much more friendly to modern economic analysis than a question of just pricing. How do we begin to calculate just prices, given that every price is dependent upon many others? Nevertheless, from the standpoint of ethics, Pius XI achieved a very real accomplishment: providing some content that could fill in some of the "many things" Leo maintained as needing to be addressed before denoting a wage as just. Instead of retreating from that issue, I would suggest that we maintain *Quadragesimo Anno*'s concern for just pricing and just wages, even if that means that we must re-open the question of how that may be achieved in a dynamic economy.

In sum, there are three elements that I am drawing from the Leonine tradition that will have significant influence on the shape of the proposal going forward. The first is a recognition that justice-in-exchange is a fundamental—if not the only—contributor to a just economy. Like Leo and Pius XI, I find it central to justice that individual exchanges are also just; distributive measures after-the-fact do not atone for injustices along the way.

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[31] Albino F. Barerra, *Modern Catholic Social Documents and Political Economy* (Washington, D.C: Georgetown University Press, 2001), 6–14; also 305–13.

Second, I think it is crucial that we recognize two forms of critique of the libertarian conception of free exchange. Both the personalist and the teleological objections will be addressed within this dissertation.

Third, like Leo and Pius XI, I will continue to maintain a two-pronged solution to these problems. A minimum (or living) wage is necessary as a baseline to ensure justice-in-exchange. Nevertheless, we also need a theory of just price that transcends this, providing an appropriate relationship between prices and wages, an order that animates all exchanges, rather than placing external limits upon them. What is being developed here—and what will become more obvious in our treatment of Benedict XVI and Francis—is not merely a theory of justice that provides boundaries for an otherwise unchanged economic rationality. *Quadragesimo Anno*, while certainly agreeing with Hegel that the market must have boundaries instituted by the state, does not limit the role of politics or ethics to the making of boundaries. Exchange does not remain unchanged by the imposition of just price and just wage. Rather, the various goods to be sought and the limits placed upon means radically transforms the nature of economic practice itself, both for individual practitioners and for political bodies. The operative rationality is no longer Aristotle's *poiesis* or Weber's *zweckrationalität*. Neither is it a simple *wertrationalität* divorced from any concern for outcomes whatsoever. Rather, the constant grappling with ends and the constraints on means transcends Weber's distinction between *zweckrationalität* and *wertrationalität* altogether in the form of Aristotelian *praxis*, which then serves to form and preserve social bonds.

A Turning Point?

For considerations of space, I cannot here recount all that occurs during the transformative period surrounding Vatican II. If I were to do so, I would point to the Christian humanism nascent in Pius XI's *Quas Primas*, a revaluation of the quotidian in human life as integral to the full development of the human, that finds its manifestation in *Gaudium et Spes* and *Populorum Progressio*. This is a common thread throughout the development. At the same time, I would not deny claims to novelty in these texts. They were groundbreaking, promoting a more egalitarian norm for the world. What I do wish to challenge here is the claim that either the turn to the See, Judge, Act model or to egalitarianism requires a rejection of pluralistic accounts of justice and particularly the quest for justice-in-exchange. For this, it is helpful to take a closer look at *Mater et Magistra.*

The dominant narratives would see in *Mater et Magistra* a major shift in approach. If we consider the following citation, however, it is clear that Pope John XXIII is following the same formula for just exchange that was proposed in *Quadragesimo Anno*. In reference to the just wage, he writes,

> It must be determined in accordance with justice and equity; which means that workers must be paid a wage which allows them to live a truly human life and to fulfill their family obligations in a worthy manner. Other factors too enter into the assessment of a just wage: namely, the effective contribution which each individual makes to the economic effort, the financial state of the company for which he works, the requirements of the general good of the particular country—having regard especially to the repercussions on the overall employment of the working force in the country as a whole—and finally the requirements of the common good of the universal family of nations of every kind, both large and small.[32]

[32] Pope John XXIII, *Mater et Magistra*, May 15, 1961, http://w2.vatican.va/content/john-xxiii/en/encyclicals/documents/hf_j-xxiii_enc_15051961_mater.html, 71.

In keeping with the development of Christian humanism, Pope John XXIII expands the scope of the common good to include not only the nation, but the whole of humanity. Nevertheless, the structure of wage justice functions in *Mater et Magistra* in just the same way as it did in *Quadragesimo Anno*. If anything, it is more explicit. The first consideration is that Leo's minimal criterion be met: that a living wage be allotted to the worker. Next, we have consideration of commutative justice, revealed in the duty to compensate according to "the effective contribution" of each employee. Beyond this, we have the concern for general or social justice: that the proper ordering of the various social elements involved—including the worker, the business, the nation, and finally humanity as a whole—be taken into account.

Quadragesimo Anno's articulation of a proportion between prices and wages also makes an appearance in *Mater et Magistra*. In response to falling agricultural prices in developing nations, John XXIII called for price protections. His justification for doing so is found in an appeal to *Quadragesimo Anno*'s call for proportionality both within the labor market and between the labor and product markets.[33]

The fact that *Mater et Magistra* includes the Thomistic approach to justice in his analysis of price and treats matters of international trade as an issue of just price implies that at least John XXIII recognizes that this plurality is necessary in order to ensure his aims, including that of a more egalitarian society. That later popes have taken up the call for an alternate economic rationality—if not the specific policy recommendations meant to ensure it—reveals this fundamental claim: the nature of exchange must itself be transformed.

Nevertheless, various interpreters have obscured these aims. Once again, I turn to Christiansen and Barrera as representative of strains of thought. *Mater et Magistra* stands for

[33] *Mater et Magistra*, 137-140.

Christiansen as the initiator of the new model promoting relative equality. Taking on the vast gaps of standing among international trade partners, and especially the resulting struggle of agricultural workers to survive, John XXIII represents an opening toward a more egalitarian framework. A key text is found at number 79, where John XXIII lists such aims as "the need to make goods and services accessible to the greatest number; elimination, or at least the restriction, of inequalities in the various branches of the economy—that is, between agriculture, industry and services; creation of a proper balance between economic expansion and the development of social services, especially through the activity of public authorities."[34] Yet, for all this, Christiansen laments that the encyclical's "message lacked the critical tone of later social teaching."[35] If John XXIII was not radical enough, he was nevertheless the forerunner of this to come: namely, *Gaudium et Spes*.

Christiansen raises doubt about how we ought to understand the lingering elements of the Leonine tradition present within *Mater et Magistra*. Are these elements a sign of a lack of ideological purity or reformational zeal, indications that John XXIII had not yet reached the stage of enlightenment of Paul VI? On my reading, they are signs of something much grander, though perhaps more complicated. *Mater et Magistra* is proof that egalitarianism and the See-Judge-Act model are fully reconcilable with the teachings on wage and price found in the earlier Leonine model. If Paul VI does not emphasize those aspects—whether because he has other concerns or for some other reason—we nevertheless have an example of how a possible integration could function in the writings of John XXIII. Not only so, but John XXIII provides us with an argument for doing so. The model that he uses to address injustices on an international scale is the same one at work in addressing just wage. It is hard to see how anyone could provide

[34] Mater et Magistra, 79; Christiansen, "On Relative Equality," 652.
[35] Christiansen, 657.

an adequate account of the injustice of international trade—that is, widespread unjust exchanges—without having an adequate theory of justice-in-exchange. Distributive justice can of course temper the effects of such injustice, but the fundamental problem is one of justice-in-exchange.

Barerra recognizes that *Mater et Magistra* is a second attempt at a theory of just exchange. Here, Barrera suggests that John XXIII is highlighting the moral problems of the import-substitution approach to development, which resulted in an unjust privileging of industrial development to the disadvantage of agricultural workers. On his reading, *Mater et Magistra* drew heavily on the balanced-growth strategy of development, and indeed, provided nothing new in policy recommendations beyond it.[36]

Barrera sees in this a turn to more recent economic theory, and this may be true, but it is also a principle emanating out of Catholic reflection itself. What Barerra misses is that this is not merely a technical problem that John XXIII is attempting to solve. If it were, the fact that the balanced-growth strategy has come under criticism by economists might be enough to reject it as a flawed attempt. In turn, we might even find ourselves adopting wholesale whatever theory development economists are currently advocating. In truth, I maintain that we should take seriously what development economists have to say, recognizing while we do that they have a fairly difficult task as their purview. Nevertheless, the primary focus of John XXIII's analysis is not on the level of development economics, but rather to do with the way in which we approach the question of unjust exchange ethically. The vantage point of economics is primarily concerned with ensuring economic growth, but John XXIII is concerned with justice: a term used, by my count, 42 times in the encyclical, and the meaning of which resides within the purview of ethics.

[36] Barerra, *Modern Catholic Social Documents and Political Economy*, 15–31.

When it comes to ethics, John XXIII takes the Leonine framework, and applies it directly to international exchange.

What I take from this encyclical is two-fold. On the one hand, *Mater et Magistra* stands as an exemplar of the fact that the Leonine approach can function within contemporary moral frameworks. On the other, we see the potential fruitfulness of a properly developed theory of justice-in-exchange. Not only is this capable of transforming relations between persons in a local community, but of fostering bonds of solidarity between persons and nations across the globe. John XXIII stands in this regard as a great prophet; may we see it come to pass.

Laborem Exercens and the Value of Labor

Released to commemorate the 90th anniversary of *Rerum Novarum*, *Laborem Exercens* does not follow the tradition of commenting on the text. Rather, it is an extended treatment of the nature of human work, which it refers to as "a key, probably the essential key, to the whole social question."[37] By examining the ways in which labor contributes to human flourishing, John Paul II hopes to discover principles for a social order that properly realizes our humanity. In short, he wishes to create an economic system fit for the dignity of the human. In the following, I will briefly summarize his treatment of labor before considering the implications that it holds for his treatment of justice-in-exchange.

John Paul begins with a meditation on the command in Genesis: "Be fruitful and multiply, and fill the earth and subdue it."[38] In "subdue the earth" John Paul hears the call to labor, and he derives two sources of value from it. The value of labor can be found in part in that which is produced. The encyclical refers to this as objective value, because it is the value of the

[37] *Laborem Exercens,* 3.
[38] Genesis 1:28.

object that is produced. To use Adam Smith's examples, objective value captures the value of the baker's bread or the butcher's beef. In economics, this is typically the only form of value that is discussed. John Paul, however, notes that the object is not the only production of labor; rather, through labor, we also create ourselves. He points to the *imago Dei*, the faculties of reason and self-determination that humans share with the divine. All of these capacities are bound up in labor, and developed through it. This form of value–-termed subjective value because it is derived from the subject—is grounded in the dignity of the worker.[39]

Lest there be any doubt about the relation between the objective and subjective values of labor, John Paul asserts the primacy of the latter. In opposition to a hierarchical society grounded in the "importance" of the work being done, John Paul writes:

> This does not mean that, from the objective point of view, human work cannot and must not be rated and qualified in any way. It only means that the primary basis of the value of work is man himself, who is its subject. This leads immediately to a very important conclusion of an ethical nature: however true it may be that man is destined for work and called to it, in the first place work is for man" and not man "for work."[40]

Albino Barrera interprets this text to mean that John Paul is asserting a labor theory of value rooted, not in productivity, but in effort.[41] On that reading, employers would consider only the effort when setting wages, and not the value of the good being produced. If value is understood to mean economic value, this would be a plausible interpretation. The fact that John Paul is criticizing the type of hierarchy that comes about through valuing physical labor less than mental labor makes this seem more likely, as the encyclical makes clear that laborers doing menial tasks should be paid better than they often are.

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[39] *Laborem Exercens*, 6.
[40] *Laborem Exercens*, 6.
[41] Barerra, *Modern Catholic Social Documents and Political Economy*, 67–68.

There are several reasons, nevertheless, why this interpretation does not follow. Chief among these is that the first use of value in the section from which the quote is taken is modified by the adjective "ethical." John Paul asserts, "In fact there is no doubt that human work has an ethical value of its own, which clearly and directly remains linked to the fact that the one who carries it out is a person."[42] If it is of ethical value that John Paul is speaking in the above passage, then we cannot assert a simple conversion from ethical value to economic value. At the same time, he explicitly denies that "work cannot and must not be rated and qualified in any way." The key is to figure out how the ethical value constrains the manner of rating work within the economic sphere.

Here, it is useful to keep in mind what John Paul II's sees as the chief problem of the modern economy: "materialistic economism," in which "man is treated as an instrument of production, whereas he–he alone, independently of the work he does–ought to be treated as the effective subject of work and its true maker and creator."[43] Including such issues as the type of work being performed, labor conditions, wages, and unemployment, the subject is much broader than what Barrera points to, making it more difficult to derive a theory of justice-in-exchange from the text.

Our task will be made easier, however, if we consider the source of John Paul's categories. While this is its first appearance within the encyclical tradition, the distinction between the subjective and objective value of labor appears in the work of Heinrich Pesch, SJ.[44] Pesch himself had distinguished between the object and subject of labor in his *Lehrbuch*. In his discussion of just wage, he wrote, "Man is and will continue to be always the 'subject' and the

[42] *Laborem Exercens,* 6.
[43] *Laborem Exercens*, 7. Italics original to the text.
[44] Edward J. O'Boyle suggests this derivation in *Personalist Economics: Moral Convictions, Economic Realities, and Social Action* (New York: Springer US, 1998), 16–17.

‘end purpose’ in the economic order; and the material good will always and everywhere be merely the ‘object’ and the ‘means.’”[45] In John Paul’s reliance on Pesch, we can see a bridge between *Quadragesimo Anno* and *Laborem Exercens*. What John Paul is actually doing is reconfiguring the framework of *Quadragesimo Anno* in terms of the dignity of labor.

To be sure, the encyclical’s critique addresses both the personal and social level. When establishing the ideal for work, he notes that it “is a good thing for man—a good thing for his humanity—because through work man *not only transforms nature*, adapting it to his own needs, but he also *achieves fulfillment* as a human being and indeed, in a sense, becomes ‘more a human being.’”[46] On the other hand, he also notes the two other spheres important for *Quadragesimo Anno*—family and polity—as depending upon the proper ordering of work. Labor not only provides the sustenance for the family, but also affects “the whole *process of education* in the family.” The society also has a role to play, because the worker “intends his work also to increase the common good developed together with his compatriots.”[47] In clarifying the important social aspects of work, however, John Paul is clear that what is at stake is ultimately the dignity of the worker, for the worker’s contributions to family and the common good are essential parts of the worker’s own flourishing. To hinder those contributions by inverting the hierarchy between objective and subjective value is not only to destroy the social order (the *teleological objection*) but also to deny the dignity of the person (the *personalist objection*).[48]

Because his support of the dignity of labor could easily be confused with that of Marx, John Paul clarifies his standing in regard to both capitalism and collectivism. He holds the

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[45] Heinrich Pesch, *Lehrbuch Der Nationalökonomie/Teaching Guide to Economics,* Vol. 5, Book II, 79. Interestingly, Pesch, like John Paul II, begins with a reflection on the role of work in Genesis.
[46] *Laborem Exercens*, 9.
[47] *Laborem Exercens,* 10. John Paul notes a broader scope in 16, which includes the family, society, nation, and human family.
[48] *Laborem Exercens*, 10.

present conflict between capital and labor, understood by Marxists to take place in a conflict between socioeconomic classes, to be limited to the system of capitalism as it developed in the economic practice of the eighteenth century and has continued to our day. On an ontological level, labor is primary to capital, yet the two are inseparable. The key, then, is not to overthrow private property, capital, or labor markets, but to rethink each within the context of human rights.

John Paul begins this rethinking through the lens of the direct and indirect employer. The direct employer is the one we typically consider: "the person or institution with whom the worker enters directly into a working contract." The indirect employer encompasses a diverse range of individuals and institutions that maintain "a determining influence on the shaping both of the work contract and, consequently, of just and unjust relationships in the field of human labour."[49] While indirect employers do not remove all responsibility from direct employers, they do affect the capacity of the direct employer to treat employees justly. Chief among indirect employers is the State, whose laws and trade policy create the context for wage contracts. Others include multinational corporations--whose size allows them to manipulate prices for raw materials and their products—and international organizations like the United Nations.[50] One indirect employer not mentioned here, but whose choices directly affect the capacity of employers to treat their employees justly and which will be important for this dissertation, is the consumer, whose choices in the aggregate play a decisive factor in determining price.

While the indirect employer is tasked with creating the context in which just wages can take place, the direct employer has a duty to pay a just wage. The payment of "just remuneration for work done" is not only an obligation and "the key problem of social ethics in this case," but also the key measure of economic justice. He writes, "It should also be noted that the justice of a

[49] *Laborem Exercens*, 16.
[50] *Laborem Exercens,* 17.

socioeconomic system and, in each case, its just functioning, deserve in the final analysis to be evaluated by the way in which man's work is properly remunerated in the system."

When it comes to determining the nature of the just wage, however, the encyclical is somewhat unclear. John Paul immediately turns from the notion of the just wage to that of the "principle of the common use of goods," the claim all people have to sustenance on the basis of being members of the human family. Because wages are the means by which workers obtain their share in goods destined for common use, there is a duty that wages be sufficient. The question is whether the just wage is identified with that principle or whether the principle is a necessary but not sufficient criterion of a just wage. Unfortunately, the encyclical does not say.[51] Our own ambiguous use of just wage as either a synonym for living wage or a separate principle does not help in the interpretation.

I want to emphasize the similarity between *Quadragesimo Anno* and *Laborem Exercens*. Both seek to transform the nature of individual transactions through attention not only to the direct participants in exchange, but also to those forces that determine the context in which exchanges are brokered. They also both emphasize the wage contract, while recognizing that unjust pricing has the potential to hinder the capacity for just wages. They also both refrain from giving any adequate definition of what a just price is. Yet, insofar as John Paul fails to distinguish between the duty to pay just wage and distributive justice, he leaves the door open for interpretations based solely on distributive justice. The fact that the only example of unjust pricing in the encyclical concerns anti-competitive behavior by multinational corporations further raises the question of whether distributive justice is the only constraint on prices. This is, once again, to ask the question of whether justice functions as in the Hegelian market, to provide

[51] *Laborem Exercens,* 19.

limits on the destructiveness of the market (though in this case, a limit on the price mechanism itself), or whether justice rightly orders every exchange, as in Aquinas. More precisely, it is to ask whether the rating of the objective value of work that John Paul spoke of as necessary—in common parlance, price—also has some relation to the dignity of the worker.[52]

What I will draw from this encyclical, in addition to the general framework that he inherits from *Quadragesimo Anno*, is an attentiveness to labor as embodied in price. Like Adam Smith, *Laborem Exercens* recognizes that prices of goods ultimately determine the economic value of labor, and therefore that money is in the final analysis a means of the exchange of labor. This helps us to see that the question of just price is ultimately a problem of maintaining the dignity of persons throughout the exchange of labor. To do this, however, requires a resolution to the enduring questions concerning justice-in-exchange.

Benedict and the Logic of Exchange

Caritas in Veritate takes up the examination of integral human development that I have largely left unaddressed in this text. At the same time, its treatment of gift, embodied within a larger discourse on economic rationality, serves as a bridge to the earlier discourse of the Leonine tradition. May the document itself serve as a testament to the possibility of such integration. In the following, I will focus primarily on chapter three, in which Benedict lays out his principle of gratuitousness. While much discussion has surrounded Benedict's application of an Augustinian theology of gift to market relations, I wish to consider first the way in which gift is an attempt to reformulate the rationality at the heart of economic practice.

[52] *Laborem Exercens*, 6.

The problem that Benedict sees can be described in terms of both institutions and rationalities. He sees a pernicious binary between market and state, in which the market is permitted to operate on its own terms, while the state steps in only to periodically regulate or (re)distribute goods.[53] While Karl Polanyi is not cited here, it seems likely that *The Great Transformation* stands behind the text, because in it, Polanyi describes the outworking of the same binary.[54] Such a system is pernicious because it is ultimately unstable, never allowing for an economy consistently oriented toward the promotion of the common good. The State, much less civil society, is incapable of resolving our problems without a fundamental change in the market itself. Periodic interventions place bandages on the wound, when in fact we must reconstitute healthy practice.

The market is described as operating according to the "logic of the exchange of equivalents," sometimes referred to as the "logic of the market." It is primarily concerned with commutative justice (or at least a simulacrum of it).[55] On the other hand, the State operates according to the "logic of public obligation, enforced by the State," and it is principally concerned with distributive justice. One final institution is civil society, which operates according to the logic of gift. In claiming that we can no longer satisfy ourselves with the primary binary of market-state, nor with the occasional intervention of civil society, Benedict calls for a new form of action, governed by a new form of rationality. He writes: "The Church's

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[53] The term redistribute has the unfortunate implication of granting primacy to the market's distribution, which Aristotle and indeed Catholic Social Thought would not countenance. I am indebted to Russell Hittinger for this insight.

[54] Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time*, 2nd edition (Boston, MA: Beacon Press, 2001). See also Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action*, 1st edition (Cambridge ; New York: Cambridge University Press, 1990), which critiques this dualism from a far different perspective.

[55] One of the difficulties with *Caritas in Veritate* is that it never explains what the equality in exchange would consist in, and indeed, sometimes appears to imply that the requirements of commutative justice are typically met in the market, which seems optimistic.

social doctrine holds that authentically human social relationships of friendship, solidarity and reciprocity can also be conducted within economic activity, and not only outside it or 'after' it. The economic sphere is neither ethically neutral, nor inherently inhuman and opposed to society. It is part and parcel of human activity and precisely because it is human, it must be structured and governed in an ethical manner."[56] Benedict is saying that engaging in exchange/economics is inherently to enter into a moral decision-making space. He does not use these terms, but what he describes is reminiscent of the Aristotelian distinction between *praxis* and *poiesis*, between human acts and making. We can understand Benedict asking us to rediscover the true art of economics. To do otherwise is to continue the practice of chrematistics (mere money-making), with the result that we will not be able to leave the market-state binary, nor to assume our role as moral agents.

It is with the proposal of a principle of gratuitousness that things get complicated. If gift is to be the new form of rationality, Benedict does not give us much in the way of guidance for this implementation. At one point, Benedict mentions the necessity of transcending the binary of for-profit and non-profit organizations.[57] In addition, he argues, we need organizations that are dual-purpose, ones with social aims that nevertheless intend to make money. This is an excellent idea, reminiscent of the movement of social enterprise, about which a significant literature has developed in recent years. Yet, the aim of these mixed purpose organizations is to make the whole market "redolent of the spirit of gift," which means that we would expect to see gift regularly at play within exchanges more broadly.

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[56] *Caritas in Veritate*, 36.
[57] *Caritas in Veritate*, 38.

This idea is not altogether new. Indeed, even Aristotle suggested that *charis,* grace, ought to be seen in exchanges whose participants were not social equals.[58] To do so aids the needy individual while rendering the one of superior status worthy of honor. The paradigmatic advocate of the exchange of equivalents did not limit exchanges to such. Yet, Benedict goes farther than Aristotle, both in denying the elitist foundation that Aristotle presupposed and in suggesting that every exchange could in some manner reflect gift. Benedict's proposal raises a distinct dilemma. Because Aristotle's notion of gift rested upon inequality, there was a clear understanding of the relationship between the exchange of equivalents and the giving of gifts. Equals exchange equivalents; superiors give gifts to inferiors. In adopting the egalitarianism of John XXIII, and moreover, suggesting that all exchanges should incorporate gift—or at least a sufficient number of exchanges to make the market "redolent of the spirit of gift"—it is not clear where the exchange of equivalents remains. Does *Caritas in Veritate* abolish justice-in-exchange?

Here, we should note that reflection on gift and its relationship to economic exchange has long occupied the minds of anthropologists, philosophers, and theologians. Marcell Mauss's classic, *The Gift*, challenged earlier anthropological and economic interpretations of gift exchange as a primitive form of contractual exchange, arguing on the contrary that it was in fact a primary, and different relation. Nevertheless, he also recognized that gift exchange was marked by a requirement for reciprocity and promoted competition among givers with status as a reward.[59] Hence, the challenge of Bataille and Hyde over whether a true gift—one without a demand for reciprocity—can be given.[60] Derrida, Levinas, and Marion resurrect this debate,

[58] Robert L. Gallagher, "The Role of Grace in Aristotle's Theory of Exchange," *Méthexis* 26, no. 1 (2013): 143–62.
[59] Marcel Mauss, *The Gift: The Form and Reason for Exchange in Archaic Societies*, trans. W. D. Halls (New York, NY: W. W. Norton & Company, 2000).
[60] Georges Bataille, *The Accursed Share: An Essay on General Economy, Vol. 1: Consumption*, trans. Robert Hurley, 1st edition (New York: Zone Books, 1991); Lewis Hyde, *The Gift: Creativity and the Artist in the Modern World*, 25th Anniversary edition (New York: Vintage, 2007).

enlarging the scope of the considerations to ontology, religion, and the possibility of revelation.[61] Theologians have engaged these debates and then returned to economics.[62] While Benedict himself does not engage these debates, they have provoked widespread interest in gift exchange, and likely contributed to the resurgence of writing on Augustinian and Franciscan treatments of gift-giving that lie at the core of Benedict's thought.[63] At the same time, they have shaped the reception of *Caritas in Veritate*.[64]

To ask the question of gift-giving's relation to justice-in-exchange, however, requires a broader lens: for in order to understand the relationship between gift and justice-in-exchange we must first explore the relationship between charity and justice. David Hollenbach has rightly called into question the encyclical's near-identification of charity with gift, when in fact there are other meanings of love: for instance, friendship.[65] Love as gift can easily be interpreted as separate from—or indeed, in conflict with—justice. On this reading, the individual may understand her Christian duty to be acquiescence to injustice. In contrast, friendship presupposes the equal-regard at the core of justice.

Caritas in Veritate sometimes makes clear this proper ordering of charity and justice. For instance, Benedict notes, "On the one hand, charity demands justice: recognition and respect for the legitimate rights of individuals and peoples."[66] Yet, we also have the reminder that "charity

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[61] Jacques Derrida, *Given Time: I. Counterfeit Money*, trans. Peggy Kamuf, First edition (University of Chicago Press, 2017); Jacques Derrida, *The Gift of Death, Second Edition & Literature in Secret*, trans. David Wills, Reprint edition (Chicago: University of Chicago Press, 2017); Emmanuel Levinas, *Otherwise than Being or Beyond Essence*, trans. Alphonso Lingis (Pittsburgh, Pa: Duquesne University Press, 1998); Marion, *Being Given*.
[62] Tanner, *Economy of Grace*; John Milbank, *Theology and Social Theory: Beyond Secular Reason*, 2 edition (Oxford, UK ; Malden, MA: Wiley-Blackwell, 2006); Cavanaugh, *Being Consumed*.
[63] I am thinking particularly of Giacomo Todeschini's historical work.
[64] See, for example, the essays in Adrian Pabst, ed., *The Crisis of Global Capitalism: Pope Benedict XVI's Social Encyclical and the Future of Political Economy* (Eugene, Or: Wipf & Stock Pub, 2011).
[65] David Hollenbach, "Caritas in Veritate: The Meaning of Love and Urgent Challenges of Justice," *Journal of Catholic Social Thought* 8, no. 1 (Winter 2011): 171–82.
[66] *Caritas in Veritate*, 6

transcends justice and completes it in the logic of giving and forgiving." This side of the relationship is unclear. The focus is on the giver, who must first meet the demands of justice and then—in charity—go farther still. There is no clear statement of the responsibility of the receiver to meet the demands of justice, and in the gift relationship—if understood in an abstract way without context of a prior just relationship—how could she? The definition of a gift is that one receives what one does not deserve. Hollenbach's proposal would strengthen the position on this point, for it would indicate more clearly the essential connection between love and justice by pointing to a more fundamental form of love that allows love and justice to exist simultaneously. The fact that the encyclical mentions "authentically human social relationships of friendship, solidarity, and reciprocity" in its explication of the logic of gift indicates an openness to this perspective. A gift given within the context of friendship presupposes justice. This insight is crucial for my project, for the integration of gift and justice-in-exchange can only take place within a context in which charity presupposes justice.

How then to conceive of gift? Here, one key might be in the notion of the reciprocity that marks friendship. The term itself refers to justice; a form of equality which reflects equal regard between the parties to an exchange. Benedict refers to the notion of "reciprocal gift," which at first seems like something of an oxymoron. Can a gift be given if a requirement for reciprocity exists?[67]

Italian economist Stefano Zamagni, who was highly influential in the development of the encyclical, offers us one proposal. Gift exchange is differentiated from an exchange of equivalents by its open-ended nature. That is, in the exchange of equivalents, we settle on the

[67] John Milbank, "Can a Gift Be Given? Prolegomena to a Future Trinitarian Metaphysic," *Modern Theology* 11, no. 1 (January 1, 1995): 119–61.

price in advance of the exchange, whereas in the gift exchange, the reciprocal gift is left undetermined.[68] We rely on trust to know that we will be compensated adequately. Of course, such open-ended exchange requires high levels of trust, which is why such exchanges typically only happen among friends, rather than strangers. Indeed, the anthropological studies that have brought about such reflections on gift can be read as case studies for why we ought not expect this account of gift to be especially useful for global commerce, whose exchanges typically take place among relative strangers.[69]

Trust issues aside, there is a major lacuna within this proposal: namely, that this description of gift exchange does not provide an account of the exchange of equivalents, but rather presupposes one. To be sure, any "archaic" society will have some notion of what constitutes equality that allows reciprocal gifts to take place. In a smaller, homogeneous society, such notions are likely to be more robust. Even a relatively diverse society like the United States has general notions of equality rooted in typical market prices. What we do not possess, and what Zamagni does not present, is a theory of what constitutes justice-in-exchange, without which one cannot adequately describe the relation between justice-in-exchange and gift.

Another proposal is found in the work of James B. Murphy. Like some other interpreters, Murphy takes *Caritas in Veritate* to be offering "a new theory of exchange" that stands in contrast to both the libertarian model and the Aristotelian theory of justice-in-exchange. Nevertheless, by analyzing his work, it is possible to see that what Murphy actually offers us is

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[68] Stefano Zamagni, *Globalization: Guidance from Franciscan Economic Thought and "Caritas in Veritate,"* n.d., 81–109.

[69] As David Graeber, *Debt: The First 5,000 Years* (Brooklyn, N.Y: Melville House, 2011) makes clear, economic exchange developed as a means of relating to foreigners, because social bonds were not available to ensure reciprocal gift.

the beginnings of a better theory of justice-in-exchange, while at the same time demonstrating that a theory of justice-in-exchange is integral to a proper adoption of Benedict's proposal.

Murphy takes as his primary foil a theory of justice-in-exchange that defines equality of exchange according to the market price. Such a criterion, he argues, is neither a necessary nor sufficient condition for justice. Instead, he maintains, "A kind of equality of the parties to the exchange is what matters most."[70] Indeed, this is a crucial point, for *Caritas in Veritate* can only maintain the integration of gift and justice if a strict equality of things is not maintained as the fundamental principle of justice. Murphy marshals none other than Aquinas—the prime example of a theorist demanding equality in exchange—in support of the fundamentality of equal regard for persons. Aquinas may have articulated a theory of justice in exchange that required equality between things, Murphy points out, but he did so on the basis of the Golden Rule.[71] By grounding practice in the equality of those participating in exchange, we can maintain the best insights of both the voluntary and just price traditions, while reducing a too-strong distinction between gifts and exchanges.

The key then becomes to articulate what equality between parties to an exchange looks like. Here, respect for the moral equality of a party is parsed in two ways: one must "respect both his will and his welfare— though in different ways." I cannot act in a way that I view as harming the other, but neither can I ignore the will of the other by pushing her into a bargain she does not see as improving her welfare. Murphy's description of bargaining here is telling, for the bargain has as its locus the nature of the good life, and the usefulness of the good in promoting it:

[70] James Bernard Murphy, "The Morality of Bargaining: Insights from *Caritas in Veritate,*" *Journal of Business Ethics* 100, supplement 1 (March 31, 2011): 85.
[71] For a more detailed argument on this point, see James Bernard Murphy, "Equality in Exchange," *American Journal of Jurisprudence* 47, no. 1 (January 1, 2002): 85. My own discussion can be found in chapter six.

> Naturally, I can attempt to persuade him of what I think a good life truly is and how this bargain promotes that good life, so long as I do not attempt to foist a bargain upon him by means of deception or manipulation. If I do not respect his right to understand the relation between this bargain and his own conception of a good life, then I am not treating him as a moral equal. As I deliberately bargain to promote my own conception of a good life, I should have no reason to doubt that my partner is also deliberately bargaining to promote his conception of a good life. I cannot guarantee that I, let alone he, will make a wise choice. But I should have no reason to believe that this bargain violates my conception of his welfare or his conception of what he wants. Otherwise, I am not respecting his moral equality.[72]

What Murphy is describing—and this is my own gloss—is a two-fold exchange: an exchange between persons of reasoned conceptions of the Good and the particular good's relation to it, and the exchange of goods made possible by that first exchange.

Persons, not things: that is the main point of Murphy's essay, and in one sense, that is what we get. Nevertheless, in describing how this new theory of exchange could work, it seems that the relation between equality of parties and goods is actually stronger than what Murphy suggests. That is, the equality of the parties appears to be mediated through a form of equality between the things exchanged. To be sure, within the context of equal regard—a relationship of reciprocity, as *Caritas in Veritate* makes clear—gifts may and should be given, but such a context is only recognizable through a clear conception of justice-in-exchange. Justice-in-exchange—that is, the value of the good for promoting the good life—is the focal point of bargaining, even if the ground for a theory of justice-in-exchange is equal regard.

In my view, Murphy is responding to a faulty conception of justice-in-exchange, according to which the market price is the definition of equality. In its treatment of the logic of the exchange of equivalents, *Caritas in Veritate* also seems to be working with this same conception, insofar as it identifies the logic of the exchange of equivalents with the logic of the

[72] Murphy, "The Morality of Bargaining: Insights from Caritas in Veritate," 84.

market. Given that the market price frequently fails to adequately reflect the moral equality of bargainers—as has been pointed out in encyclicals stretching from *Rerum Novarum* to the present—such a theory obscures the true relationship between justice-in-exchange and gift as well as the centrality of justice-in-exchange to this encyclical.

Benedict does not succeed in articulating a theory of justice to govern economic exchange, and therefore has not put forward a new theory of economic rationality. In this respect, he continues my narrative of incomplete proposals.. His interpreters who maintain gift as radically opposed to justice-in-exchange do not help him in this regard.

Nevertheless, there is much within this encyclical that I will draw upon in my proposal. Most importantly, *Caritas in Veritate* recognizes the centrality of a transformative theory of exchange that will break free of the pernicious binary between State and market. Periodic distribution by the State is insufficient to make up for a faulty *modus operandi* of the market. Moreover, he recognizes that exchange must become a locus for the development and expression of social bonds, including gift. The articulation of a theory of justice-in-exchange must be envisioned as having the potential for even greater elevation: equality in the exchange of goods is a baseline, a minimal expression of equal regard, rather than a telos that forestalls gift. Third, following readings by Hollenbach (who sees less reference to equal regard in the encyclical but would like to see more) and Murphy (for whom *Caritas in Veritate*'s proposal rests upon an implicit notion of equal regard), equal regard is the foundation for my theory of justice in exchange.

Francis: Renewing the Quest for Praxis

A brief consideration of Pope Francis' recent writings should make clear that justice-in-exchange is integral to the project of economics as *praxis*. Francis is known for his provocative, if difficult to decipher, language. I want here to point to one way of reading Francis as furthering the attempt to return to economics as *praxis*, rather than *poesis*. In this, Francis furthers Benedict's call to re-envision the logic of exchange, even as he refrains from providing a theoretical framework for how this might take place.

Two passages in *Evangelii Gaudium* are essential to determining what Pope Francis is doing in the document. The first sets forth the problem Francis is addressing, and in doing so, unites the two trajectories that began this paper. He writes in 59: "But until exclusion and inequality in society and between peoples are reversed, it will be impossible to eliminate violence. The poor and the poorer peoples are accused of violence, yet without equal opportunities the different forms of aggression and conflict will find a fertile terrain for growth and eventually explode." There are thus two issues that Francis is addressing, the first, aptly described by Christiansen, being that of inequality, and the latter—emphasized by Barrera—being that of exclusion. The two are in fact intertwined, as increased participation in the economy reduces inequality, and inequality, when it goes beyond limits, serves to exclude.

The second passage is a statement on the very purpose of economics. Francis writes, "Economy, as the very word indicates, should be the art of achieving a fitting management of our common home, which is the world as a whole."[73] In context, Francis is speaking of the need for cooperation between nations, because actions taken by individual nations affect others. The

[73] Pope Francis, *Evangelii Gaudium*, Vatican Website, November 24, 2013, http://w2.vatican.va/content/francesco/en/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium.html, 206.

principle of reverberating economic implications, however, can be applied equally to the relations among individuals. It is true no matter how far up or down one goes on the scale of social relations. The solution, as Francis articulates so helpfully, though without referencing Aristotle, is a return to the true meaning of economics: economics as taking care of one's home.

Laudato Si' took for its title "On Care for our Common Home." The allusion to his comment in *Evangelii Gaudium* suggests that this latest encyclical is as much about economics as the environment: or rather, that in addressing the environmental restraints on economic action, that Francis is painting a new way forward with respect to our approach to economics. In *Laudato Si'*, Francis' treatment of practical relativism as it pertains to the market is of particular importance. He writes,

> The culture of relativism is the same disorder which drives one person to take advantage of another, to treat others as mere objects, imposing forced labour on them or enslaving them to pay their debts. The same kind of thinking leads to the sexual exploitation of children and abandonment of the elderly who no longer serve our interests. It is also the mindset of those who say: Let us allow the invisible forces of the market to regulate the economy, and consider their impact on society and nature as collateral damage.[74]

What Francis is condemning is a failure to recognize objective goods that present ends and limit means in economic practice. In short, he rejects the dominant mode of economic thought—*poiesis* or *zweckrationalität*—as relativistic, and proposes instead that we need to take up economics as *praxis*, the taking care of a common home. In this framework, he does not seem to be far away from the concerns of *Quadragesimo Anno*.[75]

Francis does not provide a model for how this might take place. Indeed, he is far more concerned with the transformation of practice than with providing a theory to articulate how we

[74] Pope Francis, *Laudato Si*, May 24, 2015, http://w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si.html, 123.

[75] See Andrea Tornielli and Giacomo Galeazzi, *This Economy Kills: Pope Francis on Capitalism and Social Justice* (Collegeville, Minnesota: Liturgical Press, 2015), in which Francis is presented as taking up the legacy of Pius XI.

might respect objective goods in our economic exchanges. Such a theory may be unnecessary in the face of clear transgressions (of which there are many), but in a system full of hidden violations, it becomes necessary to render these explicit. Justice is the virtue according to which we render others their due. The call to develop a theory of economics as *praxis* that will avoid the dangers of practical relativism thus necessitates clarity on how justice applies to the logic of exchange.

Francis rightfully integrates the problem of relative inequality and inequality of opportunity as crucial aspects needing to be addressed. The problem of inequality in exchange, however, has a unique role to play, because it is the one form of inequality that most readily reveals our economic rationality falling short of being *praxis*. Unlike the other forms of inequality, which, as end states, can be addressed without modifying the nature of exchange, inequality of exchange cannot. For this reason, it is also the most vexing form of inequality to address. If the trajectory I have proposed is true, however, and economics as *praxis* is our aim, then it is a problem we must continue to confront.

Conclusion

The narrative I have told is one in which the pursuit of justice-in-exchange is a consistent theme in Catholic Social Teaching. In the Leonine era, justice-in-exchange was seen as crucial in order to protect the dignity of the human person and orient exchange to the common good. While some would see the quest for justice-in-exchange as relegated to the pre-Vatican II era, I have shown that it inseparable from the teachings of *Mater et Magistra* and *Laborem Exercens*. Far from being extraneous to the work of Benedict XVI and Pope Francis, the quest to ensure justice-in-exchange is an integral part of giving shape to economic rationality. It proclaims, in the very act of exchange, the existence of goods that may not be transgressed in the pursuit of wealth. By recognizing those goods, the process becomes something other than mere means-end rationality. It becomes a human act, integrating the highest parts of the self into the most quotidian of acts.

Unfortunately, none of the encyclicals considered provided a complete theory of justice-in-exchange, and many of the proposals offered to make exchanges more just have been proven inadequate. Much work remains to be done on the topic of justice-in-exchange. The challenge for this dissertation remains limited in scope: to defend the need for a theory of justice-in-exchange insofar as that theory is conducive to solidarity, and within that, to defend a specific type of approach, according to which we have a duty to value economic goods rightly. This chapter has elucidated several contributions of Catholic social thought that will be useful moving forward.

In the first place, Catholic Social Teaching provides two of the criteria upon which the other accounts will be measured. In order to be considered successful on my account, a theory of justice-in-exchange must elevate exchange such that it can avoid what I have referred to as the personalist and teleological objections raised by Catholic Social Teaching. While the aim of reconstituting economic rationality lies outside the scope of this project, I draw heavily on the Christian humanism that animates *Populorum Progressio*, *Caritas in Veritate*, and other post-Vatican II documents. Freedom, human dignity, and the common good are key goods upon which my theory of justice-in-exchange depends. Finally, *Laborem Exercens'* focus on labor is a crucial theme for me, not because I hold to a labor theory of value—I am in agreement with the basic principles of neoclassical microeconomics—but because labor is the primary lens through which we can see the relationship between price and human dignity.

For my argument, however, we must go beyond Catholic Social Teaching to grapple directly with the nature of economic exchange. One could in theory turn directly to contemporary economists at this juncture, but our current neo-classical model has little room for the questions I am asking. As a positive science, modern economics does not ask normative questions. But even if economists were to do so, they would not have much to offer in terms of a social theory that has more than mere predictive power, nor is it clear how predictions—based upon human nature as we find it in a postlapsarian world—relate to the question of justice-in-exchange or moral constraints upon the valuation of economic goods. Contemporary economic theory will, to be sure, make an appearance late in chapter four, once such questions have been addressed. But to ask these questions, I turn to Adam Smith.

Chapter 3: A Dynamic Economy for the Human Good?

At the end of the last chapter, we were faced with an unfortunate truth: while the resources of Catholic Social Teaching had accumulated such that the tradition should have been able to clarify its two-fold critique of *laissez-faire* capitalism, it had progressively shied away from doing so. The encyclicals were continually hampered in their treatments of economic ethics by their lack of a robust theory of justice-in-exchange, rendering such clarity out of reach. In order to remedy this problem, I suggest that we broaden our horizons by engaging the work of Adam Smith: eighteenth-century moral philosopher, political economist, and unnamed target of a number of *Quadragesimo Anno's* condemnations.

What Smith offers is an account of exchange that highlights the beneficial effects of self-interest and competition in the marketplace, an account that is necessary to counterbalance the critiques of competition found in Catholic Social Teaching. Even more importantly, this economic account is embedded within a broader ethical system that makes it possible to speak of ethics in economic exchange, instead of the frequently referenced, but non-existent *amoral* exchange that dominates the modern pro-capitalist imagination. That Smith is neither Hegel nor a member of the Chicago school of economics—that is, that he maintains that exchange has a proper ordering that rewards virtue and punishes vice and that there is such a thing as right action within the marketplace—makes him an unlikely ally of Aquinas and Catholic Social Teaching, even as his conception of exchange differs from theirs.

Three challenges stand in the way of utilizing this account, however. First, Smith has been the victim not only of his detractors, but also his most devoted admirers. Smith the Legend looms large over the man's writings; ideology obscures insight. Some of this happens early in the reception of Smith. While Bentham could see the tensions between Smith's writings and free market ideology, lamenting his only moderate acceptance of usury, Mill could see only an unwavering advocate of economic freedom.[1] The German Historical School of Economics—which, we should remember from the last chapter, was crucial for the development of *Quadragesimo Anno*—itself contributed to this legend by its mischaracterization of Smith in *das Adam Smith Problem*.[2] According to this "problem," a strong divide separates Smith's ethical book, *The Theory of Moral Sentiments*, from his amoral—or even immoral—*Wealth of Nations*. The former describes human motivation according to sympathy, whereas the latter is grounded in self-interest. Explanations for the divide include a radical shift in Smith's perspective between the two books or a Smith unable to recognize the incongruence between his works. This proposed divide allows for the mythical Smith to be the hero of contemporary economics for separating the scientific study of economics from ethical reflection.[3] It facilitates statements like that of economist George Stigler: "The *Wealth of Nations* is a stupendous palace erected upon the granite of self-interest."[4] These confusions have contributed to the fact that Smith has been censured by numerous theological ethicists.[5]

Fortunately, a new recovery of Smith's thought has taken place over the last several decades, with historians, philosophers, theologians, and even economists recognizing the unity between Smith's works.[6] The mythical Smith still pervades public consciousness outside of the

[1] Amartya Sen, "Uses and Abuses of Adam Smith," *History of Political Economy* 43, no. 2 (2011): 258–60.
[2] Leonidas Montes, "Das Adam Smith Problem: Its Origins, the Stages of the Current Debate, and One Implication for Our Understanding of Sympathy," *Journal of the History of Economic Thought* 25, no. 1 (March 2003): 63–90.
[3] Paul A Samuelson, *Economics: An Introductory Analysis*, 1st ed. (New York: McGraw-Hill, 1948), 36.
[4] George J. Stigler, *The Economist as Preacher, and Other Essays* (Chicago: University of Chicago Press, 1982), 136.
[5] Milbank, *Theology and Social Theory*, 28–37; D. Stephen Long, *Divine Economy: Theology and the Market.* (London: Routledge, 2000), 9; 27–28.
[6] Among the many voices, we can note Amartya Sen, Ryan Hanley, James Otteson, Muller, D. D. Raphael, and Samuel Fleischacker, all of whom will be dealt with later in the text. Paul Oslington's edited volume, *Adam Smith as*

circle of Smith scholars, however. In bringing Smith into dialogue with the encyclical tradition, I will need to recount much of what has become scholarly consensus in the field of Smith studies to combat these notions.

Second, even after acknowledging the fruit of revisionist studies of Smith's work, it is not entirely clear that Smith is able to withstand the two primary objections against "individualist economic philosophy" taken from Catholic Social Teaching and discussed in chapter two.[7] The first, which I referred to as the *personalist objection*, is the concern that operating according to self-interest in the economic sphere necessarily transgresses the dignity of the other. The latter, which I referred to as the *teleological objection*, is the claim that any economic system grounded in self-interest will necessarily fail to produce the common good. Both objections pertain not merely to the economic system as a whole, but also to the individual exchanges taking place within them, and must be overcome on the way to a theory of just exchange.

If we take these criticisms of individualist economic philosophy as levied at Smith or including Smith in the range of its targets, then it is necessary to clear him, at least preliminarily, of these criticisms before we can use his account of exchange to build our own account. That is to say, we must argue that if Smith's account does fall prey to one of the objections, that it is not vicious, but rather a circumscribed error that does not undermine his contributions. Indeed, in chapter four, I discuss exactly this type of error. This chapter, however, has as one of its aims the demonstration that Smith is not categorically guilty of either objection.

Lastly, we must deal with the specter of incommensurability. For a variety of reasons, it might be proposed that Smith's theories stand too far removed from Catholic Social Teaching

Theologian, Reprint edition (New York: Routledge, 2014), contains the most recent theological engagements with Smith's work. See also key contributions by Joseph Blosser and Christina McRorie.

[7] *Quadragesimo Anno*, no. 88.

and the Thomistic moral theology that undergirds much of it. Perhaps most obvious is the historical and cultural gap between 18th century Scotland and late 19th and 20th century continental Europe, especially between the emergence of the Industrial Revolution and the rise to dominance of capitalism.[8] More damning is the claim that the language games inherent in each tradition cannot be mediated because the concepts of rationality that dominate each are incompatible.[9] Thus, we need some justification and methodology for bringing Smith into the Catholic conversation.

My response to this dilemma is two-fold. First, while I acknowledge the import of historical situation, language, and influence of tradition, I do not see these merely as barriers to truth, but as the context through which reality is mediated to us. That is to say, I take it to be the case that hermeneutical realism best captures the human relation to moral reality.[10] Beyond this general capacity for intelligibility grounded in common experience of the real, there is a further means of comparison rooted in the nature of the ethical theories addressed. Adam Smith's project, like that of Catholic Social Teaching and (as we will see later) Thomas Aquinas, is a humanist project. Thus, I will provide a reading of Smith as a humanist, thereby allowing an integration of Smith's arguments and those of Catholic Social Teaching insofar as the latter also represents a form of humanism. Doing so, however, requires a definition of humanism broad enough to contain both, but precise enough to be meaningful. One place to begin is Jacques Maritain's *Integral Humanism*. According to Maritain's most capacious definition, humanism

[8] This is to say nothing of his distance from Aquinas's 13th century context. The Catholic tradition must also recognize that distance, but is helped insofar as Aquinas was also embedded within that tradition.
[9] To give one example, D. Stephen Long asserts in a Hauerwasian vein that the nearly non-existent role of theology in Smith's work forestalls any hope of adjudication between Smith and theologians. See D. Stephen Long, Nancy Ruth Fox, and Tripp York, *Calculated Futures: Theology, Ethics, and Economics*, First Edition (Waco, Tex: Baylor University Press, 2007), 105–15.
[10] Schweiker, *Responsibility and Christian Ethics*. This has been addressed already in the introduction to the dissertation.

> tends essentially to render man more truly human, and to manifest his original greatness by having him participate in all that which can enrich him in nature and in history […]; it at once demands that man develop the virtualities within him, his creative forces and the life of reason, and work to make the forces of the physical world instruments of his freedom.[11]

This definition captures the essence of humanism as an ethical orientation that seeks to promote human flourishing by building on the openness to self-transcendence inherent in human nature. For our purposes, it would be more helpful to possess a series of principles that serve both as a short-hand and a check-list for this ethical orientation.

As a specification, I propose that we follow Tzvetan Todorov's lead in understanding humanism to contain three elements corresponding to each of Kant's formulations of the categorical imperative: "the *autonomy of the I*, the *finality of the you*, and the *universality of the they*." The autonomy of the I denotes the freedom of the individual to determine her actions; humans are not enslaved to nature or God. The finality of the you refers to the notion that individual humans are the goal of human action. One may not transgress the dignity of another in pursuit of "the greater good." The sense of a shared humanity set apart from all else is embodied in the universality of the they.[12] Every humanism will share these three, but humanisms will also differ in the manners in which they articulate and justify each point.

We can further note, in contrast to Todorov's own description of humanism, that these principles stand in tension with each other. Humanism is a three-legged stool, incredibly stable when well-built, but easily collapsing when its legs are not in union. Lest there be any confusion, a clarification is necessary. This is a claim about our theorizing, not about the ethical reality that

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[11] Jacques Maritain, *Integral Humanism, Freedom in the Modern World, and A Letter on Independence, Revised Edition*, ed. Otto Bird, trans. Joseph Evans and Richard O'Sullivan K.C, Revised edition (Notre Dame, Ind: University of Notre Dame Press, 1996), 153.
[12] Tzvetan Todorov, *Imperfect Garden: The Legacy of Humanism* (Princeton, NJ: Princeton University Press, 2002), 30. It is worth noting that Todorov himself has a narrower conception of each of these three elements than I do.

spurs it. That is, we do not need to find a golden mean of respect for the dignity of the other in order to avoid trampling upon freedom of the person or the common good. Just like one cannot have too much justice, one cannot have too much of any of these three, properly understood. Rather, in articulating the meaning of these elements, an error in regard to one will necessarily create problems in our understanding of the other two, resulting in a dysfunctional humanism in theory and real harm to humans in practice.

Reading Smith in this way has several advantages. First, it places the emphasis on ethical content rather than theory. Instead of having to find common ground in terms of method, which often leads to interminable disputes on the role of the passions or the intellect, virtue or law, we can build upon substantive agreement on these three principles. Likewise, disagreements as to the articulation and justification of these principles will allow us to better understand the importance of differences in moral theory. Difference is best understood in terms of commonality.

The primacy of content also allows us to see that, contrary to a possible objection, I am not putting forward Kant as the humanist *par excellence* and measuring all others according to him. It may be that these principles, presented so clearly by Kant, are yet articulated more truly by a different moral theory.[13] Indeed, the theory of justice-in-exchange that I am developing forces us to go beyond what Kantianism can provide, even if—as I intend—the assumptions in the first stages of my argument are accessible to Kantian thinkers.

That being said, humanism's emphasis on content does not mean that it places no constraints on ethical theory whatsoever. Most importantly for our discussion, utilitarianism, with its willingness to sacrifice the individual for the sake of the whole, is incompatible with the

[13] It should be noted that this approach differs from that of Maritain, who considered such attempts at providing a minimalist account to be akin to cowardice.

finality of the you, and therefore with humanism as a whole. Indeed, on my view, utilitarianism is an example of a failed humanist endeavor containing a misunderstanding of the *universality of the they* that renders it incompatible with the other elements of humanism. Insofar as utilitarianism is a form of utility maximization, it reproduces the same form of economic thinking that this dissertation is designed to critique. Turning to utilitarianism may get us what we want, on some occasions, in the wrong way, but it will reinforce the onslaught of economism that threatens to consume all moral reflection.[14]

A second advantage that reading Smith as a humanist possesses is that it enables us to read Smith more accurately. This is counterintuitive, because external categories typically obscure the thinker's own, but the capaciousness of humanism is paralleled by that of Smith's thought. Labeling Smith a humanist creates space for reading him, to take one contemporary debate as an example, as being concerned with virtue as well as natural law.[15] Neither virtue ethicist nor natural law theorist succeed at capturing the breadth of his theory.[16] Happily, this is also true of Aquinas and Catholic Social Teaching, providing one more point of agreement between them.

To read Smith as a humanist is especially useful because it highlights the divide between Smith and other thinkers with whom he is often—and unjustifiably—associated. Smith is not Mandeville; he does not advocate private vice for the sake of public benefits. Nor is Smith a

[14] A number of Christian ethicists have attempted to build bridges between utilitarianism and moral theology in John Perry, ed., *God, the Good, and Utilitarianism: Perspectives on Peter Singer* (New York: Cambridge University Press, 2014). I do not deny the need to do so when it pertains to consensus-building on specific actions, that is, as a political or pragmatic move. I do, however, maintain that the utilitarian mode of reasoning cannot contribute conceptually to addressing the problem at hand precisely because it is the problem.

[15] Joe Blosser provides another way of capturing this diversity by reading him as a responsibility ethicist. See "More Than Free Markets: Adam Smith and the Virtue of Responsibility," *Journal of the Society of Christian Ethics* 36, no. 1 (June 17, 2016): 163–79.

[16] For a natural law approach, see Knud Haakonssen, *The Science of a Legislator: The Natural Jurisprudence of David Hume and Adam Smith*, Reprint edition (Cambridge; New York: Cambridge University Press, 1989). In my estimation, the best virtue ethics approach is found in Ryan Patrick Hanley, *Adam Smith and the Character of Virtue* (New York: Cambridge University Press, 2009).

proto-utilitarian or an ancestor of the sort of development economics that utilitarianism supports. Indeed, I will argue, Smith is a powerful critic of these positions.

Lastly, and in the same vein, reading Smith as a humanist clarifies the objections that Catholic Social Teaching raises against his thought. The *personalist objection* is in effect a denial that Smith adequately respects the *finality of the you*. The *teleological objection* claims that he, or the system he produces, does not adequately support the *universality of the they*. And insofar as an individualist economic philosophy justifies its failure to meet these objections with claims that the economy cannot function otherwise, it also undermines the *autonomy of the I*. To ask the question of whether Smith falls prey to these critiques is thus another way of asking whether Smith is in fact a humanist, a question to which we now turn.

In the following, I will first present a reading of Smith's ethical theory as essentially humanist. I will then argue that the *Wealth of Nations* is itself motivated by the same humanist principles that we find in his moral thought. That is, it is one example of a humanist political economy. Finally, I will provide what I take to be the strongest arguments that Smith provides as to why contemporary humanists ought to accept competitive exchange as a crucial component to a humane economy. In other words, I will present reasons why our treatment of exchange going forward should be recognizably Smithian.

Smith as a Humanist

Our exploration of Smith's humanism begins with his moral theory in the *Theory of Moral Sentiments*, because that that is where we find the clearest expression of the principles of humanism. Smith is a quintessential Enlightenment thinker, which means, among other things, that he was reacting to both real and perceived religious conflict in his day. Religious pluralism threatened to destroy the social fabric necessary for human flourishing in two ways. On a theoretical front, it eroded the shared sources of authority that served as a ground for ethics, while on a practical front, it facilitated one hundred years of war that tore Europe apart. At the same time, Enlightenment thinkers understood the old religious authorities to stand opposed to the very flourishing at which they aimed. Freedom was crucial to progress, such that no return to Christendom was desirable, even if it had been possible. Like the other Enlightenment thinkers, Smith's aim was to provide a source of authority that could provide common ground in the midst of diversity: human nature itself.

Humans, for Smith, are by nature moral agents, albeit imperfect ones. The key is to understand the origins of our morality so that we may take an active role in bettering ourselves. This source is found first and foremost in our capacity to sympathize with others. In his very first sentence, Smith writes, "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it."[17] If we seek the most fundamental principle of Smith's anthropology, it would not be that humans are bound to act out of selfishness or self-interest. Self-interest is tempered by the fact that humans are invincibly social. No matter how selfish, all humans have the capacity to sympathize with others, and to do so, not from self-interest, but for its own sake.[18] This point is emphasized even more by the fact that the discourse of sympathy evolved out of a response to Hobbes. Sympathy stands as

[17] Adam Smith, *The Theory of Moral Sentiments,* ed. D.D. Raphael and A.L. Macfie (Indianapolis: Liberty Fund, 1982), I.i.1.1.
[18] Smith clarifies that the pleasure associated with sympathy is not the cause of sympathy, but rather a result of it.

one clear capacity of the human that cannot be reduced to self-interest, for what good can it possibly serve me to know the suffering of the man against whom I am waging war?[19]

Smith enlarges this notion of sympathy beyond merely feeling pity for the sufferer to include "our fellow-feeling with any passion whatever."[20] Smith often uses the metaphor of our hearts "beating time" with our fellow humans to express this synchronization of feelings. The imagination fulfills an important function here, for in order to sympathize with others, we must envision how we would feel if we were them.[21] An inherent trait in all humans, then, is that we have the capacity to understand how other humans feel, to place ourselves into their situations, and to experience their feeling as if it were our own. For Smith, sympathy cannot be conflated with egoism because we do not imagine how we would feel if the situation of the other were our own; we imagine how we would feel if we were the other. The concern is not for myself; it is for the other.[22]

The shared capacity for sympathy makes possible both the *finality of the you* and the *universality of the they*, depending upon whether we are attending directly to the other or to our relation to the species as a whole. Yet, if nature grants us the possibility of living into these principles, it also presents us with the greatest challenges to doing so: the natural limitations of sympathy. On the one hand, we find ourselves limited in our capacity or willingness to enter into the situation of others. On the other, we tend to care far too much about ourselves and those close to us, and far less about the stranger. To use Smith's vivid example, if an earthquake devoured all the inhabitants of China, we would give it far less thought than the loss of one's own pinky

[19] Jerry Z. Muller, *Adam Smith in His Time and Ours: Designing the Decent Society*, 1st edition (New York : Toronto : New York: Free Press of Macmillian, 1992), 101.
[20] TMS, I.i.1.5.
[21] TMS, I.i.1.11.
[22] TMS, VII.iii.1.4.

finger. Indeed, the "man of speculation" would likely occupy himself with thoughts of the earthquake's economic impact before sleeping soundly in his bed.[23]

Despite these limitations, sympathy still serves as the ground for moral judgment. We sympathize by using the imagination to place ourselves into the position of another person. When the emotions of the other concur with what we imagine we would feel, we approve of them. However, if the feelings that we imagine we would feel were we in the other's position differ from the feelings that we observe, we have no possibility of sympathizing with the other. Instead, we disapprove of the other, believing him or her to be reacting to the situation in an improper fashion.[24] This highlights the radically anthropocentric nature of Smith's account of moral judgment. In short, "Every faculty in one man is the measure by which he judges of the like faculty in another. […] I neither have, nor can have, any other way of judging about them."[25]

If we are alone in our initial judgments, we are not left there. It is the agreement of impartial spectators that initially allows for personal judgments to be universalized. Sentiments, Smith explains, "seem proper and are approved of, when the heart of every impartial spectator entirely sympathizes with them, when every indifferent by-stander entirely enters into, and goes along with them."[26] The self who judges is not an isolated self, but rather a member of a community who shapes society even as she is shaped.

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[23] TMS III.i.4; For a detailed account of these limits, see Fonna Forman-Barzilai, *Adam Smith and the Circles of Sympathy Cosmopolitanism and Moral Theory*, vol. 96, Ideas in Context (Cambridge, UK ;New York: Cambridge University Press, 2010).
[24] TMS, I.i.3.1.
[25] TMS, I.i.3.10; DD. Raphael objects to this claim in *The Impartial Spectator: Adam Smith's Moral Philosophy*, New Edition (Oxford : Oxford ; New York: Oxford University Press, 2007), 20 However, we should note that his counter-examples primarily assume situations in which one is incapable of judging rather than instances in which someone can judge based on other criteria. The person who is hard of hearing is not qualified to judge another's sense of pitch precisely because she lacks that faculty.
[26] TMS, II.i.2.1.

Smith grounds his treatment of moral acts in the sentiments of gratitude and resentment. Actions that seem worthy of gratitude are considered worthy of reward, and those that, on the contrary, seem worthy of resentment are considered worthy of punishment.[27] In order to enter into the sentiments of gratitude and resentment, we must address both the sentiments of the actor and those of the recipient of action. Smith distinguishes between two types of sentiment that together determine how a given act is to be judged. Direct sympathy refers to the fellow-feeling that we share with the actor, whereas indirect sympathy refers to that fellow-feeling we share with the receiver of the action.[28]

Gratitude and resentment are feelings felt by the one who receives the action; however, our experience of them depends upon the way in which we relate to the sympathy of the actor. Direct sympathy or antipathy determines the possibility of indirect sympathy. If we approve of the actor's feelings and are able to adopt them, we will naturally approve of the action that is a result of them. Hence, if the actor acts beneficently to the recipient of the action, we will be able to sympathize with the gratitude of the recipient.[29] If he does harm, we will be unable to sympathize with the one harmed, because we will have already approved of the action that brought it about.

Likewise, if an actor acts out of feelings we are unable to sympathize with, we disapprove of that action.[30] If an actor does a beneficent action, we will be unable to sympathize with the gratitude of the recipient, regardless of how strongly she feels it. Rather, we find such

[27] TMS, II.i.1.3.
[28] TMS, II.i.5.1.
[29] TMS, II.1.2.4.
[30] TMS II.1.3.3.

action to be foolish and unwarranted.[31] On the other hand, if the actor harms another, we will sympathize with the one harmed, because the harm seems unjust. In this case, we adopt the sufferer's resentment, and are often moved to seek retribution on behalf of the sufferer.[32]

If these distinctions seem difficult to enter into, consider our response if a wealthy individual were to provide two gifts: the endowment of a scholarship for impoverished students, and the purchase of shots for everyone in the college bar on a busy night. In both instances, the recipients might exhibit gratitude for the gift, yet most onlookers would only be able to sympathize with the gratitude for the former. Their disdain for the frivolity of the second gift would leave them unmoved by the gratitude it evokes.

Gratitude and resentment not only allow humans the capacity to determine the praise-worthiness or blameworthiness of an action, they also provide us with the notions of justice and beneficence, which in turn support society. Beneficence refers to an action freely performed for the good of another; the action is not required, and, therefore, failure to perform it is not a punishable offense.[33] These actions stimulate gratitude in the hearts of the recipient, and, through indirect sympathy, in the heart of the observer. Actions of beneficence are those that seem worthy of reward.[34] Justice, on the other hand, refers to those actions that one is obligated to perform; failure to perform these acts causes resentment, the sentiment that results in punishment.[35]

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[31] TMS, II.1.3.2.
[32] TMS, II.1.2.5.
[33] TMS, II.ii.1.3.
[34] TMS, II.ii.1.1.
[35] TMS, II.ii.1.5.

Smith is of course aware that these sentiments may not precede every moral action. In fact, he acknowledges, "Many men behave very decently, and through the whole of their lives avoid any considerable degree of blame, who yet, perhaps, never felt the sentiment upon the propriety of which we found our approbation of their conduct, but acted merely from a regard to what they saw were the established rules of behavior."[36] Law and custom have their place in shaping moral behavior, as does force of habit. Smith offers a genetic account of the development of moral norms flowing from the human's constitution as a being predisposed to the experience of sympathy.

Social stability arises out of this constitution of human nature. "Society," he writes, "cannot subsist among those who are at all times ready to hurt and injure one another."[37] Justice is the *sine qua non* of a society's existence; beneficence, while not essential, is the prerequisite for a society's flourishing.[38]

> Justice, on the contrary, is the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society, that fabric which to raise and support seems in this world, if I may say so, to have been the peculiar and darling care of Nature, must in a moment crumble into atoms. In order to enforce the observation of justice, therefore, Nature has implanted in the human breast that consciousness of ill-desert, those terrors of merited punishment which attend upon its violation, as the great safe-guards of mankind, to protect the weak, to curb the violent, and to chastise the guilty.[39]

Smith's Stoicism, perhaps transmitted to him through the Stoic stream of humanism, reveals itself strongly in this passage. Justice is necessary for society, and Nature ensures that justice will not be neglected by placing a desire for justice within human nature. This is not to say that we have a fully-fledged innate idea of justice within us, such that we can arrive at judgments *a*

[36] TMS, III.5.1.
[37] TMS, II.ii.3.3.
[38] TMS, II.ii.3.3-4.
[39] TMS, II.ii.3.4.

priori. We must learn from the experience of our social interaction in order to perfect our powers of sympathy so that we may perceive the many ways in which justice is transgressed.[40]

Smith's belief in the *universality of the they* is demonstrated in the claim that all humans share a common nature that makes possible their flourishing. To be human is to share in this ability to sympathize with others, which allows for moral judgment that in turn promotes human wellbeing.[41] For Smith, the universality of the they is thus, on the first instance, not rooted in intention as something we aim at, but as a creation of nature personified. Insofar as Smith also takes this aspect of human nature to be something that should be reinforced through our intentional cooperation, and indeed transcended through benevolence, we can see him actively supporting the universality of the they. Nevertheless, an emphasis on nature can conflict with belief in the autonomy of the I. Likewise, an emphasis on humanity as a group can clash with the finality of the you.

Not only does Smith reject egoism as a motivation for sympathy, but he also takes care to argue that it is not the concern for the preservation of society that motivates moral judgment; rather, it is the concern for individuals who suffer. One must distinguish between the final cause of an action and the efficient cause. Nature or God may have created humans such that they are drawn to act in ways that promote the wellbeing of humanity as a whole, but individuals act because they are concerned with the promotion of the wellbeing of particular individuals.[42]

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[40] This is similar to one way of envisioning natural law. The principle "evil is to be avoided" requires experience in order to provide moral guidance.

[41] An objection to this could be raised by citing Smith's discussion of "savages" in Part V of *The Theory of Moral Sentiments*, but even here, Smith is careful to demonstrate that all humans, including the Native Americans, have the necessary capacities for moral judgment.

[42] TMS, II.ii.3.8-10.

Part of the reason for the dominance of nature in the first two parts of *The Theory of Moral Sentiments* is that Smith shifts the terms of the 18th century debate about morality, asserting that the primary question is not why we should be moral, but why in fact we are moral.[43] The answer that is given is because humans have been designed to be so in order that human society will function. This leads to an emphasis on nature rather than on freedom, as well as an emphasis on humanity as a whole rather than as individuals.

We should reflect for a moment about the type of order that this represents, because it is analogous to the form of order that underlies Smith's use of the metaphor of the invisible hand, and more importantly because it represents a specific construal of the relationship between intentionality and social form. Imbedded in Smith's moral theory is a notion of spontaneous order arising out of the unintentional actions of individuals.[44] In general, we do not need to aim at the universal precisely because attending to the particular needs of the individuals before us will bring it about. At the same time, because Smith does recognize the need for us to attend to the particular through intention, our agency is not erased.

Nature, both in terms of spontaneous order and in the natural ordering of our sentiments that undergirds it, can be resisted, giving Smith a reason to argue for why one would choose to live the moral life. Here, Smith once again relies on moral psychology, but examines the moral act from within rather than from without. He provides a psychology of moral development, describing the process through which we are habituated to sympathize with others. In this description, we discover both the autonomy of the I and the finality of the you.

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[43] In this, Smith follows his friend Hume. There is a running debate among Smith scholars as to whether Smith is engaging in a normative project or a strictly descriptive or phenomenological project. My interpretation is a middle way in which Smith moves in general, though not universally or explicitly, from the phenomenological to the normative. In that movement, Smith departs from his Humean starting point.

[44] The most sustained treatment of this occurs in James R. Otteson, *Adam Smith's Marketplace of Life* (Cambridge ;New York: Cambridge University Press, 2002).

Insofar as we can imagine an impartial spectator when judging the actions of others, we can also imagine how the impartial spectator would view us.[45] In a sense, we become two persons, the judge and the agent.[46] Humans are by nature concerned with the judgments of others, but "man naturally desires, not only to be loved, but to be lovely; or to be that thing which is the natural and proper object of love."[47] It is this desire that persuades us to do what is right regardless of praise. If there is no judge present, we judge ourselves. It is worth seeing here a direct challenge to Rousseau, whose critique of commercial society is rooted in the claim that commerce promotes an unhealthy concern for the appearance of virtue rather than its attainment. Smith recognizes the temptation to allow appearances to dominate reality, but forestalls the critique at the level of anthropology. Self-love motivates us to be worthy of praise, regardless of the political or economic system in which we find ourselves.

In order to become praise-worthy, Smith recommends "the great school of self-command," which teaches the self to become "more and more master of itself," in order that it may "exercise over its feelings a discipline which the practice of the longest life is very seldom sufficient to bring to complete perfection."[48] The Stoic ideal is recapitulated in Smith's commendation as a sign of one's autonomy.[49] We do not exert self-command in order to come to grips with a nature that has its way with us, but rather to surpass nature. Smith offers a call to build upon the natural capacities one has been given as a member of the human race, using self-

45 TMS, III.1.3.
46 TMS, III.1.6
47 TMS, III.2.1
48 TMS, III.3.22.
49 Compare John M. Cooper, *Knowledge, Nature, and the Good: Essays on Ancient Philosophy* (Princeton, N.J: Princeton University Press, 2004), 204–45; with Fleischacker's *A Third Concept of Liberty*, First Edition (Princeton, NJ: Princeton University Press, 1999).

command to become the type of person one desires to be. This is his notion of the *autonomy of the I.*

Nevertheless, if the means are Stoic, the ultimate goal of this self-command has an Augustinian concern for purity of motive, directed, not to the love of God (as in Augustine's case), but to the human other. Smith describes the one who has attained this level of perfection in self-command as follows: "He does not merely affect the sentiments of the impartial spectator. He really adopts them. He almost identifies himself with, he almost becomes himself that impartial spectator, and *scarce even feels but as that great arbiter of his conduct directs him to feel.*"[50] The one who enlists in the school of self-command attains in the end the ability to act rightly without reflecting on the impartial spectator. Whereas in the beginning, she acted out of a love of self, she is now able to act out of genuine concern for the other. In the desire to become the impartial spectator, the person who can empathize rightly with all others, we have Smith's version of the *finality of the you.*[51]

The three elements of humanism—the autonomy of the individual, the direction of human acts to the flourishing of individual humans, and the recognition of shared humanity—are thus united in Smith's ethics. Smith the moral philosopher; Smith the humanist: this is the true Smith.

[50] TMS, III.3.25.
[51] Blosser discusses this point of contact between Levinas and Smith in "More Than Free Markets."

Smith's Political Economy

How do we reconcile Smith's humanism with his valorization of commerce and his proposal that governments should abandon the attempt to regulate trade and instead embrace the system of natural liberty? Is this not a rejection of the principles of humanism in favor of libertinism, such that Smith embodies the critiques of Manchestrianism that *Quadragesimo Anno* so firmly marshaled? Or, to put this in the terms of his time: does the humanist Smith sacrifice his ethic in the Mandevillian dilemma between vicious prosperity and virtuous poverty?

Mandeville is often referenced as a key influence on Smith, and not for no reason. In the *Fable of the Bees,* Mandeville depicts the economic ruin of the hive once vice—particularly, luxury, but also pride, deceit, and a host of other unsavory traits—is constrained. The text is seen as a source of Smith's own tempered defense of luxury as something which, while neither good nor necessary for growth, does not bring about the economic ruin predicted by eighteenth century prophets. Add to this a few choice quotes on self-interest, and the hasty reader comes to the unfortunate conclusion that Smith's thought follows Mandeville's "private vice, public benefits."

On the contrary, what Smith provides is a combination of economic and moral arguments that present free commerce as something worthy of adoption by humanists of diverse stripes. Smith's study of political economy, *An Inquiry into the Nature and Causes of the Wealth of Nations*, is a sprawling work of nearly 1,000 pages and divided into five books that in turn consider 1) the production and distribution of wealth, 2) the role of capital, 3) the stages of economic development, 4) theories of political economy- including his own, and 5) the expenses and financing of government. It was published in 1776, long before the academic division of labor resulted in strong distinctions between philosophy, economics, and political science. Smith was a moral philosopher, a scholar whose sphere of study included subdisciplines involving not merely ethics, but natural theology, jurisprudence, and political economy as well. Scholars hoping to categorize his work must keep in mind not only the breadth of the *Wealth of Nations* and Smith's intellectual pursuits, but also the fact that the very idea of value-neutral social science had yet to be proposed. Smith's *Wealth of Nations*—though not a work of moral philosophy—is permeated by ethical reflection.[52]

The aim of the work, as Smith makes clear in his introduction, is to increase the productivity of labor so that nations will be better off. Yet, Smith's political economy is also oriented toward the production of the highest form of freedom: the freedom to do the good. By increasing general wealth, Smith hopes to avoid the intense poverty that can force tragic choices. As he notes in the introduction, "Such nations [that is, the "savage" nations of hunters and fishers], however, are so miserably poor, that, from mere want, they are frequently reduced, or, at least, think themselves reduced, to the necessity of directly destroying, and sometimes of abandoning their infants, their old people, and those afflicted with lingering diseases, to perish with hunger, or to be devoured by wild beasts."[53] In contrast, wealthier nations are able to support those members who are incapable of producing for their own needs without risking the survival of other members. Without doubt, Smith also recognizes the perils of wealth and commercial society in particular. Wealth alone does not make a person good, and the pursuit of it can assuredly make a person bad. This is one reason why we—as members of commercial

[52] It has been argued that Smith is attempting to bracket moral issues in the WN in order to provide a morally-neutral discourse that will be persuasive to the various actors—political and economic—who have the capacity to transform Great Britain's economy. Smith may have succeeded in providing nonmoral reasons for his policies, but as Fleischacker observes, he does not succeed in removing all moral discourse from the work. Whether intentional or not, but fortunately for these considerations, the ought makes its presence, albeit in a non-systematic way.
[53] WN, Intro.4

society, in particular— need the *Theory of Moral Sentiments*. The key point, however, is that the moral project and the economic project go hand in hand; the aim is to create a virtuous, yet prosperous society. In setting this as his aim, Smith rejects Mandeville as offering a false dilemma.

In order to grasp Smith's vision, we must consider, first, his account of exchange and commercial society. Here, we see that exchange serves as a source of wealth, but also a means of preserving human dignity. Second, we must examine his argument for the system of natural liberty, an innovation that will increase the productivity of markets, while at the same time, promoting justice. In this last section, we will see that the fundamental moral argument of Smith's *Wealth of Nations* bears strong resemblance to the theory of just price. It is, in a sense, a *supply-side ethic* of just price.

Exchange as a Source of Wealth and Dignity

Smith sets as a task for himself in the first book of the *Wealth of Nations* to understand how wealth is produced and distributed. Here, we see an account of exchange as a source of wealth, insofar as exchange makes possible the division of labor, and eventually serves as the primary method by which goods are distributed to all. We also find in it a source of moral improvement, such that economics and ethics run hand in hand.

Smith is well aware that markets are socially constructed, as is the market economy. Without the existence of property rights, which vary greatly across time and place, commercial society could not exist. Custom can provide some semblance of property rights, but it is law that enshrines and enforces them. At the same time, governments often create and enforce laws regarding the types of goods that can be exchanged, prices permitted, and the taxes levied, etc. Cultural norms also have a role to play, as do other institutions like unions or religious groups. Despite all of these factors, it is nevertheless the case for Smith that markets are rooted in unchanging realities about human nature and the world in which we live. By getting clearer on these realities, we can begin to envision an ontology of markets and to conceive of the ways in which contingent factors give markets shape.

The introduction of the Wealth of Nations provides us with Smith's understanding of wealth. Wealth consists in the fruits of our labor, those goods that we may consume.[54] Smith writes, "The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consists always, either in the immediate produce of that labor, or in what is purchased with that produce from other nations."[55] The world offers many gifts, to be sure, but it is through work that we make those gifts our own. Likewise, trade is beneficial, but the benefits of trade depend upon the labor that produced the items to be exchanged.

The quantity of wealth a given society possesses depends primarily upon the productivity of labor and secondarily on the percentage of people who are productively employed. The former matters more, because, as Smith notes, richer nations frequently have more unproductive members of society, but nevertheless still possess more wealth.

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[54] Smith places less value on services, as he sees many of these as unproductive labor. Hiring a valet does not bring about returns on capital, nor does it increase the amount of food, housing, etc. that the society needs in order to flourish. What Smith does not seem to acknowledge on this front, is that services can allow one to optimize one's time for productive labor. It makes little economic sense (though perhaps some moral sense) for a lawyer to mow his own lawn when he could pay someone a quarter of his billable rate to do it.

[55] WN, Intro.I.

Because labor is the primary source of wealth, Smith begins the first book of the *Wealth of Nations* with a reflection on the division of labor, the innovation responsible for the "greatest improvement in the productivity of labour."[56] The division of labor exists on the first instance with the rise of trades. There is an advantage to having workers who perform distinct functions. The jack-of-all-trades typically is master of none. Beginning with the trivial example of pinmaking, Smith notes that specialization dramatically increases productivity when applied to the individual tasks in a trade. Thus, in the pin factory, pinmaking is divided into a series of simple tasks for each worker. This allows each worker to master a particular task, avoids the time otherwise spent transitioning between tasks, and encourages innovation.[57] The last point may perhaps be surprising, until we remember that no one particularly enjoys repetitive work. If a machine can be made to perform the task, the worker herself will find a way. Note that the innovation of the division of labor is in a sense natural: human society tends toward the increased division of labor insofar as human capacities are perfected through sustained engagement in a particular task.[58]

The division of labor arises from "the propensity to truck, barter, and exchange one thing for another."[59] For Smith, this tendency is universally and particularly human, though he acknowledges that it may itself be derivative of the human capacity of language. In the *Lectures on Jurisprudence*, he goes farther, and states that it may find its origin in our desire to persuade.[60] Lest this be interpreted as the claim that humans possess an inherent deviousness—a claim which may be true but which Smith is not making here—it is essential to recall that Smith understands

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56 WN, I.1.
57 WN, I.1.5.
58 Awareness of the benefits of the division of labor is not new. Both Plato and Aristotle had versions of the idea.
59 WN, I.II.1.
60 LJ(B), 221.

the alternative to exchange to be begging. Begging is primarily a self-focused task in which we ask others to sympathize with our situation. In contrast, exchange occurs when we sympathize with the situation of others, and attempt to persuade them to meet our needs by offering to meet theirs. Persuasion is thus grounded in sympathy; exchange pulls us out of ourselves, even if it is motivated by self-interest.

Trade, then, makes possible the division of labor, which in turn accounts for the greatest increase in productivity. These benefits, however, are limited by the size of the market. Smith observes that in the rural areas of Scotland, "every farmer must be butcher, baker, and brewer for his own family." In contrast, the existence of more work to be done (and more workers to do it) in a major city allows for greater specialization. Transportation allows for an increase in the extent of the market, as goods may be brought to those who buy it. Here, location matters, as shipping by boat allows for more and larger goods to be transported for a lower price than by carriage. In our globalized society, the effects of improvements in transportation have allowed markets to expand far beyond what Smith imagined, thereby allowing even greater division of labor and improved productivity.

Expanding markets and increased specialization give birth to commercial society. Exchange is not limited to a class of traders but becomes a fundamental part of life. As Smith perceives, "Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society."[61] Thus, we see that the market economy is an innovation, but one that is a natural expression of innate human tendencies.

[61] WN, I.4.1.

One technology necessary for the growth of markets is money. Smith accepts the myth that money was developed as a means of expanding the scope of a market. The story, found in most introduction to economics textbooks, goes like this. Prior to the invention of money, people were forced to exchange goods through barter. A problem would arise if no one had present need of the surplus goods that one offered. To use Smith's example, if the butcher has no present need of bread and beer, the baker and brewer have no means of obtaining meat. As a result, they would learn to keep on hand a commodity that is frequently needed and easily exchanged. Early examples of these include salt, tobacco, or even cattle. The trouble with these items is that they are inconvenient to transport, whether about town or over long distances. Moreover, not all of these commodities are readily divided. It is rather difficult (and messy) to pay someone in portions of cow. As time progresses, societies begin to use metals, as they are easily transported and divided. Eventually, these metals come to be regulated in terms of quantity, and we have the institution of currency.

Most historians and anthropologists doubt that this is actually the way money came to exist. Indeed, it is difficult to verify any of Smith's speculative history of economic and social evolution. What matters here is not so much the mythical origins but the role that Smith understands money to play, a role supported by the myth but wholly possible without it. Money serves as a measure of value for all goods or services that are exchanged: that is, it is the indicator of their price. As such, money is an extension of our natural capacities toward exchange and the division of labor that exchange makes possible.

In the next chapter, we will consider price in more detail as we reflect upon Smith's theory of justice-in-exchange. At this point, I wish to take stock of the fundamental elements in

Smith's treatment of exchange. I have noted three innovations—the division of labor, the market economy, and money—that are all seen as the natural outworking of our innate tendencies. These make possible the typical exchange in which we use our powers of sympathy to discern the needs of others, allowing us to freely exchange the specialized fruits of our labor through the intermediary of money, which in turn allows greater prosperity through supporting the continued benefits of the division of labor.

All of this can be considered natural in the broadest sense, insofar as it represents evolution in accordance with our innate tendencies. Indeed, given Smith's account of human nature, it is difficult to conceive of any form of economic development that would not produce the devision of labor, money, and the growth of commercial society. The fact that Smith's speculative history is not accurate calls some of this into question. Things have been otherwise: production has been ordered without the use of markets and currency. Nevertheless, Smith would readily accept that fact; his point is that, while some things can be otherwise, not all things can be. Nature also constrains us. Fewer exchanges result in decreased division of labor, which limits productivity. We could choose to limit exchanges in pursuit of other aims, but humans are not free to escape from the costs that result from that choice. Exchange, by allowing the division of labor, just is a source of increased wealth.

Smith's defense of exchange, however, is not limited to the economic; he also sees in it a cause of freedom and equality, rooted in a new dynamic between rich and poor as they meet to exchange goods. From our post-Maussian vantage point, this may seem like too strong a claim.[62] Is not gift more fundamental, with commercial exchange arising after the corruption of our

[62] See the discussion of gift in chapter two.

natural innocence? Has our modern self-interested understanding stripped exchange of its social meaning? Smith also had to deal with this same challenge, albeit from Rousseau, Mauss's predecessor. For Rousseau, commercial society results in masked relations in which we present false versions of ourselves as virtuous whilst seeking to manipulate exchange for our own advantage.[63] Rather than an aid to the problem of social division, commerce is a chief contributor to the problem.

Smith's defense of the naturalness and goodness of society—even commercial society—stands not merely contrary to Rousseau, but also in agreement with Aquinas, making it particularly important to this study. We have already seen one of Smith's rebuttals occurring in his discussion of our natural desire to actually be good, but we should also consider his response in terms of the nature of human engagement in exchange as setting us apart from that of animals. He observes, "When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favour of those whose service it requires."[64] Just as a dog begs, so too do people utilize "servile and fawning attention" in order to achieve their ends. In contrast, in exchange the initiator does not appeal to the other's benevolence, but rather attempts to "interest their self-love in his favour."[65] It is here that Smith offers his most quoted statement, "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from regard to their own interest." Lest we misunderstand Smith as indicating that parties must never act out of benevolence, it is useful to note the sentence immediately following this, where he writes, "We address ourselves, not to their humanity but to their self-

[63] See Rousseau, "Discourse on Inequality," in *"The Discourses" and Other Early Political Writings* (Cambridge: Cambridge University Press, 1997), 170–71.
[64] WN, I.ii.2.
[65] WN, I.ii.2.

love, and never talk to them of our own necessities but of their advantages."[66] Smith is here speaking of the one initiating the exchange (i.e., the one who needs or wants something), and despite the strong rhetoric, he is making a generalization, not a categorical statement. If we wish to be successful, we appeal to others' wishes instead of our own needs.

What is effective (an appeal to self-interest) is also morally superior to the alternative, for three reasons. In the first place, it pulls us out of ourselves. As Augustine wrote, the sinful soul is naturally *incurvatus in se*, turned in upon itself. Commerce cannot redeem the soul, but, Smith tells us, it can mitigate some of the effects of sinful self-interest by requiring us to sympathize with others.

We also see in exchange a preservation of liberty. As Hanley summarizes, Smith's argument is that "social interdependence promotes individual independence by severing direct dependence."[67] Instead of having to rely upon one individual for all goods, as in a feudal society, one is linked in a large network of suppliers and buyers. In contrast to the hierarchical ordering of society that we find in feudalism, Smith writes toward the end of the *Wealth of Nations*:

> In an opulent and civilized society, a man may possess a much greater fortune and yet not be able to command a dozen people. Though the produce of his estate may be sufficient to maintain, and may perhaps actually maintain, more than a thousand people, yet as those people pay for everything which they get from him, as he gives scarce anything to anybody but in exchange for an equivalent, there is scarce anybody who considers himself as entirely dependent upon him, and his authority extends only over a few menial servants.[68]

Commercial society, then, grants freedom to those poorer people who would otherwise have to be at the beck and call of their masters. They are set free to determine the direction of their own

[66] WN, I.ii.2.
[67] Hanley, *Adam Smith and the Character of Virtue*, 19.
[68] WN, V.i.50

lives. Gifts, on the other hand, have a pernicious manner of binding people in servitude. To require a gift is to place oneself at the mercy of the gift-giver, who is free to dominate one to the extent she wills. Exchange, then, promotes the *autonomy of the I* by emancipating poor individuals from direct dependence on the wealthy.

With this granted, it must be noted that too much has been made of appeals to freedom as the primary justification for market exchange. To take this as the only principle justifying exchange is to make of society a mere aggregate of individuals; it is to grant libertarian freedom pride of place among moral ideals.[69] Smith's picture transcends this and moves into an account of our unity as equals.

Smith's concern is not merely with what one does, but with who one is. The begging dog is unable to choose her life, but is also constrained in a position of being "less than" her master. So too with the courtier or the beggar. Their actions, far from being ordered to the benefit of themselves, are ordered primarily to the benefit of the other. This type of dependency is debasing, and unbecoming of human dignity. Humans are ends, rather than means. It is worth noting that Smith has little patience for religious vows of poverty precisely because of the type of dependency that they create.[70] We should note, however, that even the strongest supporters of voluntary poverty, the Dominicans and Franciscans, understood the involuntary status of begging to be unbecoming of the dignity of humans. The feudal system, with its peasants involuntarily dependent upon their masters for provision was essentially inhuman. Worse still, on Smith's view, is that voluntary servility that existed among the upper classes in the courts.[71]

[69] Consider Nozick, *Anarchy, State, and Utopia*.
[70] TMS, III.ii.35.
[71] TMS, I.iii.2.

In the ideal exchange, the needs of both parties govern the exchange, such that both parties meet as equals. The wealthy man is constrained by the needs of the poor in the same manner that the poor man is constrained by the needs of the rich. Either may walk away if his needs are not met, and to find some other party who is willing to meet those needs. The preservation of dignity in an exchange enshrines the *finality of the you*, while the equality shared between them makes possible the *universality of the they*.

Thus, we see on Smith's analysis, that exchange maintains the freedom and dignity of all parties, including those at the bottom of the hierarchy. Commercial society has the potential to unleash incredible wealth while at the same time allowing for the moral improvement for society. Yet, exchange does not exist in a vacuum, and therefore we must broaden our scope in order to understand how best for society to harness the productive and elevating capacities of exchange.

Systems of Political Economy and the Supply-Side Ethic

Smith's view of political institutions is not entirely negative; indeed, it is the development of political institutions that allows people to feel safe enough to invest their profits, rather than hiding them from thieves. Likewise, Smith holds that government policing—though originally employed to ensure that the poor could not steal from the rich—evolves such that its primary role eventually becomes to protect the poor against the infringement of their rights by the wealthy. Despite all of this, much of the political reflection in the *Wealth of Nations* reads as a catalogue of things not to be done, a tale of just how many ways the market—which is to say the poor, for it is always the poor who suffer most—needed to be emancipated from oppressive legal institutions. Such reflections reveal the need to justify the political order that renders economic development possible.

This need elicits the question: how does one provide a justification for a political economic order? Amartya Sen has proposed a useful distinction between two approaches to forming just institutions that will better enable us to grasp Smith's approach: transcendental institutionalism and realization-focused comparison.[72] The former attempts to fashion a perfect conception of justice and then to construct society so as to realize it. The foremost example in modern political philosophy is Rawls, but similar moves are also made in theology.[73] In contrast, in realization-focused comparison, the scholar takes as her starting point societies as they exist and tries to realize justice within them. The latter type of theory takes into account human nature as we find it as well as the costs of implementation that any social program might require. Sen argues persuasively that Smith is engaged in a project of realization-focused comparison. This means that we ought not to expect him to move from an articulation of the three humanist principles directly to a form of political economy. Rather, Smith is embedded in the nitty-gritty of actual practice.

For the ethicist, another way to put Sen's point is that Smith is a real sense an Aristotelian: Plato's abolition of the family may be necessary to realize his ideals with respect to property, but the fathers will know their sons by their appearance. Likewise, the theologian can also see in Smith an Augustinian realism: sin is an ever-present reality in human society; it will

[72] Amartya Sen, "Adam Smith and the Contemporary World," *Erasmus Journal for Philosophy and Economics* 3, no. 1 (Spring 2010): 50–67.
[73] Consider, for instance, Kathryn Tanner's treatment of the relationship between theology and economics in *Economy of Grace*.

do us little to construct an economic order for prelapsarian (or worse, angelic!)[74] souls. This is one reason why the *Wealth of Nations* proceeds by comparing Smith's proposed system of natural liberty to other available systems. But—and this is crucial for my adoption of Smith—this does not place Smith into the same category as Mandeville, who chooses a vicious prosperity over virtue, but rather Aquinas, who maintained that it would be impossible for human law to eradicate all evil without at the same time harming the good.[75]

Smith's speculative history of economic development, juxtaposed with a history of political development, provides the context for his comparative work. This history is not so distant when he speaks of the constraints of primogeniture and entails or the violence of state-sanctioned monopolies. The remnants of feudalism could still be seen, even as mercantilism had come to power as the dominant form of political economy. When he writes of the benefits of commercial society, Smith is referring to exchange as his readers experience it under the system of mercantilism. Indeed, he treats the term "commercial society" as a synonym for mercantilism. When he describes his "system of natural liberty," his is proposing an innovation within that order. Given the limited scope of this chapter, I want to focus in this final section on the argument Smith offers for this system, which will in turn clarify for us the role that competition plays in exchange.

The great socio-political problem of Smith's day is rooted in the natural development of commercial society. Commercial society, Smith argues, can be divided into three classes based upon how people support themselves: those who live by rents, those who live by wages, and those who live by profits of stock. Interestingly, the first two of these have economic interests

[74] "Man is neither angel nor brute, and the unfortunate thing is that he who would act the angel acts the brute," (Blaise Pascal, Pensées, VI.358).
[75] ST I-II, q. 91.4.

that coincide with those of society as a whole; but capitalists do not. Let us consider these in turn.

Those who live by rent have a material interest in the betterment of the economy. Smith notes, "Every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of land, to increase the real wealth of the landlord, his power of purchasing the labour, or the produce of the labour of other people."[76] This happens directly, through the increase of the productivity of land through cultivation and increased demand for the goods produced through it, but also indirectly. If labor becomes more productive, the cost of goods decreases. This means that the real value of the rent, which is used to consume goods, goes up.[77] Thus, even if the landlord gives free reign to the most unenlightened form of self-interest within her, it will encourage her to pursue what is in the best interest of society.[78]

Wage-earners also possess interests that are naturally aligned with the good of society as a whole. The highest wages are paid in an economy that is growing, for growth increases demand for labor.[79] Growth is key, for "it is not, accordingly, in the richest countries, but in the most thriving, or in those which are growing rich the fastest, that the wages of labor are highest.[80] This leads Smith to an interesting conclusion: so well correlated are the health of an economy and wages, that one can determine the former by the latter.[81]

Those who live by profit face a much different incentive structure that does not align with the interests of society as a whole. By widening the market, total sales increase, resulting in

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[76] WN, I.xi.p.1.
[77] WN, I.xi.p.1-4.
[78] WN, I.xi.p.8.
[79] WN, I.viii.21.
[80] WN, I.viii.22.
[81] WN, I.viii.27.

greater profit. Secondly, by decreasing competition, the merchant or manufacturer can demand a greater rate of profit. Smith states the problem with these incentives in this way: "To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens."[82] The natural result of competition is lower prices of goods, which benefits society as a whole. To constrain competition raises prices, such that these merchants and manufacturers are increasing their profits at the expense of everyone else.

The trouble lies in the unique ability of merchants and manufacturers to harness government to serve their own interest, rather than that of society as a whole. If the renters advocate for their interest, they will necessarily benefit the whole society, provided that they adequately understand what is in their best interest. Workers rarely have much political power, nor do they always understand what is in their best interest. But supposing that they did, Smith notes, their political advocacy would be in the interest of all of society. In contrast, those who live by profit have experience in persuasion, and generally obtain political power on account of their wealth. As a result, they are able to command government action for their own enrichment at the expense of the wellbeing of the whole. This is the origin of mercantilism, the system according to which government tries to manage the balance of trade to ensure that as much money as possible remains within the country.

The chief socio-political problem thus becomes how to bring capitalists in line with the interests of society at large. Otherwise, those who make their money through profit will

[82] WN, I.xi.p.10.

introduce a new feudalism, using their political power to subordinate others to themselves. Here, Smith surveys the mercantilist policies in place and offers a multi-pronged economic critique.

In the first place, Smith takes aim at the notion of the balance of trade at the heart of the mercantilist theory, which Smith viewed as a smokescreen for the exercise of self-interested power by manufacturers and traders. Mercantilists are wrong, he argued, to attempt to hoard currency, for wealth consists, not in money, but in what money can purchase. He notes, "Goods can serve many other purposes besides purchasing money, but money can serve no other purpose besides purchasing goods. […] It is not for its own sake that men desire money, but for the sake of what they can purchase with it."[83] The key for Smith is to focus on real wealth, rather than the accumulation of currency. If countries did so, they would recognize that trade makes the nation better off.

Second, he argues that enticements or restrictions may benefit particular industries, but only at the expense of economic growth. A policy that promotes a particular industry "retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labor."[84] The industry flourishes, only at the expense of the economy as a whole, for the rest of society's citizens must pay higher prices for goods, and are thus rendered poorer.

Consider, for instance, his argument against restraints on imports. "To give the monopoly of the home market to the produce of domestic industry, in any particular art or manufacture," he writes, "is in some measure to direct private people in what manner they ought to employ their capitals, and must, in almost all cases, be either a useless or a hurtful regulation." In the best

[83] WN, IV.i.18.
[84] WN, IV.ix.50.

instance, the price of a domestic good is lower than that of the imported good, such that the law merely requires what any rational agent would have done had the law not been passed. If the law has effect, however, it forces people to pay more for the good than what they would otherwise be required to pay. This effectively erases the division of labor: in requiring the country to produce a good that it could more effectively import, it functions just like a law that would require everyone to produce their own clothes.

A similar problem occurs when government institutes payments to encourage exports. Smith takes as his example the corn bounties, which sought to make English grain competitive on the continent, where prices were lower. Instead, however, the bounties raised costs for domestic consumers. Smith points to the economic effects in this way. “So very heavy a tax upon the first necessary of life must either reduce the subsistence of the labouring poor, or it must occasion some augmentation in their pecuniary wages proportionable to that in the pecuniary price of their subsistence.” The former option, in addition to violating the basic norms of justice, harms the economy by restricting population. The latter, while better on most fronts, artificially inflates labor cost. As a result, employers cannot afford to hire as many laborers as they would have been able to do, and the total wealth of the country—the sum of its labor—is decreased.

The economic argument, then, is that mercantilist policies make the country poorer. To leave it here, however, would be to miss the strongest reason Smith gives for rejecting mercantilism: a moral argument rooted in the notion of justice-in-exchange. To anyone who has read Smith, this should sound like an odd claim, perhaps even demonstrably false from a plain reading of the text. As we will see in the next chapter, Smith himself attacks the foundations of the theory of just price by denying that there is any intrinsic value that would ground a theory of just price. Nevertheless, Smith's moral argument for the system of natural liberty—free exchange—is ultimately that mercantilist policies rob from the poor in order to give to the rich by shifting the prices at which exchanges occur.

Smith notes that mercantilist policies are not merely bad economics; they are brutally unfair: "It is the industry which is carried on for the benefit of the rich and the powerful," he writes, "that is principally encouraged by our mercantile system. That which is carried on for the the benefit of the poor and the indigent, is too often, either neglected, or oppressed."[85] To return to a system of natural liberty means nothing other than to refuse to grant the wealthy the privilege of using State power to extract additional resources from the poor.

As a bulwark against such abuses, Smith lays down a maxim: "To hurt in any degree the interest of any one order of citizens, for no other purpose but to promote that of some other, is evidently contrary to that justice and equality of treatment which the sovereign owes to all the different orders of his subjects."[86] Instead of trying to harness the productive powers of labor, the government official can trust the providential ordering of nature to produce economic benefits: the effect of increasing division of labor as a result of free trade.

But what makes this moral argument one of justice-in-exchange? Why not read this as simply asserting the need for equality under the law? Smith's maxim appeals to equality. Or why not see it as an issue primarily of distributive justice? Smith's frequent references to the poor often lend support to that reading. Nevertheless, the primary reason to read the argument as an argument from justice-in-exchange is that Smith is specifically addressing the prices at which exchanges occur. The point is not merely that the poor end up poorer, or that the rich get special

[85] WN, IV.viii.4.
[86] WN, IV.VIII.30.

treatment, but that the unequal treatment by the law results in unjust exchanges, which in turn make the poor even poorer. The poor are forced to pay what amounts to an unjust tax on their exchanges, and the wealthy manufacturers and merchants collect that tax.

Today's economists are often divided into supporters of supply-side or demand-side economists. The former emphasize deregulation and decreased taxation, with the belief that doing so will increase wealth. Demand-side economists, on the contrary, emphasize managing demand through government spending. Not infrequently, supply-side economists draw on Smith for their justification of the economic benefits of decreased regulation and taxation. Without conflating Smith with supply-side economics, we should see Smith as offering a "supply-side ethic" of just price. That is, he urges decreased "regulation" of trade precisely to prevent wealthy manufacturers and traders from unjustly raising the prices of the poor.

Inasmuch as this supply-side ethic promotes the economic wellbeing of the whole, we ought to see in it a support of the *universality of the they*. Even more importantly, however, we should view the supply-side ethic, rooted in a notion of justice-in-exchange, as embodying a version of the *finality of the you*. Far from abandoning the individual to the libertine whims of the powerful, Smith aims to protect her from just that threat.

Conclusion

Far from ruling out Smith's system of natural liberty as embodying the errors of Manchestrianism, adherents to Catholic Social Teaching, and all others who assent to humanist principles should find in Smith a welcome ally. Indeed, Smith provides an account of exchange that embodies the principles of humanism while at the same time allowing for the increase of wealth.

What we gain from Smith is two-fold. On the first hand, we get a thorough economic and moral account of exchange. That is, we see how exchange produces wealth while at the same time promoting the moral well-being of individuals and society as a whole. If this were all that Smith contributed, it would nevertheless be an invaluable contribution. It would provide humanists with strong reasons (both moral and economic) to support the form of society that Smith describes.

Nevertheless, Smith also offers something even more beneficial: an account of free exchange as promoting just exchange. He provides an answer to the question of how to promote just exchange, namely, by preventing the rich from manipulating laws to their own benefit. To even the playing field is a first step toward promoting justice-in-exchange.

The conclusions in this chapter are provisional, however. They provide compelling reasons to appreciate free exchange, which in my view is particularly necessary due to the fact that many theologians and ethicists, operating from their increased awareness of the injustices in contemporary economic practice—do not give a fair hearing to economists and market advocates. Even so, these insights help to place in context my next chapter—an engagement and critique of Smith's theory of justice-in-exchange—which will reveal that while a supply-side ethic may be a first step in the pursuit of justice-in-exchange, it cannot be the last. Finally, Smith's defense of commercial society will be drawn back into the conversation in chapter six, when after adopting key insights from Aquinas, I seek to reconstruct Aquinas' theory of justice-in-exchange in light of Smith's superior understanding of markets.

Chapter 4: The Privatization of Vice

In the last chapter, I argued that Smith was engaged in a humanist project, and that insofar as that is the case, Smith did not fall under the scope of the critiques mentioned from Catholic social thought. On the contrary, Smith was seen to provide an account of exchange that Catholic social thought should take seriously. Or, to put it differently, I argued that a humanist approach to economics should be recognizably Smithian. While I consider this to be broadly true, Smith's project requires that exchanges in a competitive economy be just. If these exchanges are not so, the practice as a whole undermines the *finality of the you*, and Smith's "system of natural liberty" becomes a system of oppression.[1] Smith was not unaware that unjust exchanges do in fact occur, and indeed sought to prevent them. Nevertheless, I argue that Smith significantly underestimates the frequency and the degree of unjust exchanges permitted by his system, in part because he fails to recognize certain forms of injustice as such. Because his moral framework is incapable of providing a theory of justice that can account for these problems, the conclusion is that we must look outside of Smith for an account of justice that can be brought to bear on Smith's account of exchange.

The argument will proceed in several stages. First, I will provide a reading of Smith's parable of the poor man's son, which I understand as paradigmatic of private vice being allowed to remain in the private sphere when in fact it cannot do so. The parable will serve as a window into Smith's ethics of exchange as a "supply-side ethic," an ethic that focuses on a two-fold relation between ethics and exchange in which competition holds vicious self-interest in check, even as morality and civil law must prevent vicious self-interest from hindering competition.

[1] Here, I am using language from Tzvetan Todorov's Imperfect Garden, which I engage in chapter three. Smith uses the phrase "system of natural liberty" to refer to his system twice in WN, IV.9.51.

While Smith holds that a supply-side ethic is sufficient to maintain just exchange, I argue that he is mistaken. I turn to the *Wealth of Nations* to clarify the economic theory behind the parable and to show why on economic grounds we should be skeptical of Smith's claim that the effects of vice are rendered private through competitive markets. Indeed, the effects of vice on demand shape market realities for consumers and producers alike, leaving us vulnerable to harm brought about by each others' vices. Lastly, I will examine Smith's theory of justice itself and its inability to account for our own moral sentiments in this regard. I conclude that we must look beyond Smith to discover a theory of justice in exchange that can function in Smith's dynamic economy in order that we might have a truly humane economy.

A Parable and A Problem

In Book IV of the *Theory of Moral Sentiments*, Smith tells a story about "the poor man's son, whom heaven in its anger has visited with ambition." The prose is among some of Smith's best, and the story is a compelling mixture of the tragic and the comic. The poor man's son is condemned to desire the possessions of the rich, which, we should note, are not necessities, but luxuries. He desires to live in a palace, rather than a cottage, to ride in a carriage rather than on horseback, to have servants rather than performing his own chores. The poor man's son has all he needs, but is not content. For all his striving, however, he has little to show for his ambition at the end of his life. Smith observes:

> Through the whole of his life he pursues the idea of a certain artificial and elegant repose which he may never arrive at, for which he sacrifices a real tranquillity that is at all times in his power, and which, if in the extremity of old age he should at last attain to it, he will find to be in no respect preferable to that humble security and contentment which he had abandoned for it. It is

> then, in the last dregs of life […] that he begins at last to find that wealth and greatness are mere trinkets of frivolous utility […].[2]

The story of the poor man's son is thus tragic. It is the story of a life wasted in pursuit of things of little value. Yet, it is also likely that the students who heard the original lectures, and the original readers of the book, would have seen in it some humor. The palace of the rich is compared to the minor trinkets that many own: "a tooth-pick," 'an ear-picker," and, my personal favorite, "a machine for cutting the nails." The poor man's son, meanwhile, is presented as an uppity social climber, one who "serves those whom he hates, and is obsequious to those whom he despises," all so that he can eventually find his place among them.[3]

The parable is often a locus of criticism for Smith because it is understood to reveal the true nature of capitalism, but it is helpful first to understand how it functions within Smith's broader argument. Book IV argues that moral approbation is not dependent upon utility, though utility does render moral acts with a secondary beauty. The first chapter of Book IV concerns the relationship between utility and beauty as such, whereas the second chapter deals with utility's role in morality. Interestingly, the parable of the poor man's son is located in the first chapter, where it serves as an illustration of the principle that we often value things that appear to be useful more than we value the end which they are intended to serve. Smith is here departing from Hume. Whereas Hume claims that utility pleases us because it reminds us of the pleasure of the end, Smith shows in chapter one that this cannot be the whole story.[4] By demonstrating in chapter one that Hume has failed to capture the whole picture in his treatment of utility in aesthetics, Smith can call into question in chapter two Hume's claim that justice has its origin in

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[2] TMS, IV.1.8
[3] On the role of irony in Smith's writing and the difficulty it causes for interpretation, see Samuel Fleischacker, *On Adam Smith's Wealth of Nations: A Philosophical Companion* (Princeton, N.J.: Princeton University Press, 2005), 4–6.
[4] See Treatise of Human Nature, II.ii.5.

our recognition of its social utility.[5] The parable of the poor man's son is thus part of a groundwork for critiquing Hume's proto-utilitarianism, rather than a capitulation to it.

Smith provides four examples in support of the claim that people often value the appearance of utility in objects more than the ends that they facilitate. The first entails a man who discovers that his servant left all the chairs in the middle of the room and then proceeds to move their backs to the wall, presumably to leave the middle of the floor free. Yet, Smith notes, if the goal in entering the room was to sit in the chair, one could do it just as easily where it was without having gone through the trouble of rearranging the furniture. He concludes, "What he wanted therefore, it seems, was not so much this conveniency, as that arrangement of things which promotes it. Yet, it is this conveniency which ultimately recommends that arrangement, and bestows upon it the whole of its propriety and beauty."[6] The master, who after going to the trouble to arrange the furniture, sits down to catch his breath, has exerted unnecessary energy. The appearance of utility in a thing thus has a value of its own, a value which is sometimes greater than the end for which it is useful.

In the second example, Smith notes that people pay significantly more for a watch that will not fall behind, yet will not necessarily be on time any more than the one whose watch is off by a minute or two. Why then do we go to this expense? Here again, we find the individual valuing the appearance of utility more than the end it procures.[7] The fourth example is similar, though this time dealing with the observation that some people value a well-functioning government better than the wellbeing of citizens that it is designed to promote. The upshot is that

[5] See Enquiry concerning the Principles of Morals, V.ii.
[6] TMS, IV.1.4.
[7] TMS, IV.1.5-7.

these unfeeling people can be persuaded to contribute to the common good despite their lack of genuine concern.[8]

The story of the poor man's son is the third example of an individual valuing the appearance of utility, an amplification of Smith's second example concerning the watch. The poor man's son likely believes that he is valuing the rich person's goods for the ends which they produce, completely unaware that in reality, they will not save him as much effort as he will have to exert in order to procure them.

If Smith had stopped here in the telling of the story, he might have avoided much of the controversy that has arisen on account of it. That the pursuit of wealth is an illusory form of happiness is not all that controversial, even if we have a hard time restraining ourselves when the prospect of riches is dangled in front of us. Providing an account of why this is the case is a significant accomplishment. Nevertheless, Smith did not stop here. Instead he offered what can rightly be considered a theodicy to explain why this man "whom heaven in its anger had visited with ambition" was cursed in this way. "And it is well that nature imposes upon us in this manner," Smith contends. "It is this deception which rouses and keeps in continual motion the industry of mankind."[9] A curse turns out to be a blessing, though not, as we have seen, for the poor man's son.

The rich are deceived, he tells us, into thinking that they can consume as much as they produce, but there are natural limits to consumption. One can only eat so much. What remains is distributed through commerce to his servants, to the makers and caretakers of his "baubles and trinkets." Smith makes his point most boldly in the following sentences:

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[8] TMS, IV.1.11.
[9] TMS, IV.1.10.

> The rich only select from the heap of what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species.[10]

What is advocated here is a form of providential consumption that not only "grows the pie," as economists say, but also inevitably results in distributive justice. Its two components—the claim that vice is necessary in order to motivate commerce and the notion of an invisible hand governing distribution—together link vicious action with the promotion of good. The passage could not bear the mark of Mandeville any more clearly had Mandeville himself written it. At long last, we come to "private vice, public benefits" once again.

Recall that Mandeville himself defends vice in the market for its benefits to society as a whole and especially for the poor. After cataloguing the incredible vices present in his hive of bees, he concludes, "Thus every Part was full of Vice, / Yet the whole Mass a Paradise."[11] Not least of his reasons for judging so was his claim that these vices promoted the wellbeing of the poor: "Luxury/ Employ'd a Million of the Poor/ and odious Pride a Million more."[12] In contrast, to rid the hive of these vices is to create a holy hovel:

> As Pride and Luxury decrease
> So by degrees they leave the Seas.
> Not Merchants now, but Companies
> Remove whole Manufactures.
> All Arts and Crafts neglected Lie;
> Content the Bane of Industry

[10] TMS, IV.1.10.
[11] *The Fable,* Vol. 1, 24.
[12] *The Fable*, Vol. 1, 25.

> Makes 'em admire their homely Store,
> And neither seek, nor covet more.[13]

To remove vice, on Mandeville's account, is to remove the motivation for industry, thereby limiting the size of the pie. With industry gone, the hive loses its military strength, and eventually is destroyed. Mandeville's moral is thus that to seek a virtuous and great nation is utopian; we must choose, and Mandeville makes clear which side he prefers (the latter). That the theory of consumption and distribution in Smith's parable of the poor man's son can be seen in Mandeville raises serious questions about Smith's humanism and the suitability of his thought for contributing to economic ethics.

The scholarly interpretation of Smith's story is quite varied. The philosopher Charles Griswold has latched onto this section, and argues that it demonstrates that Smith's political economy rests upon luxury spending and is therefore immoral.[14] That is to say, Griswold takes the Mandevillian aspects of the text as genuinely representing Smith's conception of the market throughout his work. Theologian David Cloutier maintains a more moderate position: according to him, Smith is fundamentally conflicted in his treatment of luxury, and in this way, he mirrors our own ambiguous relationship with wealth.[15] Political scientist Ryan Hanley has suggested that we've missed the point, and that the primary function of the story is as a "cautionary tale" that highlights the dangers of life in a commercial society and the need for prudence to combat them.[16] Meanwhile, the philosopher Samuel Fleischacker has delved into the history of the text and argued persuasively that the offending section is an early passage that does not fit with

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[13] *The Fable*, Vol. 1, 34-35.

[14] Charles L. Griswold, *Adam Smith and the Virtues of Enlightenment*, Modern European Philosophy. (Cambridge, U.K. ;New York: Cambridge University Press, 1998), 217–23.

[15] David M. Cloutier, *The Vice of Luxury: Economic Excess in a Consumer Age*, Moral Traditions Series. (Washington, DC: Georgetown University Press, 2015), 43–46.

[16] Hanley, *Adam Smith and the Character of Virtue*, 105 See Hanley, pp. 69-71 for a reading of the parable as anti-utilitarian, and pp. 100-131 for prudence as necessary to combat the vanity of the poor man's son.

Smith's developed position. Smith's economic thought is so strongly distinguished from Mandeville everywhere else.[17] Not only so, but as we observed above, the entire point of Book IV is to undermine the sort of proto-utilitarian thinking that we find in this passage. Thus, there must be some other reason for its being in the text. Fleischacker finds that Smith likely retained it for its aesthetic value; every author knows how hard it is to cut a beloved sentence, even if its meaning no longer articulates one's view.[18] Perhaps in this, Smith demonstrates the very principle he articulates here: the beauty of the words—found chiefly in their utility to convey meaning—overtakes the end at which they aim.

Each of these thinkers has some purchase on the truth. Smith likely either changed his mind or overstated his position but could not bring himself to re-write it. Even so, the parable probably served a secondary purpose as a cautionary tale designed to show that even though the poor man's son's ambition is useful to society, you would not wish to be him. While Smith's economic system does not rely on luxury as the primary stimulator of economic growth, Smith is often caught between his calls for prudence and an ineluctable admiration of the nobility. The key to this text, however, is the way that Smith construes the private-public distinction. What is characteristic of Smith in this passage and in the rest of his corpus is his tendency to hold that vice, at least insofar as it concerns luxury, is a private affair. You can ruin your life pursuing baubles and trinkets, he warns, but—the subtext reads—the only one who will suffer in this is you.

Throughout the text, we see many mentions of the suffering of the poor man's son, despite his newfound riches. A lifetime of physical labor has left its toll, as the poor man's son suffers from injuries, fatigue, and disease. The mind, too, bears the marks of one who has

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[17] Fleischacker, *On Adam Smith's Wealth of Nations*, 104–20.
[18] Fleischacker, 108.

willingly submitted to those who have abused him. He is embittered and beaten down. Smith's reference to the suffering of the poor is contained in one phrase, at the end of a sentence denying its existence. As it stands as a possible contradiction to my reading, I will consider it at some length. In asserting the limited consumption of the rich, and thus the inevitable distribution of wealth, Smith writes that those who work for the poor man's son, "thus derive from his luxury and caprice, that share of the necessities of life, which they would in vain have expected from his humanity or his justice."[19] The curiosity here is Smith's reference to justice. In a corresponding section of the *Wealth of Nations*, Smith makes clear that trade allows people to avoid appeals to charity. Unlike the begging dog or the charming courtier, parties in exchange have the capacity to meet each other as equals by appealing to the other's self-interest.[20] But what do we make of these futile appeals to justice? What sort of justice would even apply to this situation, given that Smith thinks that the poor are actually getting a better deal than the rich? After all, the rich get trinkets, but the poor get things of real value.

I see three possibilities in this regard. First, Smith could be appealing to distributive justice in this sentence. On this reading, Smith is arguing that the rich do more to promote distributive justice by indulging in luxury than in acting from a desire for justice. Yet, Smith rarely refers to distributive justice as justice.[21] The second and third possibilities rely on the fact that humanity is often used by Smith as a synonym for benevolence. If we consider Smith's love of rhetoric, and specifically of using dyads, we could suggest that Smith's primary concern is benevolence.[22] Including the reference to justice was an unfortunate slip made to keep the

[19] TMS, IV.1.10.
[20] WN, I.2.
[21] TMS, VII.I.10. Indeed, he typically refers to distributive justice as benevolence. See my discussion of Smith's definitions of justice in TMS VII below.
[22] On Smith's writing style, see Fleischacker, *On Adam Smith's Wealth of Nations*, 6–11.

rhythmic feel of the sentence. In that case, he would here be saying exactly what he said in the corresponding passage in the *Wealth of Nations*. Both of these sound plausible, but the third option strikes me as even more likely. Justice and benevolence are the two virtues that contribute most to the wellbeing of society, on Smith's view.[23] Perhaps they serve as a synecdoche for virtue. If that is the case, then the system of exchange makes appeals to personal virtue unnecessary and in fact exceeds them, at least insofar as it relates to the distribution of goods.

To be sure, Smith values virtue. On Smith's view, there can be no society without justice. As Smith puts it, "Justice […] is the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society […] must in a moment crumble into atoms."[24] While justice is necessary for society's existence, benevolence is essential for society's flourishing. Thus, Smith's claim that appeals to virtue are unnecessary could not mean that justice and benevolence are themselves unnecessary within exchange. On the contrary, he seems to be indicating that (regardless of the character of the individual) a just and benevolent state of affairs will necessarily be brought about, provided that the exchanges are entered into freely.

What then of the suffering of the poor? What negative effects has the poor man's son had upon those around him? None are described, though perhaps there is a second poor man's son who works for him, ambitiously pursuing greater wealth. The cycle might continue, but even here (on Smith's account) it would be the second man's own fault. In this, we behold the privatization of vice: the poor man's son hurts no one but himself; the system of exchange preserves the rest.

It is helpful to consider two other passages in the *Theory of Moral Sentiments* that clarify the role of providence in Smith's privatization of vice, and demonstrate a less Mandevillian

[23] TMS, II.ii.3.1-4.
[24] TMS, II.ii.3.4.

understanding of it.[25] In the third chapter of Book I, a text that was added to the sixth addition of the book, Smith addresses the ways in which the admiration of the wealthy corrupts our moral sentiments. The similarity between this passage and the parable of the poor man's son makes it likely that Smith had the latter in mind as he wrote. Here, Smith presents two paths to respect: one acquired through "the study of wisdom and the life of virtue," the other "by the acquisition of wealth and greatness." These paths start in the same direction, but eventually diverge. Smith observes, "In the middling and inferior stations of life, the road to virtue and that to fortune, to such fortune, at least, as men in such stations can reasonably expect to acquire, are, happily in most cases, very nearly the same."[26] The bourgeois virtues of industry, temperance, and the like, are directly helpful in order to advance in business.[27] Possession of the higher virtues facilitates the trust and respect that leads one's superiors to act benevolently in one's favor. For those occupying "the superior stations in life," however, virtue and greatness are not aligned: "flattery and falsehood too often prevail over merit and abilities."[28] The one who wishes to attain these may thus be encouraged to leave virtue behind in the (false) hope that success will lead others to overlook the path he took. The path of vice includes means ranging from "fraud and falsehood, the ordinary and vulgar arts of intrigue and cabal" to "murder and assassination." While the term "fraud" may suggest that at least part of this climb may depend upon commerce, we should note that the primary means of ascent are not through the market, but through the court. Success in such ambition is rare, but Smith offers a warning even for those who would succeed: "But, though they should be so lucky as to attain that wished-for greatness, they are always most

[25] My engagement with these two passages is heavily influenced by Herzog, *Inventing the Market*, 84–118.
[26] TMS, I.iii.3.5.
[27] The term "bourgeois virtues" was coined by Deirdre McCloskey in *The Bourgeois Virtues: Ethics for an Age of Commerce*, 1 edition (Chicago: University Of Chicago Press, 2007).
[28] TMS, I.iii.3.6.

miserably appointed in the happiness which they expect to enjoy in it."[29] Once again, Smith tells us, beware the wasted life.

The poor man's son of TMS IV seems to have crossed the line from the earlier position, in which both the path of virtue and that of greatness are aligned, into that realm where they diverge. At the very least, he has adopted the consumptive habits of the superior class, and left behind the thrift and industry that allowed him to attain his economic success. What is even more pertinent than the fact that the poor man's son has lost his bourgeois virtue is that the market is expected to reward the presence of those virtues in the first place. For even if we exclude Smith's earlier idea that luxury consumption is necessary in order to spur economic growth, the notion that the market rewards bourgeois virtue is fragile. It requires the invisible hand of distribution to function despite the presence of vice in the members of the "superior stations," the would-be superiors, and the poor man's son.

A second passage makes this even clearer. In TMS III.v, Smith argues that we should see the moral judgments of the impartial spectator as commands from God and that, in following them, we should understand ourselves "to co-operate with the Deity." To neglect these commands, on the other hand, is to become "enemies of God," and to place ourselves in antipathy to that providence which orders the world to our benefit.[30] One aspect of this providence is that "every virtue naturally meets with its proper reward." This understanding of providence has direct import for understanding of business. "What is the reward most proper for encouraging industry, prudence, and circumspection?" Smith asks. He answers, "Success in every sort of business. And is it possible that in the whole of life these virtues should fail of attaining it? Wealth and external honors are their proper recompense, and the recompense which

[29] TMS, I.iii.3.8.
[30] TMS, III.v.7.

they can seldom fail of acquiring." Smith does not guarantee that all virtue will lead to reward, but only the bourgeois virtues. The higher virtues of truth, justice and humanity, are rewarded not with wealth, but honor. Still, this is a bold claim, as Smith is proposing that providence has instituted a market in which exchanges typically operate according to desert, with people receiving the reward for their labors. Moreover, Smith holds this to be the case despite the fact that the most powerful participants in the market, on his own account, are frequently immoral.

We should note that Smith here uses language of reward, propriety, and recompense—all language of desert—but he does not here use the language of justice, despite the fact that we might expect him to do so. The reason is because, for Smith, justice is founded upon resentment, and is a negative virtue. Here, we are dealing with positive duties, and are therefore moving beyond his strict definition of justice. In light of this, the desert discussed here is not properly a form of justice, but as a positive duty, falls under benevolence.[31]

We can now sum up the privatization of vice in terms that clearly distinguish Smith from Mandeville, but which demonstrate the common thread between Smith's earlier and later writings. It is not the case—on Smith's later view—that vice, and particularly the vice of luxury, is necessary in order to motivate commerce. The concern moves from one of production to one of consumption (or, to say the same thing, the question of what is produced rather than how much). As such, the theory is no longer one of "private vices, public benefits." However, it is the case that the market is a social form that absorbs vice, such that individual vice is insignificant for the final distribution of goods. This is a theory of public benefits, despite vice, and it runs throughout the corpus of Smith's writings. Moreover, we can discern two ways in which this privatization of vice is measured, criteria which we will use when judging whether Smith is

[31] Herzog, *Inventing the Market*, 93.

correct that the market has succeeded in absorbing vice. On the first instance, we have the *principle of desert*, according to which producers must be rewarded on the long run even if others consume viciously. We see this not only in the later passages, but also in the parable of the poor man's son, in which industrious poor are being rewarded. Second, the invisible hand of distribution must direct the necessities of life to the poor according to the *principle of need*, despite the acquisitive nature of the rich. This is implied by Smith's claim in the parable that the necessities of life are divided into nearly equal portions despite vast inequality in the possession of other goods. Both of these depend upon the virtue of justice being met in exchange, but this virtue is not embedded in the actors themselves. Rather, justice (on Smith's strict understanding) requires only that markets are competitive. Even the most grasping of individuals is constrained by the invisible hand. In a non-Smithian market, all bets are off, for such innovation serves to oppose the providential ordering of nature. Whether Smith has succeeded in privatizing vice depends in great deal upon Smith's economics, to which we now turn.

The Economics of Price

Let us consider how Smith understands price as a means of understanding the mechanism behind the privatization of vice. We should note at the outset that Smith's method and theory differ significantly from modern attempts to represent price through the intersection of supply and demand curves on a graph. In contrast to the mathematical abstraction of modern economics, Smith is presenting us with a theory of price that takes into account the types of goods we typically purchase and the desires they fulfill, the groups of people who derive revenue from these purchases, and the balance between these as they actually occur in markets. In short, Smith's picture is not nearly as simple as what we have come to believe, because the dynamics of human life are not so simple.

Recall from our discussion in chapter three that Smith understands money to stand as a measure of value that commensurates between goods of different kinds. The key question in exchange is what type of value is being measured, and Smith distinguishes between two forms: use value and exchange value. Crucially, price refers only to exchange value, which means that—in contrast to expectations and some moralists' hopes[32]—there is no direct connection between the contribution something makes to human flourishing and its price. As Smith proclaims, "The things which have the greatest value in use have frequently little or no value in exchange; and, on the contrary, those which have the greatest value in exchange have frequently little or no value in use."[33] This is the basis of Smith's famous diamond-water paradox. Smith observes that diamonds are useless, and yet fetch a high price, whereas water is essential for life, but inexpensive.[34] Smith was, of course, writing before the days of diamond-tipped saw blades and bottled water.

On the first instance, Smith appears to present us with a picture in which exchange value and use value are wholly divorced. That is the point of the paradox after all. But the divorce remains somewhat incomplete; in his explication of price, use value makes frequent appearances, albeit incognito. Smith considers price under three aspects: 1) the standard by which exchange value is measured, 2) the way in which natural prices are determined, and 3) the reason why market price frequently deviates from the natural price. I will consider each of these in turn, with

[32] Aquinas and modern Catholic theorists like Heinrich Pesch would want to tie exchange value to use value, such that the former depends in part upon the latter. For one means of doing so, see Pesch, *Lehrbuch Der Nationalökonomie*, Vol. V, Book 1, 1-139. This will be discussed further in chapter 6.
[33] WN, I.iv.13.
[34] WN, I.iv.13.

the goal of showing that use value has not fully disappeared. Even though Smith recognizes the effects of supply and demand which are later formalized as the basis of microeconomics, he recognizes the dual nature of markets. Much of our economic reality is agency-dependent (and therefore variable), but there are also limits rooted in human nature and the nature of the world. Human needs are to some extent fixed, as are the natural resources that we use to meet them.[35] This is key, because as we shall see, the normative nature of price and Smith's belief in the privatization of vice are integrally linked to these unchanging aspects of nature.[36]

For Smith, exchange value is ultimately rooted in labor, and this in two ways. For the owner of a good who wishes to sell it, a good is worth the amount of labor that she can purchase by it. We can picture one's neighbor giving you an old bicycle in exchange for lawn care. For the neighbor, the bike is worth the number of times that you will mow the lawn: no more, no less. Thus, Smith concludes, "Labour, therefore, is the real measure of the exchangeable value of commodities."[37] The inverse is also true, however. "The real price of everything, what every thing really costs to the man who wants to acquire it […] is the toil and trouble of acquiring it."[38] To get the bike, you have to mow the lawn x number of times. Of course, the use of money typically obscures this relation. We think in terms of dollars, not hours. A key exception, for anyone who has children, is in terms of daycare. I know that if I send my children to daycare, I will spend my first hours at work earning the money to pay for it. In reality, however, whether I pay for daycare or buy a tweed jacket, the real price is in terms of the number of hours I will work to make the money. This is the basis for Smith's distinction between the real price in terms

[35] Smith does not use the terms agency-dependent or agency-independent, but his examples show that he is constantly grappling with these concepts.
[36] We can also see this is the logical extension of Smith's humanism that was discussed in chapter three, insofar as it is the point at which contingency and necessity meet within the logic of the market. Things can be otherwise, but not anywise.
[37] WN, I.v.1.
[38] WN, I.v.2.

of labor versus the nominal price, the amount of money a good costs. We think in terms of the nominal, but the key factor is the real.

One objection to Smith's labor theory of value is that it only applies to workers, and therefore does not pertain to those who do not labor for a living. Does this make sense for retirees, trust-fund babies, and the like, who experience exchange value primarily in terms of other things they cannot have? Or is it the case that what pretends to be a deepening of our understanding of exchange value is actually only true for a select group of people? Here, we must keep in mind that stockpiles of wealth are, for Smith, always stockpiles of labor.[39] That one no longer sees that labor—whether because it was performed long ago or because it was acquired illicitly—does not change the real price of a given good.

If labor determines exchange value, then we have a bit of a problem: every union member knows that labor does not receive all of the money in return for the good. Management knows that there are other costs as well, not least of all being the return on their shareholders' investment. Smith argues that any price will be composed of some combination of three parts: wages, profit, and rent. For this reason, it is often referred to as his additive theory of value. As is typical for Smith's approach, he provides a conjectural history to support his theory. Primitive societies considered only the value of the labour in determining exchange value. Later, with the introduction of stock, there would be consideration for a proportional return according to the quantity of capital. Finally, when all land is owned, there is the introduction of rents, in which landowners are compensated even for the value that they did not produce.[40]

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[39] Consider WN, II.iii on the accumulation of capital as the saving of the fruits of labor.

[40] WN, I.vi. While capital is clearly understood to be stored labor, and thus justifiable on Smith's labor theory of value, there are clear questions raised by Smith about the legitimacy of charging rents. At least some of the rent is charged on unimproved land acquired without labor, raising the question of why other people's labor may be acquired by the rentier.

Smith notes that in any town, there is a typical—or natural—rate for wages, profit, and rent. Each of these are determined by both agency-dependent and agency-independent factors. Wages and profits depend upon both the economic wellbeing in a given community—which is primarily agency-dependent—and the natural difficulty or risk of the endeavor, the confines of which are largely agency-independent, despite the fact that human innovation can have some effect in mitigating risk. Rent depends not only on (agency-dependent) market conditions, but also the productivity of the land itself. While we can improve the productivity of land through labor, we are constrained by agency-independent factors. We can't get hydroelectric power from the Sahara.

These natural rates thus give rise to an ordinary price for the commodity. Smith writes, "When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the laborer, and the profits of the stock in raising, preparing, and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price."[41] The natural price is a composite of natural rates, and both are determined by a combination of agency-dependent and agency-independent factors.

The natural price is typical, but it is not yet normative in an ethical sense. There is no duty to sell at the natural price. Smith does, however, hold that the exchange value of a commodity is properly found in its natural price. When the commodity is sold at the natural price, "The commodity is then sold precisely for what it is worth, or what it really costs the person who brings it to market […]."[42] If something is sold for more than the natural price, or rather, if either the wages, profit, or rent are higher than the going rate, then the price is higher than what the exchange value "ought" to be. The consumer pays more for the good than it is

[41] WN, I.vii.4.
[42] WN, I.vii.5.

worth. Alternatively, if the price is lower, then someone has lost money, because she could have employed her labor, land, or capital in some other way and received the standard rate for it.

Smith distinguishes the natural price from the market price, the price of a commodity at any given moment. This allows Smith to address the fluctuation of prices. The market price can differ from the natural price depending upon issues of supply and demand. A temporary shortage of a given good—for instance, a lack of produce following a drought—or a sudden abundance of goods—like the surplus of gold in Spain following its conquest of Latin America—results in variation of the market price from its natural price. Changes in demand can have a similar effect. For instance, Smith observes that during a period of national mourning, black cloth will be in high demand, causing the price to go up. Importantly, Smith is here talking about what later economists will call effectual demand—demand of those willing and able to pay the price for the good—rather than absolute demand.[43]

On Smith's view, there is nothing morally wrong *per se* if a market price does not coincide with the natural price. This can occur for a number of benign reasons that do not threaten either justice or the principle of desert in the market. It does not threaten justice because people do not have a claim right to have their labor compensated in the market if no one demands it. The principle of desert is not undermined because Smith believes the various factors of production can be reallocated to other markets that do reward them, such that any shortfall (or inordinate gain) will soon be taken care of through the market mechanism itself. This is how the invisible hand of distribution ensures that private virtues are rewarded, while private vices do not destroy others' desert.

[43] WN, I.vii.7-11.

A difference between the natural price and the market price does become problematic, however, if the producer is using anti-competitive measures as a way of artificially limiting supply in order to raise the market price. As Smith describes it using the metaphor of runners in a race, "In the race for wealth, and honours, and preferments, [a competitor] may run as hard as he can, and strain every nerve and every muscle, in order to outstrip all his competitors. But if he should justle, or throw down any of them, the indulgence of the spectators is entirely at an end. It is a violation of fair play, which they cannot admit of."[44] To raise the price in this way is a transgression primarily of the dignity of his would be competitor, who is, as an impartial spectator would readily observe, "in every respect, as good as he."[45] Yet, there is also a recognition elsewhere that this anti-competitive behavior can also harm those who stand in a vertical relationship with the unfair competitor: the buyer who must pay a higher price is in a sense robbed of her due.[46] This is to immediately undermine both justice and the principle of desert. It is unjust because it unduly harms others. It undermines desert because it prevents market forces from eventually providing an allocation of productive factors that adequately rewards the bourgeois virtues.

Understanding Smith's theory of price allows us to get a better grasp of Smith's parable of the poor man's son. The distinctions that he elaborates are essential to grasping the ways in which Smith maintains the privatization of vice. Let us assume, for the sake of discussion, that the poor man's son has not engaged in any significant anti-competitive behavior, as none are described in the parable. That being the case, we ought to see the invisible hand of distribution

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[44] TMS, II.ii.11.
[45] TMS, II.ii.11.
[46] Two of Smith's examples of those who suffer in this way are the workers who are cheated out of higher wages through the collusion of the masters or the consumers who must pay a higher price as a result of mercantilist policies. See WN, I.8.11-13 and I.10.82.

functioning to distribute goods according to the principle of need and the principle of desert. I will consider each of these in turn, showing how Smith's theory of price provides for these.

Distribution according to the principle of need, for Smith, depends upon the distinction between exchange and use value. The rich man will continually have more "wealth" in terms of exchange value of the goods owned; Smith was obviously aware that the process of exchange does not equalize the net wealth of all parties. Sometimes the rich may fall due to their prodigality, but this is not a universal phenomenon. What the poor do receive are those goods whose use value enables them to live. Egalitarian distribution is enacted in terms of use value not exchange value The material and immaterial goods that the poor possess are those that allow for "the real happiness of human life," as opposed to that illusory happiness brought about through the baubles and trinkets of the rich. Smith puts it most boldly, "In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for."[47] While Smith does not say this in *TMS*, Part IV, this implies that the person who begrudges the inequality of exchange value that remains is adopting the same illusory perspective of happiness that the poor man's son possesses.[48]

Of course, this also depends upon the assumption that the luxury spending engaged in by the poor man's son and countless other wealthy individuals is not detrimental to the prices that poor people pay for necessary goods. If it were the case that poor people must pay more for the goods they need on account of the consumption of the rich, it would stand in opposition to Smith's egalitarian hopes. Smith does not think this is the case, however, for two reasons.

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[47] TMS, IV.1.10.

[48] This would place him in agreement with Robert Nozick, Anarchy, State, and Utopia. Importantly, Smith's position is embedded within a richer social theory that holds a much higher role for the common good. Thus, Smith's concern for justice cannot be merely procedural, as in Nozick's case.

First, Smith holds that increases in price due to increases in the wealth of a nation do not affect the real price of any given good. That is to say, even if the nominal price goes up, the real price in terms of labor will go down. This is because the innovation that fuels the increase in wealth increases the productivity of labor. The material goods necessary for wealth end up requiring less labor to produce, and at the same time, wages increase. The poor are thus better off despite any increase in the nominal price.

Second, Smith holds that luxury spending makes up only a small percentage of the total consumption of a given nation. As a result, it plays little role in determining the prices that the consumer will face. Those in the lower classes have necessity to constrain vice when it comes to consumption; they cannot afford to waste their hard-earned dollars on frivolous purchases. The rich, on the other hand, are few in number. Their impact in terms of demand is thus minimal; demand for most goods is chiefly determined by human needs set by nature. Lest we overlook this point, I reiterate: it is the constancy of demand, governed by our inherent needs and the relatively fixed use values goods possess, that ensures that luxury spending does not overthrow the tendency toward fair distribution. Use value is in fact crucial to maintaining exchange values; without this constancy, the market cannot function as a benevolent mechanism that absorbs vice.

This is not enough to ensure the principle of desert, however. When it comes to desert, we would expect to see genuine increases in the net wealth (measured in exchange value) for those who possess the bourgeois virtues. Success in business requires that one's capital increase. Interestingly, the same mechanisms at play in egalitarian distribution also ensure that virtue is rewarded and vice condemned according to the principle of desert.

In the first instance, the relative constancy in demand is necessary for the principle of reward to be maintained. In addition to industry and thrift, the market is expected to reward the ability to determine and meet the needs of consumers. If consumers' demands fluctuated wildly, meeting those demands would be more akin to luck than virtue. This is not to say that any change in demand is a threat to the principle of desert, for bourgeois virtues need to be rewarded in general, rather than in each particular instance. Sometimes, we misjudge the market, such that industry and prudence go unrewarded. But prudence does require knowledge of risk. The degree to which demand is stable will vary according to the type of good one is considering. Luxury goods are most likely to fluctuate, as they are often determined by the vagaries of fashion. Because Smith holds that the luxury market is limited and that it does not greatly affect pricing for other goods, Smith can hold that any effect of luxury spending upon the principle of desert would be minimal. The virtue of producers will be rewarded, despite the vice of consumers.

On another level, the distinction between exchange and use value maintains the other side of the principle of desert. It allows Smith to describe how the poor man's son "got a bad deal" without holding that the exchange was unjust. The former depends entirely upon use value, whereas the latter pertains to exchange value. The use value that he obtained was not what he thought he would receive, but the exchange value he paid was exactly what he freely assented to. This in turn supports the privatization of vice from the other side of the equation: not only is the poor man's son the only one who suffers from his luxury, but he is also the only one to blame for his lack in judgment.

Thus, for Smith, nature itself provides the mechanisms that protect us from our own and other's vices. Justice is necessary, insofar as it upholds freedom of contract and the supply-side ethic: do nothing to hinder the ability of others to compete in the marketplace. Provided these are met, society is providentially protected from any harm resulting from our tendency to pursue illusory forms of happiness through our purchases.

Before critiquing Smith's theory of demand, I want to consider how Smith's theory differs from the state of the question in contemporary economic theory. This is essential for two reasons. First, I hold that my criticism of Smith also pertains to our current economic theory, which means that an ethic that guides economic behavior in terms of demand is crucial not only for Smith, but also for us. Second, the improvements that have been made in our understanding of the dynamics of price actually demonstrate that such an ethic is even more necessary than we can see looking at Smith's theory alone. If Smith's ethical theory is crippled by his inattention to the economics of demand, our own approaches, juxtaposed with our clearer understanding of the dynamics of demand, are damned.

Smith's theory has been developed in two different directions. His theory of price based in the cost of production was developed by Ricardo and Marx. Mainstream economics instead took his "additive theory," and developed it in terms of subjective individual utility. There, the focus was on the aim of limiting effort while also maximizing gains.[49] Crucially, this results in a jettisoning of Smith's preoccupation with the interplay between agency-independent and agency-dependent factors, and his corresponding concern for a normative conception of human flourishing. In exchange for these, the marginalist tradition was able to streamline Smith's multifaceted theory of price. Economists were now able to treat prices without any reference to the nature of the good being bought or sold.

Modern microeconomic theory is a positive, or descriptive science, rather than a normative one, as in Smith's political economy.[50] As such, it makes a number of simplifying assumptions in order to produce models that approximate the results of exchanges as they occur.

[49] Debra Satz, *Why Some Things Should Not Be for Sale: The Moral Limits of Markets*, Reprint Edition (Oxford: Oxford University Press, 2012), 52.
[50] N. Gregory Mankiw, *Principles of Economics*, 6th edition (Mason, OH: South-Western College Pub, 2011), 30–31.

It assumes, on the first place, that actors are motivated by the aim of maximizing utility under conditions of scarcity. The theory of supply and demand that models pricing assumes that markets are perfectly competitive, that is, that the goods are identical and that there are enough buyers and sellers that none are able to determine the price. In this sense, all participants of the market are price-takers. Prices in a perfectly competitive market will be set by the laws of supply and demand.[51]

The law of demand states that, all things being equal, the quantity of a good or service that is demanded has an inverse relationship to the price. When the price goes up, fewer people are willing and able to purchase the good. Economists are able to plot the quantity demanded at a given price, which constitutes the demand curve. These curves can shift for a number of reasons, including changes in income or the number of consumers, price fluctuations in goods used together or instead of the good in question, or most importantly for this discussion, changes in preferences.[52] The health-food craze served to decrease the demand for Krispy Kreme donuts while raising the cost of kale. The law of supply functions similarly. The quantity supplied has a direct relationship with price. All things being equal, suppliers will be willing and able to sell more of a given good or service at a higher price. If prices are high, the owner may take on additional laborers, offer overtime hours, or invest in additional equipment. If prices are low, they may cut back production or leave the market entirely. The supply curve can also shift for a variety of reasons, including changes in the cost of production or the size of the market.[53] The intersection of demand and supply is referred to as equilibrium: at this point, the number

[51] Mankiw, 66–67.
[52] Mankiw, 67–72.
[53] Mankiw, 73–76.

supplied at a given price is equal to the number demanded. This price is referred to as the equilibrium price.[54]

In modern microeconomic theory, Smith's view of demand as largely constant has been discarded. Demand takes center stage in driving price, even as the content of what we demand is left uninterrogated. What matters is that utility is maximized, not what utility consists in. In effect, this functions to remove Smith's justifications for his belief in the providential distribution of goods according to need and desert without replacing them with another argument. That Smith's justifications were wrong, as we shall now discover, does not excuse our lack of reflection.

The Trouble with Demand

Smith's supply-side ethic is necessary for the development of a just economy, but it is not sufficient. His attention to matters of competition tragically leaves under-developed the moral and economic implications of demand. Demand, however, is a crucial sphere in which vice appears, and it is ultimately there that we see the cracks in Smith's system. My critique begins by looking at the effects of the vice of luxury, useful in part because it is the privatized vice par excellence in Smith's thought. I rely upon the notion of positional goods in order to identify situations in which competition becomes a zero-sum game, allowing me to address demand while bracketing the effects of economic growth or innovation. In showing that luxury fails to remain a private matter in these instances, I demonstrate the need for a demand-side ethic. Luxury, however, is only one of myriad vices that can afflict demand, and thus my scope broadens to consider ways in which vice in general can shape market outcomes. In these latter

[54] Mankiw, 77–78.

cases, it is impossible to make blanket statements about the net impact of vice vis à vis economic growth and innovation, but it is possible to show that vices in consumption will always have some impact upon markets. I argue that failure to attend to the ethics of demand can 1) hamper the productive capacity of competitive markets, 2) bring about unjust pricing of commodities, 3) lead to a failure to adequately compensate workers for their productive capacities, and 4) create markets where there they ought not to exist.

Moral theologian David Cloutier has recently argued that widespread luxury results in an economic system in which competition no longer leads to real economic growth. By luxury, Cloutier refers to "the disposition of using surplus resources for inordinate consumption of private goods and services in search of ease, pleasure, novelty, convenience, or status."[55] The definition is broad, insofar as it encompasses notions about limits to consumption, the ways in which we value goods, and our relationships with others, much of which may be contested, but I will take this definition as a given. The goal here is not to give a thorough exploration and defense of a theory of luxury, but only to use this as a window into the social nature of demand. Cloutier helpfully makes the case against luxury on economic grounds, which allows us to dispel the frequent criticism of any ethical evaluation of demand: namely, that any constraints on how we demand goods will necessarily harm our economic wellbeing.

In making his case, Cloutier relies upon economist Fred Hirsch's description of the "social limits of economic growth." Hirsch begins with Roy Harrod's distinction between democratic goods, whose ownership will become more widespread as economic growth occurs, and oligarchic goods, whose ownership can never spread to more than a few. Hirsch clarifies this distinction in terms of scarcity and renames these goods material and positional. Material goods

[55] Cloutier, *The Vice of Luxury*, 180.

are those goods that hold value regardless of how widespread their ownership becomes. These are manufactured goods, our coffee makers and lawn mowers, or agricultural goods, like corn and soybeans, whose production processes have become less expensive through the technological development that coincides with economic growth. When Smith writes of the benefits of the division of labor, he is thinking of these goods. Positional goods, on the other hand, are those whose value depends upon consumption by others. Hirsch distinguished between three types of positional goods. On the one hand, we have those created by physical scarcity, like the possession for recreation purposes of an acre of land which has unique geographic traits. We cannot all have vacation homes on the beach. We also find two types of social scarcity. There are goods whose primary value is from direct social scarcity, in which a good is valued specifically because it demarcates the possessor as a member of the elite. Part of the value of a Mercedes is that the plebeian masses are driving Fords. Lastly, we have indirect social scarcity, according to which the value of a good is decreased when the number of people who possess it increases. Here, we can consider the value of an education when measured in terms of marketability for employment. If everyone possesses a Harvard degree, no one leaps ahead in the job line.[56]

The quest for positional goods becomes problematic when a greater share of the population is able to compete for them. We can't all live in the best neighborhood or go to the best schools. We thus end up with an economic arms race, but this does not have the same positive benefits as the quest for material goods. As Cloutier writes, "An increase in economic resources devoted to positional goods is largely 'zero-sum'—everyone spends more, with the effect that everyone maintains position."[57] Now, this zero-sum game will be localized to markets

[56] Fred Hirsch, *Social Limits to Growth*, 2 edition (London: Routledge, 1978) His distinctions are clearly laid out in pages 15-26.
[57] Cloutier, *The Vice of Luxury*, 162.

for positional goods, but as more and more goods take on a positional nature, it can become a drain on the economy. This is a problem that even amoral economics can recognize, for it demonstrates a situation in which the individual pursuit of self-interest is not efficient.

A few clarifications are in order. With Cloutier, we should recognize that many positional goods also have what we might call “material” value. That is, we might desire them even if they were not positional goods. A house is a material good; walls, kitchen cabinets, and lighting fixtures can all be mass produced without losing value. Yet, if we want a house in a decent neighborhood, with good schools, in a place close to work, that house takes on a positional aspect. We are now fighting for position. Another example can be seen in the quest for education. Given the horrendous economic prospects for today’s youth, the arms race for education that will provide enhanced employment possibilities is not surprising. Failure to achieve position may mean an inability to feed one’s family or to provide basic medical care. The overlap between categories is one reason why the waste of positional competition is problematic, not only from the standpoint of economics, but also that of ethics.

We should also note two points in which I appear to differ from Cloutier. First, I do not hold that every luxury good is a positional good, nor that every positional good is a luxury good. Single malt scotch is a luxury by many standards, but my enjoyment of it would not decrease if the world forsook Johnny Walker Red Label for Macallan 12. Likewise, in some locations, for some people, possessing a car is not a luxury in the moral sense, and yet the value of the car is higher if fewer people possess them. An increase in traffic harms everyone, even the lowly Ford driver. Second, I want to emphasize that the morality of pursuing positional goods would depend upon which type of positional good one is pursuing. Positional goods whose scarcity is directly social (that is, luxury goods as status symbols) seem to be the most morally problematic. One’s motives would likely come into play in determining the degree to which the pursuit of goods whose scarcity is indirectly social is moral. We might have a duty to hold in common positional goods that are physically scarce, depending upon the nature of the good in question. These are questions that would need to be addressed with respect to specific goods, and I will not do so here. All that is necessary for my argument is that there are at least some positional goods of these three types the pursuit of which is immoral.

With these distinctions made, let us consider how Cloutier's argument pertains to Smith. Smith fails to take positionality into account largely because he could not have imagined a society in which a significant percentage of its members would have access to enough wealth that they would be able to engage in luxury spending. As Hirsch notes, the only people capable of engaging in luxury during the rise of capitalism were those who had inherited it from the previous regime. Likewise, even in Smith's day, the specter of an earlier moral prohibition against luxury provided some limits. Such norms have faded, and rapid economic growth has greatly expanded the number of people with surplus wealth. We now have entire suburbs filled with poor man's sons jockeying for position. For Smith, luxury spending was nevertheless productive because it was focused on material goods, which are productive (though not as productive as increased investment would have been).[58] With the quest for positional goods, the size of the pie doesn't actually grow, meaning that society is not better off in light of this consumption. Or, to look at it from a different perspective, the vice of luxury actually results in a limiting of the productive capacities of the economy, because if these poor man's sons had placed their money elsewhere, the economy would have grown in real terms. Thus, the luxury of

[58] WN, II.iii.38-42.

the poor man's son has the potential to cause severe public harms; private vice cannot be guaranteed to remain private.[59]

Smith's parable of the poor man's son may have been accurate in its treatment of luxury at the time of its writing (a question that is perhaps best left up to the economic historians, and which lacks relevance for normative inquiry), but—if Hirsch is correct—this is due to purely accidental factors: Smith happened to write the *Wealth of Nations* at a transitional time in the history of capitalism when there wasn't significant competition for positional goods. At any other point in time, his theory is false.

The concern here is primarily the effects on distribution: permitting the luxury of the rich is typically justified in terms of its beneficial effects for the broader populace.[60] But can we really blame the poor man's son for failing to contribute to a flourishing economy? The poor man's son did labor for his wealth, and it is his blood, sweat, and tears that he allocates to positional goods. Smith is clear that the suffering of the poor man's son was far worse than any benefit he has accrued. Surely, we should allow him this meager reward. This is the argument the libertarian will offer.[61] The problem, however, is that the actions of the poor man's son not only fail to contribute to, but also detract from the wellbeing of the poor. It undermines not only his belief that the economy providentially distributes necessary goods, but also his claim that the economy operates according to the principle of desert.

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[59] Smith acknowledges this argument in WN, but then directly counters it with the claim that luxury cannot become widespread enough to affect the wellbeing of the nation. See WN, II.iii, esp. his conclusion in para. 25: "every prodigal appears to be a publick enemy, and every frugal man a publick benefactor." Note his rebuttal in II.iii.28: "Though the principle of expense, therefore, prevails in almost all men upon some occasions, and in some men upon almost all occasions, yet in the greater part of men, taking the whole course of their lifetime at an average, the principle of frugality seems not only to predominate, but to predominate very greatly."

[60] Here, we can note that even an egalitarian like Rawls is willing to allow luxury if it results in the betterment of the least well-off. See *A Theory of Justice: Revised Edition* (Cambridge, Mass: Belknap Press, 1999), 13.

[61] See, for instance, Nozick, *Anarchy, State, and Utopia*.

Cloutier touches on the ways in which luxury affects the exchanges of the poor (and here, he is thinking primarily along the lines of a Thomistic theory of commutative justice), but he does so in an indirect way. He distinguishes between a "brand premium," the increase in price we pay in order to secure a name-brand good, and what he calls a "sacramental premium," the increase in price it would cost in order to purchase "justly produced and priced goods."[62] Often, in order to pursue luxury spending for some goods in the positional economy, we strive to pay less than the sacramental premium for other goods, in effect forcing others to pay for our own luxury. With economic behavior taking place at the margins, and our preferences set by the vice of luxury, we may find ourselves making choices we otherwise might not make. As Cloutier notes, "unjust spending choices may be traced to the disposition toward luxury that drives the original tradeoffs rather than a disposition to treat workers unjustly."[63] We may not be quite as evil as we act, but the worker doesn't feel the difference.

This way of speaking, while aligned with the way we naturally think about our purchases and useful to describe action in the face of unjust pricing, has the downside of presenting justice as what we do outside of the price mechanism. It assumes from the outset that the justly produced and priced goods have a price that is—with the exception of luxury goods—higher than the market price. A more straight-forward approach would be to look at why the market price is not considered just, since like Adam Smith, we might hope that market prices could be just. A system for setting prices which must regularly be disregarded in the name of justice is hardly justifiable.

Here, Cloutier's argument is particularly useful, for he has illustrated a situation in which the market price has been altered due to vice, which also happens to be a zero-sum game,

[62] Cloutier, *The Vice of Luxury*, 134.
[63] Cloutier, 167.

meaning that appeals to general increased opulence carry no weight. We need only look closer to see that the prices arrived at through competition for luxuries (that are positional goods) will themselves create injustice. Or, to keep Smith's language, that they overthrow distribution according to the principles of desert and need. The spending choices of our modern day poor man's son has an effect on the prices that others will pay. Individually speaking, he may be a price taker; the poor man's son has a negligible effect on the prices around him. However, if there are many who act like him, they will shift demand curves. As in the wasted competition for positional goods described above, the problem occurs when we think about actions in the aggregate. The luxury spending of the rich increases demand for certain goods, which cause the prices of those goods to go up.

Smith's justification for price increases due to the purchases of wealthy individuals was two-fold. The first relied upon the distinction between nominal and real prices. The nominal price may go up, but innovation and economic growth would ensure that the real price—the amount of labour necessary in order to procure the good—went down.[64] If we have a situation like Hirsch describes, however, the real price actually goes up. Widespread competition for positional goods can hinder the productivity of the economy, in which case wages do not rise. The worker, to push this in an almost Marxist direction, is essentially being forced to work more in order to receive less, with the extra labor being wasted. The end result is that these goods will be placed even farther out of the reach of poorer consumers.

An objector could point out that these are luxury goods that we are speaking of. Smith's parable clearly delineates the limits of consumption of the rich, and argues that those goods necessary for life will actually become more easily attained by the poor. This is further grounded

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[64] See WN, I.5.7-9 for an explanation of how the nominal price can increase without real price doing so.

in his distinction between use value and exchange value. I take it that Smith's category of use value is roughly correlated with the form of value possessed by Hirsch's material goods. Smith's famous diamond-water paradox could not function if use-value included positional aspects, because diamonds are relatively good at distinguishing one's rank in society, at least as long as De Beers continues to limit their supply. Exchange value, on the other hand, would presumably take into account the value of both material and positional goods. If exchange value is only increasing for luxury goods, then we would expect this to have little effect upon the material wellbeing of poorer consumers.

Such an objection holds for many goods, which is why people are generally better-off financially in a capitalist economy, even one in which wealthy people are dominated by the vice of luxury. Problems occur, however, in the case of goods that are necessary, but take on positional aspects. To take a modern example that has continually frustrated the urban poor, we can consider the market for housing. Housing in urban or suburban areas is a positional good: we compete for houses that provide easy access to work, safe neighborhoods, and strong public schools. At the same time, it also stands as one of the most important material goods. If luxury contributes to pricing people out of this good, then the privatization of vice has broken down.

Luxury's influence on prices also affects wages. Wages are determined partly in relation to the prices for the goods produced, insofar as demand for the "inputs of production"—the name by which workers, along with the materials necessary to produce goods are referred to by economists—depends upon the price of the good produced. If diamond prices are soaring, we need more gem cutters, and they will earn a higher salary. (Supply also has something to say here, which is why the gem cutter will receive a raise, while the diamond miner may not receive any benefit for the increased price of the final product.) Conversely, we might find that those contributing to other endeavors—for instance, the material needs of the populace—will find their wages decrease relative to those whose efforts support luxury consumption. The poor worker who wishes to contribute to the material wellbeing of society may thus find herself doubly constrained: working for a lower wage while simultaneously paying higher prices for some necessary material goods that others value for positional reasons. More likely, given the genuine constraints of the poor, the laborer's life will be wasted in a second way, in that her labor will be dedicated to a purpose that is neither benefiting her nor society at large. Thus, the laborer shells shrimp she cannot afford to eat or digs up diamonds she cannot afford to wear, and the productivity of the market continues to lag.

A final demand-related problem brought about by luxury can be seen in the very nature of what is bought and sold. With the growth of a luxury economy, we see in effect the dignity of the person being bought and sold along with these status markers and the gateways to them. As more and more resources are being directed into the positional economy, the market for status expands, until the market is the primary determiner thereof.

What is crucial for my argument is that luxury is not the only vice that has this capacity to distort the market. Rather, any vice that affects the way in which we value goods will not be able to remain private, assuming that the vice finds widespread expression. And there is good reason to think that certain vices will find widespread expression. As Aristotle notes, while there are two vices for every virtue, one of excess and one of deficiency, one vice is often more conducive to our nature than the opposite. We rarely find a rash person, while cowards abound.[65] At the same time, members of a given society also tend to possess characteristic virtues and

[65] Aristotle, Nicomachean Ethics, Book II.8.

vices, insofar as community shapes our character. The assumption that the vice of one will be balanced by the virtue or a contrary vice of another is highly optimistic.

The effects of any vice on demand will mirror the four problems raised with respect to luxury. We will expect, in the first place, that that vice will influence the price of the good to which it pertains. Demand will rise or fall, depending upon whether that vice encourages a good to be over or undervalued. In the second place, wages will also be affected insofar as a shift in the demand curve changes the demand for the "inputs of production." Third, we will note that this will have effects on the allocation of resources. If a good is overvalued because of the vice, we will note that a larger share of resources are put into pursuing that good, such that it takes up a larger percentage of the economy than it ought. The reverse is also true: if the vice in question discourages the pursuit of genuine goods, we will find a smaller percentage of our resources being devoted to it. This in turn allows less of this genuine good to be distributed to those who rightly value it. The fourth consequence is the rise of markets where there ought not to be any. Presumably, these limits should be set prior to the functioning of the market, such that the forces of supply and demand would not even pertain to them. Yet, even if these limits were not formally set, in a truly virtuous society, a market for these goods would not exist. The demand for slaves should be non-existent, and it exists only due to the vice of consumers.

It is easy to be lost in the numbers, to see these consequences as a mere shifting of dollars and cents. Yet, as Smith reminds us, the real price of anything is always labor. Bound up in the shifting of demand curves is the direction, constraint, and even exploitation of labor. If vice drives down a good's price, someone is no longer being compensated for the labor that good would otherwise be worth. If vice drives it up, someone must labor longer, or harder, in order to acquire it. If it lowers wages, that person's livelihood is threatened. If it raises them, someone benefits from another's vice, but only by becoming the handmaiden to it. Because ultimately this is what prices do: they order labor to those things most demanded; and the weakest among us have little power—with the exception of exercising heroic virtue—to turn away from the possibility of material stability. In the worst cases, vicious demand creates new markets: for dignity, respect, or even life. A kidney here, one's daughter there. In this last instance, humanity itself is put up for sale, with dignity wholly reduced to price. Yet, if dignity may never be for sale, if it can never be captured by price, it is nevertheless the case that every price reflects dignity.[66] Every shift in price is a claim about the laborers whose relations are reorganized, a claim whose title is enforced by economic necessity. Only those who can afford it may resist.

Note that nothing about these four requires them to pertain only to positional goods; rather, the fact that the above goods were positional goods served only to bracket the potential beneficial effects of economic growth. In reality, what we demand shapes markets in these ways regardless of economic growth, while the presence of economic growth functions to hide (to some degree) the still present effects of vice on our market outcomes. Even if the market functions with perfect efficiency—a condition which has no hope of ever being realized—there is an infinite number of possible efficient distributions determined by the sets of market preferences market participants could hold. When these preferences are marked by vice, we instantiate a distribution marked by these four effects of vice, such that other people end up being harmed by our lack of virtue.

In light of these four effects, it is apparent that Smith's use of the metaphor of runners in a race does not capture the full spectrum of relationships in the market. The runner's form or

[66] To draw a connection between this chapter and chapter two: this is why John Paul II argued in Laborem Exercens for the primacy of the subjective value of labor (the value of the laborer) over the objective value (the value of the object produced). This will be essential for our synthesis in chapter 6.

speed has little effect on the runners around him provided that he does not deliberately interfere with them. Individuals are not isolated from each other in the market in the same way that runners are when they run a race. The preferences we bring to the market shape price; when these preferences are dominated by vices, the material reality of others is affected. If we had to use an athletic metaphor, albeit imperfect, we might say that this is similar to playing quarterback behind a weak offensive line. Even if you are an excellent competitor, the failure of others can leave you frustrated and concussed. An opposing defensive tackle, despite being second-rate, might nevertheless look like an all-star.

Up to this point, I have refrained from referring to these effects as acts of injustice in order to avoid question-begging. The point, after all, is to show that free exchanges, on Smith's account, are not inherently just. What I have shown is that Smith's attempt at privatizing vice fails. Our market realities are shaped not only by human nature and the finitude of the earth's resources, but also by contingent factors, including the character of the agents whose preferences determine demand. In the next section, I will turn to Smith's theory of justice to see whether Smith has resources to address these public harms brought about by so-called private vice.

The Trouble with Smith's Theory of Justice

Our pre-theoretical moral judgments typically hold people accountable for the ways in which their vices harm others. We judge harshly drunk drivers, lazy coworkers, and younger siblings who take too large a slice of cake. We might find the effects of vice on demand to constitute a similar injustice. It strikes at our sense of the finality of the you, or as Smith puts it, the impartial spectator's judgment that the one harmed is "in every respect, as good as" the one who brought about the harm.[67] Smith's approach, however, is puzzling. If he were to acknowledge that these effects of vice on demand exist, he would certainly consider them to be wrong. Nevertheless, his theory of justice is too narrow to allow him (and us) to describe these specific harms as injustices for three reasons: his inherently legal conception of justice, a too individualistic conception of society (despite attempts to the contrary), and an aesthetic approach to ethics that fails to provide a manner of judging between goods. In this section, I will describe each of these three problems with the aim of clarifying what type of theory of justice would be necessary in order to account for these pre-theoretical judgments.

In Book VII of the *Theory of Moral Sentiments*, Smith notes that there are in fact several meanings of the word justice. Interestingly, he relies upon Aristotle's distinction between commutative, distributive, and general justice, but the definitions of these forms of justice have been altered. For Smith, commutative justice is characterized by "abstaining from what is another's, and in doing voluntarily whatever we can with propriety be forced to do."[68] When Smith speaks of justice in the *Theory of Moral Sentiments*, he almost always refers to justice in this sense. Smith equates distributive justice with "proper beneficence," the prudent distribution of "what is our own" for the sake of "charity" and "generosity." Distributive justice is thus reduced to supererogatory acts of love. Justice in the third sense is Platonic justice, "the perfection of every sort of virtue."[69] This final form of justice is the only one of the three that has not been modified.

What is perhaps most astounding in Smith's construal of these forms of justice is the way in which legal notions are shaping them. The primary factor in distinguishing commutative and

[67] TMS, II.ii.2.
[68] TMS, VII.ii.I.10.
[69] TMS, VII.ii.I.10.

distributive justice is whether it is permissible to force someone to perform the act in question. If we look at his main discussion of justice in Book II, we see the same legal language used. "Beneficence is always free, it cannot be exerted by force, the mere want of it exposes to no punishment," Smith writes.[70] In reference to commutative justice, though here referred to only as justice, he expounds, "There is, however, another virtue, of which the observance is not left to the freedom of our own wills, which may be extorted by force, and of which the violation exposes to resentment, and consequently to punishment."[71] Here, human law is defining the content of morality.

Nevertheless, another characteristic undergirds the distinction between justice and beneficence. Lack of the latter "tends to do no real positive evil."[72] On the other hand, "the violation of justice is injury: it does real and positive hurt to some particular persons, from motives which are naturally disapproved of."[73] Thus, the one who fails to feed a starving person, on Smith's account, has failed in benevolence (and badly at that), but has committed no injustice. He did not injure the other; he merely failed to benefit the starving person, and no one can force another to benefit others.

If we recognize the ways in which vice influences demand, thereby causing (unintended) harms, we can see that Smith's emphasis on legal notions prevents him from being able to address them. To make someone else suffer for my vice would seem to constitute "real and positive hurt" to that person, and to arise from "motives which are naturally disapproved of." One would be tempted to call this an injustice, but Smith cannot do so, because one cannot force others to refrain from every vice, even when those vices hurt others. In our pluralistic society, we

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[70] TMS, II.ii.I.4.
[71] TMS, II.ii.I.5.
[72] TMS, II.ii.I.3.
[73] TMS, II.ii.I.5.

could never reach the sort of agreement necessary in order to legally enforce virtuous demand, nor would we want to. The lack of freedom would threaten the productivity of the market as well as our own dignity as persons. A theory of justice that relies on legal terms is certainly useful when one wants to immediately apply one's ethic to law, as Smith, a moral philosopher who lectured on jurisprudence, would have done. What we lose is the recognition that there are forms of injustice that cannot be constrained by law, and that depend instead upon the development of virtue.

If this overly-narrow view of justice were merely brought about by too close a connection between law and ethics, emancipating Smith's moral theory from constraint by human law would suffice to resolve the problem. A broader conception of justice could be brought in insofar as there are other types of harm that would need to be prevented. What Smith's legal notion of justice also reveals, however, is a problematic view of the relation between individual and society. As much as Smith revolts against Hobbes, there is still lurking in the background a conviction that society is first an aggregate of individuals, and only secondly a social whole. That is, Smith's ontology is atomistic, even as he recognizes a natural tendency toward the formation of society.

This is revealed in Smith's theory of justice. Any distinction between positive and negative duties will necessarily have a conception of a "status quo" built into it, according to which positive and negative will have meaning. If we consider the status quo according to which Smith operates, it is ultimately one of non-relation. This is true generally, but in his economic thought in particular. The logic of this account would imply that even in a market economy, the status quo is not exchanging. In contrast, the status quo upon which my critique depends is one of right relation, with the negative duty to refrain from imposing the consequences of one's vices onto others stemming from the nature of that right relation (the as-yet-undefined just exchange). But as soon as this latter picture is granted, the distinction between positive and negative duties begins to break down, because there is quite a bit of action required in order to achieve and maintain a status quo of right relation.

One need only look at the fact that Smith does not consider the feeding of one's children to be a matter of justice, but rather beneficence, to see that something has gone amiss. Someone must think of the children! And so, after having described the twin virtues of justice and beneficence, Smith reflects on the fact that such actions must be obligatory. The specter of Hobbes raises its head in Smith's words: "When the sovereign commands what is merely indifferent [that is, the feeding of the children], and what, antecedent to his orders, might have been omitted without the greatest blame, it becomes not only blamable but punishable to disobey him."[74] So begins the dangerous task of the lawgiver, who must steer the ship between the Scylla of anarchic individualism (following Locke) and the Charybdis of a tyrannical general will (following Rousseau), both of which ultimately derive from Hobbes' atomistic conception of society.[75] Of course, any ruler will need to deal with these matters in practice, but Smith's ruler cannot ground her judgments in pre-existing social obligations, and is therefore left to judge with neither constraints nor aid.

Perhaps it is a sign of this unintentional atomism breaking through that leads Smith to his conception of economic exchange. Hobbes defined commutative justice as "the justice of a contractor, that is, a performance of covenant."[76] If the parties involved consent to it, on this view, then the contract is just, for they are the sole arbiters of value. Such a theory only works

[74] TMS, II.ii.I.8.
[75] See Jacques Maritain, *The Person and the Common Good*, trans. John J. Fitzgerald (University of Notre Dame Press, 1973), 90–105 for an argument along these lines.
[76] Hobbes, *Leviathan*, Part I.xv.14.

when there are no prior obligations between persons. Recognition of prior obligation would commit us to the belief that an injustice occurs if vice causes harm to either the other party of the contract or some other member of society, regardless of who consents.

Even if these two problems were addressed, however, Smith's theory would still have difficulty in providing us with meaningful content when it comes to how and what we value. He might point to the impartial spectator and encourage us to value things as the impartial spectator does. Such a quest does not seem particularly fruitful because we exist as particulars with given needs and desires, not as a neutral perspective on the world. Alternatively, the impartial spectator, from a clear vantage point, might merely judge the needs and desires that we already possess, but even here, the impartial spectator would need to articulate some standard by which to judge. We would need a clear account of human flourishing, and what Smith's *Theory of Moral Sentiments* provides is thin. A normative account of human nature and flourishing requires a more substantive metaphysic than Smith can muster.[77]

This final point is perhaps the most controversial, and yet, the least able to be defended in this space. Though from my vantage point, Smith transcends Hume insofar as Smith attempts to provide universal rational norms (norms grounded in sympathy, but rational nonetheless, insofar as sympathy serves providentially as a guide to true moral judgments), Smith followed Hume in denying not only the possibility of making metaphysical claims, but also their usefulness in ethics. What metaphysics provides—as Plato, Aristotle and Aquinas reveal—is an account of what the human is, and therefore what its proper functioning should be. These are the sort of frequently-unspoken beliefs that would presumably underwrite judgments about consumption (even judgments made by an impartial spectator), and yet, Smith remains at the level of the

[77] For two examples of this type of argument, see John Haldane, "Adam Smith, Theology, and Natural Law Ethics," in *Adam Smith as Theologian*, and David Cloutier's treatment of "strong evaluations" in *The Vice of Luxury*, 74-76.

empirical. As a result, it is difficult to see how Smith could provide a full account of commutation without relying upon some other account of goods.

The fact that Smith falls short in accounting for justice-in-exchange does not undermine the justification of competitive markets that we considered in chapter three. These are still an integral part of human flourishing insofar as they provide freedom and dignity to the actors that compose it. What it does do is show that it is radically incomplete, and that a more robust theory of justice-in-exchange, rooted in a better description of human sociality and drawing upon a substantive account of human goods, is necessary in order to have competitive markets that are simultaneously humane. For this, I turn to Aquinas.

Chapter 5: Justice, The Person, and the Common Good

Last chapter, I argued that Smith was unable to account for apparent injustices in pricing because he failed to overcome Hobbesian atomism in his social theory. My argument began in a conception of negative duties, namely, that we have a negative duty to refrain from imposing the costs of our vices upon others. It was shown that the distinction between negative and positive duties breaks down, in as much as that negative duty entails positive obligation: the moral duty to value economic goods rightly so as to preserve right moral and economic relations between buyer and seller.

The task for this chapter is to render the existence of that duty intelligible. Under what conditions is it possible to conceive of limits for voluntary exchanges occurring among strangers? What is needed is an account of right relation that justifies this more robust theory of justice-in-exchange. We need an account like the one Aquinas provides, according to which humans are by nature social animals with obligations that engender so-called positive duties of justice. That is, we need an account in which our natural sociability is not limited to our natural tendency to sympathy. Yet, we should note that our need is not sufficient to determine a social theory, as if our desires could create wholesale what it is to be a human in relation. Rather, our pre-theoretical judgments about justice-in-exchange point to our having grasped something real about human nature, and it is this reality that in turn will ground our ethic.

In the following, I will first provide an outline of Aquinas's treatment of the moral life in order to clarify his account of justice. I will then provide an account of human sociality that supplies the basis for positive duties of justice. Here, I will consider the relation of the person to the common good and the analogous relationship between individuals as a means of reconciling the three principles of humanism. I will conclude by exploring Aquinas's treatment of the institution of property, the duty to give of one's excess goods, and the corresponding right of the poor to take those goods when necessary. These are the natural implications of his theory of justice, and will help to situate my discussion of Aquinas' treatment of justice-in-exchange in chapter six.

The Shape of the Moral Life

It is helpful to set out a brief treatment of Aquinas's approach to ethics for two reasons. In the first instance, I want to highlight the similarities and differences between the approaches of Aquinas and Smith. This is necessary in order to allow them to speak together, as well as to highlight the important contributions that Aquinas can make. The second reason arises out of questions in the interpretation of Aquinas. The virtue of justice stands apart from virtues like courage or temperance in its close connection to law.[1] As such, questions will inevitably arise as to whether I read Aquinas as a virtue ethicist or as a natural law thinker. Lest any confusion arise, I want to pre-empt such concerns by clarifying my understanding of the relationship between law and virtue, particularly as it applies to the virtue of justice.

The fault lines among the various interpreters and heirs of Aquinas are many, crossing and intersecting at unusual places. In the first place, there are scholastic interpreters, who treat Aquinas's arguments in a largely ahistorical fashion.[2] Then, there are historical readings,

[1] The virtue of prudence, rightly understood, also has an integral connection to law. An exploration of this lies outside the scope of this study.
[2] This includes a variety of scholars, like Jacques Maritain, Lawrence Dewan, Charles De Koninck, and Josef Pieper.

following Etienne Gilson and Marie-Dominique Chenu, that have sought to reclaim elements of Aquinas' thought that were obscured by that tradition.[3] Transcendental Thomists have attempted to reconcile Aquinas' thought with Kant, and have been met with criticism from scholastics and historians alike.[4] In terms of ethics, there are those who emphasize Aquinas' writing on natural law. Here, we have traditionalist theories, but also proponents of the new natural law, who are far more Kantian in their understanding of the structure of practical reason.[5] On the other hand, there are interpreters who, building upon the rise of virtue ethics in philosophy, place more emphasis upon the virtues.[6] There are also thinkers who, like Aquinas, recognize the importance of both law and virtue.

In the following two chapters, I draw widely from various interpreters of Aquinas in order to support my claims. I rely most readily upon scholastic interpreters when laying out fundamental principles—most notably De Koninck, Jacques Maritain, and Josef Pieper—and historical treatments when trying to grasp economic claims that are particularly context-specific. While I do not engage the work of transcendental Thomists in this text, I do emphasize points of

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[3] Etienne Gilson, Armand A. Maurer, and Laurence K. Shook, *Thomism: The Philosophy of Thomas Aquinas* (Toronto: Pontifical Institute of Mediaeval Studies, 2002); Marie-Dominique Chenu, *Toward Understanding Saint Thomas*, The Library of Living Catholic Thought (Chicago: H. Regnery Co., 1964). These categories are fluid: hence, a scholastic like Matthew Levering shows the influence of Chenu and Gilson, and despite her attention to history, Jean Porter can be scholastic.

[4] See Karl Rahner, *Foundations of Christian Faith: An Introduction to the Idea of Christianity*, trans. William V. Dych, Revised edition (New York: The Crossroad Publishing Company, 1982); Bernard Lonergan, *Insight: A Study of Human Understanding, Volume 3*, ed. Frederick Crowe S.J and Robert Doran S.J, 5th edition (Toronto: University of Toronto Press, Scholarly Publishing Division, 1992); Bernard Lonergan, *Method in Theology*, 2nd edition (Toronto: University of Toronto Press, Scholarly Publishing Division, 1990).

[5] For more traditional theories, see Jean Porter, *Nature as Reason: A Thomistic Theory of the Natural Law*, First edition (Grand Rapids, Mich: Eerdmans, 2004); and Russell Hittinger, *The First Grace: Rediscovering the Natural Law in a Post-Christian World*, 2nd edition (Delaware: Intercollegiate Studies Institute, 2007). For the new natural law, see John Finnis, *Natural Law and Natural Rights*, 2 edition (Oxford: Oxford University Press, 2011); and *Aquinas: Moral, Political, and Legal Theory* (Oxford: Oxford University Press, 1998); While I have highlighted my own resonances with Kant in this text, I differ from the new natural law theorists insofar as I think metaphysical and theological claims are more integral to a theory of natural law than they assert. In this, I agree with the criticisms mentioned in Russell Hittinger, *A Critique of the New Natural Law Theory*, reprint edition (South Bend: University of Notre Dame Press, 1988).

[6] MacIntyre, *Whose Justice?*; Paul J. Wadell, *The Primacy of Love: An Introduction to the Ethics of Thomas Aquinas*, Reprint edition (Eugene, OR: Wipf & Stock, 2009).

resonance with Kantian ethics.[7] I move readily between natural law (primarily the traditional variety) and virtue ethics. Nevertheless, my reading of Aquinas in this text is intended to be irenic, rather than merely eclectic, insofar as I attempt to bring the best of these schools into an integrated position under the rubric of humanism.

I would like to propose that Aquinas was himself a proponent of a version of Christian humanism. Following Maritian, I see Aquinas's ethic as challenging us to "render man more truly human."[8] In terms of theoretical structure, Aquinas's ethic is a teleological ethic, an ethic in which actions are evaluated in terms of an end, and more specifically, a eudaemonic one, insofar as the end in question is the human's final end. Eudaimonic ethics are particularly fertile ground for humanism, insofar as human flourishing is their focal point. Nevertheless, despite being foundational for humanistic thought, and aptly considered humanists in their own right, Plato and Aristotle both maintain positions that stand in conflict with basic tenets of humanism. Plato's trampling of familial relations and devaluing of labor come to mind most readily, along with the lack of freedom for all but the philosopher. Aristotle's defense of slavery and treatment of women raise questions, as does Aquinas's (tempered) reception of these points. Much depends upon how one articulates human perfection.

For Aquinas, to be human is to be a rational agent (potentially speaking); it is to be lord (*dominus*) of one's actions, to bring about one's purposes into the world.[9] An action without a rationally-chosen purpose—a sneeze, for instance—can only be an act of a human, rather than a human act in the proper sense, for it lacks the distinguishing features of the human. The diverse purposes that humans possess, on Aquinas's account, are united in pursuit of one final cause:

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[7] This is not to imply that a Rahnerian or Lonerganian would not be able to accept the argument at hand.
[8] Maritain, *Integral Humanism, Freedom in the Modern World, and A Letter on Independence, Revised Edition*, 153.
[9] ST I-II, q. 1.1.

what the Greeks called *eudaemonia* and in Latin was rendered *felicitas* or *beatitudo*; and which is best captured in English by the words happiness or human flourishing. To be human is to be master of one's quest for the good life, to seek to uncover the meaning of that term, and to take those actions one believes will bring it about. To harken back to Todorov, this is the metaphysical ground of Aquinas's version of the *autonomy of the I.*[10]

While the individual is free to propose to herself a variety of last ends—be it wealth, honor, or pleasure—there are limits upon a human's freedom.[11] Chiefly, the human is not free to determine what will actually bring about her flourishing, for her very nature contains within it the imprint of the end that will perfect it. Aquinas notes two forms of happiness. In the fullest sense, human happiness is found in the beatific vision, which is attainable only in the next life.[12] Yet, there is an imperfect form of happiness found in this life: acting in accordance with the virtues.[13]

There can be no doubt that Aquinas was primarily concerned with the attainment of supernatural happiness. That is our true end, the height of human flourishing, albeit one that we cannot reach on our own. However, for the purposes of this argument, I am primarily concerned with the imperfect or natural end. This is in keeping with the nature of justice, which is a natural virtue, and with my primary argument, namely that a certain theory of justice-in-exchange will promote solidarity in what Augustine refers to as the earthly city. Yet, Aquinas also understands the virtue of *religio* as a subset of justice—giving God one's due—so God is not absent even from the natural. And insofar as sins against justice have bearing upon our ability to see God, and inasmuch as nature can also inform our understanding of grace—because, as Aquinas says,

[10] Aquinas, like Augustine, holds that true freedom is always oriented toward the good.
[11] ST I-II, q. 2.
[12] ST I-II, q. 3.8.
[13] ST I-II, q. 3.5.

grace perfects nature—I will not leave the supernatural fully behind.[14] This is a work in theological ethics, after all.

God alone is by nature happy. Humans, in contrast, have the capacity to attain happiness through their acts.[15] As a result, it is crucial to determine which acts lead to happiness; that is, which acts are good. For Aquinas, three elements determine the goodness or malice of every act: the object, circumstances, and the end. The object refers to the type of action that is being informed. Aquinas holds that some types of actions are intrinsically evil, which means that they are irreconcilable with human happiness. To perform them is *de facto* to act in opposition to the dictates of practical reason and to separate oneself from God. Neither circumstances nor one's subjective end (the immediate purpose one has in acting) can ever make an intrinsically evil action good, but they can make an otherwise good action bad. Giving alms can contradict a duty of justice if one's own family is starving. Likewise, giving alms for the sake of praise is not a moral act. In short, the object, circumstances, and end must all be good in order for the act to be good *simpliciter*.

In order to avoid giving a wrong impression, it is important to note that Aquinas is not merely concerned with the operation of intellect and will in acts, but also with the passions. To be sure, Aquinas recognizes that the passions can serve to obstruct our performance of the good. Inordinate desire can lead to the pursuit of lesser goods; fear can prevent one from acting rightly. Nevertheless, the passions are inseparable from the good life, as a source of moral knowledge

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[14] For the interests of space, I cannot address the vast debates concerning nature and grace and the teleology of the human. As can be seen from the text, I tend toward the Neo-Thomist formulation as a means to preserve the integrity of natural reason, the capacity of dialogue between members of various religious traditions, and the concept of human nature as a normative guide in ethics. That stated, I am sympathetic to the concern of extrinsicism raised in De Lubac's *The Mystery of the Supernatural* (New York: The Crossroad Publishing Company, 1998), and I do not think the core argument hinges upon my position here.
[15] ST I-II, q. 5.7.

and as a measure of one's happiness, for the perfection of the human is found when both the passions and the will are oriented to the good.[16]

If human nature is ordered to imperfect and perfect happiness, it is nevertheless indeterminate with respect to its operation. This is a readily observable fact, for we are continually confronted with our own and (more often) others' imperfections. The passions, the will, and the intellect all require habits in order to be directed toward specific acts.[17] It is also a source of freedom, for through our actions, we are enabled to form ourselves.[18]

Herein lies the need for virtue. For Aquinas, a virtue is an operative habit that perfects a power by directing it toward its proper act.[19] Aquinas notes three types of virtue, each of which perfect different powers of the soul. The intellectual virtues are ordered to the right operation of speculative or practical reason. Moral virtues, on the other hand, are ordered to right action. With the exception of prudence—which operates in a dual zone, insofar as it is a habit of the intellect, yet has action for its matter—I will focus on the latter. Aquinas himself refers to prudence as a moral virtue, since a person cannot be virtuous without being able to discern the right thing to do. A third form of virtue—theological or infused virtue—exists as a gift of grace to enable the human to attain the supernatural end, which is beyond her natural powers to attain.

The moral virtues are most clearly treated under the cardinal virtues of prudence, justice, temperance, and fortitude. Temperance and fortitude pertain directly to the passions, whereas justice is a virtue of the will. In addition to perfecting the operation of their respective powers,

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16 ST I-II, q. 24.3.
17 ST I-II, q. 49.4.
18 There are, of course, limits to this formation. I can develop the habits of a beast or a god, but I cannot truly become either.
19 ST I-II, q. 55.

these virtues also consist in a mean between two forms of vice: one of deficiency, and one of excess.[20]

Since the revival of virtue ethics, many readers of Aquinas have looked solely upon virtue in attempting to describe the moral life. Doing so is meant to avoid the modern over-emphasis on rule-following in ethics. Instead, virtue ethicists challenge us to consider what type of person we were created to become. Yet, Aquinas also understood the effects of sin and ignorance, and therefore the need for additional helps in order to allow us to flourish. These helps include the gifts of the holy spirit, the workings of grace more generally, and the various forms of law. Before concluding, I wish to say a few words about law, for it is best to understand law and virtue as working together in support of human flourishing.

The ground of all other forms of law is the eternal law, the law that exists in the mind of God. Aquinas' account of law is fundamentally theistic: right order is nothing other than God's providence at work in the world.[21] Everything is ordained by its nature toward its own specific end, and all of these ends are ultimately ordered toward God. As finite humans, we do not have direct access to the mind of God, but we do discover this providential ordering when looking at its effects in the world around us. On Aquinas' account, we can observe the metaphysical hierarchy that locates humans below the angels, but above non-rational animals, who themselves rest above plants and inanimate objects, like rocks. Most importantly, we can reason to the existence of God the Creator, without whom nothing would exist and for whose glory all things do.

[20] For Aquinas, though not for Aristotle, the intellectual virtues also consist in a mean. The theological virtues, however, do not, because there can be no excess in one's faith, hope, or love for God. See ST I-II, q. 64.
[21] ST I-II, q. 91.1 c.

Natural law is the human's rational participation in the eternal law. Non-rational agents are simply directed toward the good that God has ordained for them. Humans, as rational agents, have free will, and are therefore included as cooperators in God's providential activity.[22] Not only do we direct ourselves, but those people and things under our care. On my reading, the natural law is first and foremost rooted in our inclinations, but its precepts are discernible through reasoning about human nature. Much ink has been spilled trying to discern the contents of the natural law, but I will avoid running down that rabbit hole at present.

Human law is rooted in the natural law, and exists as a specification of it.[23] This takes place in two ways. In the first, reason moves from the indemonstrable first principles of the natural law to address particulars. In the second, the natural law is specified according to the particular people. An example of this latter might be the fact that in the United States, drivers must remain on the right side of the road. We reason from the precept of natural law that requires us to preserve life to the principle that we must drive so as to avoid killing others (the first type of human law). A further specification is then required, namely that in the US we remain on the right (the second type). It would have been equally valid to require drivers to remain on the left, as is required in the United Kingdom, but one or the other decision is essential in order for the natural law to be put into practice.

Divine law refers to divine revelation, and exists for four reasons.[24] Most importantly, the human's supernatural end exceeds our natural powers, and thus, we need a form of law that can direct us to it. Second, it is necessary because of the limits of human capacity to judge rightly about acts. While Aquinas is often presented as a "rationalist," he holds that reason alone will

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[22] ST I-II, q. 91.2 c.
[23] ST I-II, q. 91.3 c.
[24] ST I-II q. 91.4 c.

frequently fail to provide a true answer as to how we should act. This is true not only about actions that lead to our perfect end, but also those that constitute our imperfect one. We should not be surprised then, that Aquinas relies on both divine revelation and rational argumentation in order to clarify moral principles. The final two reasons concern the limits of human law. Human law cannot judge the interior act of the will, nor may it forbid all evil acts. These are left for God to judge.

What I hope is becoming clear is that Aquinas has a very comprehensive ethic rooted in human nature as understood in relation to God. In addition, there is much in Aquinas that is similar to Smith. Most broadly, we can note the importance of human nature as providing a ground for ethics. Aquinas, of course, would not presume to articulate a theory of human nature apart from God, but human nature is nevertheless at the center of his moral thought. More narrowly, we can see the importance of the passions as both impediment to and a facilitator of right action; the need to develop virtue in order to act rightly; and the role of law as pedagogue.

What Aquinas offers, and what will be particularly important for this chapter, is three-fold. On the first hand, Aquinas has a robust metaphysical account of the human, which allows him to make more finely-grained judgments about human actions and their effects upon human happiness. Unlike Smith, he did not have to address Humean skepticism, and therefore had no need to rely solely upon sentiment to ground his ethic. Claims about the relationship of body to soul, or the nature of passions, intellect and will, are central. Whether metaphysical claims of the type Aquinas makes are justifiable will remain outside the scope of this study; here, I wish only to consider the resources that Aquinas's account of human nature offers for our consideration of justice-in-exchange.

Second, Aquinas benefits from his use of the Christian narrative in his understanding of historical human nature and the perfection of the human. Recall that something akin to providence is at work in Smith's ethics, justifying his use of nature as a normative principle, and in his economics, seen readily in the invisible hand metaphor. While Smith's providence is seen in terms of the world as we experience it understood solely through the lens of creation, Aquinas understands the operation of God through the narrative of creation, fall, and redemption. For Aquinas, nature as a regulative ideal is thus distinct from that which we encounter firsthand, for we also experience the presence of sin and grace. This will allow him to argue, as we will see in more detail below, that humans by nature love the common good more than the individual good.[25] In terms of common experience, the claim would seem to be patently false, despite our recognition of those heroic individuals who sacrifice themselves for the benefit of their societies. Aquinas, however, is able to propose that heroism as our true nature, what is most befitting the human. Meanwhile, the selfishness that places my particular good over the whole good—taken as natural on Smith's account—is read as an unnatural "nature"—the law of sin at work, able to be overcome *in toto* only through divine grace. The work of God, our own cooperation with it, and the humanist quest to "render man more fully human," take on new meanings in light of Aquinas's use of the Christian narrative.

Finally, we should note that Aquinas's conception of law is much broader than Smith's. When Smith treats law, he is primarily concerned with human law, but Aquinas also has recourse to three other forms of law, and most notably, to the divine law. Among other things, this allows him to treat matters of justice that are not enforceable by human law nor even recognizable by it as instances of law-breaking. It is a first stage for rendering a positive duty of justice-in-

[25] ST II-II, q. 26.3.

exchange intelligible. In treating the question, “Whether it is lawful to sell something for more than it is worth,” the first objection charges that the civil law determines what is just in buying and selling, and permits the action in question. In response, Aquinas acknowledges that human law does not and indeed cannot forbid all unjust voluntary exchanges. Nevertheless, he notes, “The Divine Law leaves nothing unpunished that is contrary to virtue.” Human law is not the final court; it plays a crucial role in the formation of the community, but the ground of our ethic is found in the eternal law, participated in via natural law, and rendered complete by the divine law.

The Virtue of Justice

At this point in the argument, I wish to provide a brief account of Aquinas’s theory of justice. While I will not comprehensively treat the various debates, it will be helpful to see the general shape of his account. Aquinas defines justice (*iustitia*) as “a habit whereby a man renders to each one his due (*ius*) by a constant and perpetual will.”[26] This definition, on the face of it, may not seem like much of a definition. After all, it contains within it a component of the term in question. Thus, Nicholas Wolterstorff has asserted that Aquinas lacks a theory of justice insofar as he does not here give an account of *ius*.[27]

Aquinas precedes his question on the nature of justice with a question on right (*ius*). He begins by noting that the object of justice (*iustitium*) is right (*ius*).[28] Unlike other virtues, in which the relation of the action to the character of the agent takes pride of place, justice concerns the proper relation of the agent to others. Justice is a form of equalization, in which disorder

[26] ST II-II, q. 58.1, c.
[27] Nicholas Wolterstorff, *Justice: Rights and Wrongs* (Princeton, NJ: Princeton University Press, 2010), 42.
[28] ST II-II, q. 57, a. 1.

returns to right order. Aquinas further distinguishes between natural right (*ius naturale*) and positive right (*ius positivum*), according to the origin of the equality that is produced.[29] He further clarifies that the law of nations (*ius gentium*) is not a part of natural right, but rather positive right. Finally, he notes the existence of particular rights determined by special relations, familial and political. Insofar as these are determined by relations which bind one to another, these are not part of justice in the strict sense, which pertains to another *qua* other. Nevertheless, each relation has a form of justice that is proper to it.

Wolterstorff is indeed correct that this tells us little about the actual content of *ius*. Let us bracket the question of what constitutes the right, and consider the other elements of Aquinas' definition. The most controversial part of the definition for this exploration may in fact be that Aquinas treats justice as a personal—but intersubjective—virtue rather than a social one. Following Rawls, many political philosophers have become accustomed to think in terms of justice as a social virtue.[30] One impact of this is that the emphasis moves to distributions or end-states.[31] There, the distribution itself points to an injustice. As we will see, end-states are not inseparable from the virtue of justice. When the sick do not get the medicine, the poor do not receive communal aid, and the worker does not receive a fair wage, injustice has been done. Nevertheless, justice as a social virtue has the disadvantage of obscuring the giver, which is of crucial importance for this study. On Aquinas's account, it is not enough that all persons receive their due. It also matters that they receive these things from the proper persons—the ones who owe it to them—for justice resides in the giver, not in a state of affairs.[32]

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[29] ST II-II, q. 57, a. 2.

[30] Consider Rawls' bold statement: "Justice is the first virtue of social institutions, as truth is of systems of thought" in *A Theory of Justice*, 3.

[31] Nozick, *Anarchy, State, and Utopia*, 28–30; 149–231.

[32] It follows then, that when we speak of a just distribution, we speak analogically.

In addition to being a personal virtue, we can note that justice explicitly concerns relations to the other. As such, the justness of an act is determined not by reference to the individual's character, but in the external act itself.[33] In this way, justice differs from the virtues pertaining to the passions, like courage and temperance. To put it more specifically, courage and temperance observe relative means, but the virtue of justice observes a real mean: it demands a payment that really is equal to what is owed.[34] One implication of this difference is that justice tends to have a more *law-like* function than other virtues. This, to draw one more connection to the preceding chapters, was also grasped by Smith. He compared the rules of justice to those of grammar: "precise, accurate, and indispensable." The other virtues, meanwhile, are like those rules one might propose for good writing: "loose, vague, and indeterminate."[35] To be sure, justice must also deal with particulars, and so there will always be specifications needed in order to clarify the general rule. One may not murder, but a soldier may kill in the line of duty. The fact that these clarifications take place with regard to a general rule, however, highlights the fact that justice is linked to rules more closely than other virtues, whose rules represent general characteristics of an ideal to be instantiated with respect to the acting person.

The reason for this difference is ultimately found in the nature of justice as a virtue of the will.[36] Recall that the will is naturally oriented to act in view of one's conception of happiness, with varying degrees of truth and completeness. Left to its own devices, the will can easily transgress the rights of others. One's desire for a home can lead one to short-change a business partner; the desire to get to church on time can lead one to neglect the needy along one's route. Justice, as a perfection of the will, orients one's choices, so that one's pursuit of flourishing will

[33] ST II-II, q. 58.2.
[34] ST II-II, q. 58.10.
[35] TMS, III.6.11.
[36] See Jean Porter, *Justice as a Virtue: A Thomistic Perspective* (Grand Rapids, Michigan: Eerdmans, 2016).

always be in accord with what is due to others. As such, justice requires clarity regarding what is actually due to those persons, clarity which often comes in the form of rules.

At this point, it is worth considering the forms of relation that give rise to the distinct species of justice. In the first instance, persons have duties toward the good of the social whole. General or legal justice orients all acts toward the common good. It is a general, or architectonic, virtue insofar as it orients all other virtues, but has its own distinct subject matter insofar as it concerns the common good, making it logically distinct from other virtues. It is principally found in the sovereign who rules for the good of the whole, but secondarily in the subjects, who have a duty to follow laws for the sake of the common good.[37] Aquinas says comparatively little about general justice, but its position as an architectonic virtue implies supremacy. The other forms of justice, while not immediately grounded upon the common good, are referable to it.

Justice is also a particular virtue, distinguished not merely logically, but materially as well.[38] Here, Aquinas notes two relations and corresponding forms of justice. Commutative justice pertains to relations between individuals. It is the form of justice that most readily comes to mind when people think of justice, and indeed, is what Smith referred to when he used the unqualified term, justice. Distributive justice refers to the relation between a social whole and a part. It requires that goods held in common be distributed to members in accordance with the proper criterion of distribution.[39] The chief sin in opposition to this, respect of persons, involves distribution according to other criteria than that relevant to the distribution of a particular good.[40]

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[37] ST I-II, q. 58.5-6. Aquinas could not have envisioned modern democracy, but it seems that our self-governance greatly expands the role for general justice. Modern Catholic Social Teaching, while drawing on Aquinas, has tended to emphasize the role of general justice far more than Aquinas himself.
[38] ST I-II, q. 58.7-8.
[39] ST I-II, q. 61.1.
[40] ST II-II, q. 63.

In articulating the models of particular justice, Aquinas draws upon Aristotle's mathematical treatment in the *Nicomachean Ethics*, which will be important for next chapter. Commutative justice requires arithmetical equality—strict equality of number. Thus, in the paradigmatic instance of restitution, the thief should return an equal quantity of goods as was stolen. Distributive justice takes the form of geometrical equality. Here, the equality takes place, not between the goods exchanged, but between the ratios of the persons possessing the criterion of distribution and between the goods distributed. Thus, if aid is to be rendered on account of need, then the more needy a person is, the more aid they should receive. To give a numerically equal amount would be to perform an injustice.[41]

The presence of three forms of obligation, rooted in the nature of our social relations, stands in distinction from Smith, who holds that only commutative justice entails strict obligation. For Aquinas, the polity has genuine obligations to the individual, and the individual has obligations to the common good. The disjunct between Smith and Aquinas, however, goes even farther, insofar as Aquinas considers the perfect act of both general and special justice to possess two quasi-integral parts: to decline from evil and to do good.[42] Doing good is required in order to establish justice, whereas refraining from evil respects justice that already exists. That is to say, there are positive duties even with respect to commutative justice. Not only so, but Aquinas holds that doing good is the principle part of justice; avoiding evil is "secondary" and "imperfect." Whereas Smith can hold that non-action alone is sufficient to meet the obligations of commutative justice, Aquinas finds this insufficient. Possessing a will oriented to render another her due—that is a just will— requires action. This is crucial, because I will argue in the next chapter that the duty to value goods rightly in order to preserve equality in economic

[41] ST I-II, q. 61.2.
[42] ST II-II, q. 79.1.

exchanges is a duty not only of general justice, but also—and in fact primarily—of commutative justice. Smith would not deny that general justice requires this; however, he could never hold it as a duty of commutative justice, because this would entail a positive duty to value goods rightly, at least in terms of one's external act.[43]

What justifies these positive duties, the duty to do good to persons to whom I am previously unrelated? What grants another a claim right that compels my free action? The answer, I suggest, is found in the nature of the right, which in turn depends upon an understanding of human sociality. Aristotle once described the close connection between sociality and justice as follows: "Friendship and justice would seem to be about the same things and to be found in the same people. For in every community there seems to be some sort of justice, and some type of friendship also."[44] This interrelation takes place on two levels. On one level, distinct social forms—from friendships to family and polity—possess their own type of social bond and their own rules that guide just action within them. These bonds traverse the *ius naturale* and *ius positivum*, insofar as some social forms are natural, but all relationships are situated within a cultural fabric of laws, customs, and symbolic meanings that shape the norms of justice.

Undergirding all of this, however, is the recognition of a deeper bond between sociality and justice: namely, that the construal of human sociality as such gives form to corresponding theories of justice. A theory of justice can only be developed—and then specified for distinct social forms—if there is some understanding of what it means to be a human in right relation to others. This basic understanding, as every understanding, is mediated through culture; yet, the

[43] It is also worth noting that Aquinas's definition of general justice is more narrow than Smith's, insofar as Smith does not distinguish general justice logically from the sum of other virtues according to its orientation to the common good.
[44] Nicomachean Ethics, Book VIII, chapter 9.

object of that understanding is, and must be, the natural law. To understand how Aquinas maintains the existence of positive duties of justice, and to see, in contrast, why Smith does not, we must consider Aquinas's account of human sociality.

The Person and the Common Good

To turn to Aquinas for an account of sociality and the right is immediately to encounter a problem, and the objector may in turn suggest that we are substituting the iron maiden for the guillotine: trading in the problems of modernity for those in medieval thought. Surely this is to reject freedom, rights, and the rest of our modern social imaginary in favor of the hierarchically-embedded self of premodern society.[45] My argument, however, does not entail any such wholesale rejection of modernity, though it may require rethinking some aspects of it. The development of a complete social theory that integrates these valuable aspects of the premodern with modern social thought must remain outside the scope of this work. The aim is more modest, insofar as I wish only to retrieve a piece of Thomistic social theory, namely, the relationship between the person and the common good. This is to work in concert with modern aims, for if modern thinkers begin with Hobbesian atomism, the goal has long been to transcend such individualism with principles of sociality that recognize our mutual dependence. As we saw, Smith turned to our natural sympathy with others to show that individuals are oriented in potency to union. Aquinas, too, recognizes that potency, but it is grounded, ultimately, in a society already existing, ruled providentially through a law engraved upon the human herself.

[45] Here, I am drawing categories from Charles Taylor's *Modern Social Imaginaries* (Durham: Duke University Press Books, 2003). Like Taylor, I find a return to the premodern impossible; one can only move forward.

The clearest indication of positive obligation for others is found, in Aquinas, not in his treatment of the duty to individuals, but with respect to the common good. The human, at the moment of creation, is already oriented to something that is greater than itself. As Aquinas states, "The common good of the multitude is greater and more divine than that of an individual."[46] This is true not merely in terms of numerical extension, that is, that the common good affects more people. It is also an intrinsically more valuable good than the individual good, even for the individual. Following Pseudo-Dionysius, Aquinas holds that the good is diffusive of itself, and the more a good redounds to the benefit of others, the greater that good is. To say that the common good is more divine is to say in the pursuit of the common good, we image God's own self-diffusiveness, seen in the act of Creation. The framework of part to whole appears frequently in Aquinas's writings, justifying appropriations and punishments that benefit the common good.[47]

This is not merely a metaphysical principle observed from the outside. A version of it is written into our very nature. Aquinas writes, "Every individual naturally loves the good of its species more than its singular good."[48] This is seen most readily in animals' natural tendency toward procreation and defense of the species. As De Koninck argued, "This desire for the common good is in the singular itself. Hence, the common good does not have the note of an alien good—*bonum alienum*—as in the good of the other taken as such."[49] This is a crucial insight: that the good of the person and the common good can never be in opposition. The common good, as Cajetan wrote, is "for me, but not for my sake."

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[46] De Regno, I.10.
[47] See M. S. Kempshall, *The Common Good in Late Medieval Political Thought* (Oxford: Oxford University Press, 1999), 76–101. Kempshall finds divergence between Aquinas's metaphysical principles and their application.
[48] ST I, q. 60.5 ad 1.
[49] Charles De Koninck, *The Writings of Charles De Koninck: Volume Two*, ed. Ralph McInerny, 1st edition (Notre Dame, Ind: University of Notre Dame Press, 2009), 76.

On the other hand, Aquinas also writes, "Man is not ordained to the body politic according to all that he is and has."[50] Rather the human has as his final end, God. Thus, Aquinas continually limits the power of the polis over and against the individual. The State may legitimately exercise capital punishment in order to protect its members, but it may not kill an innocent person for the sake of a common good. Neither may it impose unequal burdens upon its members.[51]

How do we reconcile the apparent conflict between the person and the common good? Unfortunately, Aquinas does not tell us. A half century ago, De Koninck and Maritain engaged in an ill-informed and ill-structured debate over the question, with each avoiding detailed engagement with the other's texts. De Koninck's approach was to appeal to the right order established by God.[52] On this account, Aquinas' theory is the epitome of Wolterstorff's notion of a theory of right order. The individual can point to nothing of its own as the basis for its right; human rights are a problematic notion that threatens the common good. Maritain, on the other hand, was quick to provide a defense of rights in terms of a distinction between the person and the individual, with the human as person possessing rights as an agent created "for its own sake." At the same time, he does not slip into the error of maintaining that the common good is an alien good.

Maritain's approach is to look more closely at the nature of the human person, which stands in the cosmic hierarchy between God and material realities. In the Trinity, we find a picture of perfect unity of "part" and whole: "three wholes who are the Whole."[53] There is no tension between the good of the person and the common good, because the common good of the

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[50] ST I-II, q. 21.4 ad. 3. This is a key text for Jacques Maritain.
[51] ST I-II, q. 96.4.
[52] Koninck, *The Writings of Charles De Koninck*, 88–93.
[53] Maritain, *The Person and the Common Good*, 56.

union is the individual good of each. In non-human animals, on the other hand, we find a complete subordination of the individual to the good of the species. There is no common good, because there is no society.

The intermediate status of the human is rooted in the nature of the human as body-soul composites. As such, we find ourselves as both parts and wholes; individuals and persons. Human individuality stems from our materiality. It is this that makes us grasp for our own, and yet, it is also on account of our individuality that we are "a fragment of a species" and "a part of the universe."[54] At the same time, I am a person because I have a rational soul, bearing in a special way the image of God, capable of and indeed oriented to relation to others and, chiefly, to the Creator as final cause.[55] The human—composite that she is—both is inferior and superior to the common good, a tension to be worked out in practice but wholly resolvable only in the beatific vision.[56]

This problem which Maritain and DeKoninck both face when interpreting Aquinas—to use Todorov's terminology—is the apparent tension between the *autonomy of the I* and the *universality of the they*. Can I truly be free if I am oriented toward the common good and the good of my neighbors, such that others can demand positive duties of me? Aquinas' answer is a carefully construed yes, precisely because in the proper functioning of my human nature, my inclinations (as natural law, my participation in the eternal law) exert those same demands upon me. This is no b*onum alterum*, that stands in contrast to *bonum suum*. Because their good is genuinely my good, my personal good is not infringed.

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[54] Maritain, 38.
[55] Maritain, 42.
[56] David Hollenbach, *The Common Good and Christian Ethics* (Cambridge: Cambridge University Press, 2002), 120–36.

Nevertheless, to say, as De Koninck does, that the *bonum commune* is not a *bonum alterum*—that is, that the common good is not an alien good—itself implies that there are criteria by which we can ascertain whether a putative common good actually counts as a common good, instead of an alien good. On my reading, this is the crux of the disagreement between them. Maritain's argument demonstrates that this is possible not merely from above, by consideration of the divine order, but also from below, in a consideration of the nature of the person. To be sure, this nature is best understood in relation to the metaphysical order, but it subsists truly in the particular, and is therefore knowable as such. To go further, not only is the right of the person knowable through an encounter with the person, but it has its existence in the person. Inasmuch as the person possesses her nature, the person herself possesses a claim right to what is owed it.[57]

The Analogy of Justice

This account of the human person clarifies the nature of positive obligation, insofar as it shows that positive obligations themselves do not necessarily infringe upon rights. Instead, we can see that our personhood—the very aspect of us that grants humans rights—also leads us to increase our obligations by deepening the bonds of community that we are born into. Insofar as the above section explored the person's relation to the common good, it does not go far enough. My aim is to make sense of positive duties of commutative justice. Why does one person have a positive duty to the other *qua* other, and not merely as member of society? For this, we need to clarify the nature of the *bonum alterum*, for my contention is that some alien goods are not altogether alien. From another perspective—albeit in a way that differs from how the common good is my own—

[57] Thus, by taking metaphysics into account, we can see that Aquinas is not merely a right order theorist on Wolterstorff's understanding.

the alien good can also be my own. That is to say, there is an analogy between the person's orientation to the common good and the person's orientation to other persons—between the *universality of the they* and the *finality of the you*—neither of which transgresses the *autonomy of the I.*

The definition of justice itself implies something along these lines. As Pieper notes, to fail to render another her due hurts not only the other, but also myself.[58] The unjust person is made worse by her actions. Nevertheless, the analogy I seek is something stronger: a way in which the rendering of positive duties becomes our good by enabling union with others.

Here, I wish to turn first to some comments Aquinas makes when discussing the gift of Creation in the *Summa Contra Gentiles*. Aquinas is addressing why God's act in creating the world is a gift, rather than an act of justice. In the process, he does much to clarify the source of obligation. Consider the following text:

> Furthermore, no one owes anything to another except because he depends on him in some way, or receives something either from him or from someone else, on whose account he is indebted to that other person; a son is a debtor to his father, because he receives being from him; a master to his servant, because he receives from him the services he requires; and every man is a debtor to his neighbor, on God's account, from whom we have received all good things. God, however, depends on nothing, nor does He stand in need of anything that He may receive from another, as things previously said make perfectly clear. Hence, it was from no debt of justice that God brought things into being.[59]

If we stopped the quote early, we might presuppose that Aquinas meant exactly what Smith had proposed. There must be some act by which we become indebted to a person, and in the absence of that act, we have no positive obligation. What we find, instead, is that at the very outset of our

[58] As Josef Pieper writes, "That something belongs to a man inalienably means this: the man who does not give a person what belongs to him, withholds it or deprives him of it, is really doing harm to himself; he is the one who actually loses something—indeed, in the most extreme case, he even destroys himself." *The Four Cardinal Virtues*, trans. Richard Winston et al., 1st edition (Notre Dame, Ind.: University of Notre Dame Press, 1966), 47.
[59] SCG 2.28.4.

existence, we are obligated. Here, the extension of the obligation is surprising. Not only does the child owe the parent, from whom she has received a tangible benefit (life itself), but "every man is a debtor to his neighbor, on God's account." When I encounter the other for the first time, I am already in debt; there is already action to be performed in order to arrive at justice. In what follows, I want to push deeper into the ground of this obligation and into the purpose it plays in the providential ordering of the world.

For Aquinas, obligation is a constitutive element of human existence, and we might go so far as to say that it makes us human. This is what justifies my use of Todorov's humanism to frame the dialogue between Smith and Aquinas. Yet, this also highlights a deficiency in Smith's humanism that Aquinas corrects. Sympathy is not the only faculty that ties us to our fellow humans in society; rather, there is a prior obligation, grounding positive duties of justice.

God is the source of this obligation. Aquinas tells us that we are debtors "on God's account, from whom we have received all good things." One way to read this passage, then, is to suggest that God has transferred the obligation to himself onto the neighbor. This would preserve the structure seen in the earlier examples whereby a benefit received produces an obligation. Justice would here mirror love, for loving our neighbor is itself an obligation oriented to the love of God. While I grant that every duty to the neighbor is also a duty to God, more seems to be at stake here. Aquinas is not a voluntarist, so it seems unlikely that he would present divine commands as unhinged from the reality God has willed into existence.

I want to suggest an alternate reading that can be gleaned by considering the argument immediately prior to it. Aquinas writes, "The act by which a person first acquires something of his own cannot, therefore, be an act of justice. But, by the act of creation, a created thing first possesses something of its own. It is not from a debt of justice, therefore, that creation proceeds."[60] Creation must be a gift, because created things did not possess even their existence prior to it. But through the act of creation, we possess something. The implication, then, is that the gift of God creates obligation in and through the natures God gifts. The human person is granted a dignity proper to it, which it receives from God as gift, but then properly possesses as its own. At the same time, the gift immediately places us in debt, not only to God, the giver, but also to the neighbor, because the personhood of the other demands recognition. Secondarily, it demands the rational love that a person as person is entitled to receive.[61]

To say that God places us into each other's debts raises another question, namely, why God might do such a thing. Parents rightly strive to offer their children some form of inheritance in order to allow them to live easier, if not always better, lives. At the very least, we try to avoid burdening our children with debts. Why then might God create a world in which, prior to any actions, persons are all mutually indebted to each other? [62] In the first place, we can note that the notion of person itself requires such an obligation. Recall that on Aquinas's account, God is not irrational. Obligation is not separated from the nature of the thing that God creates. Beyond this, as an argument from fittingness, we can note that positive obligations of justice are teleologically ordered to the formation of relationship in a way that the respect of negative duties is not. A brief foray into the relation between love and justice will make this clear.

Justice is defined by right; we are required to render only that which is owed. This stands in distinction from love, where we render to the other what is not owed. For Aquinas, however, love and justice are not radically distinct, but rather exist upon the same horizon. In his

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[60] SCG 2.28.3.
[61] As Aquinas writes in regard to murder, "In every man though he be sinful, we ought to love the nature which God has made, and which is destroyed by slaying him" (ST II-II q. 64.6). This is in distinction from animals, who may be killed for human consumption (ST II-II, q. 64.1).
[62] David Graeber's Debt: The First Five Thousand Years raises many legitimate points about the potential pitfalls of primordial debt theory. Aquinas's account, I think, offers an important counterpoint to his discussion. Here, primordial debt actually benefits those most in need.

Commentary on the Nicomachean Ethics, Aquinas writes, "Hence it pertains to friendship to use an equality already uniformly established, but it pertains to justice to reduce unequal things to an equality. When equality exists the work of justice is done. For that reason *equality is the goal of justice and the starting point of friendship."*[63] Properly speaking, friendship can only exist between equals. Nevertheless, the relationship upon which friendship is based, the interaction that gives rise to it, is found in justice. The love of friendship completes justice, yet the movement out of oneself begins in the act when one renders to the other her due. Such a progression is less likely to happen in a world in which there is no obligation to the other upon encounter.

If, as noted above, the good of the person is found properly in communion, then positive duties even of commutative justice redound to the individual's benefit: the good of the other is in fact my good. Not in the sense that I participate in the good of the other directly, as with the common good. I do not naturally love the other *qua* other more than I love myself; whereas on Aquinas's elevated sense of natural love, we do naturally love the common good more than ourselves. Rather, in friendship, one is united to the other, and loves the other as oneself. On account of the union of friendship, which justice makes possible, the alien good becomes no longer alien, but my own.

What Aquinas, with some help from his interpreters, gives us is thus an account of the human person as simultaneously a bearer of right and bound by her very nature to others, separately and in respect of the common good. Positive duties of justice are the mark of this intrinsic sociality; they are the moral consequence of an ontological reality. The *autonomy of the*

[63] *Commentary on the Nicomachean Ethics*, 1632; Emphasis my own.

I, *finality of the you*, and *universality of the they*, find their reconciliation in the nature of the person.

The Market and Social Relations

Throughout Aquinas's discussion of the nature of justice and right, he continually uses economic examples as a means of clarifying important concepts. The source of right in prior obligation is illustrated through a consideration of the wage contract, in which labor gives rise to the right of compensation. Likewise, natural and positive right are distinguished by reflecting on the nature of exchange. Natural right is seen to resemble prices rooted in an equality of the things exchanged, whereas positive right is similar to a price set by human consent. Finally, Aquinas's argument that the law of nations (*ius gentium*) is part of positive law rather than natural law rests upon a consideration of the nature of property. The bare bones of his theories of justice-in-exchange and property are thus already present in Aquinas's treatment of justice before he treats them as moral problems.

Aquinas's heavy use of these examples raises questions about the degree to which his ethical theory rests upon a certain understanding of the economic order versus the degree to which his ethical theory gives rise to his economic prescriptions. My approach is to take this as an outworking of a hermeneutical circle, in which universals are refined in light of engagement with particulars, but then reapplied to the particulars in question. We learn then, not merely from

Aquinas's treatments of economic questions as paradigmatic examples of virtues, but also from the specific positions that Aquinas provides as solutions to moral problems.[64]

At the same time, Aquinas's use of economic examples to defend his theory supports the claim that he does not view his positions on property and economic exchange as particularly controversial. That we might now find such examples contentious is perhaps as much a sign of a change in moral frameworks as the ever-more-complicated state of our economic affairs. The goal of this chapter is to make positive duties of justice cognizable, and particularly, those that touch upon the economic order. While I will not here explore the content of justice-in-exchange, I do wish to clarify the grounding of it by considering the nature of property. This will provide a clearer understanding of Aquinas's theory of justice and the social theory that undergirds it.

Aquinas's treatment of property holds two-fold importance for this argument. In the first instance, it has been argued that the notion of property is inseparable from the notion of rights, and indeed, that medieval treatments of property themselves paved the way for modern rights theory.[65] Some scholars, therefore, have argued that property rights are inherently linked to "possessive individualism" or the construction of a "proprietary self."[66] Property is thus the perfect location to explore the notion of positive duties of justice, which presuppose both the existence of rights and the teleological ordering of the human person to community.

Second, a better understanding of property will shed light upon the nature of justice-in-exchange. Property is more basic than exchange, insofar as one must own something in order to exchange it. Likewise, the limits on property's use include exchange within it, insofar as

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[64] This is in contrast to Jean Porter, who often distances herself from the concrete ethical positions of Aquinas while using them to clarify more generic concepts. Note that this dissertation as a whole follows Aquinas' lead, insofar as it creates a dialectic between the treatment of particulars and theories of sociality.
[65] Brian Tierney, *The Idea of Natural Rights: Studies on Natural Rights, Natural Law, and Church Law 1150 1625*, 1st edition (Grand Rapids, Mich.: Eerdmans, 1997).
[66] See O'Donovan, "Christian Platonism and Non-Proprietary Community" and ; Franks, *He Became Poor*, 5–7.

exchange is one among many uses for property. Aquinas treats property primarily within the context of his discussion of the involuntary commutations of theft and robbery. If, as Aquinas argues, the need of the other places limits upon my use of property, including allowing the other to take from it without my knowledge in the case of extreme need, this provides a strong justification for limits within the act of exchange. Voluntary exchanges can thus be properly understood in light of involuntary ones: to understand trade, we must first consider theft.

Aquinas supports both the existence of private property and the prohibition against theft. At the same time, however, he does not consider it theft when those in extreme need take from the surplus of others. This stands in distinction from Adam Smith, who, following Locke, holds that the right to property is inviolable, even in the face of extreme need. The key to reconciling these claims rests in his account of the social meaning of property, made possible through Aquinas's engagement with the natural and divine law.

Aquinas first defends a natural dominion (*dominium naturale*) that humans possess over created goods, distinguished from the strict dominion that God maintains over all things. God's rule extends over the very nature of created beings: God can change water into wine. Human dominion is limited to the right to use external goods, a dominion implied by the privileged position that humans hold within Creation as *imago Dei.* The lesser created goods serve the higher, but all within an antecedent natural order governed by the will of God.[67]

This dominion is not proprietary in the strict sense, because it does not yet involve individual property rights. Rather, Aquinas is speaking of a right of common use. Interestingly, it is the right of common use that Aquinas links to Aristotle's claim that property is natural.

[67] ST II-II, q. 66.1; On this, see Franks, *He Became Poor*. One of the chief aims of Franks' book is to recover this antecedent order.

Individual property rights are not part of the natural law, but arise from human agreement as part of the *ius gentium.*[68]

Aquinas' defense of property rights is constructed against those, following Joachim of Fiore*,* who argued that private property should be rejected by Christians in favor of communal property. At the same time, Aquinas also has to address a Patristic tradition that looked very negatively upon property as an institution. His objections quote Basil on "the rich who […] appropriate to themselves what is intended for common use" and Ambrose's injunction: "Let no man call his own that which is common property."[69] In scholastic fashion, Aquinas distinguishes between two powers that humans have with respect to external goods. In the first instance, he treats the "power to procure and dispense them." Property rights pertain to this power, and are granted on the basis of positive right. With regard to the second power, use, Aquinas urges, "In this respect man ought to possess external things, not as his own, but as common, so that, to wit, he is ready to communicate them to others in their need."[70] Individual property rights are limited by the right of common use.

Two ways of reading the text predominate.[71] The first reads Thomas as a thoroughgoing Aristotelian asserting the naturalness of private property. This is not entirely unfounded, as Aquinas does include property rights as his example of the *ius gentium*, which is supposed to follow closely upon the principles of natural law.[72] Yet, nowhere in this article does Aquinas cite Aristotle, and in the previous article, he cited him in support of the right of common use. The

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[68] ST II-II, q. 66.2 ad 1.
[69] ST II-II, q. 66.2, obj. 2; obj. 3.
[70] ST II-II, q. 66 c.
[71] Paul Weithman argues against the former and in favor of the latter in "Justice, Charity, and Property: The Centrality of Sin to the Political Thought of Thomas Aquinas" (PhD diss., Harvard University, 1988).
[72] ST II-II, q. 57.3. There is an ambiguity here, as Aquinas describes it as a form of human law in ST II-II, q. 57.3, but as a second natural law in ST I-II, q. 95.4. See Anton-Hermann Chroust, "Ius Gentium in the Philosophy of Law of St. Thomas Aquinas," *Notre Dame Law Review* 17, no. 1 (1941): 22–28.

second way of reading the text here is to interpret Aquinas in Augustinian terms, and therefore in closer agreement with the Franciscan approach to property. This is to read Aquinas as portraying property as an innovation that constrains sin, and implies a strong disjunct between pre- and postlapsarian human society.

Aquinas gives three reasons for why private property is permissible and indeed, preferable to common ownership.[73] The first states that people are more likely to take care of that which is their own, and less likely to give in to sloth in the face of private ownership. The second argues that private property is more conducive to order, whereas common ownership lends itself to confusion. The final reason is that private property leads to less quarreling than common ownership.

The Augustinian reading is perhaps most true of the first and third reasons that Aquinas provides. Sloth would not exist in a prelapsarian world, nor would quarreling. The second reason, however, is very similar to Aquinas's argument for political authority in a prelapsarian state.[74] There, Aquinas argued that even in a world without sin, some form of government would be necessary in order to direct society to the common good. The implication, I suggest, is that Aquinas sees private property as *quasi*-natural: as a reasonable development of human society, made more necessary by human sin. This is in keeping with Aquinas' claim that private property is not contrary to the natural law, but a development that moves beyond it.

One consequence of this understanding is that private property as an institution need not be overcome in the quest for holiness; rather, it must be shaped in order to ensure that it cooperates with the divine will of granting all humans the external goods necessary to flourish. In his *Commentary on the Politics*, Aquinas points out that we have a natural love of that which

[73] ST II-II, q. 66.2 c.
[74] ST I q. 96.4.

is our own. We naturally love ourselves, and therefore, we naturally love that which is good for us. Property holds an instrumental value, but on account of sin, we frequently use things wrongly. This is seen most readily in avarice, the excessive desire for external goods.[75] External goods in this way compete for our love for God and for our neighbor, who also needs a share of these goods. The challenge for the individual is to learn to use things rightly, to reject avarice in favor of a true love of God, neighbor, and ultimately, self, because the true good of self cannot be attained apart from love of God and neighbor.

With this understanding of property in place, let us consider Aquinas's treatment of theft and the right of necessity. Theft, the secret taking of another's property, is contrary to the nature of justice, insofar as it is the opposite of the injunction to render the other her due. At the same time, Aquinas understands theft to be a mortal sin; it is by its nature opposed to the virtue of charity that is to bind us to God and neighbor. Theft severs our relationship to the neighbor, insofar as it "is a means of doing harm to our neighbor in his belongings," and it also threatens the community, because "if men were to rob one another habitually, human society would be undone."[76] Indeed, theft is such a danger to society that, for Aquinas, even in the case of stolen goods, one may not steal them back. To do so is to sin against general justice by disrespecting the legitimate political authority and to cause scandal.[77]

As problematic as theft is, however, Aquinas permits the taking of others' goods in the instance of extreme need. The reason for this is found in the priority of natural right to positive right (including *ius gentium*). The institution of private property—while morally binding to the extent that theft imperils one's soul— is secondary to God's providential ordering of the universe

[75] ST II-II, q. 118.
[76] ST II-II, q. 66.6.
[77] ST II-II, q. 66.5 ad 3.

to the benefit of all persons. Thus, Aquinas can conclude, “It is not theft, properly speaking, to take secretly and use another's property in a case of extreme need: because that which he takes for the support of his life becomes his own property by reason of that need.”[78] Not only so, but the failure to render aid when one has a capacity to do so is considered theft on account of this same appeal to natural right.[79]

Aquinas analyzes this positive duty of justice in terms of the hierarchy between natural and positive right. The one whose goods are taken merely discovers that the property that she thought belonged to her in fact belongs to someone else. To modern individualists, but perhaps also to many who would not desire to bear that name, this may seem problematic. What gives this person title to my goods, rather than the goods of another?

At least part of this sense may have to do with the nature of property as an object of one’s love, insofar as it conduces to one’s good. The harm of theft consists not only in the removal of whatever good that property was to promote, but also in the infringement of one’s will. Note that Aquinas does not limit the sin of theft to the taking of those things that are necessary for the owner’s survival, or even to those things useful to the owner’s flourishing. To steal from someone’s *superflua* is still theft. In a similar way, to permit the taking of another’s goods—even the *superflua*—by someone in need is to permit taking the object of that person’s love, aspirations, and labor. Such an imposition seems to require more than a recognition that the object of one’s love and labor already belongs to someone else. It would seem to require a further debt.

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[78] ST II-II, q. 66.7 ad 2.

[79] ST II-II, q. 66.3 ad 2. These arguments, along with their Patristic predecessors, are the basis for modern Catholic Social Teaching’s doctrine of the universal destination of goods. Cf. *Populorum Progressio*, 23.

Perhaps there is more at play here than a hierarchy of rights claims and the recognition that my property rights have limits. In that case, the right of necessity also tells us something about the relation of the individual to others. Smith denies the right of necessity because he denies the natural right, but also because he sees no such debt. It may be virtuous to provide for the needy, but the needy have no claim right to sustenance against the fruits of *my* labor. Here, we see the implication of Aquinas's claim that "every man is a debtor to his neighbor, on God's account."[80] The obligation to recognize another's personhood and to love it for what it is requires, at the very least, that I will that the other person exist. In this, I image God, who has created external goods for the sake, not just of humanity, but for this particular person. To fail to do so is not merely to mistake positive right for natural right, but to deny that the other is a person.

This obligation is extended even farther when we consider the person's common membership in the human race and in my particular society. On this basis, we have duties rooted in the commitment to the common good, which transcend the strict duty of commutative justice. But even on the basis of commutative justice, Aquinas can claim the duty to aid the poor.

To be sure, there are limits to the right of necessity. One would look in vain in Aquinas' writings for a right to produce an egalitarian society through the widespread taking of goods. Rather, it is the role of the political authority to ensure that goods are distributed in such a way as to promote the common good, and even here, there are strong reasons why limits should be placed upon the distributive action of the political authority.[81] The key, however, is that the

[80] SCG 2.28.4.
[81] See Paul Weithman, "Natural Law, Property, and Redistribution," *Journal of Religious Ethics* 21, no. 1 (1993): 165–180.

freedom to procure, direct, and use goods is limited by the prior obligations that people have toward each other as persons.

Conclusion

In sum, Aquinas draws upon a robust metaphysical conception of nature, informed by the Christian narrative, to develop a social theory according to which we are intrinsically oriented to others and yet also possessive of rights. This in turn supports a theory of justice according to which there are positive duties of justice. Such duties are not limited to distributive and general justice, but extend even to commutative justice.

With the test case of property, we see the outworking of this theory. Property rights are genuine, and yet exist within limits set by the dignity of the person. The person, by her very nature, has a claim right to those goods necessary for survival, and I have a positive duty of justice to provide those to the degree that I am able. To do otherwise is to fail to fulfill my debt to others, a debt embedded in the gift of creation. In paying this debt, I not only make possible the other's survival, but in turn open the possibility of my own flourishing, which is only found in relation.

It is helpful to return to the broader argument to see how far we have come in clarifying the relation of humanism to economic life. Whereas I have presented Smith and Aquinas as both maintaining versions of Todorov's principles of humanism, I have shown that Aquinas' articulation of those principles contains a richer account of the finality of the you and a more solid foundation for the universality of the they. This has profound effects on the attempt to envision a humane economy. Catholic Social Teaching's two objections—the personalist objection and the teleological objection—served to highlight that the libertarian picture of economy was not reconcilable with humanism. Nevertheless, I defended Smith's system of natural liberty in chapter three, preliminarily absolving Smith from Catholic Social Teaching's criticisms insofar as Smith's economy was grounded on the principles of humanism and provided a partial answer to the problem of justice-in-exchange in the form of a supply-side ethic. I acknowledged in chapter four that this resolution to the problem of justice-in-exchange fell short, calling into question not only Smith's notion of justice-in-exchange, but also his picture of humanism. This chapter provided a richer account of humanism, such that even property rights are bounded by prior obligation stemming from the dignity of the person.

Now, with a more robust account of humanism, it is possible to envision duties pertaining to justice-in-exchange. Positive right is not capable of transgressing natural right; consent does not remove the requirements of justice. Thus, exchange will function in much the same way as property rights: bounded by the constraints of human dignity. If even commutative justice—and not merely general justice—places limits on what we may desire and how we ought to desire it, this means nothing else than to say that justice really is a virtue of the will, ensuring that our pursuit of the private good does not infringe upon the other. We are not free to transact at any price.

Chapter 6: The Just Price

In the last chapter, I provided a Thomistic account of the relationship between persons as created in each other's debts, and demonstrated that this has profound impact upon one's conception of justice, insofar as it grounds positive duties of justice. One implication of this is that property rights are no longer absolute: extreme need trumps the property holder's designs in the same way that the personhood of the other demands recognition. In a similar vein, the notion of prior obligation leads to a re-envisioning of economic exchange. Exchange is not, on Aquinas's account, an encounter between two people with no prior obligations. Even when strangers meet in the marketplace, they are already bound by the principles of natural, human, and divine law. It is on the basis of this antecedent obligation that Aquinas maintains that exchanges must take place at a just price.

In the following, I want to recover and develop Aquinas' account of justice-in-exchange. I begin by recounting Aquinas' argument in defense of the rigorous standard of equality-in-exchange. I will then address three potential interpretations of equality-in-exchange in Aquinas's writings on just price: just price as rooted in the cost of production, just price as the market price, and just price as a normative conception of market price. In defending a variant of just price as a normative conception of market price, I will suggest that Aquinas provides the beginning of an answer to the problems we found in chapter four when treating Smith's theory of exchange.

Trade, The Good Life, and Justice

At the outset, we need to address the fact that Aquinas's theory of just price appears unnecessarily stringent. Aquinas demands that equality be maintained between the goods (or goods and money) to be exchanged. Such a demand goes far beyond the more moderate claim in chapter four: namely, that we have some responsibility for the prices that others pay. Surely, the modern objector would point out, this is a sign that Aquinas does not understand economics, and more specifically, that he mistakenly understands exchange as a zero-sum game. Perhaps we would do well to check out at this point in favor of less restrictive proposals.

Nevertheless, I maintain that his arguments in favor of requiring equality-in-exchange are in fact where Aquinas is strongest, and that the more difficult points are in ascertaining what equality should consist in and how it can be achieved. On my reading, Aquinas offers us two compelling justifications that provide the foundation for all that follows. The first depends upon his conception of trade as underdetermined, but potentially oriented to the good life. The second rests upon his theory of justice. I will consider each of these in turn.

Aquinas, like Aristotle, was suspicious of trade. This was in large part due to the metaphysic of money he inherited from Aristotle.[1] The world of Aquinas, like the world of Aristotle, is a world suffused with purposes, ends. Every created thing has a final cause, the purpose imprinted with its formal cause. In such a world, money is an amorphous aberration. Unlike material goods, money inherently lacks a *telos*. Whereas food is useful for eating, and shoes for protecting the feet, money can be turned to any or no use, depending on the whim of the owner. It thus stands as a threat to the teleological ordering of the universe. To make matters

[1] But cf. J. C. das Neves, "Aquinas and Aristotle's Distinction on Wealth," *History of Political Economy* 32, no. 3 (September 1, 2000): 649–57, https://doi.org/10.1215/00182702-32-3-649.

worse, money lacks natural limits; it can be stockpiled ad infinitum.[2] This is in contrast to material goods, whose consumption is bounded. As Adam Smith would later write, “The capacity of [the rich man’s] stomach bears no proportion to the immensity of his desires, and will receive no more than that of the meanest peasant.”[3] Even withstanding the human propensity to engorge oneself beyond rational limit—Thanksgiving dinners come to mind—the stomach fights back, with stomach acid and a post-indulgence coma overcoming the unhappy offender. These limits encourage us to live in accord with our nature. Not so with money. The only conceivable limit is what may be protected, and unlimited wealth commands unlimited mercenaries. Intrinsically, money thus lacks an end in two ways: it has neither purpose nor limit.[4]

Yet, Aquinas and Aristotle both know that in one sense, money—as a human creation, for humans do not create without some end in mind—has a proper purpose. It functions as a medium of exchange, allowing an equality to develop between goods of disparate categories.[5] Houses and shoes can be measured and exchanged in terms of Greek drachmae, Venetian ducats, or dollars and cents, allowing the craftsman and the cobbler to meet in commerce. There is nothing in money, however, that requires it to be exchanged for goods. There is always the possibility that the signifier—in revolt—will take on the role of signified, that is, that money, as means, will take on the character of an end in itself.[6]

The activity of money-making must accordingly receive its end from a source other than its proximal object. Hence, Aristotle distinguishes in the *Politics* between that form of moneymaking or chrematistics (*chrematistike*) that is part of household management

[2] ST 77.4 c.
[3] TMS, IV.1.10.
[4] The advent of modern finance has made this statement even more true. We not only have money that exists only on paper (our stock market gains), but digital currencies (bitcoin) as well.
[5] ST I-II, q. 2.1 c.
[6] We might see an analogue here between the Aristotelian concern for money as end and Max Weber’s discussion in The Protestant Ethic, where labor becomes dissociated from any intent to acquire material goods.

(*oikonomia*) and has as its end the good life, and that form that is inherently unbounded and undirected.[7] With the former, we have those forms of trade that are necessitated by life in society. No person may be wholly self-sufficient, nor is it wise to seek out complete self-sufficiency. Trade itself has the power to unite us. Yet, the latter form of chrematistics—chrematistics proper— is a continual threat. In it, we lose sight of the aims for which labor and exchange ought to be oriented, and instead pursue a means as if it were an end. For Aristotle, this entails the loss of virtue; for Aquinas, the loss of one's soul to hell.

Unlike Aristotle—and indeed, unlike the majority of early Christian writers—Aquinas does not condemn the profession of the merchant. Whereas Aristotle considered a life engaged in commerce to necessarily embed one in the negative form of chrematistics and affirmed only those economic exchanges that were incidental to the support of the household, Aquinas holds that the merchant's activity is likewise underdetermined. To be sure, Aquinas allows that there is a "certain debasement" (*turpitudinem)* attached to the profession, insofar as it is underdetermined. The doctor by definition pursues a human good; the merchant may or may not. Yet, the underdetermined nature of commerce provides the merchant the hope of integrity. What matters is not how frequently one engages in exchange, nor even whether one's existence depends upon profits, but rather, the end to which one put one's profits to use. Even the merchant can avoid engaging in the negative form of chrematistics, if she can resist the temptation of lucre.[8]

Smith—though less concerned about the pursuit of money itself as an end, for he did not accept the Aristotelian metaphysic of money—would agree that the use of one's profit affected the legitimacy of one's engagement. The folly of the poor man's son is found not primarily in the

[7] *Politics*, I.3.
[8] ST II-II, q. 77.4.

consumption of luxury goods, but first and foremost in their pursuit. Princes can keep their palaces; the rest of us have bigger aims. It is the waste of life in search of that false end that Smith derides. Smith was a good Aristotelian on this point.

Nevertheless, for Aquinas as for Aristotle, legitimacy is provided, not merely by the ends to which money is placed, but also by one's conduct in trade. Aquinas offers two examples that seem to avoid the pitfalls of chrematistics. In the first instance, he permits "moderate profits" (*lucrum moderatum)* in accordance with need (not only of the merchant, but also including the merchant's family), rather than unlimited profit motivated by greed.[9] Additionally, Aquinas envisions profit as a repayment for the labor required to provide a genuine service: the importing of goods necessary for the community. Together, he offers two accounts of motivation, one concerning the individual and family, and the other concerning the public advantage (*publicum utiliatem)*.[10] In defining the moral profession of trade in this way, Aquinas integrates Aristotle's concerns about the nature of trade in the *Politics* with Aristotle's exposition on just exchange in the *Nicomachean Ethics*. Legitimate profits—understood in terms of need or as compensation for labor—are apparently obtained when one sells an object for what it is worth, and no more. It is this last constraint, rather than the ends to which money is put to use, that most clearly distinguishes Aquinas from Smith. In this, Aquinas follows and Smith departs from Aristotle's injunction that the goods exchanged must be of equal value.

Equality-in-exchange is thus one essential factor in the incorporation of commerce into the good life. It ensures that both purpose and limit are incorporated into the exchange. Nevertheless, Aquinas's analysis of trade is dominated more by the pursuit of justice than the broader question of whether a merchant may remain in a state of grace. His discussion of the

[9] ST II-II, q. 77.4.
[10] Note that Aquinas does not use the language of common good here, but rather public utility.

legitimacy of trade in the *Summa Theologiae* is found in his treatise on justice, in the last article in his question treating justice in exchange. Specifically, he asks whether one may sell something for more than one paid for it (a prerequisite for any would-be merchant), and it is in this context that he provides his analysis and conditional justification of trade.

How different is his approach from Smith's and indeed, our own, in which the question of the integration of commerce into a good life is primary, whereas the question of whether—and in what way—justice is applicable within the sphere of economic life remains open and secondary. To be sure, in Smith, justice as a personal virtue was necessary: something analogous to a theory of justice-in-exchange played a key role in his argument for the system of natural liberty in the *Wealth of Nations*. Nevertheless, the dominant question bearing on economics in the *Theory of Moral Sentiments* was the integration of commercial life with the good life; justice does not structure any of the major engagements with commercial life in that text. Contemporary ethicists discuss justice (at least distributive or social justice) constantly. Nevertheless, in current ethical discourse about personal action in the marketplace (as opposed to systemic structures or distribution), justice, too, is frequently sidelined, in part because, once one assumes a libertarian model of justice-in-exchange, it is not clear that justice as a personal virtue has much to offer in terms of guidance, with the result that discussions of personal virtue become focused primarily upon one's own pursuit of the good life rather than obligation to the other.[11]

Still, Aquinas seems almost to write to us. His objections speak to modern concerns when he raises the question, "Whether It Is Lawful to Sell a Thing For More Than Its Worth."[12] The first objection points out the fact that civil law permits the selling of goods above or below what

[11] Consider Mary Hirschfeld's otherwise helpful new book, *Aquinas and the Market: Toward a Humane Economy* (Cambridge, Massachusetts: Harvard University Press, 2018), but a primary intended contribution of which appears to be the emancipation of Aquinas' thought about the market from concerns of justice.
[12] ST II-II 77.1.

they are worth. The language here is telling: “In the commutations of human life, civil laws determine that which is just. Now according to these laws it is just for buyer and seller to deceive one another […].” The imagined objector makes no bones about the antagonistic nature of the exchange relationship; this is taken for granted. Rather, the appeal is to the nature of civil law, which not only permits but also places an imprimatur on this activity.

In his reply, Aquinas acknowledges the fact that human law does not forbid unjust exchanges, but challenges the interpretation. Human law permits much that it does not condone; it is inherently limited by the fact that it governs sinners. It is in this category that unjust pricing falls. Even still, civil law is more strict than the objector allows: it forbids deception—and this is true of modern as well as medieval contract law—and it provides relief in instances of significant deviation from a reasonable price. This latter rule is the Roman law of *laesio enormis* (abnormal harm), enforced by canonists in Aquinas’ day and occasionally still seen in modern case law.[13]

Here, Aquinas is drawing upon while also offering a critique of the tradition of Roman law as it came to be embodied and developed in canon law. The Romans did not impose many restrictions upon trade. Markets operated according to the motto of “*Res tantum valet quantum vendi potest*—A thing is worth what it can be sold for.”[14] The one key exception to this is the rule of *laesio enormis*—excessive damage. The law originally protected minors who were at risk of being taken advantage of, in effect being robbed of their inheritance by deceitful buyers who offered less than half the common price for a piece of land. The prodigal son may yet squander his inheritance (why else is he selling the family estate?), but even those permissive Roman legislators could see that he ought to be given a fighting chance. In canon law, this principle was

[13] Reinhard Zimmermann, *The Law of Obligations: Roman Foundations of the Civilian Tradition* (Oxford: Oxford University Press, 1996), 268–70.
[14] Joel Kaye, *A History of Balance, 1250–1375*, Reprint edition (Cambridge University Press, 2016), 82.

expanded to protect buyers and sellers of any good. If the price at the point of sale falls short or exceeds the common price by at least fifty percent, a seller or buyer, respectively, could claim relief under the law of *laesio enormis.*[15]

Laesio enormis maintained one strong advantage over the Aristotelian principle: it was concrete. One can hardly blame the canon lawyers for desiring a clear, measurable rule by which to govern, for they were the ones who had to adjudicate these claims in the courts.[16] Yet, Aquinas also pushes back against the notion that such norms are sufficient. He invokes the divine law, a law that "leaves nothing unpunished that is contrary to virtue." Divine law enforces justice where human law cannot. There may be uncertainty regarding just prices—Aquinas notes that the just price is one of estimation rather than precision—but this does not make a more robust theory of just price unnecessary.

The response to this objection is crucial for modern enquirers because—like the canon lawyers—we are accustomed to too readily equate business ethics with legal requirements. To raise the question of just pricing is immediately to be asked how one would adequately enforce the requirements of justice. For Aquinas, and indeed for this argument, this is a secondary question to which the answer may very well be: we cannot.[17]

The second objection gets to the heart of the anthropological question at stake in the issue of justice-in-exchange. "That which is common to all would seem to be natural and not sinful," the objection claims, yet the desire to get the better deal is universal. In support, the objection

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[15] Kaye, 82.
[16] John W. Baldwin, *The Medieval Theories of the Just Price; Romanists, Canonists, and Theologians in the Twelfth and Thirteenth Centuries.*, Transactions of the American Philosophical Society (American Philosophical Society, 1959), 42–46.
[17] For some modern attempts to justify legal restraints on exchange, see James Gordley, "Equality in Exchange," *California Law Review* 69 (December 1981), James Gordley, *The Philosophical Origins of Modern Contract Doctrine* (Oxford U.K.; New York: Clarendon Press, 1993), and Reiff, *Exploitation and Economic Justice in the Liberal Capitalist State*.

offers a secondhand quote from Augustine's *De Trinitate* frequently cited by the scholastics in their treatment of economic questions. As Augustine describes it, a comedian promises to reveal what everyone desires, and then offers to wide acclaim, "You wish to buy cheap and to sell dear." The antagonistic exchange is supposedly rooted in our nature and thus not something for which we are culpable.

Augustine, we should note, does not stand in agreement with the jester. Rather, he uses this example to highlight both the difficulty of coming to know others' desires—for why else would the audience be impressed—and the existence of a different, truly universal desire. The jester, on Augustine's account, fails to deliver on his promise. Augustine relates a tale to the contrary: "For I myself know of the following case. A manuscript, that was for sale, was offered to a man, who realized that the seller was unaware of its value, and, therefore, asked only for a trifling sum; yet this man gave a just price that was much greater, and which the seller did not expect."[18] One wonders if this is not Augustine's own tale, when, scholar that he was, he sought an obscure text, and was presented with a moral dilemma. In contrast, but still disproving the jester's theory, is also the example of prodigals in "buying their lusts at a great price, but selling their lands at a low price." Augustine, on the other hand, knows the truly universal desire: *beatitudo*, sought by all under a variety of aspects.[19]

In his reply, Aquinas quotes the words of Augustine, "But since in reality this is wicked, it is in every man's power to acquire that justice whereby he may resist and overcome this inclination."[20] Aquinas, with his more positive interpretation of human nature, excludes Augustine's more pessimistic phrase in the sentence: "or run into the mischief of some other

[18] *De Trinitate*, Book XIII, chapter 3.6.
[19] *De Trinitate*, Book XIII, chapter 3.6.
[20] ST II-II, q. 77.1 ad 2.

fault which is contrary to it."[21] Here, Aquinas states that this supposedly universal desire is "not from nature, but from vice." Human nature, properly speaking, is not sinful. We might further suggest that the claim rests upon a distinction between two notions of nature. Untutored self-interest may be common to our post-lapsarian state (and in that attenuated sense, be natural); it is not natural in the relevant (Aristotelian) sense of contributing to the perfection of the human. Rather, it is a mark of sin to be overcome.

The claim of the objection is similar to a naive reading of Smith's assertion of the inherently self-interested nature of exchange: to require justice-in-exchange is to expect humans to become angels or gods; far better to approach ethics from the stance of human frailty. The butcher and the baker care only for their self-interest, and it is that to which we must appeal. Aquinas, however, points to the antagonistic exchange as distinctly inhuman, a trait that—however widespread—stands at war with the dignity of our nature, to say nothing of the dignity of the other. Yet, it is not merely the Pseudo-Smith that Aquinas challenges. As we saw in chapter four, even the humanist Smith—the real Smith, with his call for enlightened self-interest that incorporates the virtues —has no room for the sort of intentional aiming at equality in exchange that Aquinas considers the mark of justice.

Leaving to one side the questions of enforceability and anthropology, there is still the question of what case can be made in favor of maintaining equality in exchange as an obligation of justice. Here, Aquinas does not disappoint. Consider the *sed contra*. Aquinas quotes the articulation of the Golden Rule in Matthew 7: "Do unto others as you would have them do unto you." Interestingly, Aquinas is not content to merely quote an authority as a means of introducing his position, as he typically does in the *sed contra*, but instead provides an argument.

[21] *De Trinitate*, Book XIII, chapter 3.6.

The rule applies to trade, because "no man wishes to buy a thing for more than its worth."[22] The objector's "natural" desire for a good deal is re-envisioned as the desire not to be taken advantage of—something true of the sinner and just person alike—and in turn supports a higher standard of obligation. The buyer and seller take on the interest of the other as well as their own, and only equality can reconcile them.

A similar extension of the realm of obligation occurs in the body of the article. Aquinas readily dismisses the question of fraud: fraud "is to deceive one's neighbor so as to injure him" and therefore "altogether sinful." Smith and modern contract theory would not disagree, though they might have qualms about the extent of Aquinas's definition of the term. For Aquinas, one must make known any non-obvious defect in the good sold; for Smith and modern contract theory (with some exclusions), it is sufficient to refrain from making untrue claims.[23] This in turn marks a difference in conceiving the seller's obligation to the buyer, for Aquinas is unwilling to leave the burden of judgment to a buyer: *caveat emptor* is not in keeping with our natural obligations to each other as persons.

Restraint from fraud, however, is insufficient to ensure a just exchange on Aquinas' interpretation. Here, he makes a teleological argument in favor of maintaining equality in exchange. Exchange has for its purpose the common advantage of both parties, and in activities with such a purpose, the burdens ought not to be distributed unevenly. Thus, it is necessary for equality to be maintained between goods exchanged.

[22] ST II-II 77.1.
[23] ST II-II 77.2.

An analysis of this argument is crucial. The first premise cannot reasonably be disputed. No one enters an economic exchange with the express purpose of being worse off.[24] Indeed, the fact that parties to a free economic exchange are better off afterwards is one reason why constraints beyond contract enforcement and the prohibition on fraud are rejected by advocates of *laissez-faire*. Why would we prevent someone from freely contracting to better her situation? The economist, in particular, will press hard on this point: to require someone to pay, for instance, a wage of $15 per hour may very well result in no exchange taking place, such that a person previously making $7 per hour will now receive nothing. A proper response depends on the truth of the second premise.

The second premise, however, is not obviously true. If Aquinas had written that both parties must benefit, he would receive widespread agreement (although, only by providing a frivolous rule met by every free exchange). Instead, the claim goes farther by requiring *equal* benefit. At first glance, the argument in the sed contra looks stronger than in the corpus. We readily understand (I hope) what it is to respect the dignity of the person and therefore not to take advantage of a person's ignorance or need. We do not easily grasp the requirement for equal benefit.

On my reading, however, the arguments are not so far apart. An exchange in which one person benefits (substantially) more than the other is not best described as being for the common benefit (*pro commune utilitate*), but rather as being for the benefit of one party. The exchange that occurs between a sweatshop owner and his workers is one in which the worker as *means* has long overtaken the worker as person or *end*. Likewise, to sell a car to an unknowledgeable buyer

[24] There are, of course, potential counter-examples: the sale of a house to one's close relative for significantly below market value is perhaps the most common. Properly speaking, these are not economic exchanges, but rather gifts. Interestingly, the IRS treats such sales to related parties differently, denying tax write-offs because the loss is an implied gift.

for a significantly higher price than it is worth can only be described as for the buyer's benefit in the most tenuous of senses. It is, in a real sense, a different practice than the type of exchange that Aquinas is speaking of, despite the superficial similarities of money and goods exchanging hands. Indeed, it is a forbidden practice, for it neglects the positive obligations that exist naturally between persons because "every man is a debtor to his neighbor, on God's account."[25] Read in this way, both the *sed contra* and the *corpus* have at their center the question of whether the dignity of the person is respected in exchange.

What then can we say to the economist who rejects equality in exchange in the fear that it will further disadvantage the least well-off by taking away what little economic benefits they would have received? The objection is a difficult one, and in a world marred by natural and human evil, there may not be a resolution that avoids all tragedy. Human power is not absolute; the utopia will always be no place. Nevertheless, we must not underestimate the power we possess, and in fact have used in creating the economic climate we inhabit. The incentives in a particular instance are the result of a particular history. It is no coincidence that those areas with the lowest prices for goods and labor are those that have suffered the devastation of colonialism; that those in the lowest classes in the developed world have frequently faced racial or class oppression. Beyond this, we have created a system of exchange imbued with values that do not, first and foremost, respect the dignity of the person. While the invocation of ingenuity is a well-worn cliché in the discussion of economic woes, might there not be some hope of imagining a world in which these unequal trades are not the only options available to the most vulnerable?

In sum, Aquinas provides two reasons for maintaining justice in exchange. In the first instance, preserving equality in exchange is essential for maintaining the orientation to

[25] SCG 2.28.4.

happiness. To neglect equality is to become engaged in unnatural chrematistics, with money as false end overtaking the true end of *beatitudo*. Primarily, however, preserving equality in exchange is for the sake of justice, the rendering of that which the other is owed. To do otherwise is to reject the other's claim to equal standing on the basis of being a human person, and to substitute in its place the profession—in deed rather than word—that she is ordered not for her own sake, but to serve.[26]

Aquinas's Theory of Justice in Exchange

The arguments above make the case from two very different perspectives that maintaining equality in exchange is ethically necessary. They elicit, in turn, the most difficult question: in what does equality consist? Without a clear definition, the would-be practitioner is left with an obligation that she cannot fulfill, precisely because it is undefined. It is on this point that most of the conflict in interpretation focuses, and indeed, it is on this point that Aquinas says least. With little to go on, every word is mined for—or perhaps more likely, imbued with—meaning, with the result that interpretation and constructive work are often blended. Yet, the history of interpretation itself is also instructive for the constructive scholar, who can see in the various proposals, if not a genuine interpretation of Aquinas, very real possibilities for us. In what follows, I wish to recount some of the interpretive work, with the aim not only of getting some notion of what Aquinas actually said, but of aiding the constructive endeavor of producing a working theory of equality in exchange.

[26] On the rational nature being for its own sake, see SCG 3.112.

To speak of equality in exchange—that is, equality in the value of the goods exchanged—is to invite the charge that the term itself does not make any sense.[27] Value is itself highly variable and distinctly personal. Not only does each of us possess different preferences—hold the spinach, pass the creamed corn—but our demands also fluctuate according to context. In a situation in which you have "ten thousand spoons and all you need is a knife," as the singer Alanis Morissette once lamented—comparable utensils (in terms of silver content, labor necessary to produce them, and their typical market price) have disparate value. Adam Smith's diamond-water paradox, held by many to banish once and for all the archaic notion of normative economic value, points to this issue. Of course, even this does not begin to address the most fundamental problem: namely, that the diversity of value judgments is itself a necessary precondition for trade. If all people valued goods in exactly the same way, no one would have any reason to engage in exchange; there could be no common advantage to be found. Exchange depends upon variable personal valuations, and yet Aquinas asks us to maintain some form of equal value between goods.

While Aquinas did not live in a world that emphasized the subjectivity of value judgments, he was not unfamiliar with the genuine variability of needs. For instance, in answering the question of whether one can sell something for more than its worth, he distinguishes between two ways of understanding the question. In the first place, he refers to trade and sale in themselves (*secundum se*), in which he provides the norm for equality in exchange. Secondarily, however, he treats exchanges as "accidentally (*per accidens)* tending to the advantage of one party, and to the disadvantage of the other."[28] The situations Aquinas

[27] Consider, for instance, the critique of just price in E. A. J. Johnson, "Just Price in an Unjust World," *International Journal of Ethics* 48, no. 2 (1938): 165–181.
[28] ST II-II q. 77.1 c.

describes—where the seller has great need of the object to be sold, or the buyer will derive extraordinary benefit through the use of the good—are ones in which an individual's circumstances provide a distinct personal or individual economic value that differs from a general valuation of a good. Here, Aquinas argues that a seller who needs a good ought to be able to charge more for it, for it is contrary to the notion of exchange that a person should be compelled to sell a good at a loss. The farmer who needs his horse for plowing may charge more if he is prevailed upon to sell at such an importune time as the planting season. To do so will require him to take time off in search of another horse. In contrast, the need or potential benefit of the buyer has nothing to do with the seller, and the seller is forbidden from deriving any benefit from it. The fact that the buyer is hungry, and may die without food, does not entitle the merchant to charge more. Jacob, it seems, was a shrewd businessman, but an unjust one; though on Aquinas's account, Esau is the guilty party for engaging in the sin of simony.[29]

While Aquinas recognizes that economic value will vary according to personal situation, such personal valuations are a separate matter for Aquinas. He seeks a general norm for pricing, and thus maintains that there is such a thing as normative exchange value. The question we must face, then, is what might constitute this normative exchange value. Unfortunately, Aquinas provides little in the article at hand to explain his theory of exchange value, prompting scholars to delve more deeply into his other texts, particularly in his commentary on the *Nicomachean Ethics*.[30]

[29] ST II-II q. 100.4 ad 3.

[30] Yet, this approach is also fraught with difficulty, because Aquinas is there offering a commentary, not a statement of his own views.

In the N*icomachean Ethics*, Aristotle treats most clearly the ethics of exchange.[31] Recall from last chapter that in *Book V*, Aristotle relies upon mathematical models to clarify the form of equality preserved in each type of justice. He first treats distributive justice, which is represented by geometrical proportionality. People receive unequal amounts proportionate to an antecedent inequality between them. Honor, for instance, is given to people in accordance with their virtue. To honor the intemperate to the same degree as the temperate is unjust. Commutative justice depends upon arithmetical proportionality, that is, equality of quantity. If I steal a pound of flour from the baker, I owe the baker exactly one pound of flour.

Exchange constitutes a unique mathematical problem for Aristotle. It clearly falls under the heading of commutative justice, insofar as there must be equality between the items exchanged. Yet, how does one create equality between a house and a shoe or between the labor of the builder and the shoemaker? What Aristotle offers is a third mathematical model, one that takes arithmetical proportionality as its form, but incorporates proportional equality into it. That is, there is a proportionality between the value of the labour of the builder and that of the shoemaker, which is equal to the ratio of the values of the house and the shoe. We thus need an equality, not between the number of houses or shoes, but between the value of the house and the value of the shoes. This equality, on Aristotle's account, is established first in terms of need, and secondly, in terms of money as a measure for need. Thus, money effects an equality between unequal goods.

There is much here that is unclear. How do we say what the value of the builder's labor is worth, or what the value of the house is? To say that money is a measure of this value tells us

[31] The following has benefited from Joel Kaye's discussion of Aristotle in *Economy and Nature in the Fourteenth Century: Money, Market Exchange, and the Emergence of Scientific Thought* (Cambridge: Cambridge University Press, 2000).

little about how it is determined. Are we measuring the quality of the labor, or its quantity? How do we estimate the need for the good in question? Most importantly, what is the driving factor in the determination of value: the labor or the need for the given good? The medieval debates over the just price (and the historiographical debates over how to understand Aquinas) in large part mirror the debate concerning how to interpret Aristotle on these points.

Early interpreters suggested that Aquinas held that goods possessed an intrinsic value.[32] Such an interpretation was suggested by a misreading of *secundum se* as referring not to the activities of buying and selling, but to the goods themselves.[33] Of course, such intrinsic valuation could not be the same as the value of a good according to the scale of being. Aquinas followed Augustine's distinction in *De Civitate Dei* between the economic valuation of goods according to how they fulfill our needs, and the metaphysical value of a thing according to the degree of being, or perfection, that it holds. In departure from the metaphysical hierarchy, "a higher price is often paid for a horse than for a slave, for a jewel than for a maidservant."[34] For Augustine, the distinction was utilized to draw the eyes upward, so that those enmeshed in earthly activities could see a hierarchy that was not economic; for Aquinas, this contains a truth about economic value: "the price of things salable does not depend on their degree of nature, since a horse at times fetches a higher price than a slave; but it depends on their *usefulness* to man."[35] This leaves

[32] Christian Thomasius (1655-1728) critiques this view (cited in Gordley, *Origins of Modern Contract Doctrine*, 95); I have not come across any modern defenders of this view, and many scholars mention the existence of it without citation.
[33] See Odd Inge Langholm, *Economics in the Medieval Schools: Wealth, Exchange, Value, Money, and Usury According to the Paris Theological Tradition, 1200-1350* (Brill, 1992), 232–33.
[34] *De Civitate Dei*, Book XI, chapter 16.
[35] ST II-II. q. 77.2 ad 3. Emphasis my own.

open the possibility that there is a fixed hierarchy of need, rooted in the nature of human perfection and lack.[36]

Indeed, Aquinas seems to hold just this view of human need. At the outset of the *Prima Secundae*, Aquinas treats the question of whether wealth can be our true end. He rejects the idea that money is the arbiter of value, writing, “All material things obey money, so far as the multitude of fools is concerned, who know no other than material goods, which can be obtained for money. But we should take our estimation of human goods not from the foolish but from the wise: just as it is for a person whose sense of taste is in good order, to judge whether a thing is palatable.”[37] There exists a higher order of value than market price, which the just person ought to follow. Yet, while Aquinas indicates that this standard ought to order our actions, he nowhere explicitly indicates that the proper ordering of human goods will result in a standard for price.

Another school of interpretation seeks to ground value in labor and costs. [38] The cost of production model is supported by Richard Tawney, who famously remarked that Marx was the “last of the Schoolmen,” insofar as Marx maintained the labor theory of value.[39] The theory finds its support in Aquinas’s *Commentary on the Nicomachean Ethics.* Aristotle is writing about the need for proportionality between diverse goods exchanged, but he does not there specify the grounds for this proportionality. Aquinas, however, describes this in terms of labor and costs.

> Although a house is worth more than a sandal, nevertheless, a number of sandals are equal in value to one house or the food required for one man

[36] Langholm finds this passage to be incontrovertible evidence that the intrinsic value interpretation is incorrect. See Langholm, *Economics in the Medieval Schools*, 230.
[37] ST I-II q. 2.1 ad 1. Koehn and Wilbratte rely on this text to defend their theory of just price in “A Defense of a Thomistic Concept of the Just Price,” *Business Ethics Quarterly* 22, no. 3 (July 2012): 501–26, https://doi.org/10.5840/beq201222332.
[38] The cost of production model was favored by German scholars, including Roscher, Sombart, and Weber. It also influenced Pesch, and through him, has been an influence on Catholic social thought. For an overview of this literature, see Raymond de Roover, “The Concept of the Just Price: Theory and Economic Policy,” *The Journal of Economic History* 18, no. 4 (1958): 418–20.
[39] Tawney, *Religion and the Rise of Capitalism*, 36.

> during a long period. In order then to have just exchange, as many sandals must be exchanged for one house or for the food required for one man as the builder or the farmer exceeds the shoemaker *in his labor or costs*.[40]

Tawney's position is not altogether without merit, because a translation error in the medieval manuscripts—the rendering of *chreia* by the ambiguous Latin term *opus,* which can mean either work or need—led many scholastics to interpret references to need in Aristotle's text as references to labor.[41] Albert the Great, whose second commentary on the *Nicomachean Ethics* Aquinas had in hand when providing his own commentary, appears to offer a version of the labor theory of value. Aquinas follows him on several points.

Yet, the modern situation—in which scholars frequently sought a medieval theory that could provide respite from the vagaries of price—blinded scholars to the medieval awareness of market forces. Medieval Europe underwent a tremendous economic revolution, and scholars were neither oblivious nor immune to the influence of shifting prices. Thus, we see Aquinas himself asking whether a merchant must reveal that additional merchants are on their way, with the result that the merchant's own goods will soon be worth less. Aquinas's answer—no, but doing so would be exceedingly virtuous—is less important than that he recognized the basic economic principle: an increased supply results in a lower price.[42]

Historians John T. Noonan, Raymond de Roover, and especially John Baldwin did much to shed light on this situation. They in turn presented a third interpretation: that of understanding the just price as simply the current market price. As de Roover wrote, "According to the majority of the [scholastic] doctors, the just price… was simply the current market price, with this

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[40] *Commentary on the Nicomachean Ethics*, Book V, lecture 9. Emphasis added.
[41] Kaye, *Economy and Nature in the Fourteenth Century*, 68–70.
[42] ST 77.3 ad 4.

important reservation: in cases of collusion or emergency, the public authorities retained the right to interfere and impose a fair price."[43]

Aquinas, to be sure, did hold that the market price was typically the just price. His letter, "On Buying and Selling on Credit" presents strong evidence that this is the case.[44] In the letter, Aquinas resolves four cases regarding potentially usurious transactions. The first two cases concern transactions with delayed payment. In treating the first, Aquinas distinguishes between a delayed payment that would be greater than the just price, and a delayed payment that is equal to the just price, but less than one might charge if one were to be paid sooner. On Aquinas's reading, the first is usury; the latter is not. Just price is not there defined, but in the second case, we read, "From this it is also clear what should be said concerning the second case. For if the merchants of Tuscany, bringing cloth from the Fair of Lagny to wait until Easter [for payment], sell the cloth for more than *it is worth in the general market*, here is no doubt that this is usury. But if they sell it, not at more than its worth but at its worth, yet at more than they would take for it if payment were made immediately to them, there is no usury."[45] The logic is identical to the previous case, but the term just price has been replaced with a reference to the current price in the market. From this, it is clear that Aquinas considers the market price (literally, the price in the market) to be just.

This is largely where scholarly consensus rests at present. The proponents of this third theory, however, do not escape the blinders from their own historical situation. Christopher

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[43] de Roover, "The Concept of the Just Price," 420.

[44] This letter presents itself as having been written in conversation with the Archbishop Elect of Capua and Cardinal Hugh. As a result, some skepticism could be introduced insofar as Aquinas is presenting his views within the context of ecclesiastical authorities. A number of his statements stand in tension with claims made in the treatment of usury in the Summa.

[45] "On Buying and Selling with Credit," chapter 2. I am using the English translation found in *The Pocket Aquinas; Selections from the Writings of St. Thomas.*, ed. Vernon J Bourke (New York: Washington Square Press, 1960), 223–25.

Franks goes so far as to suggest, "The history of interpretation of Thomas on exchange during most of the last century can be characterized, with only slight exaggeration, as a series of investigations into whether Thomas is a precursor to Karl Marx or to Adam Smith."[46] It is perhaps not by accident that the discovery of the scholastic awareness of something resembling market forces arrived in the late 1950's, at the height of the cold war.

Aquinas was decidedly not a defender of *laissez-faire*. The historian Joel Kaye's path-breaking study *A History of Balance 1250-1375* presents Aquinas as a midpoint in the transition from a medieval concept of the world as ordered by intention to a late-medieval understanding in which balance is perceived to develop through the interplay of opposing forces. In this, the late-medieval thinkers foreshadowed developments of the Enlightenment. While recognizing something akin to market forces, Aquinas and others "continued to maintain that achieving a truly 'just' price requires buyers and sellers to remain personally responsible for judging and aligning price with value in their exchanges."[47] For Aquinas, this means simply that there is such a thing as a just price, because justice, as a virtue of the will, requires intention.

Where is this intention in the implementation of just price? For defenders of the third view, this entails simply the duty to pay the market price.[48] A few scholars press deeper still, problematizing the very nature of the market price. Daryl Koehn and Barry Wilbratte argue in favor of a "just person price," which entails among other things a proper ordering of values. They are also quick to note that this requires prudence, and that the just price will sometimes, but not always, align with the market price.[49] Christopher Franks provides a strong defense of that

[46] Franks, *He Became Poor*, 84.
[47] Kaye, *A History of Balance, 1250–1375*, 79.
[48] See Gordley, "Equality in Exchange."
[49] Koehn and Wilbratte, "A Defense of a Thomistic Concept of the Just Price."

which is given, the antecedent natural order that places limits on our exchange values.[50] Together, they suggest that demand—the modern analogue to Aristotle's notion of need—itself cannot go unchallenged.

On Franks' account, Aquinas presumes a deference to the natural order, revealed in the fact that exchange value is tethered to use value. The negative form of chrematistics is held at bay insofar as the teleologically-ordered purposes expressed in use value govern exchange value. Franks writes, "This explains why Thomas could have such confidence in the justice of prevailing prices in his own day. He understood trade to be sufficiently marginal and use values to be sufficiently supreme that the requisite deference was basically determinative of the common estimates that set prices. Correlatively, he was sufficiently confident of the sway that a true (or true enough) estimate of human flourishing held in his society."[51]

Franks' account reconciles three potentially conflicting statements of Aquinas: his claim that human need determines exchange value, his belief in objective standards of value, and his typical trust in the market price. It also has the potential power to reconcile a fourth claim that Aquinas makes: namely, that cost of production must be met by the just price. As Franks notes, this would be the case if we assume that Aquinas held that a just price would entail sufficient reward for labor and compensation for costs (as Aquinas's references to labor and costs seem to imply).[52] Would that Aquinas had stated explicitly that this were the case.

At long last, we have assembled the fragments of Aquinas' treatment of just price, and revealed an incomplete synthesis. There really is too much left unsaid to claim anything approaching a fully-fledged theory. It is, on my estimation, the task of any reclamation of

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[50] Franks, *He Became Poor*, 67–104.
[51] Franks, 103.
[52] Franks, 92–93.

Aquinas on this point to reassemble these pieces, to go deeper and farther than he himself did, while avoiding the temptation, strong as it is, to reduce the theory of just price to a simplistic prescription, neatly bundled but equally inadequate to the complexity of economic and moral reality.

A Way Forward

Hollander, according to whom "there are to be found in Aquinas several distinct versions of justice in exchange", may have cut short his interpretive endeavors more quickly than necessary, perhaps relying too much on his (true) principle that there is no need to resolve all contradiction in Aquinas's writings.[53] Aquinas may not have developed a fully-fledged theory, and he certainly did not "explain how the exchange ratios will come to reflect costs of production."[54] For that matter, he did not supply a thorough analysis of demand, something which is lacking even in Hollander's summary of Aquinas's gaps. Nor could Aquinas have done so, for his theory of justice as a whole—to say nothing of his treatment of justice in exchange—stands in very real tension with what has become the current model of pricing, which obviates (or attempts to obviate) any need for intentional action on the part of the participants.[55] Aquinas's theory of justice also stands in tension with Smith, for whom unintended order—balance through the opposition of forces—though not altogether supplanting the role of intentional action, displaced the organic model with its focus on intention. For Smith, the market price is determined by the unintentional actions of the many actors in the marketplace, and we know, in light of modern economics, that this is true. However, this must be reconciled with the prior arguments of this

[53] Samuel Hollander, "On the Interpretation of the Just Price *," *Kyklos* 18, no. 4 (1965): 627, 629, https://doi.org/10.1111/j.1467-6435.1965.tb00992.x.
[54] Hollander, 630.
[55] Kaye, *A History of Balance, 1250–1375*, 79; Porter, *Justice as a Virtue*.

chapter, according to which—on the ground of human dignity, a commitment central to the Enlightenment project and the broader humanist endeavor—we have an obligation to intend just prices.

Adjudicating between these models or attempting to describe in detail the realm of responsibility within the contours of unintentional order goes far beyond the scope of this work or indeed, any single volume. My aim is merely to demonstrate that a theory of just price, according to which we have an obligation to value goods rightly, is necessary in order to promote social cohesion, and to provide the contours of such a theory by means of a dialectical reconstruction of Aquinas' position through engagement with Smith. And yet, the project of adjudicating between these models is crucial to the development of a robust theory of just price. Anything short of this will have at its core a black box. This is a problem, not merely for Aquinas, but for any attempt to reclaim his insights on justice-in-exchange.

Hollander, however, provides us with something of a work-around. He does this by drawing attention to the question of what the theory of just price can or ought to do. In the present argument, a turn to the function of just price is instructive constructively, for each of the "interpretations" considered above contains within it a claim not merely about the nature of the just price, but also about the function that a theory of just price fulfills.

As it turns out, a theory of just price can serve to constrain unwanted behavior in a number of different ways. Let us consider a few of these options. A theory of just price could prevent price gouging, that is to say, it might prevent the charging of exorbitant rates during times of crisis, famine or flood. That is, a theory of just price might institute price ceilings (maximum prices). A theory of just price might alternatively suggest price floors (minimum prices) with the specific aim of ensuring stability in the labor market. This is the implication of an approach that emphasizes the living wage, though it could also go farther by regulating the distribution of wages above this floor. Another option would be to address situations in which a lack of knowledge or a state of need leaves someone vulnerable to manipulation. The senile widow or the possessor of a manuscript more valuable than he realizes, the prodigal son not yet versed in the ways of the world, and the impoverished servant might thereby gain protection. Alternatively, we can envision a just price theory that prohibits price discrimination: all people are to pay and receive the just price regardless of who they are and the wealth they possess. A theory of just price might also have as its primary aim to provide guidance when a competitive market does not exist. Finally, a theory of just price could serve to orient all prices. This is not an exhaustive list, but it covers many of the options.

Aquinas specifically suggests only two primary roles for the just price: the first regulating prices in general and the second dealing with instances pertaining to individual use values for the persons involved. (Fraud, of course, was ruled out in advance of the primary discussion.) Many of the options listed above can be seen to fit into the latter category of governing instances of particular need. Presumably price gouging would fall there, though it would be possible for someone to make the case that that it is an issue of changing supply and demand, thus making it permissible in certain instances. The division between the two categories may not be hard and fast. How many of our prices (and indeed wages) are effectively set on the basis of individual use values? Perhaps the economists can tell us.

For the purposes of this argument, let us assume that the dominant category is to order prices in general. This is indeed the most essential function, and one that all other functions would need in order to be just. Anything short of this would make the justice of a particular exchange contingent upon the unexamined moral quality of the market price.

According to the first two theories—intrinsic value and the labor theory—the theory of just price has as its proper function the ordering of prices in general. That is to say, they provide a source of normative value that is other than the modern coincidence of supply and demand. To do so, they turn to different grounds—a universal ordering of values according to human teleology and the innate usefulness of goods, on the one hand, and the value of labor, on the other. From a constructive standpoint, each of these theories has arguably insurmountable problems. Is it actually possible to operate on a theory of intrinsic value when actual needs vary so widely? What about goods that have multiple uses? How can labor provide an actual guide for exchange when labor itself would need some form of evaluation? Is this not just moving the problem rather than answering it? The key, however, is that they have a function. The theory would do normative work if it functioned as intended.

It is unclear what the third theory—just price as market price—can do with respect to the primary problem of trade *in itself*. Consider for instance the work of the economic historian Odd Langholm. Langholm interprets Aquinas' discussion of exchanges that accidentally benefit one party as providing a double rule of just pricing that itself stems from a broad principle of indemnity in exchange. That is, when an exchange would harm another—either because of special costs on the part of the seller or the taking advantage of a situation of need on the buyer's end—it is proscribed. This all seems fair, but when it comes to the meat of Aquinas' theory, Langholm has surprisingly little to say. "In the current competitive market," he writes, "the current competitive market price criterion of the just price is simply redundant." In a competitive market, sales at the market price happen automatically. The function of just price would be of some use where competitive markets are non-existent: "When this criterion is invoked in scholastic literature, it can be assumed to work only by hypothesis, as an estimate of the competitive price *might have been*, had it been operative."[56] Leaving to one side the question of whether Langholm underestimates the development of markets in Aquinas's time, we can marvel at the Aquinas he presents. Behold Aquinas, the advocate of modern markets and unintentional order, an Aquinas irreconcilable with the historical record as presented by Kaye, but equally irreconcilable with Aquinas' constructive commitments on the nature of justice.

If Langholm's account were correct, intentionally aiming at a just price would be an unfortunate event. It would signify a lack, something to be overcome. Far better, on Langholm's view, for the requirement to intentionally aim at justice to be obviated with respect to the market price, and for intentional justice to be relegated to the margins, the seller or buyer with unique needs. Langholm is not altogether wrong, insofar as we would do well to take seriously Aquinas's principle of indemnity, but he achieves this aim only by sidelining the central portion of Aquinas' treatment of just price: exchange *secundum se*.

Some constructive thinkers—Heinrich Pesch, James Gordley—understand competition as less likely to guarantee a fair market price, such that the obligation to pay the market price is meaningful.[57] Deal-seeking, bargains, and the like drive down market prices; to pay the market price, for them, is not only to ensure justice in the here and now, but also to protect the future market price. I do not wish to dispute these thinkers; indeed, there is much truth to be gleaned from them. Consider what the ascent of Amazon has done to the economic possibilities of independent bookstores and book publishers alike. And yet, for all of the potential benefit a just price theory like this could offer, it would seem to fail in at least two ways. It is inherently conservative of prices—and indirectly, economic distributions—as they currently exist,

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[56] Langholm, *Economics in the Medieval Schools*, 231.

[57] Pesch, *Lehrbuch Der Nationalökonomie/Teaching Guide to Economics*; James Gordley, "The Moral Foundations of Private Law," *The American Journal of Jurisprudence* 47, no. 1 (January 1, 2002): 1–24.

suggesting too little awareness of the historical and current injustices that have contributed to what we understand as normal prices. Can we conceive of a just price for sugar without treating the effects of colonialism on supply, a just wage without accounting for classism and sexism in the evaluation of tasks? Secondly, it denies the consumer what freedom she has to alter prices. Modern economic theory would see such things as bargaining as contributing to a more accurate market price, and therefore as a necessity for a functioning equilibrium. The just person might also hope to transform prices, but a duty to pay a market price may in reality forestall these efforts. A just price for some goods—luxuries?—may actually be lower than the market price may dictate.

Franks's account is helpful here, insofar as he returns to the question of value. On his account, the meat of Aquinas's theory—his treatment of exchange *secundum se*—is given real substance. It allows for the critique and transformation of market prices through the recovery of a normative theory of demand. His account, a highly-nuanced version of the market price theory that incorporates the best insights of the intrinsic value theory, is the most apt for fulfilling the role of providing guidance for prices in general.

Nevertheless, Franks's account—as helpful as it is—also raises significant problems for any attempt to reclaim Aquinas's theory of just price. In the first instance, we must note that exchange as Franks describes it remains a dubious activity. The answer Franks gives—albeit one grounded in Aquinas's own comments in *De Regno*—stand in tension with Aquinas's teleological overcoming of the dubiousness of trade in the *Summa*. If trade can be rightly ordered through the purposes of the participants and the preservation of equality in exchange, why must it be so strictly limited? Would not trade itself serve to reinforce right use values if performed properly? Franks is of course correct that there must be limits to trade—there must be some activities outside of trade for life to have a purpose greater than economic success—but this does not mean that economic life itself needs to be ordered primarily in a non-commercial fashion. To do so would, among other things, unnecessarily leave behind the fruits of the division of labor, expressed not only in Adam Smith's *Wealth of Nations,* but also—in nascent form—in Aristotle's *Nicomachean Ethics*.

Secondly, given the fact that we no longer live in Christendom, it is doubtful that a tacit reliance upon embedded values in the *communis estimatio* will be meaningful. Even if modern society were to reduce trade in favor of use values, this is a world of widespread pluralism. Even in my suburban neighborhood—a space of, shall we say, unexpected diversity—environmentalist hippies live side by side with corporate lackeys, Latino immigrants reside across the street from natural-born-citizens, Jews and evangelicals neighbor atheists, retirees coexist with young families. We of course have much in common, but any shared consensus on use values will be challenging and incomplete. Far better to bring these values to the fore, to make the discovery of this consensus and also the necessary space for departure—freedom—a joint activity, an explicit conversation worked out through word and also deed, our expressions in the market.

Finally, as a direct consequence of Aquinas' emphasis on justice as a virtue of the will and as a result of the problems (but also blessings?) of pluralism, we have the problem of intentionality. Franks seems to neglect this at points: "*All that is required* is that their lives be sufficiently governed by the predominance of use values."[58] Such a position would fit reasonably well with Adam Smith's account of unintentional order, but so stated, we lose the constant and

[58] Franks, *He Became Poor*, 103.

perpetual will in Aquinas's definition of justice as "a habit whereby a man renders to each one his due by a constant and perpetual will."[59]

I want to suggest that the best way to recover Aquinas's treatment of justice in exchange is not to recover one principle that will somehow unify the disparate streams and insights in his various writings on price. Instead, we need a complex, multi-pronged but consistent theory that will account for the various functions that a just price theory may perform. We must take the fragments that Aquinas gave us, integrating them into a unified whole. At the same time, we must do what Aquinas himself would have done were he writing now: confront the challenges of modern pluralism and our newfound awareness of unintentional order. The theory must be adequate to both, yet may entail a revision of the received truths of either: theology may not operate in seclusion from the world, but neither are sociology and economics beyond interrogation.

As I see it, a new theory of just price would need to possess several levels. On the first level, we need a theory that evaluates market price. Such a theory would have multiple prongs: one pertaining to demand, and another pertaining to the cost of production. The latter would largely determine price or wage floors in order to allow all working persons to receive a living wage, whereas the former would govern pricing beyond that point. Franks is to be commended for drawing our attention to the first prong when earlier interpreters worried only about the second or did not offer any guidance with respect to market prices.

On the second level, we need a theory that should govern our actions when we come to the conclusion that a market price itself is unjust. When should we pay the market price, and when (and how) do we depart from it? Such a theory is necessary not only because as sinful

[59] ST II-II q. 58.1 c.

humans, we will ultimately fail to rid pricing of injustice, but also because in our pluralistic society, we will at times disagree about what constitutes equality in the first place. Finally, we need a fully developed account of exceptions to the rule that nevertheless would not undermine the first two levels of the theory. That is, we need to develop Aquinas' account of exchanges that *per accidens* tend to the benefit of one party over the other. And, of course, at each of these steps, we would need to take into account the actions of various levels of society: the individual, trade unions, corporations, and regulatory bodies would all come into play as we think through the various levels of responsibility that humans possess in light of the reality of unintended consequences. Such, as I see it, is the task of future studies on the ethics of price.

In this work, I have focused on the first of these levels, and attempted to reclaim and develop what I see as the most neglected piece of the puzzle, with the recognition that the resolution I offer will only be partial. To follow it will not necessarily allow one to be just, and indeed, it will not in itself provide a proper guide to action, but it will, I believe, allow us to be less unjust. I refer to the ethics of demand.

The fundamental claim in this chapter can be stated as follows: parties involved in an exchange have a duty of justice to value rightly the economic good to be exchanged. This is one insight to be gleaned from Aquinas, who stands as a counterpoint to Adam Smith's privatization of vice. Not only is vicious demand decidedly public, but it is public in a particularly harmful way: it transgresses the foundational virtue of social life: justice. While Aquinas did not himself develop a robust normative theory of demand, he did provide conceptual categories that are useful in outlining our duties with respect to demand. Here, I wish to put forward an approach to demand that is Thomistic, but that also takes into account all that we have learned from Adam Smith and modern microeconomic theory in an attempt to be applicable in the modern world.

The dominant model of markets that I will utilize here is a Smithian one, with the exception that I accept the neo-classical model of price as the intersection of supply and demand. At the same time, the ethical theory that I utilize is the Thomistic and humanist account that I have developed over the last two chapters. These two are reconciled—though not completely, for there remains something of a black box at the core, as mentioned above—by the common commitment to humanism. The more robust Thomistic account of humanism requires that we value goods rightly, and this is what I seek to clarify within a Smithan account of markets.

Let us address pluralism head on. Aquinas treats justice-in-exchange after providing a robust account of human teleology, an account that is assumed in his remarks. The human person's natural and supernatural ends would accordingly provide the ground for any normative theory of demand.[60] As stated, this is a theory that functions primarily for Catholics of a certain philosophical and theological persuasion.

More generically, however, we can formalize the requirement to value goods rightly in terms of one's conception of the Good. This is in keeping with Aquinas's own recognition that, while all people seek *beatitudo*, not all people seek it under the same aspect. This would entail two-fold obligation in terms of value. In the first instance, one would have the duty to value goods in terms of one's current conception of the Good. Philosophy will matter much, as different conceptions of the value of specific goods would issue forth in different relative prices. The religions also have much to offer in terms of their moral guidance: one can easily imagine a Buddhist articulation of use value; a Jewish use value, etc. Of course, other cultural factors will also come in to play. In addition to this, however, is a second, critical function: the obligation to purify one's own conception of the Good, to ensure that those conceptions of the Good are, to

[60] This is a commonality in Pesch, Nell-Breuning, and Franks, etc.

the best of one's ability, in accordance with moral reality. Here, we see the purging of sexism, racism, and classism, and the evacuation of obvious pretenders to the claim of the Good: materialism, pleasure, etc.

Such generic guidance will, of course, also need to be filtered in terms of one's own particular representation of the Good in one's life. Price is underdetermined with respect to the Good. The Catholic cannot achieve natural and supernatural happiness in general, but only a specific instantiation of it in accordance with her vocation. The Lutheran has her Christian freedom. Here, the formalism helps, for what is of utmost importance for the recovery of normative demand is that individuals see it as an obligation of justice to value economic goods in accordance with their own conception of the Good, reasonably considered and always undergoing further purification.[61] That is, what matters is that one take up the challenge of value integration in one's own actions, with the hope that—in particular exchanges and in the aggregate—this will result in a closer approximation of ethical demand. This is, indeed, the most one can ask this side of the eschaton.

My hope is that this formalization is sufficient to account for pluralism and the ambiguities of orienting one's life in accordance with the Good. There are further qualifications, as a generic use value conceived abstractly is not sufficient to arrive at a just price. There is the question of present needs, and there is also the question of how available a good is. Supply will factor into a just price, which is one reason why Smith's supply-side ethic, discussed in chapter three, ought not to be jettisoned. Nevertheless, the normative use values are the starting point in the quest for ethical demand.

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[61] Unlike Rawls, I am allowing comprehensive doctrines into a conception of justice. A Thomistic account of justice requires this, but it is also true that, unlike Rawls, I am not striving to articulate a strictly "political" account of justice, but an ethical one. The question of legislation is for me secondary to that endeavor, and I am not here advocating for legislation on the basis of this theory of just price.

The above account addresses the challenge of pluralism with respect to the individual, but it does not address how individuals can exchange goods with those who have differing conceptions of the Good. This will be addressed briefly in the conclusion, but I want to say a few words here. As Smith noted, exchange has a rhetorical character, but it also has a dialogical one. In disputes over the value of a good during the bargaining process, we are required to reason together in search of common ground. That may not be possible, in which case an exchange may not occur. Nevertheless, this commitment to engaging these conceptions of the Good is what distinguishes the economy as I am describing it—a pluralistic economy where we nevertheless have an obligation to value goods rightly—from a relativistic one that denies objective goods on the one hand, or an anti-humanist one that does not value the dignity of the person, on the other.[62]

There is still one last step to complete before the proposed rule can be cognized. If all persons have a duty of justice to value goods to be exchanged in accordance with their conception of the Good, we must specify the nature of the valuing in terms of the notion of justice. Aquinas is particularly helpful here, because, on his theory of justice, we can understand the duty to value goods in accordance with the Good as maintaining a three-fold relation: 1) rooted in commutative justice as the primary locus of obligation, 2) extending to general justice as an architectonic virtue, which in turn 3) supports a truer commutative justice.

In order to articulate our obligations with respect to demand, I will draw on the four negative effects of vice upon demand that I described in my engagement with Smith in chapter four. Recall that vice has four potential economic effects: 1) a shift in price, by increasing or decreasing demand, 2) a shift in wages, insofar as wages are partially dependent upon the price of goods, 3) a misallocation of resources, insofar as resources that could be allocated to

[62] Here, I am intentionally invoking categories from Pope Francis, *Laudato Si',* 123.

productive causes are instead supporting vice, and 4) the creation of markets where they ought not to exist to the degree that vice drives consumers to demand things that ought not be for sale. Each of these is problematic in distinct ways, and carry with them differing levels of responsibility. Surely, I am most culpable for those transactions that I participate in directly, and far less culpable for those effects that are most distant from me. But this merely means that we need a grammar with which to describe these varying levels. This is one thing Aquinas provides.

In the first place, let us consider our obligations strictly in terms of commutative justice. On Aquinas's account, the virtue of commutative justice concerns my relationships with the other. As a result, many of these effects of demand fall outside of the virtue of commutative justice directly. It is not a duty of commutative justice to ensure that demand maintains an appropriate level. Nor is it my responsibility under commutative justice to ensure that workers not under my direct employ receive a just wage. Still less is it my duty under commutative justice to ensure a proper allocation of resources. My responsibility toward forbidden markets is likewise limited under commutative justice.

Nevertheless, justice-in-exchange, strictly understood, does have something to say about all of these categories. In the first instance, I have a duty, with few exceptions, not to participate in forbidden markets. Aquinas has a complex treatment of this topic, but at present we can leave it aside. For the remainder of the discussion, let us assume that every exchange discussed is within the category of permissible exchanges.

Most properly, with respect to commutative justice, I have a duty to render to the other a just price. This duty is not abrogated by the vice of my fellow market participants; that I live in a world that overvalues luxury and undervalues education does not affect my duty under commutative justice to render a just price to the shoemaker and the bookseller, respectively. We are propelled, almost immediately, into the second level of the theory: the theory of what to do when market prices are unjust.

The duty to pay this just price is rendered difficult to conceive under modern notions of unintentional order. In a perfectly competitive market, a seller has no option to charge a higher price. An individual seller might be able to offer a lower price than is usual, but under perfect competition, that is unlikely. Price at that point is supposed to be at cost. Such costs include standard profits, but this frequently does not leave much negotiating room, especially if shareholders are involved. Likewise, in our bureaucratic society, there are frequently few chances for the buyer to interact with the seller in such a way as to pay a higher price for a given good. The question, what is the just price for a good at Walmart, is supplanted by the infinitely more challenging question: how would one ever pay a just price at Walmart?[63]

In such scenarios, creativity is demanded. Consumers typically have more freedom. They can purchase substitute goods that are more justly priced, shop at stores whose prices more adequately reflect the value of the goods sold, etc. Depending on industry and the type of business, managers may be able to carve out room to pursue just prices.[64] Exchanges in these circumstances, however, bring us up against the black box of unintentional order, and require more careful consideration than the present argument can afford.

A better locus for consideration of the strict duty for just price can be seen in those markets that are far from perfect competition and which involve less bureaucratic entities. Consider, for instance, used car sales or the local farmers market. Consider, also, the labor market. Many salaries are negotiated individually, and—despite what economics may tell us—no

[63] This question is raised in Franks, *He Became Poor*, 3.
[64] The new literature surrounding humanistic management offers new possibilities in this regard. See, inter alia, the work of Michael Pirson, Claus Dierksmeier, and Dominic Melé.

two individuals are interchangeable. In these instances, appeals to markets setting a strict price are purely fictional: room exists for judgment. When making these judgments, the consumer, on this account, has an obligation to reflect on the value of the good exchanged. This is, of course, a use value, and not a metaphysical value, but use values depend upon a conception of the Good in order to exist. Likewise, this is not a value independent of situation: questions of supply must factor in to any normative use value. But, when taking consideration of her own needs and the challenges of supply, the individual, if she is to be just, must also consider the value of the good to be exchanged in accordance with her conception of the Good, and to offer a fair price that can be considered—relative to the situation—equal. That is the obligation of commutative justice, for anything less is to treat the other as primarily a means in the exchange, and not as an other deserving of respect.

Considered in itself, my performance of this duty of commutative justice does not require me to take on, directly, the responsibility for the four effects of vice on demand. I concern myself with justice in this particular exchange. Nevertheless, in so doing, I do potentially contribute to the remedying of these effects. If others act in the same fashion, they will help to counter harmful shifts in prices and wages, along with the corresponding misallocations of resources. They will cause forbidden markets to wither. In sum, fewer lives will be wasted, and lives spent making human lives richer will be more richly rewarded.

This obligation does not depend on my actually "living into" my conception of the Good. I can, if I am particularly diligent, meet the demands of commutative justice whilst nevertheless being, for instance, thoroughly intemperate. Commutative justice is, after all, a particular virtue. Yet, my ability to promote the common good with respect to price is enhanced to the degree that

I move beyond the strict obligations of commutative justice, and take on the challenge of ethical demand as an obligation of general justice.

Ethical demand as an obligation of general justice is far broader than that as a requirement of commutative justice. As an architectonic virtue, general justice orders all virtues toward the common good. With respect to price, it entails that one actually value goods in accordance with one's conception of the Good, not merely at the point of exchange, but in one's life. In practice, this means that one consumes the types and the quantities of goods necessary to live the good life as one understands it.

General justice is properly so when we intentionally order our virtues in light of the common good. Thus, if the duty of commutative justice is to value a good in this particular exchange in accordance with one's conception of the Good, the obligation of general justice is to consume goods in accordance with one's conception of the Good for the sake of the common good of just prices.

Taking on this greater obligation is one remedy to the problems of dealing with unintentional order and bureaucracy. It is this, I presume, that Franks has in mind when he speaks of market prices as being properly ordered by use value. By consuming rightly, one shapes demand. Prices increase or decrease relative to the quantity demanded, labor follows suit, and in the process, resources are reallocated. To consume rightly is thus to make prices more just, such that market price will more closely resemble a just price arrived at through rational deliberation.

This, in turn, allows for a final effect, namely that the work of commutative justice becomes easier in two ways. In the first place, we find ourselves more personally disposed to render commutative justice when we do not have to overcome unbridled intemperance, luxury, etc. Our passions are rather in accordance with our will, which is in turn oriented toward the good of the other.

In the second place, market prices themselves are more closely attuned to the good, and therefore require less departure on the part of the just person. This does not, as Odd Langholm argues, render an obligation of commutative justice unnecessary; still less does it render it fulfilled. Insofar as justice-in-exchange pertains to markets, there will always exist an obligation personally to ensure that exchanges are just; that price in some way corresponds to value. What it does is to make such personal obligations less costly, less demanding of heroic virtue. In short, it makes the market more human, an aide to our perfection rather than its obstructer.

Given the importance that general justice plays in this two-fold conception of ethical demand, to say nothing of the difficulties of enacting the obligation of justice in exchange strictly considered, the question is undoubtedly elicited as to why I place so much emphasis on justice-in-exchange. Why must we work to recover a more robust sense of commutative justice, if at the end of the day, we will be dependent upon general justice in order to live into this obligation? For this, two answers will suffice. In the first place, our duty with respect to price under the model of general justice is only cognizable if we first grant that the obligation to render another her due pertains to market transactions. How can we aim at the common good of just market prices if we do not first grant that they exist?

Secondly, it is in commutative justice that we first, most directly respond to the moral demand of the other. If, at long last, we find that it is only in cooperation with general justice that we can fulfill our obligation according to commutative justice, it is nevertheless the case that in the model of commutative justice, we see the image of intentional action that most properly represents justice as a virtue orienting the will. To remove the demand for commutative justice would move too close to the acceptance of a conception of unintentional order that evacuates justice of its meaning as a personal virtue of the will.

Conclusion

I have argued, in concert with Aquinas, that the dignity of the other obligates us to render equality in exchange. To do otherwise is to treat her as less than a person, as an instrument of one's own purposes rather than an instrument of her own. This obligation, rooted in human dignity, exists antecedent to any further relationship between persons, such that strangers in the marketplace already find themselves mutually obligated.

I have further argued that this equality is to be rendered in terms of a normative conception of exchange value, but one that acknowledges the reality of market forces. Changes in supply or the needs and wants of persons influence exchange value. At the same time, I have shown—in contrast to those who advocate, and indeed, who take Aquinas to assert, the market price as the arbiter of exchange—that market price itself is insufficient to determine justice. Rather, I take Aquinas as rightly holding that market price is acceptable only to the extent that a series of other criteria hold, including the right valuing of goods according to use value.

Finally, I have developed an account of the obligation—under both commutative and general justice—to value goods rightly. We have a duty in individual exchanges to pursue equality in exchange according to our conception of the Good, and in addition, a duty for the sake of the common good of just prices to consume goods in accordance with that conception.

While a casuistry governing price is not here developed, one will be necessary in order to provide concrete guidance for individual transactions. Likewise, the other principles governing exchange—particularly those pertaining to living wage—will need to be developed in order for pricing to be just. Nevertheless, the account I have presented stands on its own as a coherent, readily graspable framework that, if concretized and situated within a holistic ethic of price, would serve as a remedy to the privatization of vice outlined in chapter four. We now turn to the conclusion, the demonstration that this approach will allow for a richer form of solidarity than can be achieved through competitive exchange governed by self-interest alone.

Chapter 7: Conclusion

This inquiry began with the recognition of a widespread intuition that many economic exchanges are unjust and therefore destructive of the social order. Despite this intuition, I noted that a theory of justice-in-exchange that might orient exchange in order for exchange to become productive of solidarity had not yet been formulated. This dissertation was an attempt to draw attention to this problem, and to provide the framework for future development in thinking about justice-in-exchange.

To begin, I provided a narrative of the tradition of Catholic Social Teaching, with the aim of locating useful resources within that tradition while also highlighting the work that remained to be completed. I argued that justice-in-exchange, though frequently obscured by other lines of thought, was a consistent concern. Likewise, I articulated two forms of critique of *laissez-faire* capitalism within the tradition: the *personalist objection*, which maintains that the dignity of the human person is threatened by so-called free exchange, and the *teleological objection*, according to which libertarian notions of exchange undermine social cohesion. Nevertheless, Catholic Social Teaching never provided a theory of justice-in-exchange that might avoid these two pitfalls.

In order to provide a more developed account, I structured a dialogue between Adam Smith and Thomas Aquinas: in each stage, I moved from an examination of the conception of economic and social life to their account of justice-in-exchange. The aim of this encounter was to enable me to reconstruct Aquinas' position on justice-in-exchange through the thought of Smith so that I could take into account modern understandings of economics. To do so, I structured the encounter using Todorov's principles of humanism, because that would provide a position not only reconcilable with modern ethical commitments to humanism, but rationally entailed by them.

In chapter three, I turned to Smith in order to clarify both the nature of exchange and the critique offered by Catholic Social Teaching. I first recast the two objections from Catholic Social Teaching as claims that the libertarian model of exchange violates the principles of humanism, with the personalist objection corresponding to the principle of the finality of the you, and the teleological objection corresponding to the universality of the they. I argued that Smith, as a proponent of a version of humanism, was not categorically guilty of either; rather, there were strong economic and ethical reasons to accept Smith's system of natural liberty. This is crucial, because it allows us to grasp the benefits of trade that can easily be sacrificed through too strict an account of justice-in-exchange.

Nevertheless, in chapter four, I argued that Smith failed to appreciate the need for an ethic of demand. Instead, Smith maintained that the market could privatize vice, effectively insulating the general public from the vicious desires of consumers. This was in keeping with Smith's tendency to treat price from the perspective of supply, rather than demand. In contrast, I provided an economic argument for why the privatization of vice cannot be maintained. Private vices are not absorbed, but rather result in the types of affronts to personal dignity and the common good that Catholic Social Teaching, and humanism more broadly, proscribes.

At this point in the argument, we were left with strong reasons for maintaining markets, but the recognition that we need a theory of justice-in-exchange that can be reconcilable with those markets. At the same time, we needed a broader theory of justice than what Smith could provide, because Smith's theory does not allow for positive duties of justice.

In chapter five, I turned to Aquinas for an account of positive duties of justice in contrast to Smith's lingering individualism. In other words, it was necessary to discover a richer account of the relationship between the humanist principles of the autonomy of the I, the finality of the you, and the universality of the they. This account was rooted, ultimately, in the theology of creation. God creates us already indebted to the other, such that our obligations cannot be discharged through avoidance. This debt, commanded by the very nature of the human person God gifts, calls for action. We must, in the first place, recognize each other's humanity, which requires, not only words, but also some deeds. This in turn, fosters social bonds, insofar as the action necessary to fulfill the obligations of justice places one on a trajectory toward friendship. Here, I mean not only friendship in the highest and most restrictive sense, but also that civic friendship that is integral to social cohesion.

In chapter six, I turned to Aquinas's writings on just exchange. In Aquinas, we encountered a defense of the criterion of equality-in-exchange (a strict measure, to be sure), along with a series of interpretations as to what equality might consist in. After exploring these alternatives, I re-introduced the Smithian account of markets, and developed within it a Thomistic account—under both commutative and general justice—of what it might mean to value goods rightly. The account itself remains incomplete, because it requires the development of a casuistry to guide particular transactions. A casuistry of this sort would, in addition to taking into account the existence of sin, also need to set out methods of engagement for transactions in which, on account of pluralism, there are disagreements on the nature of the Good. Such a casuistry would in turn require a more detailed examination of the black box inside this theory: the relationship between unintentional order and intentional action within the market. This would be a major undertaking, and one that I hope to explore in future works.

Nevertheless, at this nascent stage in the development of a theory of just pricing, I think we can begin to see the effects that such a theory would have on the relationships of market participants if it were implemented. That is to say, not only is justice-in-exchange necessary in order to maintain the finality of the you, but it also contributes to the universality of the they: a theory of justice-in-exchange along the lines that I have described can assist us in maintaining solidarity. I would like to spend the rest of this conclusion describing how this could be the case.

In the Smithian bargain, the buyer or seller appeals to the other's self-interest on account of her own enlightened self-interest. This is infinitely better for both parties than the relationship under feudalism, where one party is wholly dependent on the other. It communicates that there is in fact some level of equality existing between the persons. Not only so, but it fosters an attentiveness to the other: each party must sympathize with the other, understanding the other's wants and needs in order to persuade the other to engage in trade. Sometimes, both parties leave content, and as trade continues, they become friends or at least maintain a form of civic friendship as fellow members of a community. Nevertheless, at other times, a party may leave the bargain begrudgingly, convinced that, even though the exchange satisfied some degree of her self-interest, she was taken advantage of. In this latter instance, exchange is destructive of the social fabric.

I envision that markets operate in much the way that Smith describes them, but with one key difference: that the individuals involved recognize an obligation to render to the other her due, a due that, for a variety of reasons that have been addressed above, may not be incorporated into the market price. How might this differ from the Smithian depiction of exchange? The buyer and seller must still appeal to the self-interest of the other in pursuing the trade. This is necessary in order to ensure that an exchange occurs. To this is added the requirement that each party pursue equality-in-exchange on behalf of the other. In practice, the exchange becomes two-fold: an exchange of reasoned conceptions of the Good and one's conception of the economic good's relation to it, and the exchange of economic goods made possible by that first exchange.

In the Smithian exchange, it is easy to see each other as rivals, as mere means and not also ends. To be sure, Smith would not encourage such actions (he has other virtues to draw upon), but provided that one's actions did not run contrary to fair competition, he would not consider such an approach as opposed to justice. Besides, the market mechanism itself is meant to correct for this: to ensure justice without intention. In the exchange as I describe it, such a possibility is completely disallowed. The recognition of positive obligations of justice requires the recognition of the other as end, and not merely as means. In the exchange at a just price, that equality of persons is reaffirmed through the values of the goods exchanged. To be sure, we will not always agree on the value of economic goods, but this then creates the opportunity for resolution. To clarify, a commitment to the finality of the you necessitates equality in exchange, and yet will not erase all tension between the I, You, and They. Disagreement on the value of economic goods reveals a practical tension between the autonomy of the I and the finality of the you. Nevertheless, commitment to the principles of humanism as I have articulated them presses us to pursue a resolution through engagement with the other and—through that discourse—with the Good in its self-disclosure.

In the quest to ensure justice-in-exchange, we move beyond ourselves. At the core of this dissertation is the idea that the pursuit of justice is the first step in the development of bonds of solidarity, friendship, or love. We begin already as agents indebted to one another, owing even the stranger the decency accorded to someone who is created as person. To fulfill this obligation is not to eliminate all need for the other, but to begin something new. For this reason, Aquinas writes, "equality is the goal of justice and the starting point of friendship."[1] Aquinas is referring, of course, to the status of individuals. Nevertheless, this statement seems equally true of exchange: when equality-in-exchange is met—when we are equals not only in name, but also in reality—then, we can continue that movement to its final end: friendship.

This is the final piece of the puzzle, the connection between the finality of the you and the universality of the they as expressed in the relationship of exchange. The thesis of this dissertation was to demonstrate that a theory of justice-in-exchange, and particularly that form that emphasizes valuing goods rightly, was necessary in order to promote solidarity. I have done so insofar as I demonstrated, through a dialectical engagement of Aquinas and Smith, that justice-in-exchange was required by the finality of the you, and infringements of that principle harm solidarity by excluding persons from the universality of the they. At the same time, I have shown that pursuing justice-in-exchange has the potential to unite us in a common discourse concerning the nature of the Good.

In addition, I have provided a sketch of the various forms of obligation that this theory would have. To do so, I utilized the Smithian framework articulated and defended in chapter three to reconstruct Aquinas's position in order to avoid the problems of Smith's thought that I analyzed in chapter four. The final framework clarifies our obligations with respect to both the finality of the you and the universality of the they, or, in Aquinas's terms, commutative justice and general justice. While I have yet to work out a detailed casuistry to deal with disputes over the Good or particular problems of unjust pricing, and while I have not here fully articulated the relation between unintended order and the realm of responsibility, I have provided the

[1] *Commentary on the Nicomachean Ethics*, 1632.

framework for envisioning justice-in-exchange, and an argument for its centrality in economic ethics.

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