



## Article

# Adam Smith's Moral Theory as the Epistemological Foundation of Amartya Sen's Theory of Justice

Gianfranco Basti <sup>1</sup> and Alfonso D'Amodio <sup>2,\*</sup> <sup>1</sup> Faculty of Philosophy, Pontifical Lateran University, 00120 Vatican City, Vatican City State; basti@pul.it<sup>2</sup> IRAFS, Pontifical Lateran University, 00120 Vatican City, Vatican City State

\* Correspondence: alfonsodamodiophd@gmail.com

## Abstract

This article develops a systematic reinterpretation of Amartya Sen's capability approach as a human-centered renewal of the theory of justice grounded in Adam Smith's moral philosophy. The central claim is that the epistemological foundation of Sen's theory does not primarily depend on Kantian normativism mediated by Rawls's theory of justice as fairness, but rather on *The Theory of Moral Sentiments*, particularly it depends on the concepts of "sympathy", "impartial spectator", and justice interpreted as "a social practice". Through a genealogical reconstruction that brings Aristotle, Adam Smith, and Amartya Sen into dialog, the paper argues that the capability approach can be interpreted as an alternative tradition to Enlightenment theories of justice, because oriented toward human person flourishing and the public evaluation of real freedoms. By overcoming the limits of classical liberal egalitarianism and transcendental institutionalism, the article shows that Sen's formalization of *extended sympathy* within social choice theory enables a comparative, pluralistic, and non-dogmatic conception of justice, capable of assessing real social states without recourse to transcendental foundations. In line with the thematic focus of the Special Issue *Adam Smith's Philosophy and Modern Moral Economics*, the paper highlights the implications of this interpretation for contemporary moral economics, economic justice, human development, and the role of markets in pluralistic democratic societies.

**Keywords:** Adam Smith; Amartya Sen; capabilities; sympathy; extended sympathy; moral economics; justice as fairness; economic justice; human development; social choice theory

## 1. Introduction: Justice, Economics, and the Human Person Centrality Issue

### 1.1. *The Crisis of Standard Economic Rationality and the Return of the Question of Justice*

Contemporary reflection on economic and social justice is situated within an increasingly evident crisis of standard models of economic rationality. These models—grounded in criteria of allocative efficiency, output growth, and the optimization of individual preferences—show a growing inability to account for the concrete conditions of human agency and for the actual forms of deprivation that characterize marginalized groups in contemporary societies. The persistence of structural inequalities, the rise of social vulnerabilities, and the emergence of new forms of exclusion call into question the assumption that justice can be secured exclusively through the proper functioning of markets or through formally fair institutional arrangements.

In this context, the very concept of justice re-emerges as a fundamental philosophical problem, irreducible either to a matter of economic efficiency or to a purely institutional



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architecture. As Amartya Sen has argued, an exclusive focus on ideal institutions risks diverting attention from the “manifest injustices” that affect the real lives of individuals [1]. Justice cannot be assessed solely in terms of procedural correctness or of the formal distribution of resources; rather, it must be related to the freedoms that individuals actually enjoy within their concrete historical and social conditions.

This awareness has fostered, over recent decades, a renewed interest in normative approaches capable of reintegrating the ethical dimension into economic analysis. From this perspective, the recovery of the tradition of moral economics appears less and less as a merely historical exercise and increasingly as a theoretical necessity for addressing the normative challenges posed by contemporary economies [2].

### 1.2. Adam Smith Between Economic Reductionism and the Rediscovery of Moral Philosophy

It is within this broader context that Adam Smith’s thought has once again come to occupy a position of central theoretical relevance. For a long time, however, this relevance was obscured by a reductionist reception of his work, which identified Smith almost exclusively with the Author of *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776) [3], interpreting him as the theorist of an economic order grounded in self-regulating individual interest. This reading contributed to consolidating the image of Smith as a precursor of a *laissez-faire* economic vision in which the moral dimension appears marginal or even irrelevant.

The consequence of this approach was the systematic marginalization of Smith’s book *The Theory of Moral Sentiments* (1759) [4], often regarded as an early work of philosophical interest but extraneous to the theoretical core of Smith’s economic thought. This separation gave rise to what the literature has termed the *Das Adam Smith Problem*, namely the apparent tension between a moral theory grounded in sympathy and an economic theory based on individual interest.

Contemporary scholarship has convincingly shown that this dichotomy is the result of an interpretive misunderstanding rather than a genuine inconsistency in Smith’s thought. Seminal studies have demonstrated that the *Theory of Moral Sentiments* provides the normative horizon within which the market dynamics analyzed in the *Wealth of Nations* become intelligible [5,6]. From this perspective, Smith’s economics does not presuppose an egoistic subject, but rather a morally situated agent, capable of assessing her or his own actions in the light of the judgment of others.

### 1.3. Sympathy, the Impartial Spectator, and Justice as a Social Practice

The concept of *sympathy* constitutes the theoretical pivot of Adam Smith’s moral philosophy. Far from coinciding with a form of immediate empathy or emotional contagion, sympathy is defined as the capacity to “change places in fancy” with another person—that is, to imagine oneself in the other’s situation in order to assess actions, intentions, and forms of conduct [4] (I, pp. 9–13). This faculty does not automatically generate correct moral judgments; rather, it makes possible the intersubjective comparison upon which moral judgment itself is grounded.

Within this framework, the figure of the impartial spectator performs a decisive epistemological function. It does not represent a transcendent or abstract point of view, but rather the internalization of social judgment, through which individuals learn to evaluate themselves as they might be evaluated by others. Justice thus emerges not as the application of rationally deduced norms, but as a shared social practice of evaluation, rooted in human sociability.

This approach allows Smith to avoid both moral subjectivism and the imposition of absolute normative criteria. As Haakonssen has emphasized [5], Smithian moral rationality

is intrinsically public and dialogical, insofar as it depends on the possibility of rendering one's evaluations intelligible and acceptable to other members of the moral community.

#### 1.4. From Smithian Moral Philosophy to Contemporary Comparative Justice

The guiding hypothesis of this article is that this procedural and comparative conception of moral rationality constitutes the epistemological foundation of Amartya Sen's capability approach. Sen explicitly acknowledges his debt to Adam Smith, particularly regarding the role of sympathy and the idea that moral judgment cannot be separated from the social conditions of its formulation [7] (pp. 51–56).

Within Sen's framework, sympathy is reworked as extended sympathy, understood as the capacity to consider the perspectives of different individuals and groups in the public evaluation of justice. This principle makes it possible to ground a comparative conception of justice that does not aim at defining a perfectly just ideal, but rather to compare alternative social states on the basis of the real freedoms available to individuals [1] (pp. 44–47; 102–106).

It is in this sense that Smith's moral philosophy assumes a relevance that goes beyond the history of economic thought. It provides the cognitive device that makes possible a non-transcendental, pluralistic, and context-sensitive theory of justice, capable of integrating ethics, economics, and human development. On this basis, the capability approach can be interpreted not as a rupture with the liberal tradition, but as its human-centered renewal.

#### 1.5. Structure and Objectives of the Article

According to these considerations, the objective of this article is twofold. On the one hand, it seeks to contribute to the rediscovery of Adam Smith's moral philosophy as a foundation of contemporary moral economics, overcoming reductionist interpretations that artificially separate ethics from economics. On the other hand, it aims at showing how Amartya Sen's capability approach represents the theoretical culmination of this tradition, offering a conception of justice centered on real freedoms and human person flourishing.

The argument unfolds as follows. Section 2 provides a detailed analysis of *Das Adam Smith Problem* and its resolution in contemporary scholarship; Section 3 critically examines the limits of Rawls's transcendental institutionalism; Section 4 reconstructs the conceptual structure of the capability approach; Section 5 develops the epistemological role of Smithian sympathy and its relationship to Sen's notion of *extended sympathy*; Section 6 discusses the implications for moral economics and economic justice. Finally, the conclusion synthesizes the main findings and highlights their theoretical significance.

## 2. "Das Adam Smith Problem" and the Recomposition of Moral Economics

### 2.1. Origin and Meaning of "Das Adam Smith Problem"

The expression *Das Adam Smith Problem* emerged in late nineteenth-century German historiography to designate an alleged tension—if not an outright contradiction—between Adam Smith's two major works: *The Theory of Moral Sentiments* (1759) and *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776). According to this interpretation, Smith initially developed a moral theory centered on sympathy, social judgment, and the moderation of the passions, only to abandon this framework in favor of an economic theory based on individual interest and the pursuit of personal advantage as the driving force of economic and social order.

This reading exerted a lasting influence on the reception of Smith's thought, contributing to the consolidation of the image of a fracture between ethics and economics within his work. From this perspective, the *Theory of Moral Sentiments* is relegated to the role of a "pre-economic" philosophical treatise, while the *Wealth of Nations* is regarded as the mature

expression of a scientific conception of economics, emancipated from moral considerations. The problem, however, is not merely exegetical but theoretical: the separation between a “moralist” Smith and an “economist” Smith has implicitly legitimized the modern split between economic rationality, and ethics.

However, beginning in the second half of the twentieth century, this interpretation has been increasingly and radically challenged. *Das Adam Smith Problem* is no longer understood as the identification of a genuine contradiction, but rather as the symptom of an anachronistic reading that projects onto Smith categories drawn from neoclassical economics and methodological positivism—categories foreign to his intellectual horizon.

## 2.2. Contemporary Critiques of the Dichotomous Reading of Smith

One of the most decisive contributions to the revision of *Das Adam Smith Problem* is offered by Knud Haakonssen, who has shown that Smith’s entire project is rooted in the tradition of natural jurisprudence and eighteenth-century Scottish moral philosophy [5]. Within this framework, the modern distinction between economics and ethics proves to be simply inapplicable. Smith does not conceive of economics as an autonomous science, but rather as part of a broader project aimed at the analysis of social, legal, and moral institutions.

Haakonssen emphasizes that the *Theory of Moral Sentiments* and the *Wealth of Nations* share the same anthropological presupposition: human beings are social agents whose motivations are reducible neither to altruism nor to egoism but are formed within practices of mutual recognition. Sympathy does not disappear in the *Wealth of Nations*; rather, it operates implicitly as a condition of possibility for orderly economic interaction.

A similar interpretive line is developed by Charles L. Griswold, who insists on the ethical continuity of Smith’s work and on the role of moral virtues in the regulation of economic life [6]. According to Griswold, the self-interest analyzed in the *Wealth of Nations* should never be understood as a blind or amoral force, but rather as a motivation that operates within a normative context already structured by shared moral expectations.

These interpretations converge in rejecting the idea that Smith offers a justification of the market order independent of ethical considerations. On the contrary, Smith’s economic order presupposes a moral fabric that makes its functioning possible.

## 2.3. Self-Interest, Egoism, and Moral Rationality

A central issue in *Das Adam Smith Problem* concerns the interpretation of the concept of self-interest. Reductionist readings of Smith have often identified self-interest with egoism, attributing to *The Wealth of Nations* an anthropological conception according to which individuals act exclusively to maximize their own advantage. However, this identification finds no support in Smith’s texts.

In *The Theory of Moral Sentiments*, Smith clearly distinguishes between self-interest and antisocial passions. Concern for one’s own well-being is a legitimate component of human action, but it must be regulated by the judgment of the impartial spectator in order not to degenerate into unjust or destructive behavior. As Smith observes, moral approval depends on the agent’s ability to moderate her or his claims so to render them acceptable to others [4] (II, pp. 79–82).

In *The Wealth of Nations* as well, self-interest operates within moral and institutional constraints. The famous passage concerning the butcher, the brewer, and the baker does not claim that egoism automatically produces the common good, but rather that economic cooperation can emerge without requiring altruistic motivations, provided that rules, moral expectations, and institutions exist to guide its functioning [3] (I, pp. 26–27).

In this sense, Smithian economic rationality is intrinsically moral, as far as it presupposes agents capable of self-restraint, respect for rules, and recognition of the standpoint of others. The market is not a self-sufficient natural mechanism, but a social institution that depends on widely shared moral virtues.

#### 2.4. Justice, Sociability, and Economic Order

The notion of justice occupies a central position in Smith's moral philosophy and plays a decisive role in his economic analysis as well. In his *Theory of Moral Sentiments*, Smith distinguishes between benevolent virtues and the virtues of justice, attributing to the latter a fundamental role in social cohesion. While benevolence may be commendable, justice is indispensable: without respect for the rules of justice, society cannot subsist [4] (II, pp. 83–87).

This concept has important implications for the interpretation of *Wealth of Nations*. Economic order is not the spontaneous outcome of egoistic interactions, but the product of an institutional and moral context that guarantees security, respect for contracts, and the predictability of behavior. Justice, understood as a negative virtue that prevents harm to others, thus constitutes the minimal condition of possibility for the market.

As Rathbone observed, Smith's theory of moral development shows that economic life is inseparable from processes of moral formation and social recognition [2]. From this perspective, the market is not morally neutral; rather, it both reflects and shapes the moral dispositions of the agents who participate in it.

#### 2.5. From the Re-Composition of Smith to the Notion of Moral Economics

The dissolution of *Das Adam Smith Problem* leads to a conceptual re-composition of moral economics. Smith emerges not as a theorist of rational egoism, but as a thinker who conceives economics as a social practice embedded within a broader ethical horizon. Self-interest, sympathy, and justice are not competing principles, but elements of a single theoretical framework oriented toward the stability and prosperity of social life.

This re-composition has a significance that goes beyond historical exegesis. It allows a reconsideration of the still-dominant assumption that economics should be analyzed independently of moral considerations. As contemporary reinterpretations of Smith have shown, moral economics does not represent a "soft" alternative to scientific economics, but rather a more articulated conception of practical rationality, capable of integrating individual motivations, social norms, and institutions.

It is precisely on this basis that Amartya Sen's capability approach can be interpreted as the contemporary heir of the Smithian tradition. Sen's critique of utilitarianism and transcendental institutionalism reprises, in new forms, Smith's insight that the evaluation of justice must be anchored in the real conditions of human life and in social practices of mutual recognition. The following section will examine how this legacy is reworked by Sen through a critical engagement with Rawls's theory of justice.

### 3. Rawls and the Limits of Transcendental Institutionalism

#### 3.1. Rawls's Project of Justice as Fairness

With the publication of *A Theory of Justice* in 1971 [8], John Rawls marked a decisive turning point in twentieth-century political philosophy, redefining the problem of justice in rigorously normative terms and distancing it both from the dominant utilitarian tradition and from classical forms of contractarianism. The core of Rawls's project is the idea of *justice as fairness*, grounded in a thought experiment—the *original position*—designed to ensure impartiality in the selection of principles of justice.

Behind the "veil of ignorance", the parties in the original position are called upon to deliberate on the fundamental principles governing the basic structure of society without

knowledge of their future social position, natural endowments, gender, ethnicity, or personal convictions. This normative device, Rawls argues, neutralizes morally arbitrary contingencies and provides a basis for principles of justice that are fair and universalizable. The two principles of justice—i.e., the *priority of basic liberties* and the *difference principle*, together with fair equality of opportunity—constitute the outcome of this deliberative procedure.

Rawls's contribution is of historical significance. It reasserts the normative priority of justice over economic efficiency and affirms that social institutions must be evaluated in terms of their fairness rather than solely by aggregate outcomes. In this respect, Rawls offers a powerful alternative to classical utilitarianism and to reductionist forms of economicism.

### 3.2. Primary Goods and the Institutional Structure of Justice

A central element of Rawls's theory is the notion of *primary goods*, understood as those goods that every rational person is presumed to want, regardless of their particular conception of the good. These include basic rights and liberties, opportunities, income and wealth, as well as the social bases of self-respect. Within this framework, distributive justice primarily concerns the fair distribution of such goods within the basic structure of society.

The choice of primary goods as the metric of justice responds to the need to preserve state neutrality, given the fact of pluralism, with respect to the diverse conceptions of the good embodied in different comprehensive doctrines. Rawls aims to avoid grounding the theory of justice in any particular view of the good life, limiting its scope instead to securing the institutional conditions within which individuals can pursue their own ends.

However, this approach introduces a problematic assumption: it implicitly presumes that individuals are sufficiently similar in their capacity to convert primary goods into real advantages in their lives. As Sen has observed, this assumption overlooks significant differences related to health, disability, gender, age, and social context—differences that profoundly affect the ability to transform formal resources into effective freedoms [9] (pp. 28–32).

### 3.3. Transcendental Institutionalism and Its Limits

The critical point identified by Sen does not concern the normative ambition of Rawls's theory, but rather its transcendental and institutional character. Rawls aims at defining the principles of a perfectly just society, focusing the analysis on the ideal structure of institutions rather than on comparisons among real social states. Justice thus becomes a property of institutions, assessed according to their conformity to ideal principles.

Sen characterizes this approach as *transcendental institutionalism* [1]. The problem, according to Sen, is that a theory of justice conceived in this way offers limited resources for addressing concrete injustices and for comparing real situations in which no institutional arrangement fully satisfies ideal criteria. The question "Which society is perfectly just?" risks obscuring the more urgent question, "Which of the available alternatives is less unjust?"

In this sense, transcendental institutionalism appears insufficient to guide practical judgment in contexts marked by value pluralism, structural inequalities, and historical constraints. Justice, Sen argues, cannot be reduced to an exercise in ideal institutional design, but must instead be conceived as an evaluative practice oriented toward the reduction in manifest injustices.

### 3.4. Internal Critique, Not Rejection: Sen as a Reader of Rawls

It is important to emphasize that Sen's critique of Rawls does not amount to a rejection of justice as fairness. Sen explicitly acknowledges the value of Rawls's project and shares many of its fundamental insights, in particular the centrality of basic liberties and the idea that justice has normative priority over efficiency.

The distance between Rawls and Sen concerns rather the level of analysis and the metric of evaluation. Whereas Rawls focuses on the fairness of institutions, Sen shifts attention to the lives that individuals are actually able to lead within those institutions. In this sense, the capability approach can be interpreted as a critical development internal to the liberal-egalitarian tradition, rather than as an external or antagonistic alternative.

This reading makes it possible to avoid a schematic opposition between Rawls and Sen and to grasp the innovative scope of the capability approach as an attempt to address the shortcomings of transcendental institutionalism without relinquishing the demand for a normative theory of justice.

A closely analogous paradigmatic shift can be found in classical philosophy in the transition from Plato to Aristotle, where the latter defines equity (*epiikeia*) as the situational corrective of abstract justice in his famous masterpiece *Nicomachean Ethics* [10] (Book V), thereby relocating the theoretical tension of truth from the realm of ideal forms to the concrete world of human practice—a shift masterfully depicted by Raphael in his fresco at the Vatican *The School of Athens*.

### 3.5. From Formal Equality to Substantive Freedom

The most profound limitation of the Rawlsian approach, as identified by Sen, lies in the difficulty of moving from the formal equality of resources to *the substantive equality of freedoms*. The fair distribution of primary goods does not, in itself, guarantee that individuals possess the same real opportunities to develop their capacities and to participate fully in social life.

From this perspective, justice cannot be assessed exclusively in terms of means but must instead be evaluated with reference to outcomes in terms of effective freedoms. This conceptual shift prepares the ground for the introduction of the capability approach, which will be examined in detail in the following section.

The critique of transcendental institutionalism thus does not entail an abandonment of the institutional dimension of justice, but rather its relocation within a broader framework in which institutions are assessed according to their capacity to expand human freedoms. It is precisely in this transition that the dialog between Rawls and Sen proves philosophically fruitful, opening the space for a conception of justice oriented towards human development.

## 4. The Capability Approach: Conceptual Structure and Normative Scope

### 4.1. Origins and Motivations of the Capability Approach

The *capability approach* emerges from a profound critique of welfare economics and of the traditional metrics of social evaluation. Beginning in the 1980s, Amartya Sen questioned the use of utility, income, or resources as sufficient indicators of human well-being, showing how such measures are unable to capture the qualitative differences among the lives that individuals *actually* live [11] (pp. 1–7).

The starting point of Sen's critique is the observation that individuals endowed with identical resources may find themselves in radically different conditions with respect to their real opportunities to lead a dignified life. Differences related to health, disability, gender, age, social norms, and institutional context profoundly affect the capacity to transform goods and resources into well-being. Consequently, a theory of justice that confines itself to the distribution of means risks remaining blind to *substantive inequalities*.

In this sense, the capability approach is configured from the outset as an attempt to shift the center of normative evaluation: no longer “what do people possess?”, but rather “what are they actually able to do and to be?”.

#### 4.2. Functionings and Capabilities: A Fundamental Conceptual Distinction

The theoretical core of Sen's approach lies in the distinction between *functionings* and *capabilities*. Functionings refer to the states of being and doing that a person actually achieves: being adequately nourished, being in good health, participating in political life, or having meaningful social relationships. They represent the concrete outcomes of human action.

Capabilities, by contrast, designate the set of real opportunities available to an individual to achieve such functionings. They do not coincide with actual outcomes, but rather with the space of freedom within which a person can choose what kind of life to lead. As Sen emphasizes, two individuals who realize the same functionings may nevertheless find themselves in profoundly different conditions of freedom: a person who fasts by choice and one who suffers from hunger are not in the same situation of justice, even though the observable outcome is identical [12] (pp. 74–75).

This distinction makes it possible to overcome both utilitarianism, which focuses on subjective mental states, and resource-based theories, which assume a linear relationship between means and well-being. Substantive freedom thus becomes the true object of normative evaluation.

#### 4.3. Substantive Freedom and Human Development

One of the most significant contributions of the capability approach is its reformulation of the concept of *development*. In *Development as Freedom* (1999) [12], Sen advances a conception of development not as mere economic growth, but as a process of expanding people's substantive freedoms. Income, technology, and institutions are means rather than ends: the ultimate goal of development is the ability of individuals to live lives they have reason to value.

This perspective has far-reaching normative implications. First, it allows for the integration of dimensions that are often treated separately, such as poverty, human rights, education, health, and political participation. Second, it provides a criterion for evaluating public policies not based on their aggregate effects, but according to their impact on the capabilities of the most vulnerable individuals.

Freedom here assumes a dual meaning: *instrumental* and *constitutive*. It is instrumental as far as it promotes other valued ends (for example, political participation fosters more inclusive policies); it is constitutive because a life deprived of freedom cannot be regarded as fully humane, regardless of the material outcomes achieved.

#### 4.4. The Comparative Orientation of the Capability Approach

A distinctive feature of Sen's approach is its explicitly *comparative character*. Unlike transcendental theories of justice, the capability approach does not aim at defining an ideal model of a perfectly just society. Rather, it focuses on comparisons among alternative situations, with the aim of identifying and reducing manifest injustices [1] (pp. 15–18).

This comparative orientation responds to two fundamental requirements. On the one hand, it acknowledges the *pluralism of values* and conceptions of the good life, avoiding the imposition of a substantive list of universally valid human ends. On the other hand, it makes possible to formulate operative normative judgments *in real contexts* characterized by historical, cultural, and institutional constraints.

Justice thus becomes an *open evaluative practice*, developing through public comparison and collective reasoning. In this sense, the capability approach stands in continuity with a pragmatic tradition of moral philosophy, rather than with deductive models grounded in absolute set of axiological values.

#### 4.5. Capabilities, Social Choice, and Interpersonal Comparisons

An aspect of the capability approach that is often overlooked concerns its close connection with *social choice theory*. Sen does not merely propose an alternative evaluative criterion; rather, he directly engages himself with the *formalization* of social and political philosophy, using the axiomatic method of mathematical logic, deeply influenced by a course in mathematical logic and model theory given by A. Tarski followed by Sen when he was a student at Harvard. By such a formalization, social and political sciences can share the same formal rigor of statistics, which is the mathematical discipline used in studying and modeling social processes. In a word, by the social choice theory social and political sciences become “Galilean sciences” like the natural sciences because endowed with a mathematical formalism open to empirical control by statistical measurements.

Sen was aware of the relevance of his pioneering work in this field for the future of social and economic disciplines so to devote to the illustration of the main principles of social choice theory his Nobel Lecture, when he was awarded with the Nobel Prize in economics in 1998 “for his contributions to welfare economics” [13]. It is not casual therefore that in 2017 Sen published the Second Edition of his book *Collective Choice and Social Welfare* [14]. This book is a collection of essays dedicated to welfare economics, characterized by the fact that are offered in two versions: one using the natural language, the other using the formal language of social choice theory, so to help the reader to understand the relevance of formalization for the rigor of demonstrations, and for its empirical control (where possible) using the more advanced mathematical tools of statistics.

One of the greatest successes of social choice theory, obtained by Sen when he was a young professor at Harvard and that contributed to make him famous was the falsification of one of the most troubling corollaries of K. J. Arrow’s—1972 Nobel Prize in economics for his theory of welfare and of the economic equilibria—celebrated *Impossibility Theorem* [15]. This corollary stated the inconsistency for liberal democratic systems of social choices based on the majority decisions. Sen demonstrated that this result depends on the fact that any statistical model in welfare theory like Arrow’s one takes as an axiom the so-called “Pareto’s efficiency” principle, for which all the individual preference rankings have the very same probability of determining the social ranking. This is evidently an abstract principle that is unrealistic in photographing the effective situation of democratic societies in social sciences.

In a word, using the title of Sen’s paper dedicated to this issue, what Arrow’s theorem effectively demonstrated is *the impossibility of the Paretian liberal* [16]. All this is a straightforward example of how it is dangerous not starting in social and economical sciences from the evident inequalities characterizing the real social situations. A false starting point that insinuates itself also in the axioms of statistics applied in social and economical sciences (see also [17] for a deepening of Sen’s social choice theory from the logical and mathematical standpoint).

Of course, these inequalities among the different individuals and groups in our societies influencing any proper evaluation in social and economic sciences concern also the ethical and religious values characterizing them. It is within this framework that the principle of *extended sympathy* is introduced by Sen, allowing diverse perspectives to be included in public evaluation even when they are not fully commensurable. Justice does not require complete agreement on ultimate values, but rather the possibility of reasonably comparing the consequences of different institutional options for concrete human lives.

#### 4.6. Beyond Rawls: From Institutional Structures to Lived Lives

In light of the foregoing analysis, it becomes clear that the capability approach does not merely supplement Rawls’s theory but profoundly reorients its focus. Institutions

remain central, yet their normative value depends on their capacity to expand people's substantive freedoms. Justice is not an abstract property of rules, but a quality of the lives that those rules make possible.

This conceptual shift prepares the ground for the next step in the argument. To understand how a comparative conception of justice can be epistemologically grounded without recourse to transcendental principles, it is necessary to return to Adam Smith's moral philosophy and to the role of sympathy as a normative cognitive faculty. This will be the task of the following section, which constitutes the theoretical core of the present contribution.

## 5. Adam Smith as the Epistemological Foundation of Comparative Justice

### 5.1. *Beyond Sentimentalism: Sympathy as a Normative Cognitive Faculty*

One of the most persistent misunderstandings of Adam Smith's moral philosophy concerns the nature of sympathy. In standard interpretations, especially throughout the twentieth century, sympathy has often been understood as a form of *emotional empathy* or affective contagion, thereby situating Smith within a weak sentimentalist tradition allegedly incapable of grounding robust moral judgments. This reading, however, fails to do justice to the theoretical structure of *The Theory of Moral Sentiments*.

Smith introduces sympathy not as an immediate emotion, but as a reflective faculty through which the moral agent learns to evaluate actions, intentions, and institutions by adopting perspectives different from one's own. As Smith himself states, we do not judge the passions of others on the basis of what they feel, but rather on the basis of what we would be capable of feeling if we were in their situation [4] (I, pp. 9–11). Sympathy is thus a cognitive operation mediated by imagination and judgment, not a mere affective reaction.

This interpretation is widely supported by contemporary scholarship. Haakonssen has shown that Smithian sympathy performs an epistemological function, making public moral judgment possible through the comparison of perspectives [5] (pp. 57–73). Similarly, Griswold emphasizes that *The Theory of Moral Sentiments* does not propose a morality of emotions, but rather a theory of moral evaluation grounded in social practices of mutual recognition [6] (pp. 69–88).

### 5.2. *The Impartial Spectator as an Epistemological Tool*

The figure of the *impartial spectator* constitutes the conceptual core of Smith's moral theory. It should not be understood as an abstract ideal observer or as a surrogate for transcendental reason, but rather as the internalization of social judgment that enables individuals to assess themselves like they might be assessed by others. In this sense, the impartial spectator is a social construction prior to being an individual one.

Through the impartial spectator, Smith develops a conception of moral normativity that depends neither on divine commands nor on rational principles deduced a priori. Moral judgment instead emerges from a process of *intersubjective comparison*, historically situated yet not therefore arbitrary. The validity of a judgment depends on its capacity to withstand the scrutiny of diverse perspectives within the moral community.

This point is decisive for the theory of justice. In Smith, justice is not a set of absolute norms, but a social practice that develops through mutual recognition and the stabilization of shared expectations. As Smith observes, justice is the minimal virtue without which society cannot subsist [4] (II, pp. 83–87). It does not require moral heroism, but rather compliance with rules that make social coexistence possible.

### 5.3. *Smith Between Aristotle and Kant: A Non-Transcendental Path to Normativity*

Placing Adam Smith within the history of moral philosophy requires recognizing his distinctive position between Aristotelian ethics and modern normativism. From Aristotle, Smith inherits the idea that ethics concerns *human flourishing* (*eudaimonia*) and that moral judgment is inseparable from social practices and virtues. However, he rejects any strong teleology grounded in a substantive conception of the human good.

At the same time, Smith clearly diverges from the Kantian project. For Smith, moral normativity does not derive from the autonomy of pure reason or from the formal universalizability of maxims based on the tautology of the moral imperative of the “duty for duty”, but from agents’ capacity to render their actions intelligible and acceptable to others. In this sense, his moral philosophy offers a non-transcendental path to normativity, grounded in the comparability of judgments rather than in the deduction of absolute, unconditional because tautological, principles.

It is precisely this intermediate position that makes Smith particularly relevant for contemporary theories of justice. His conception avoids both moral relativism and strong foundationalism, offering a model of practical rationality compatible with value pluralism.

### 5.4. *From Sympathy to Extended Sympathy: Sen as a Reader of Smith*

Amartya Sen explicitly acknowledges his intellectual debt to Adam Smith, particularly with regard to the role of sympathy in moral and social evaluation [7]. However, Sen does not merely adopt Smith’s concept; he reworks and formalizes it within social choice theory, transforming it into the principle of extended sympathy.

*Extended sympathy* denotes the capacity to include, within the public evaluation of justice, the perspectives of different individuals and groups, even when they do not share the same values or interests. This principle makes it possible to overcome the limitations of utilitarianism, which reduces social evaluation to the aggregation of individual utilities, as well as those of transcendental institutionalism, which presupposes ideal normative criteria independent of historical conditions.

Through extended sympathy, Sen enables a form of interpersonal comparison that requires neither a single metric of value nor complete agreement on ultimate ends. Justice thus becomes a practice of public reasoning, oriented toward the reduction in manifest injustices and toward the evaluation of real freedoms.

### 5.5. *Comparative Rationality and Social Choice*

The formalization of extended sympathy within social choice theory represents one of the most innovative aspects of Sen’s approach. Sen shows that the difficulties traditionally associated with interpersonal comparisons are not insurmountable, but rather stem from excessively restrictive assumptions concerning the completeness and transitivity of preference rankings in social choice theory [14] (pp. 34–38); [1] (pp. 95–101).

By abandoning such assumptions, it becomes possible to construct partial yet normatively meaningful social orderings, based on ethically relevant information such as capabilities. Practical rationality is no longer conceived as deduction from axioms, but as reasoned comparison among real alternatives.

In this sense, Sen’s theory fits into a broader critique of axiomatic formalism in the social sciences. As G. Basti, A. Capolupo, and G. Vitiello argued, a structural and relational rationality allows for non-deductive forms of comparability, grounded in configurations of relations, rather than in absolute criteria, using the metalanguage of Category Theory [17] (see also [18] (pp. 145–162) for the theoretical foundations of this “categorical structuralism”). This epistemological framework reinforces the Smithian–Senian interpretation of justice as an open evaluative practice.

### 5.6. *Smith as the Conceptual Mediator of the Capability Approach*

Considering the foregoing analysis, Adam Smith can be interpreted as the conceptual mediator who makes possible to move from Aristotle's ethics of human flourishing to the contemporary capability approach. While Aristotle identifies the end of human action in the actualization of human potentials, Smith provides the cognitive device that enables such ends to be publicly assessed without imposing a substantive conception of the good.

Sen, in turn, translates this structure into a formalizable language, transforming justice into a comparative and dynamic practice rather than a static institutional ideal. The capability approach can thus be interpreted as the modern fulfillment of Smith's moral philosophy, capable of integrating ethics, economics, and politics within a unified framework in *formal epistemology*.

## 6. Capabilities, Markets, and Moral Economics

### 6.1. *Markets as Morally Structured Institutions*

One of the most significant consequences of the Smithian–Senian interpretation of justice concerns the way *markets* are conceived. In both Adam Smith and Amartya Sen, the market is never understood as a self-sufficient natural mechanism governed exclusively by impersonal laws of supply and demand. Rather, it is a social institution that presupposes a set of moral, legal, and political conditions without which it could not function.

In Smith, the market order analyzed in *The Wealth of Nations* implicitly presupposes the minimal virtues of justice, respect for rules, mutual trust, and the predictability of behavior. Without these conditions, economic interaction would degenerate into forms of destructive opportunism. In this sense, the idea of a morally neutral market is incompatible with the Smithian theoretical framework.

The capability approach inherits this perspective and develops it further. Markets are evaluated not only on the basis of their allocative efficiency, but above all according to their impact on people's substantive freedoms. A market that generates economic growth while simultaneously restricting access to education, health, or political participation cannot be regarded as just, even if it is financially efficient.

### 6.2. *Moral Economics and the Critique of Laissez-Faire*

The moral rereading of Smith also makes it possible to critically reassess *laissez-faire policies* often justified in his name. Although Smith acknowledges the positive role of individual initiative and economic freedom, he never maintains that the absence of regulation is desirable in itself. On the contrary, he identifies numerous circumstances in which public intervention is necessary to correct distortions, prevent abuses, and promote the common good.

Sen takes up this insight and situates it within a broader normative framework. Economic policies cannot be evaluated exclusively on the basis of their effects on growth or efficiency, but must be judged considering their contribution to the expansion of capabilities. In particular, the absence of public intervention in contexts marked by structural inequalities tends to reinforce positions of advantage and to compress the freedoms of more vulnerable groups.

In this sense, the capability approach provides a robust normative critique of *laissez-faire* without slipping into an ideological rejection of markets. Economic freedom is preserved, but reinterpreted as a component of a broader system of interdependent human freedoms.

### 6.3. Economic Inequalities and Substantive Freedoms

A central theme of contemporary moral economics concerns the relationship between *economic inequalities and justice*. The capability approach makes possible to address this issue while avoiding both abstract egalitarianism and the justification of inequalities in the name of efficiency.

Inequalities are not problematic as such, but insofar as they restrict access to fundamental capabilities. Differences in income may translate into radical differences in opportunities for education, political participation, health, and social recognition. In such cases, economic inequality becomes a form of substantive injustice.

Smith had already grasped this point, observing that poverty does not consist merely in the lack of material goods, but also in the inability to participate fully in social life without shame [3] (pp. 869–872). Sen develops this insight by showing how the deprivation of capabilities undermines personal dignity and autonomy, rendering individuals less able to act as agents of their own lives [12] (pp. 18–19).

### 6.4. Human Development, Democracy, and Participation

A further central aspect of the capability approach concerns the relationship between *human development and democracy*. Sen maintains that political participation is not merely an instrument for improving public policies, but a fundamental capability in its own right. The opportunity to take part in decision-making processes is an integral component of a life that can be regarded as fully human.

This conception finds a clear antecedent in Smith, for whom social life and mutual recognition are constitutive elements of individuals' moral identity. From this perspective, democracy cannot be reduced to a set of procedures, but represents a space for the formation and exercise of collective moral rationality and then of collective choices<sup>1</sup>.

Democratic institutions are therefore justified not only on the basis of their decision-making efficiency, but insofar as they contribute to the expansion of civic capabilities. Political exclusion, like material poverty, constitutes a form of deprivation that profoundly affects substantive freedom.

### 6.5. Implications for Contemporary Economic Policies

The capability approach provides concrete normative criteria for evaluating contemporary economic policies. Fiscal policies, welfare systems, and investments in education and healthcare must be assessed not only in terms of financial sustainability, but above all with respect to their contribution to the expansion of real freedoms.

In this sense, Smithian–Senian moral economics makes it possible to overcome the opposition between *efficiency* and *equity*. Policies that strengthen fundamental capabilities tend, in the long run, to promote economic and social stability as well. By contrast, policies that sacrifice substantive freedoms in the name of immediate efficiency risk generating instability, social conflict, and crises of legitimacy.

The capability approach thus presents itself as a normative framework particularly well suited to addressing the challenges of the contemporary global economy, characterized by interdependence, cultural pluralism, and growing inequalities.

### 6.6. Toward a Renewed Moral Economics

On the basis of the foregoing analysis, moral economics cannot be understood as a mere ethical supplement to standard economics, but rather as a profound reconsideration of the anthropological and normative assumptions underlying economic analysis. Smith and Sen converge on the view that economics must be evaluated in terms of the kind of human life it makes possible, rather than the other way around.

This perspective makes it possible to recover the original link between ethics and economics without abandoning analytical rigor. The capability approach does not propose a return to pre-modern forms of moral thought, but rather a contemporary reformulation of practical rationality, capable of integrating pluralism, comparability, and normativity.

The concluding section will draw together the threads of the argument, showing how the rediscovery of Adam Smith's moral philosophy allows for a full understanding of the theoretical scope of the capability approach and its relevance for contemporary debates on justice and human development.

## 7. General Conclusion: Adam Smith, Sen, and the Future of Human-Centered Justice

The argumentative path developed in this article has shown that Amartya Sen's capability approach can be adequately understood only when it is situated within a broader philosophical genealogy that recognizes Adam Smith's moral philosophy as its decisive epistemological hinge. Against readings that reduce Sen to an internal corrective of Rawls's theory of justice, it has been argued that the originality of the capability approach lies in the contemporary reworking of a non-transcendental, comparative, and public conception of moral rationality already present in *The Theory of Moral Sentiments*.

Overcoming *Das Adam Smith Problem* has made possible to restore unity to Smith's project, showing how sympathy, the impartial spectator, and justice are not ancillary elements, but rather the normative structure that makes intellegible the economic analysis of *The Wealth of Nations*. Far from grounding a theory of rational egoism, Smith develops a conception of economic agency as a socially mediated practice, embedded within a moral horizon that disciplines self-interest without denying it. In this sense, Smithian economics already appears as an embryonic form of moral economics, in which markets are institutions dependent on ethical and social conditions.

It is precisely this framework that Amartya Sen retrieves and radicalizes. Through the formalization of extended sympathy within social choice theory [17], Sen makes possible a conception of justice that requires neither transcendental foundations nor absolute normative criteria. Justice becomes a practice of comparative evaluation, oriented toward the comparison of real social states and the reduction in manifest injustices. The object of evaluation is no longer ideal institutions or the abstract distribution of resources, but the substantive freedoms people possess to lead lives they have reason to value. In other words, through the concept of extended sympathy, Sen expands the scope of moral evaluation beyond the immediate horizon of social interaction, systematically including the perspectives of different individuals and groups, even in the absence of direct relationships or shared values. This extension is not merely quantitative, but methodological: extended sympathy becomes the principle that allows a plurality of viewpoints to be integrated within formalizable procedures of public evaluation, particularly within the framework of social choice theory.

Within this perspective, Sen's critique of Rawls's transcendental institutionalism does not amount to a rejection of justice as fairness, but to its human-centered reformulation. Justice is not denied as a normative ideal; rather, it is freed from an excessively abstract conception that risks losing sight of the concrete conditions of human existence. The capability approach thus shows how it is possible to preserve the normative ambition of liberal egalitarianism while correcting its limitations through systematic attention to lived lives.

At this point, Adam Smith's relevance for contemporary moral economics emerges with particular clarity. Smith is not merely a historical precursor of political economy, but a thinker who offers a conception of practical rationality especially suited to contexts

characterized by value pluralism, social interdependence, and institutional complexity. His idea of normativity, grounded in intersubjective comparison and the publicity of moral judgment, allows one to avoid both relativism and strong foundationalism.

In line with the mission of the *Special Issue: "Adam Smith's Philosophy and Modern Moral Economics"*, this article tried to show how a moral reading of Smith provides decisive theoretical resources for addressing some of the central normative questions of our time: economic inequalities, the limits of *laissez-faire* policies, the relationship between markets and social justice, the meaning of human development, and the role of democracy as a fundamental capability. In this sense, the capability approach does not merely represent an alternative theory of justice, but a proposal for a comprehensive reorientation of political economy toward the centrality of the human person.

In conclusion, recognizing Adam Smith as the epistemological foundation of Amartya Sen's approach means restoring moral economics to its original vocation: that of reflecting on the organization of social life in terms of human flourishing. In a global context marked by persistent inequalities and tensions between economic efficiency and justice, this philosophical legacy proves not only relevant, but indispensable.

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## Notes

- Crucially, this insistence on deliberative dynamics implicitly presumes a prior, stabilizing framework to guarantee the fairness of the communicative arena itself. As Sen himself hints when separating the 'opportunity' and 'process' dimensions of liberty, comparative evaluations of justice through civic dialog cannot unfold in a structural vacuum. Instead, they are functionally dependent upon foundational 'principles of right' that safeguard the procedural integrity of public reasoning. Seen from this perspective, the logical priority of procedural equity—essential for making interpersonal comparisons viable—unveils a subtle, yet deeply significant, intersection. It connects Sen's deliberative architecture not only to Rawlsian proceduralism but also to the rigorous, 'negative' boundaries of Smithian justice, which serve as the non-negotiable threshold for any coherent social interaction.

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