

Adam Smith's Views on Consumption and Happiness

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Abstract

To many observers Adam Smith seems to have conflicting views about consumption in his book *An Inquiry into the Nature and Causes of the Wealth of Nations*. On the one hand he makes it very clear that wealth should be measured by goods for consumption, not by gold or silver. On the other hand, he often criticizes consumption for being wasteful and extravagant. Which is the real Smith? The aesthetic Scottish Presbyterian or the utilitarian sympathizer? To answer that question we should interpret Smith's views in the *Wealth of Nations* in light of his earlier work *The Theory of Moral Sentiments*. There Smith argues that happiness comes from exercising virtue, not from maximizing consumption. He views consumption, therefore, as subsidiary to happiness; as a necessary but not sufficient condition. Virtue requires consideration of others, a reasonable provision for the future, and self-command, not simply consuming or abstaining from consumption. In the right context, therefore, consumption is laudable. In other contexts, however, it is blameworthy.

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1. Introduction

“Consumption is the sole end and purpose of all production” (WN 660.49)

One of the most important contributions of *An Inquiry into the Nature and Causes of the Wealth of Nations* (WN) was the discrediting of the mercantile system. The advocates of that system claimed that the wealth of a nation was to be found in its stores of gold and silver (WN 450.35). The nation became wealthier when it had a favorable balance of trade—which meant exporting as many goods as possible in exchange for gold and silver while limiting imports. Smith's most important critique of mercantilism was that gold and silver are only proxies for wealth: “Every man is rich or poor according to the degree in which he can afford and enjoy the necessaries, conveniencies, and amusements of human life” (WN 47.1). The man with a vault full of gold is considered rich, but only because of what he can buy with his gold. If he were prohibited from spending any of the gold in his vault, he would be little more than a pauper. So it is with nations.

Goods and services are the real wealth of a nation; not gold coins but chairs, clothing, books, and bread. Mercantilism was particularly pernicious because it deliberately sacrificed real wealth (goods) to stockpile idle metals. Despite demolishing the Mercantilist fallacy that gold and silver are wealth, Smith runs into his own conundrum between how to value the “nature” of wealth (consumption) and its “causes” (production). The reason that goods and services constitute wealth is because people's lives are made better by consuming them. Yet Smith does not condone all consumption as contributing to one's well-being. He thinks that consumption can be wasteful, extravagant, ill-conceived, and socially-damaging. This paper addresses the following question: how is it that Smith could think that consumption is the true measure of

wealth, the sole end of production, and yet sometimes be a bad thing?

For the past century economists have shied away from passing any judgment on consumption decisions. Ludwig von Mises (1949) argues stridently in *Human Action* that the economist only evaluates the means to accomplish some end, not the end itself. The consumer is king and his consumption choices cannot be disputed or criticized except within a means-ends framework:

economics deal[s] with the means for the attainment of ends chosen by the acting individuals. They do not express any opinion with regard to such problems as whether or not sybaritism is better than asceticism.... Any examination of ultimate ends turns out to be purely subjective and therefore arbitrary. (Mises 1949: 95-96)

Gary Becker and George Stigler (1977) argue that people's preferences should be taken as given so that the economist can focus on evaluating their means, not their ends. Normative judgments have no place in the “science” of economics and explanations of economic phenomena by preferences are no explanations at all. Stringham (2010) follows a similar line of reasoning when he argues that subjectivism not only prohibits judgments of what people value, it also prohibits any judgment about cost/benefit comparisons in society. Although many economists will call people's choices imprudent or even foolish in private, the official mantra is that people's ends relate to psychology and should not, or cannot, be evaluated using economics.

Deirdre McCloskey (2008, 2010) battles against the tradition that subjective consumption is the sole standard of economic analysis. Her condemnation of “Max U” theorizing and her promotion of the “bourgeois virtues” offer a window into how we can see consumption as good and important but not ultimately or absolutely so. She claims that Smith himself was more concerned about virtue than he was about consumption. If McCloskey is right, then considering how Smith thought about virtue will shed light on why he alternates between viewing

consumption favorably and unfavorably in both the *Wealth of Nations* and in *The Theory of Moral Sentiments*. But human well-being is not just about virtue either. There seems to be significant correlation between wealth and happiness in country by country comparisons (Headey, Muffels, & Wooden 2004; Stevenson & Wolfers 2008).

Smith's characterization of consumption in the *Wealth of Nations* is informed by his moral philosophy in *The Theory of Moral Sentiments* (TMS). The key to understanding Smith's contrasting comments about consumption is realizing that he viewed happiness as every individual's final and most important goal. He thought consumption to be a necessary, but not sufficient, condition of human happiness. Other conditions include the practice of virtue and conformity to standards of propriety. The rest of this paper explains Smith's comments on consumption in light of his goal of promoting human happiness.

We should dwell for a moment on how Smith defines happiness in TMS: “Happiness consists in tranquillity and enjoyment. Without tranquillity there can be no enjoyment; and where there is perfect tranquillity there is scarce any thing which is not capable of amusing” (TMS 149.30). By “tranquillity” Smith does not mean a peaceful state of the world but a peaceful state of mind and conscience. Without that inner peace, he argues, it is nearly impossible to enjoy anything, even consumption. So his praise or criticism of consumption works off of the foundation that happiness requires internal “tranquillity.”

Ultimately, Smith favors consumption on the whole as contributing to people's happiness with a few exceptions, *not vice versa*. Section two develops the tensions and conflicts in Smith's discussions of consumption in the WN and in TMS. Section three develops Smith's standards, such as virtue, propriety, and morality, for evaluating whether consumption promotes happiness.

Section four concludes with thoughts about how Smith's various standards affected his views of consumption *and* how his views of consumption affected his economics.

2. Smith's Comments About Consumption

As a general rule, Smith favored consumption. He was no aesthetic. As the opening quote of this paper pointed out, he claims that consumption is the sole purpose of production.

Consumption is the end, production the means. There are several other examples of Smith's favorable view of consumption in both WN and TMS. Most importantly, Smith argues that a reasonable amount of consumption is necessary for happiness. His criticisms of consumption, therefore, should be seen as exceptions, not the rule. First this section highlights where Smith favors consumption. After that, it considers many of the exceptions to that rule where he criticizes consumption.

Consumption recommends itself to us by nature when we are children. As Smith says:

The preservation and healthful state of the body seem to be the objects which Nature first recommends to the care of every individual. The appetites of hunger and thirst, the agreeable or disagreeable sensations of pleasure and pain, of heat and cold, etc. may be considered as lessons delivered by the voice of Nature herself, directing him what he ought to chuse, and what he ought to avoid. (TMS 212.1)

Here Smith seems to recommend that we should care about our physical utility; i. e. that we should consume. Nature plays a prominent role in his arguments about virtue and happiness.

There should be harmony between our natural sentiments and our happiness. Not that whatever passing feeling we have “naturally” is right, but that, upon reflection, we can see how virtue recommends itself to us through the natural order of the world.

Smith argues that prudence is the most natural virtue, the one that recommends itself to

us first. It recognizes that:

some care and foresight are necessary for providing the means of gratifying those natural appetites, of procuring pleasure and avoiding pain, of procuring the agreeable and avoiding the disagreeable....this care and foresight consists the art of preserving and increasing what is called his external fortune. (TMS 212.2)

Being prudent requires men to provide for their future consumption. The prudent man achieves his goals of satisfaction, ease, and contentment when he

lives within his income, is naturally contented with his situation, which, by continual, though small accumulations, is growing better and better every day. He is enabled gradually to relax, both in the rigour of his parsimony and in the severity of his application; and he feels with double satisfaction this gradual increase of ease and enjoyment. (TMS 215)

This is not merely positive description, Smith holds out the rewards of prudence as *the* means of achieving happiness. He believes that it is what everyone *should* pursue.

Smith's approval of consumption can also be seen in his discussion of wealth. Although he often makes the mistake of calling wealth the ability to command labor, the reason one wants to command labor is to receive its produce. Control and use of goods and services are what make people wealthy. From the first sentence of *Wealth of Nations*, Smith talks repeatedly about the wealth of nations consisting in the “necessaries and conveniencies” of life (WN 10.1, 10.2, 23.11, 47.1, 51.9, 181.7). A major benefit of the division of labor, according to Smith, is that it increases the quality and variety of goods *that people can enjoy*. That is why he can say that the frugal peasant in Britain is wealthier than the African king who rules over thousands of savages yet has fewer of these “necessaries and conveniencies” (WN 24.11). Though that claim may have been a stretch 250 years ago, it is undeniable today. The average, or even the poor, citizen of the United States has access to better food, clothing, entertainment, sanitation, etc. than even the royalty in Britain had during Smith's time!

Smith describes the enjoyments of ordinary laborers in great detail and in a positive light. Common laborers generally had a large assortment of goods including clothing, furniture, silverware, shelter, and food (WN 22-23.11); all courtesy of the division of labor. When discussing the ale house and the brewer, Smith suggests that they serve a reasonable interest of the workingman and the wealthy in consuming alcohol (WN 491-493.8). He does say that the freedom to consume alcohol may be abused and bring some people to ruin, but, on the whole, such behavior is uncommon. For the responsible majority, alcohol is a reasonable good that promotes human happiness and well-being.

Another clear example of Smith favoring consumption comes from a passage in the *Wealth of Nations* where he points out the superiority of goods over money:

Goods can serve many other purposes besides purchasing money, but money can serve no other purpose besides purchasing goods....The man who buys, does not always mean to sell again, but frequently to use or to consume; whereas he who sells, always means to buy again....It is not for its own sake that men desire money, but for the sake of what they can purchase with it. (WN 439.18)

Consumption, not hoarding gold or apathetic indifference to the world, ultimately gives meaning to production and money. Mises makes a similar point saying: “All other things are valued according to the part they play in the production of consumers' goods” (1945: 94). Smith understands why people labor and produce. It is not because they like doing it, but because of what they can get from it.

Another important aspect of having enough wealth to live in relative comfort is that it allows people to exercise care for others. Smith praises material wealth as a conduit to human well-being. He writes: “Before we can feel much for others, we must in some measure be at ease ourselves. If our own misery pinches us very severely, we have no leisure to attend to that of our

neighbour” (TMS 205.9). And when speaking of the virtue of humanity, he says “The man who is himself at ease can best attend to the distress of others” (TMS 153.37). Wealth and consumption are important, not only for our own enjoyment, but also because they allow us to exercise virtue and improve the well-being of others.

Now we should turn to consider some of Smith's caveats and condemnations of consumption. His primary scorn is reserved for the spendthrift—for the man who slowly (or quickly) dissipates his wealth or capital or stock. Smith has scathing criticism for landlords who have lost the ownership of their land through prodigality:

Having sold their birth-right, not like Esau for a mess of pottage in time of hunger and necessity, but in the wantonness of plenty, for trinkets and baubles, fitter to be the play-things of children than the serious pursuits of men, they became as insignificant as any substantial burgher or tradesman in a city. (WN 421.15)

These landlords wasted their wealth on vanity and impoverished themselves for no good reason. Notice how Smith is critical of the “trinkets and baubles” that were purchased with the land, regardless of how much the landlords subjectively enjoyed them. These landlords are violating the *should* of providing for the future mentioned earlier. Elsewhere Smith notes that “many people ruin themselves by laying out money on trinkets of frivolous utility” (TMS 180.6). These acts of consumption violate the virtues of prudence, moderation, and self-control; making those individuals worse off and, in Smith's opinion, less happy over time. Here consumption has usurped virtue, with unpleasant consequences.

Continuing on the themes of frivolity and waste, Smith also writes that “the man who borrows in order to spend will soon be ruined” (WN 350.2). In a longer condemnation of wasteful consumption he writes of the prodigal:

By not confining his expence within his income, he encroaches upon his

capital...he pays the wages of idleness....diminishing the funds destined for the employment of productive labour, he necessarily diminishes...the real wealth and revenue of [his country's] inhabitants. If the prodigality of some was not compensated by the frugality of others, the conduct of every prodigal, by feeding the idle with the bread of the industrious, tends not only to beggar himself, but to impoverish his country. (WN 339.20)

Not only does he condemn the prodigal for wasting his money and impoverishing himself, Smith argues that the prodigal's behavior is bad for society too because it uses up stock. The spendthrift does not promote future consumption because he is using up capital to fund his consumption and not replacing it. The rich man who hires servants to wait upon him or entertainers to perform for him is dissipating his wealth and the accumulated stock of the country. After paying the servants and entertainers, he is not left with any greater stock than before and so is less likely to be able to employ them in the future.

Smith's concern about the prodigal using up capital and impoverishing himself and his country helps us understand why Smith distinguishes between productive and unproductive labor. His major concern is whether people's behavior, either producing or consuming, will promote economic growth and future consumption; which is necessary for human happiness and well-being. The servants and entertainers may have provided a valued service but their actions do not contribute to more food or houses or machines in the future. As he puts it, they have contributed “to the value of nothing” (WN 330-332).

Smith's criticism is not limited to people who spend more than they make—it also includes particular types of consumption. In his discussion of using precious metals as money he says that the value of gold and silver fluctuates because of, among other reasons, “the continual waste of them in gilding and plating, in lace and embroidery” requiring “a continual importation, in order to repair this loss and this waste” (WN 62-63.40). Gold is valued for its scarcity, and

therefore for the status of those who own it. In TMS, Smith argues that many people value wealth because of the admiration they receive from others for it, not because they actually consume or use the actual wealth itself. But that sort of valuation, Smith argues, is not conducive to happiness. Therefore taking gold and silver out of the useful role of money and using it for decoration to suit people's vain fancies appears wasteful to Smith.

Smith takes several pages to explain the difference between whether a wealthy man spends his money on food, drink, hospitality, and menial servants or on physical objects (WN 346-349). The first set of expenses are enjoyed and disappear forever. The second set, however, can be enjoyed now and in the future. They can also be resold or inherited. One type of consumption promotes wealth, and thereby human well-being, more than the other does.

Smith concludes that “every prodigal appears to be a publick enemy, and every frugal man a publick benefactor” (WN 340.25). Consumption can promote long-term prosperity or produce ruin. It is worth noting, however, that Smith does not worry about too many prodigals ruining a country. He says that the tendency towards prudence and industry is far too strong for more than a handful of people to ignore. What he is concerned about, however, is long-run consumption. Therefore he places a normative weight on actions affecting it. This is not surprising in light of how he thinks about happiness, virtue, and morality in *The Theory of Moral Sentiments*; to which we now turn.

3. Standards for Evaluating Consumption

For Smith, consumption is important only inasmuch as it contributes to human happiness. Most economists assume that consumption and happiness are basically the same. Therefore,

since utility is subjective and varies by individual, happiness must as well. Unlike modern economists who claim that whatever people choose in the moment (their revealed preference if you will) must give them the highest utility, and therefore happiness, Smith thinks that people can choose to consume in ways that make them less happy in the long run. For example, when individuals puff up their vanity and pride in the moment, they are actually reducing their ability to be happy and contented. That is why Smith criticizes certain types of consumption as being wasteful, or even destructive. The stoics, however, argued that happiness and consumption are unrelated, or even inversely related. Smith tries to take a middle position between utilitarianism and stoicism.

Smith rejects both positions as being too extreme and contrary to nature. Morality cannot be boiled down to a single principle (TMS 299). The ways in which Smith criticizes both of these philosophies and contrasts them with his own will highlight how he thinks about consumption. This section outlines Smith's views of consumption by looking at how he contrasts his own views of virtue and morality with the extreme self-interested utilitarianism of Mandeville and the extreme aestheticism of the stoics.

According to Smith, Mandeville argues that the gratification of any desire beyond the bare necessity of maintaining life should be considered luxury and vice. Unlike the stoics, however, Mandeville uses this claim to argue that the categories of virtue and vice are meaningless because they have such extreme implications for human behavior and society. Hence, Mandeville argues in *The Fable of the Bees* (1714) that “private vices are public benefits” (TMS 313.12). As Smith puts it:

Wherever our reserve with regard to pleasure falls short of the most ascetic abstinence, he treats it as gross luxury and sensuality. Every thing, according to him, is luxury which exceeds what is absolutely

necessary for the support of human nature, so that there is **vice** even in the use of a clean shirt, or of a convenient habitation. (TMS 312.11 emphasis mine)

Mandeville's fable derides ordinary views of virtue and vice, claiming both playfully and seriously that the distinction between the two is blurry or even nonexistent. That is why Smith calls Mandeville's system "wholly pernicious" and finds it to be full of vice and error (TMS 308). He thinks that Mandeville wrongly condemns certain amenities of life, like a clean shirt or a pleasant home, as vice. Smith certainly did not consider them to be so.

An important passage about Mandeville's system of philosophy reveals what Smith thinks about the use, or consumption, of luxuries or otherwise unnecessary goods. He writes:

If the love of magnificence, a taste for the elegant arts and improvements of human life, for whatever is agreeable in dress, furniture, or equipage, for architecture, statuary, painting, and music, is to be regarded as luxury, sensuality, and ostentation, even in those whose situation allows, without any inconveniency, the indulgence of those passions, it is certain that luxury, sensuality, and ostentation are public benefits: since without the qualities upon which he thinks proper to bestow such opprobrious names, the arts of refinement could never find encouragement, and must languish for want of employment. (TMS 313.12)

There are several things to note in this passage. First, Smith describes the "luxuries" in praiseworthy, rather than belittling, terms. We have the "elegant" arts when he could have said "frivolous." He talks about what is "agreeable" rather than what is "superfluous," "extraneous," or "vain." He also calls these various conveniences "improvements" in human life, not "distractions". Though Smith's word choice may seem like a minor point in the context of this passage, when viewed with respect to the whole book, where he uses words like "frivolous" and "vain" to condemn various practices and objects, it is worth noting that he seems to view the luxuries in the previous passage as good and proper for men to enjoy.

Smith also argues in the passage that the elegant arts and nice furniture or architecture

should be enjoyed by: “those whose situation allows, *without any inconveniency*, the indulgence of those passions”. What exactly does Smith mean by “inconveniency”? Although he does not tell us directly, it seems quite likely that he is referring to physical provision—hence his comment on the “situation” allowing indulgence. His prior discussion of prudence also suggests that consumption can only be proper if it takes place within one's means. The point of that brief exegesis was to offer more evidence that Smith favored consumption generally, even in fine dress or furniture, as long as the individual took responsible care for his future provision.

But Smith does qualify his praise of consumption by saying that it is only right under some conditions, not others. Virtue, for example, must be present with consumption. Neither one without the other. He says that: “virtues, however, do not require an entire insensibility to the objects of the passions which they mean to govern. They only aim at restraining the violence of those passions so far as not to hurt the individual, and neither disturb nor offend the society” (312.12). Although Smith disagrees with Mandeville's claim that everything beyond survival is vice, he still considers the “violence” of some types of consumption or behavior to be vice—particularly, but not solely, because such behavior harms the individual himself or those around him.

He uses the mechanism of the impartial spectator to argue that providing for future consumption is a moral matter. In TMS, Smith uses the views of an impartial spectator as a benchmark for propriety. Men who do not save for their future consumption are blameworthy *in a moral sense* because they are disregarding the views of an impartial spectator:

In the steadiness of his industry and frugality, in his steadily sacrificing the ease and enjoyment of the present moment for the probable expectation of the still greater ease and enjoyment of a more distant but more lasting period of time, the prudent man is always both supported and rewarded by the entire approbation of the impartial spectator.... The

impartial spectator does not feel himself worn out by the present labour of those whose conduct he surveys; nor does he feel himself solicited by the importunate calls of their present appetites. To him their present, and what is likely to be their future situation, are very nearly the same...and is affected by them very nearly in the same manner. He knows, however, that to the persons principally concerned...they naturally affect *them* in a very different manner. He cannot therefore but approve, and even applaud, that proper exertion of self-command, which enables them to act as if their present and their future situation affected them nearly in the same manner in which they affect him. (TMS 215.11 emphasis original)

The impartial spectator is an important check upon our natural passions and appetites. The virtuous man, Smith argues, is the one who can most closely view his situation, passions, and actions as an impartial spectator would because when he does so, he can truly act justly and virtuously, rather than out of excessive selfishness. In the passage above Smith brings the impartial spectator (morality if you will) into the decision of present versus future consumption. The impartial spectator does not have a clear time preference for other people's consumption—therefore the moral person, adopting as best he can the views of the impartial spectator, should exercise restraint and maintain or increase his consumption over time. That moral claim informs most of Smith's criticisms of profligacy, waste, and imprudent or impulsive spending beyond one's means.

We cannot fully appreciate why Smith alternates between praising and criticizing consumption unless we understand why he thought that individuals could actually harm themselves through their consumption choices out of ignorance or weakness. Smith argues that the ambitious man who pursues a fortune causes himself a great deal of trouble because: “To obtain the conveniencies which these [riches] afford, he submits in the first year, nay in the first month of his application, to more fatigue of body and more uneasiness of mind than he could have suffered through the whole of his life from the want of them” (TMS 181.8). To put it

simply, the ambitious man values the future conveniences of wealth too highly and underappreciates how much unease he will have in pursuing them. With characteristic flair, Smith writes: “The poor man's son, whom heaven in its anger has visited with ambition, when he begins to look around him, admires the condition of the rich” (TMS 181.8). The ambitious man pursues the vanity and ostentation of the rich because he wrongly believes that it will bring him happiness. There is a tension here between subjective utility and happiness. Smith is claiming that, based upon human nature, he, Adam Smith, can argue that another man will not find some particular situation or pursuit conducive to his happiness; even if the man gets subjective utility from that activity in the moment.

Flattering his vanity will not bring any happiness greater than what the man could already obtain without it. That man will find his riches

to be in no respect preferable to that humble security and contentment which he had abandoned for it...he begins at last to find that wealth and greatness are mere trinkets of frivolous utility, no more adapted for procuring ease of body or tranquillity of mind than the tweezer-cases of the lover of toys; and like them too, more troublesome...than all the advantages they can afford him. (TMS 181.8)

What is more, the necessary level of work to gain a fortune will substantially impinge on the man's current happiness. Smith does not advocate workaholism in the name of increasing production as much as possible. Indeed, man's natural goal, according to Smith, is to worry less and less about his physical provision over time so that he has more leisure to exercise his mind and his virtue.

When addressing the stoics, Smith has to shift gears and argue that enjoying consumption is important. His treatment of the stoic philosophy is the best example of his thinking on the topic. The stoics argued that happiness, fulfillment, and virtue can, and should, be obtained

independently of wealth or other worldly circumstances. The focus is upon what one can control unhindered—one's own mind, belief, and actions. To achieve that control, however, one needs to recant the world and live in stony apathy. The fact that in TMS Smith devoted nearly as many pages to discussing stoicism as he did to the philosophies of Plato, Aristotle, Epicurus, Hutcheson, and Mandeville combined demonstrates that he clearly admired stoicism.

We can see his admiration in almost every discussion of the impartial spectator where considering the views of others shows us that generally the proper course of action is to dampen our natural passions and emotions. That dampening of emotions clearly follows in the stoics' footsteps. We can also see his admiration of stoicism in his reference to the sunbathing beggar who has the internal security and tranquility that “kings are searching for” (TMS 185.10).

Thomas Martin (forthcoming) has written an illuminating paper arguing that Smith was referencing a story about Diogenes the Cynic (akin to stoicism) and Alexander the great. Alexander admires Diogenes' stoicism and offers him whatever he wants. Diogenes replies that all he wants is for Alexander to move aside so that he is not blocking the sun. The point of the story is that riches and power cannot deliver contentment or virtue.

Consumption promotes happiness because people, by their very nature, are made to enjoy it. The stoics, on the other hand, argued that people should focus on their internal state of mind and ignore their external circumstances. To do that, they argued, one must give up worldly pursuits and extraneous consumption in order to pursue internal peace and virtue. Smith criticizes these goals for being unnatural:

The plan and system which Nature has sketched out for our conduct, seems to be altogether different from that of the Stoical philosophy....By the perfect apathy which it prescribes to us, by endeavouring, not merely to moderate, but to eradicate all our private, partial, and selfish affections...it endeavours to render us altogether indifferent and

unconcerned in the success or miscarriage of every thing which Nature has prescribed to us as the proper business and occupation of our lives. (TMS 292-293)

Not only would the widespread practice of stoicism reduce the wealth of nations, it would also cut against most of Smith's moral theory that encouraged people to consider how others (that is, the impartial spectator) view their behavior. Smith argued that rather than being apathetic and inward-focused, people should actively produce and consume. Free enterprise, invention, skillful labor, all of these are good and right for men to pursue. Likewise their various pleasures and enjoyments, within moderation and prudence, promote contentment and happiness.

Smith criticizes what he sees to be frivolous consumption. Not frivolous solely in the sense of being unnecessary, but frivolous in terms of not promoting virtue or happiness. He argues repeatedly that the reason people pursue wealth (as in a fortune, not modest profit) is to improve their social status and flatter their vanity with others' praise: "it is chiefly from this regard to the sentiments of mankind, that we pursue riches and avoid poverty....Do [the rich] imagine that their stomach is better, or their sleep sounder in a palace than in a cottage?" (TMS 50.1). In Smith's mind there is little physical pleasure to be gained by amassing a fortune. The food, drink, and shelter that the wealthy enjoy is not substantially different from that of the poor: "The rich only select from the heap what is most precious and agreeable. They consume little more than the poor" (TMS 184.10). Therefore, there must be some other source of utility for the rich. Smith thinks it is in vanity and others' regard for him that the rich man enjoys his wealth.

He criticizes the consumption of the wealthy that promotes the "pleasures of vanity and superiority" rather than "tranquillity and enjoyment". He argues that such pleasures are unnecessary, and even detrimental, to happiness:

In the most glittering and exalted situation that our idle fancy can hold

out to us, the pleasures from which we propose to derive our real happiness, are almost always the same with those which, in our actual, though humble station, we have at all times at hand, and in our power. Except the frivolous pleasures of vanity and superiority, we may find, in the most humble station, where there is only personal liberty, every other which the most exalted can afford; and the pleasures of vanity and superiority are seldom consistent with perfect tranquillity, the principle and foundation of all real satisfactory enjoyment. (TMS 150.31)

That passage explains how he thinks that the foundation of enjoying consumption comes from perfect tranquility, which is just as available to the poor man from “humble station” as to the rich man. Furthermore, he makes the point that “our real happiness” comes from the simple “pleasures” available to rich and poor alike. He also slips “personal liberty” into this discussion in a way that suggests that it too has an important contribution to human happiness. Perhaps the best way to end this section is with Smith's own words about why he thought power and riches, leading to excessive and frivolous consumption, make their owners miserable rather than happy:

Power and riches appear then to be...enormous and operose machines contrived to produce a few trifling conveniencies to the body...which must be kept in order with the most anxious attention, and which in spite of all our care are ready every moment to burst into pieces, and to crush in their ruins their unfortunate possessor. (TMS 182-183.8)

5. Conclusion

Although Smith thought that consumption was good and important, he did not consider it to be the sole measure of well-being. Happiness requires internal tranquility, which some forms of consumption can disrupt. It also requires the exercise of virtue. Prudence requires men to concern themselves about the sustainability of their wealth. He justifies that view by using the impartial spectator mechanism. Decisions to save, invest, or consume are moral decisions for Smith. He argued that virtue and vice exist and that people's behavior can be praiseworthy or blameworthy. In TMS he outlines what behavior constitutes the good life and is most conducive

to happiness.

Smith seemed amenable to the stoic idea that happiness and virtue are independent of wealth. That certainly fits with his indifference, or even hostility, towards ostentatious displays of wealth and ambitiously pursuing wealth believing it to be a means to happiness. Yet at the same time, Smith distances himself from the stoics. He says the indifferent apathy they preach is contrary to nature. And even though he admires Diogenes for his contentment even as a beggar, he also suggests that such a mindset and circumstances are unusual and should not be pursued. Some basic level of wealth, security, and comfort were both consistent with, and even supportive of, contentment, virtue, and happiness.

Smith's works concern themselves with promoting the well-being and prosperity of people in England and Scotland. Yet he clearly thought most of his ideas would apply in other places and other times. Even in the *Wealth of Nations* he does not limit his concerns to solely the economic and material. Justice, peace, contentment, enjoyment, and even virtue are important sub-themes throughout the work. Knowing how Smith defined happiness helps us reconcile his conflicting descriptions of consumption. But seeing his overall goal in a normative sense should also cause us to realize that political economy is not purely a dry, abstract, positive science. It is intertwined with questions of justice, morality, and human happiness.

A more modern reading of Smith could start by saying “if we take as given that Smith's conceptions of virtue, vice, and the good life are true, then we can make the sorts of claims that he does.” Economists shy away from normative claims *because* they are unwilling to stake a moral position (at least officially). This has not always been the case in economics, as anyone can see who has read Smith, Ricardo, Veblen, Fisher, Keynes, Mises, etc. Even today many

economists wrap their results of positive economic analysis in the normative cloak of utilitarianism (McCloskey 2010: 195-198). Perhaps from Smith we can learn how to engage in positive analysis within a clear normative framework. In that way we can respect one another's findings while rejecting particular conclusions or implications, rather than massaging the data to make the “positive” analysis shakeout in our favor.

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