

# A Dialectical Reading of Adam Smith on Wealth and Happiness

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**Abstract:** In this essay I consider the relationship between wealth and happiness in Adam Smith by a close reading of a famous section of *The Theory of Moral Sentiments* (TMS IV.i.8-10). I interpret Smith as presenting an open-ended dialectic between the pursuit of wealth and the pursuit of happiness with the goal of contributing to his readers' moral education. Within the dialectic Smith places some important social analysis, which he uses to stimulate reflection and synthesis. Upon reflection and observation of the tensions within the passages and the larger scope of his works, Smith pushes the reader to confront a question: given the knowledge—knowledge that one acquires upon reading TMS IV.i.8-10—that (1) people tend to be deceived into thinking that pursuing and acquiring wealth will make them happy, and that (2) acting on their deception has beneficial unintended consequences, how should one proceed in one's own pursuit of wealth and happiness?

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That Smith should attribute to almost all economic actors an illusion that greater wealth yields greater satisfaction, an illusion that is perhaps never pierced, is one of his greatest idiosyncrasies.

George Stigler (1976, 1207)

## 1. Introduction

The relationship between wealth and happiness in Smith is a puzzle with important bearing for his intellectual project. In *The Wealth of Nations*, Smith defends a political and economic system of natural liberty.<sup>1</sup> In so doing, he morally authorizes individuals to pursue and acquire wealth in an effort to better their condition. But in *The Theory of Moral Sentiments*, he repeatedly connects the pursuit of wealth with unhappiness, self-deception, and moral corruption. The puzzle is reinforced by the fact that Smith seems to take the happiness of citizens as the main criterion by which political and economic systems should be judged. As he says, “all constitutions of government, however, are valued only in proportion as they tend to promote the happiness of those who live under them” (TMS IV.i.11). Daniel Diatkine (2010) suggests that these matters constitute “a new version of the *Adam Smith Problem*,” which once again calls into question “the degree to which Smith’s two books are compatible, and, more generally, the question of how economics relates to moral philosophy” (384; italics original). Given his concern for individuals’ happiness, how can Smith consistently support liberal society while asserting that wealth-seeking tends to

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<sup>1</sup> References to *The Theory of Moral Sentiments*, hereafter “TMS,” are to Smith (1982b), followed by part, section, [when one exists], chapter, and paragraph. References to *The Wealth of Nations*, hereafter “WN,” are to Smith (1981), followed by book, chapter, part, and paragraph.

produce unhappiness, leaving people “as much, and sometimes more exposed than before, to anxiety, to fear, and to sorrow; to diseases, to danger, and to death” (TMS IV.i.8)?

The question has been answered in various ways. Charles Griswold (1999, 222-227) argues that Smith sees the pursuit of wealth as ironically leading to the unhappiness of some, but the good of the many. He points to how Smith sees the pursuit of wealth as leading to scientific progress, economic development, and refinement in the arts—all things which contribute to the flourishing of civilization over time. Samuel Fleischacker (2004) takes issue with Griswold’s interpretation, suggesting that he exacerbates the apparent tension in Smith’s position: “If Griswold’s interpretation is right, Smith urges us throughout TMS to see the pursuit of wealth as morally corrupting and conducive to unhappiness, but also applauds a social system that depends upon, and encourages, that very pursuit. This doesn’t make sense” (104). By privileging Smith’s analysis in WN, Fleischacker argues that for Smith it is in fact only the pursuit of wealth for the self-deceived sake of vanity that ends in unhappiness. He sees there to be a modest, positive relationship between properly cultivated wealth and happiness in Smith. Dennis Rasmussen (2008) takes a different approach, explaining Smith’s view by emphasizing the tendency of commercial society to “[pave] the way toward liberty and security . . . thereby removing the great obstacles to happiness” (38). Rasmussen draws on Smith’s analysis in WN (which itself explicitly draws from Hume’s *History of England*) of the transition out of feudalism in England towards an integrated, stable political order. This transition, according to Smith and Hume, was in large part triggered by a transformation of nobles’ interests, instantiated by their demand for luxury goods. Rasmussen’s view can perhaps be seen as a clarification and development of Griswold: the pursuit of wealth may well lead to

unhappiness for some individuals, but it naturally tends to secure an institutional framework of liberty and security in which people have the freedom to pursue happiness as they see fit.

In the present essay I reconsider these matters by presenting a close reading of one of the most relevant set of passages in Smith's corpus: TMS IV.i.8-10. These passages contain the central expression of Smith's wealth and happiness puzzle. Here he dramatically speaks of wealth and greatness as nothing but "operose machines" ready to "crush in ruins their unfortunate possessor" (IV.i.8). Yet two paragraphs later he curiously maintains that it is nonetheless "well" that Nature deceives us into pursuing wealth in light of its social effects (IV.i.10). The tension here at the surface of the text warrants close attention. Smith's language in the passages, moreover, suggests that he is directly engaging with Rousseau, Mandeville, and Hume in a larger discourse on wealth and virtue. Istvan Hont and Michael Ignatieff (1983) claim Rousseau to be "an important if unavowed interlocuter" in these passages (see also Rasmussen 2008, 88–89). Along with Mandeville's importance in the general context of the eighteenth-century luxury debate (see Berry 1994, 126–34), the editors of the Glasgow edition of TMS suggest that Smith's mention of "operose machines" in TMS IV.i.8 specifically connects to Mandeville's discussion of "operose contrivances" in his *Fable of the Bees* (in Smith 1982b, 182n4). Smith's general engagement with Hume throughout TMS IV is well-known. Matson and Doran (2017) point to some additional textual connections between TMS IV.i.8-10 and the famous conclusion to Book I of Hume's *Treatise of Human Nature*.

I interpret Smith in these passages as presenting an open-ended dialectic between the pursuits of wealth and happiness that he leaves to the reader to synthesize in the broader context of his thought. In other words, I contend that Smith's intentions in these passages have a significant pedagogical dimension: Smith draws out a natural tension between the desire and pursuit of wealth and the desire and pursuit of happiness with the goal of facilitating his readers' moral education.<sup>2</sup> He begins by illustrating, through the story of the poor man's son, how our natural drive for wealth and status can lead us to overestimate the contributions of wealth to our happiness, causing us to sacrifice tranquility and enjoyment. He continues by analyzing the social effects of these natural drives. He points out that our desire for wealth, and especially the status that wealth brings, leads to material prosperity, technological development, and, as he points out in a number of other contexts, political stability (for discussion, see Hill 2012). The pedagogical dimension of the passages implicitly places this social analysis in context, first within the surrounding passages, and then within the wider frame of his corpus. Smith pushes his readers to confront the following question: Given the knowledge—the knowledge that one acquires upon reading TMS IV.i.8-10—(1) that people tend to be deceived into thinking that pursuing and acquiring wealth will ultimately make them happy, and (2) that their deception has beneficial unintended social consequences, how should one proceed? Put differently, how should the recognition of both our tendency to be deceived and the effects

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<sup>2</sup> For some comments on the role of moral education in TMS, see Hanley (2009); Otteson (2002, 227-239); Griswold (1999, 210-217).

of acting upon that tendency affect our ongoing attitudes and decisions concerning our own pursuits of wealth and happiness?

## **2. A summary of TMS IV.i.8-10**

In TMS VII.iii.3 Smith analyzes “those systems which make sentiment the principle of approbation.” He disassociates his moral philosophy with the moral sense tradition of, among others, Shaftesbury and Hutcheson. In the process he presents a succinct summary of his own account of the process of moral approval:

When we approve of any character, the sentiments which we feel, are, according to the foregoing system, derived from four sources, which are in some respects different from one another. First, we sympathize with the motives of the agent; secondly, we enter into the gratitude of those who receive the benefit of his actions; thirdly, we observe that his conduct has been agreeable to the general rules by which those two sympathies generally act; and, last of all, when we consider such actions as making a part of a system of behaviour which tends to promote the happiness either of the individual or of the society, they appear to derive a beauty from this utility, not unlike that which we ascribe to a well-contrived machine. (TMS VII.iii.3.16)

These four sources of moral approval correspond to the first four parts of TMS. Part I, “Of the Propriety of Action,” treats the issue of assessing motivation; Part II, “Of Merit and Demerit,” treats the issue of gratitude and resentment; Part III, “Of the Foundation of our

Judgments concerning our own Sentiments and Conduct, and of the Sense of Duty,” treats the issue of general moral rules; and Part IV, “Of the Effect of Utility upon the Sentiment of Approbation,” treats utility. It is noteworthy that TMS IV.i.8-10 comes toward the end of Smith’s account of the sources of moral approval. After working through the first three and a half parts of the book, which describe his account of the operation of our faculties of moral approval, perhaps Smith can be seen in these passages as drawing his readers to reflect and apply what they have learned.

TMS IV.i.8-10 begins in paragraph 8 with a story of a poor man’s son, “whom heaven in its anger has visited with ambition.” The poor man’s son “admires the conditions of the rich,” thinking that if he himself were to obtain power and riches, “he would sit still contentedly, and be quiet, enjoying himself in the thought of the happiness and tranquility of his situation.” To that end, he submits himself to “fatigue of body” and “uneasiness of mind.” He “serves those whom he hates, and is obsequious to those whom he despises. Through the whole of his life he pursues the idea of a certain artificial and elegant repose which he may never arrive at, for which he sacrifices a real tranquility that is at all times in his power.” But at the end of his life, the poor man’s son comes to a profound and tragic realization: “wealth and greatness,” which he has spent his whole life pursuing, “are mere trinkets of frivolous utility, no more adapted for procuring ease of body or tranquility of mind than the tweezer-cases of the lover of toys.” Upon this realization, he “curses ambition, and vainly regrets the ease and indolence of youth, pleasures which are fled for ever.” To him, in his present state of mind, “power and riches appear then to be, what they are, enormous and operose machines . . . ready every moment to burst into pieces, and to crush their unfortunate possessor.”

Smith moves into IV.i.9 and offers an initial level of commentary. He speaks of the poor man's son's end view of power and riches as a part of a "splenetic philosophy, which in time of sickness or low spirits is familiar to every man." Smith says the splenetic philosophy "entirely depreciates those great objects of human desire," which "when in better health and humour," we view under "a more agreeable aspect." He says that "in times of ease and prosperity" our imagination "expands itself to everything around us." To our more elevated and engaged imaginations, "the pleasures of wealth and greatness" strike us "as something grand and beautiful and noble, of which the attainment is well worth all the toil and anxiety which we are so apt to bestow upon it."

In IV.i.10 Smith offers some global commentary. He says, "And it is well that nature imposes upon us in this manner [i.e., the manner elaborated in IV.i.8]. It is this deception which rouses and keeps in continual motion the industry of mankind." Nature's deception drove mankind "to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the arts and science."<sup>3</sup> As a consequence of mankind's pursuit of wealth, the earth "has been obliged to redouble her natural fertility, and to maintain a greater multitude of inhabitants." Smith briefly proposes the economic mechanism by which such development occurs: Ambitious and aspiring individuals who pursue power and riches for their own ends, e.g., "the proud and unfeeling landlord," are deceived in thinking that they will reap the benefits of the "whole harvest" of their "extensive fields." But given their limited physical capacity for consumption of food, and the

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<sup>3</sup> This line in particular seems to engage with Rousseau, drawing on language from his *Discourse on Inequality*. See Hont and Ignatieff (1983, 10); Rasmussen (2008, 88-89).

need to hire labor to maintain their estates as they grow, they are “obliged to distribute” much of their material wealth “among those, who prepare, in the nicest manner, that little which [they themselves make] use of. . . all of whom thus derive from [their] luxury and caprice, that share of the necessaries of life.”

A few lines later appears the first of the two published “invisible hand” passages in Smith’s work.<sup>4</sup> Smith says that these rich

are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of society, and afford means to the multiplication of the species.<sup>5</sup>

Smith concludes IV.i.10 by remarking that providence, through the described invisible hand mechanism, “neither forgot nor abandoned those who seemed to have been left out in the partition. These last too enjoy their share of all that it produces.” He ends the paragraph on a curious note, apparently remarking that the poor are not much worse off than the rich: “In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for.”

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<sup>4</sup> There is a third “invisible hand” passage in Smith’s posthumously published essay on the history of astronomy.

<sup>5</sup> For a helpful interpretation of the implicit economic model underlying the invisible hand in TMS, see Brewer (2009).

The final sentence of IV.i.10 has been the subject of criticism. It motivates Martha Nussbaum (2000), in an article on the influence of Cicero, to claim that Smith is “prepared to let the market do its worst with little constraint, partly because he believes that the poor do not suffer at their very core, retaining a dignity that life’s blows cannot remove.” Partially in response to Nussbaum’s claim, Fleischacker (2004, 108) disavows TMS IV.i.8-10, arguing that the passages express views that Smith did not hold in his mature years.<sup>6</sup> Thomas Martin (2014), however, argues that there is in fact more to the final sentence in TMS IV.i.10 than meets the eye. He suggests that Smith’s mention of the beggar sunning himself by the road is an allusion to the story of Diogenes the Cynic and Alexander the Great. On Martin’s reading this sentence should be read as saying that kings are often tacitly fighting for the tranquility possessed by *Diogenes the philosopher*. The implication is that Smith should not be taken here as diminishing the pains of poverty, since the beggar he references is actually a philosopher, turned beggar by choice. Smith’s deeper message may well be that the means for happiness are often, though not always, already within our power. The potential allusion here to Diogenes may also be taken as a signal that the underlying message of these passages is more complex than it immediately appears.

### **3. The unresolved dialectic of wealth and happiness**

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<sup>6</sup> I find Fleischacker’s disavowal of TMS IV.i.8-10 difficult to sustain given that Smith substantially revised the book in 1790 and didn’t see fit to remove or alter the passages in any way. As Steve Ealy has suggested to me in conversation, we may consider the passages to be among Smith’s first and last words on political economy, published in 1759 and then again the end of his life in 1790—after his final edition of *Wealth of Nations*.

Speaking of David Hume's approach to philosophy, Donald Livingston (1984) says, "philosophical insight is gained by working through the contrarities of thought which structure a drama of inquiry" (35). Livingston's characterization of Hume's philosophical method can in the present case be usefully applied to Smith. Indeed, Griswold (1999) maintains that in TMS Smith often "focuses our attention on particulars and experience and attempts to get us to 'see' things in a certain light rather than simply to argue us into accepting a philosophical position" (61). In TMS IV.1.8-10 Smith builds a drama of inquiry, presenting a dialectic by getting us to 'see' two contradictory views on the relationship between wealth and happiness.

Smith presents the dialectic across three phases—one in each paragraph. The first phase presents what I'll call the "splenetic view," which is the view held by the poor man's son at the end of his life. The second phase presents what appears to be our unreflective, instinctive, or common sensical view, which I'll call the "active view." The third phase appears to resolve the tension between the splenetic and active views by selecting the active view as the more natural perspective. But this last phase actually ends up reemphasizing the tensions between these two points of view. The dialectic is not resolved in TMS IV; it is intentionally left to the reader to consider his or her own potential synthesis in the light of the rest of Smith's work.

The splenetic view is outlined in TMS IV.1.8. It is the view that comes upon the poor man's son "in the languor of disease and the weariness of old age" when "the pleasures of the vain and empty distinctions of greatness disappear." It leads the poor man's son to regret: he "regrets the ease and indolence of youth. . . which he has foolishly sacrificed for

what. . . can afford him no real satisfaction.” The underlying message of the splenetic view is that power and riches—things toward which we unreflectively incline and around which we often organize our lives and purposes—distract us from the things that truly enhance our well-being such as companionship, reflection, and the pursuit of virtue. The uncertainty in Smith’s consideration of the wealth-happiness relationship comes partly from the fact that he understands the plausibility of the splenetic view. He says, “In this miserable aspect does greatness appear to *every* man when reduced either by spleen or disease to observe with attention his own situation, and to consider what it is that is really wanting in his happiness” (italics added). From the splenetic view, “power and riches appear then to be, *what they are*, enormous and operose machines contrived to produce a few trifling conveniences.” (italics added). This last sentence is especially interesting in that it shows Smith himself assenting to the splenetic point of view. From the splenetic view power and riches appear *what they are*— i.e., what Smith himself understands them to be! Against our unreflective views, the splenetic view points to the relative meaninglessness of wealth in the grand scheme of our lives.<sup>7</sup>

The active view appears in TMS IV.i.9 and makes up the second phase of Smith’s dialectic. The active view ascends when we are in “better health and in better humour.” Wealth and greatness appear as “grand and beautiful and noble, of which the attainment is

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<sup>7</sup> This point perhaps connects to Hume’s famous “melancholy and delirium” in the conclusion to his *Treatise of Human Nature*: “Smith notes that the poor man’s son’s view of the meaninglessness of wealth is a function of splenetic humor. Hume notes that his conviction of [skepticism] is likewise a function of spleneticism and over-reflective contemplation” (Matson and Doran 2017, 36). A proper outlook on wealth and a proper philosophical method each seem to require one to synthesize the logic of a splenetic view with a broader social or active perspective.

well worth all the toil and anxiety which we are so apt to bestow upon it” (IV.i.9). Wealth and happiness naturally seem to be complementary pursuits. When we are engaged in our daily business, the idea that there is little to no connection between our wealth and our happiness seems strange and distant. The active view appears natural: “we naturally confound [the pursuit of wealth and greatness] with the order, the regular and harmonious movement of the system, the machine or oeconomy by means of which it is produced” (IV.i.9).<sup>8</sup> As with the splenetic view, Smith appreciates aspects of the active view. Throughout TMS Smith emphasizes the importance of active and social perspective over passive speculation. In considering the properness of any particular view, we do well to consult the viewpoints of others: “Society and conversation, therefore, are the most powerful remedies for restoring the mind to its tranquility, if, at any time, it has unfortunately lost it; as well as the best preservatives of that equal and happy temper, which is so necessary to self-satisfaction and enjoyment” (I.i.4.10). Although it may be true that “the disposition to admire, and almost to worship, the rich and powerful. . . [is] the great and most universal cause of the corruption of our moral sentiments” (I.iii.3.1), it is also true that our passive feelings and speculations are “sordid and selfish” (III.3.4), corrected only by active engagement and a participation in “the ordinary commerce of the world” (III.3.8).

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<sup>8</sup> Smith does always equate naturalness with goodness (see, e.g., Waterman 2002). As Spencer Pack (1991) has pointed out, “nature” in general (and especially in Smith), is “an extraordinarily rich, complex, contradictory, [and] no doubt dialectical concept” (32). “Nature” and “natural” in TMS IV.8-10 are especially difficult, being associated both with Providence (i.e., “when Providence divided the earth among a few lordly masters” [IV.i.10]) and with something more like instinct.

In the third phase of the dialectic, which occupies TMS IV.1.10, Smith offers an apparent resolution that in fact serves to heighten the tension between the splenetic and active views. In reference to the active view, Smith says, “And it is well that nature imposes upon us in this manner.” Peter Minowitz (1993) rightly asks, “But why is it ‘well’ that nature has deceived mankind into ceaseless ‘industry’ (IV.1.10)? Don’t ‘power and riches’ leave their possessor as much if not ‘more exposed’ to fear, sorrow, danger, and death (IV.1.8)” (125)? Put another way, the natural prevailing of the active view should only be seen as beneficial if the splenetic view is misguided or flawed. But if the splenetic view stands, our natural inclination toward the active view shouldn’t be seen as beneficial at all. If people who pursue wealth end up being miserable like the poor man’s son, and the fruits of their industry don’t really contribute much to the happiness of anyone else, why is it “well” that they do so in the first place?

In sum, Smith’s dialectic consists in both an initial contrariety and an attempted resolution of that contrariety, which in fact serves to intensify rather than resolve the original tensions. Smith contrasts the splenetic and the active views in TMS IV.1.8 and IV.1.9. He begins by leaning toward the splenetic view, claiming that “power and riches appear then to be, what they are, enormous and operose machines” (IV.8). He subsequently appears to resolve in favor of the active view at the outset of IV.1.10—“And it is well that nature imposes upon us in this manner.” But his very reference to the active view as a kind of imposition, and then as “this deception” in the next sentence, immediately calls his apparent resolution into question. Indeed, if one looks closely, the entirety IV.1.10 is, like IV.1.8 and IV.1.9, a kind of back-and-forth between the splenetic and active views. We are left with a genuine and unresolved uncertainty about the wealth-happiness relationship.

The diversity of perspectives and pronouns employed throughout these paragraphs reinforce their dialectical structure. Griswold (1999, 50-52) considers perspective and pronoun variation to be a significant part of Smith's rhetorical strategy and approach to moral philosophy, again part of his program to get readers to "see" from different vantage points, to fully enter into particular perspectives and consider them on their own terms. Smith begins TMS IV.1.8 by speaking from the perspective of the poor man's son, primarily using the pronouns "he" and "his." Mixed into the long paragraph is but one "our" and two instances of "we." The "our" serves to draw the reader into the parable, reminding him of his affinity and shared tendencies with the poor man's son: "Of *our* own accord we readily enter into [the view of the convenience of palaces, gardens, equipage, etc.], and by sympathy enjoy and thereby applaud the satisfaction which they are fitted to afford him" (italics added). The two uses of "we" in the paragraph seek to pull the reader back to a point of more abstract contemplation: "*we* constantly pay more regard to the sentiments of the spectator" and, in the next sentence, "if *we* examine, however, why the spectator distinguishes with such great admiration the condition of the rich and the great" (italics added). After his use of "we" in IV.1.8, Smith turns back to the perspective of the poor man's son, telling how "in *his* heart *he* curses ambition" (italics added). Then in the final sentences, Smith again shifts perspectives, adopting a distanced, philosophical vantage point from which he comments: "In this miserable aspect does greatness appear to every man when reduced either by spleen or disease."

In IV.1.9, Smith returns to speak from "our" perspective. The "we" in the first three sentences of IV.1.9 is "*we*" *qua* actors, that is, an invocation of common ways of acting and thinking in our regular, active, and social contexts. "*We* are charmed with the beauty of that

accommodation which reigns in the palaces and oeconomy of the great” (italics added). Halfway through the paragraph, however, Smith seems to shift the connotation of “we” toward a “we” of philosophers (Griswold 1999, 51), again seeking to draw us into an abstract contemplation of our acting selves: “if *we* consider the real satisfaction which all these things are capable of affording. . . .” (italics added). In IV.1.10, Smith continues to speak from the perspective of a “we” of philosophers, saying, “And it is well that nature imposes upon *us* in this manner.” Throughout the rest of IV.1.10, the philosophical “we” perspective looms.

Griswold (1999) asks, “What is the purpose of the interplay of perspectives implicit in Smith’s use of [a diversity of] pronouns? It leads the reader to see, first, that there are no simple answers, that further questions and problems always arise in ethical reflection, both practical and theoretical” (52). The observation of the diversity of pronouns and perspectives in these passages supports the point that Smith is not simply seeking to argue us into the splenetic view or the active view but rather is challenging us to work through and synthesize the dialectic on our own terms.

#### **4. Luxury and social science**

Eighteenth-century Britain saw a number of remarkable social changes. In the decades following 1688, after the tumultuous seventeenth century, England began to coalesce as a stable political order. It developed a powerful administrative state with significant fiscal, legal, and military capacity. England and Scotland legally joined together in the 1706/1707 Acts of Union, creating a new political and social space. A middle class

composed of “honest gentlemen” (to use Hume’s term) began emerging to form a new economic and intellectual order. These broad social changes and the emerging intellectual space fostered growing literary and philosophical circles in which ideas about the times were discussed. In light of a changing social, political, and economic landscape, a particularly important discussion concerned the idea of “luxury,” i.e., seemingly extravagant or unnecessary consumption, in connection with virtue and political power. Although the luxury conversation stretches at least back to Plato, there is evidence that it took on a special intensity in Britain in the 1750’s—right when Smith wrote the first edition of TMS (Sekora 1977, 66; for discussion see Brewer 2009, 521–24).

In the classical tradition of Plato and Aristotle, luxury, which was defined as consumption unnecessary or superfluous to human purpose, was understood by its very definition to corrupt virtue and denigrate human life to the gratification of bodily pleasures (Berry 1994, 58). It was seen as promoting effeminacy at the expense of martial spirit; it was seen as harmful to political and military power and social order. Modern thinkers in the seventeenth and eighteenth century critically engaged with and reassessed the prevailing classical perspective. Two notable accounts for Smith’s purposes were Mandeville and Hume’s.

Mandeville (1988) had no desire to deny the moral viciousness of luxury, which he strictly defined as “every thing . . . that is not immediately necessary to make Man subsist as he is a living Creature” (107). But he argued that luxury could, if properly managed by the state, lead to outcomes that most people would agree were beneficial. These outcomes in particular were economic growth and state power. Concerning economic growth,

Mandeville's main point (later seemingly echoed by Smith in TMS IV) was that the demand for luxuries necessarily employs "a million of the poor" (107). He then believed that a properly controlled trade balance could translate that growth into political power through wealth. Mandeville's long-lasting contribution in this matter was his decoupling of the traditional pairing of beneficial causes and worthy effects (Berry 1994, 128).

Hume embraced Mandeville's decoupling of intentions and outcomes, but rejected the core of his moral evaluation. He understood the signification of the term "luxury" to be ambiguous; a general evaluation of "luxury" consumption or the pursuit of "luxury" is impossible outside of one's particular situation and its material and social conventions. Second, he understood that although the individual pursuit of wealth beyond the necessary might not be virtuous, it sets in motion a social process by which the conditions best suited for the attainment of virtue and happiness are realized – the liberty and rule of law provided by the political and social framework of commercial society (for discussion, see Sabl 2012, Chapter 2). Hume understood that "*industry, knowledge, and humanity, are linked together by an indissoluble chain, and are found, from experience as well as reason, to be peculiar to the more polished, and, what are commonly denominated, the more luxurious ages*" (Hume 1987, 271; italics original).

Mandeville and Hume's perspectives on luxury illuminate Smith's analysis in TMS IV.i.8-10. Smith decouples the connection between good intentions and good outcomes and bad intentions and bad outcomes. He argues that even misguided pursuits of wealth have historically had an important beneficial aspect. Such pursuits led humankind "to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve

all the sciences and arts” (IV.1.10). From an historical perspective Smith can say that it is unambiguously “well” that individuals *were* “deceived” into pursuing wealth and items of luxury in that their deception was instrumental in bringing about important economic, social, political, and moral developments.

In WN Smith directly builds on Hume’s theory of the “indissoluble chain” that connects industry, knowledge, and humanity (he mentions Hume by name in WN III.iv). He elaborates his view of the historical progression that implicitly underwrites his short analysis in TMS IV.i.10, describing how luxury demand and the pursuit of wealth led, at least in the British case, to the emergence of a modern commercial society of liberty and security. In the pre-commercial, agrarian world, consumption options were quite limited—all that the feudal barons and lords could do with the surplus produce of their land, according to Smith, was directly consume it or use it to maintain “a multitude of retainers and dependents” (WN III.iv.5). Lords largely used their surplus to secure their own political and social authority by tying a number of dependents to themselves, becoming the “judges in peace, and the leaders in war, of all who dwelt on their estates” (WN III.iv.7). Smith continues that “they could order and execute the law within their respective demesnes, because each of them could there turn the whole force of all the inhabitants against the injustice of any one” (WN III.iv.7). The centralized imposition of feudal law in England did little to diminish the power of these great lords, and “the open country [in England] still continued to be a scene of violence, rapine, and disorder [between lords, barons, etc.]” (WN III.iv.9).

What changed the political and social fabric of the country from a collection of warring states to a more integrated political order was the introduction of commerce and the extension of the market. Luxury items appeared to the lords as a substitute for maintaining retinues of dependents; these items became preferable because their consumption was perceived to be excludable.<sup>9</sup> But the pursuit of these luxury commodities had unintended consequences—it caused a breakdown in feudal power structures and created an independent middling rank of merchants and artificers:

For a pair of diamond buckles perhaps, or for something as frivolous and useless, they [landlords, like the one he speaks of in TMS IV.i.10] exchanged the maintenance, or what is the same thing, the price of the maintenance of a thousand men for a year, and with it the whole weight and authority which it could give to them . . . . [For] the gratification of the most childish, the meanest and the most sordid of all vanities, they gradually bartered away their whole power and authority.  
(WN III.iv.1)

The pursuit of luxury goods gradually broke the connection between the lords and their dependents. The administration of justice was no longer carried out by individual barons and lords. The locus of actual legal power shifted upwards toward the king and the centralized state. The long-run result in Britain was the establishment of an integrated

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<sup>9</sup> Note that the underlying psychology of the lords in Smith's WN account is directly parallel to that of the selfish and rapacious landlord treated in the invisible hand passage in TMS IV.i.10. His description in WN elaborates the same principle: "All for ourselves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind. As soon, therefore, as they [the proprietors] could find a method of consuming the whole value of their rents themselves, they had no disposition to share them with any other person" (WN III.iv.10).

political order within which a network of mutually beneficial transactions between independent political equals replaced the traditional network of subordination. Liberty and security emerged as the unintended consequence of luxury pursuit. Smith reiterates the point:

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 [the proprietors and lords] became as insignificant as any substantial burgher or tradesman in a city. A regular government was established in the country as well as in the city, nobody having sufficient power to disturb its operations in the one, any more than in the other. (WN III.iv.16).

It is also important to note the connection Smith sees in these sections of WN between luxury pursuits and economic growth.<sup>10</sup> He says in passing that due to the division of labor and extending market, the proprietors and lords could indirectly maintain “as great or even a greater number of people than [they] could have done by the antient method of [direct] expence” (WN III.iv.11). The purchase of a diamond buckle directly supports the merchant from whom it is purchased, but indirectly supports a whole host of artificers and laborers that contribute to the production process. Smith elaborates the direct and unintended indirect support of different kinds of work that exchange and the division of labor afford in his discussion of the woolen coat in WN I.i. Elsewhere in WN, and

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<sup>10</sup> For a detailed analysis of the role of luxury taste in Smith’s theory of economic development see Rosenberg (1968).

in clear connection with TMS IV.i.10, Smith makes a related point, saying that “the poor, in order to obtain food, exert themselves to gratify those fancies of the rich, and to obtain it more certainly, they vie with one another in the cheapness and perfection of their work” (WN I.xi.c.7). The rich “have the command of more food than they themselves can consume” and trade the surplus away to the poor for “the amusement of those desires which cannot be satisfied, but seem to be altogether endless” (WN I.xi.c.7). The end result of the vain pursuits of the rich is the hiring of more workers and the distribution of product which leads to an increase in sustainable population levels. Thus the selfishness and vanity of the rich, of the lords and baron, through the mechanism of luxury demand, inadvertently leads to political stability and security and population and economic growth.

## **5. On happiness**

Smith closes his discussion in WN on the move away from feudalism toward commercial society by commenting on its effect on happiness. He speaks of the coming of commercial society as “a revolution of the greatest importance to the publick happiness” unintentionally brought about by proprietors and merchants, neither of whom “had either knowledge or foresight of that great revolution which the folly of the one, and the industry of the other, [would] gradually bring about” (WN III.iv.17). This comment usefully sums up the thrust of Smith’s social analysis in TMS IV.i.10. In moving then from this important point toward an attempted synthesis of the wealth-happiness dialectic it is useful to consider two questions: (1) How does Smith conceive of happiness? (2) Why exactly does

Smith view the coming of commercial society as a revolution of the greatest importance to happiness, especially in light of the splenetic pole of his wealth-happiness dialectic?

Happiness is an broad concept.<sup>11</sup> It is a phenomenon that Smith would likely consider “loose, vague, and indeterminate,” admitting of a “general idea” but resisting precise formulation (TMS III.6.11). Smith doesn’t treat the notion of happiness directly or systematically in his work. But from his scattered comments we might say that happiness for Smith seems to have three principal elements: (1) basic material welfare, (2) social relationships, and (3) the tranquility conferred by the approval of conscience.

The basic material component of happiness is the consumption which is required for health and self-preservation. Humans are naturally constituted to seek their own physical preservation and healthfulness before turning to anything else. Happiness requires a living person to *be* happy. Smith speaks to this connection directly in section 1 of Part 6 of TMS, titled “Of the Character of the Individual, so far as it affects his own *happiness*; or of Prudence” (italics added): “The preservation and healthful state of the body seem to be the objects which Nature first recommends to the care of every individual.” (TMS VI.i.1). Beyond self-preservation, the material element of happiness in Smith is a socially-determined baseline level of wealth contributing to a person’s “healthful state.” Smith speaks of such a baseline, for example, when he refers to the “necessities of

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<sup>11</sup> There are different ways to think about happiness. Happiness can be taken as a transient state of mind, reflected by statements like “I feel happy when the weather is nice.” But happiness can be taken in a broader sense as a concept of human flourishing, hearkening back to the Greek notion of eudaimonia. In this paper, I’m concerned with happiness of the second kind. For an overview of the two kinds of happiness, see Haybron (2011).

nature,” which can be supplied by “the wages of the meanest labour.” These necessities are “food and clothing, the comfort of a house, and of a family” (I.iii.2.1). In the modern world the necessities and even conveniences of nature are “very easily supplied” (VI.i.3). The material component of happiness, though real, is relatively minimal. The material in Smith provides a framework in which the more significant elements of happiness take form.

A more important element of happiness for Smith is relationships— genuine community and friendship with others. Humans take pleasure in communicating and sharing sentiments with others through sympathy. Such social desires and affections are “felt, not only by the tender and delicate, but by the rudest vulgar of mankind.” Our relationships are “of more importance to happiness than all the little services which could be expected to flow from them” (TMS I.ii.4.1). Smith puts this a different way, saying, “the chief part of human happiness arises from the consciousness of being beloved” (I.ii.5.2).

One of the problems with ambitiously seeking wealth is that it may actually come at the cost of our relationships. There are two reasons for this. First is simply the fact that time is scarce. Spending time haplessly pursuing wealth, like the poor man’s son, means not cultivating friendship and enjoying one’s family. Part of the poor man’s son’s misery comes from the fact that his ambition leads him to serve “those he hates, and [be] obsequious to those whom he despises.” In so doing he “sacrifices a real tranquility that is at all times in his power” (TMS IV.i.7). Part of that sacrifice is the likely the cost of his relationships. Smith makes a similar point in recounting a story in Plutarch:

When the favourite of the king of Epirus said to his master, may be applied to all men in the ordinary situations of human life. When the King had recounted to him,

in their proper order, all the conquests which he proposed to make, and had come to the last of them; And what does your Majesty propose to do then? said the Favourite.—I propose then, said the King, to enjoy myself with my friends, and endeavour to be a good company over a bottle.—And what hinders your Majesty from doing so now? replied the Favourite. (TMS III.3.32)

Smith closes the story with his own commentary: “In the most glittering and exalted situations 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 [we already have in our power]” (III.3.32). Insofar as our own happiness is concerned, wealth should be cultivated and managed to provide a material framework or state of affairs in which we can enjoy our family and friends.

The second reason that ambitious wealth-seeking comes at the cost of relationships is because it can tend to alienate us from our relationships. Rapid changes in fortune and status can sow discord and disrupt the flow of sympathy. Our friends and family are not normally disposed to fully sympathize with dramatic increases in our fortunes—winning the lottery, for instance—but rather are in such cases prone to envy and judgment. Smith warns us that a rapid change in fortune will generally lead us to leave our old friends behind and drift toward isolation (see TMS I.ii.5.1).

A third element of happiness is the tranquility that comes from the approval of the conscience, an approval which is earned through the cultivation and practice of virtue. “Warranted self-approbation yields the greatest pleasure of all, namely tranquility” (Griswold 1999, 134; on the importance of tranquility see TMS III.2.3, III.3.30,33) We

aren't content if we don't feel we have acted properly. The belief that we have behaved contemptibly, or simply withheld due gratitude or resentment, weighs on our consciences. In one of his direct comments on happiness Smith speaks to the importance of the approval of our conscience for our happiness: "What can be added to the happiness of the man who is in health, who is out of debt, and has a clear conscience?" (TMS I.iii.1.5).

The tranquility that comes with a clear conscience and leads to happiness has an active component. To have the approval of one's conscience, or in Smith's terminology the man within the breast, implies the practice of virtue. This is clear in a number of places in TMS, especially in the well-known earthquake passage (III.3.4). Smith says that a man would in fact be more concerned, more affected, by the loss of a finger than by hearing of a tragic earthquake in which hundreds of millions of people died. But the man also would, given the opportunity, readily sacrifice his finger to save the earthquake victims in an active context. The approval of conscience depends upon him fulfilling his duty. Tranquility is not disengagement with the world but virtuous engagement and consequent contentment.

If happiness in Smith can be approximated by, basic material provision, community, and the approval of conscience, why then does he describe the emergence of commercial society from feudalism as "a revolution of the greatest importance to the publick happiness"? I agree with Rasmussen (2006) that the answer to this question is that Smith understands commercial society to alleviate a host of miseries from human life and provide the best arrangement, relative to realistic alternatives, in which happiness can be pursued.

Commercial society's alleviation of miseries is achieved, in Smith's account, through economic growth and the material provision for the poor and the establishment of liberty and security. Economic growth enables more people to have their basic needs met; liberty and its institutional counterpart of the rule of law, in addition to facilitating economic growth, provide proper conditions in which genuine relationships can be developed and virtue can be pursued.

Smith's analysis of commercial society is filled with approving references to the beneficial effects of economic growth on the poor. Through all his works he views the welfare of the worst off as a matter of great importance: "no society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable" (WN I.viii.36). It is commercial society, through the division of labor and the accumulation of capital, that makes, in Smith's mind, the frugal English peasant richer than "many an African king" (WN I.i.24); it is commercial society that moves humankind out of the world of "universal poverty," which is misguidedly (and unknowingly) applauded by the champions of "universal equality" (WN V.i.b.7); it is commercial society that allows even the person of the "lowest and poorest order, if he is frugal and industrious, to have access to and enjoy a great share of the necessaries and conveniences of life" (WN Intro.4). The provision of real goods that makes up the wealth of nations enables population to grow and improves physical conditions for many. It enables more people to live by increasing population growth and decreasing mortality rates. It enables more of the people who live to have their basic needs met, satisfying their own basic material preconditions for happiness.

Liberty, security, and economic growth interrelate—the free movement of labor and capital and free flows of goods and services in a well-governed society are at the heart of Smith’s political economy and his theory of the wealth of nations (e.g., WN IV.ix.51).

Liberty, as far as happiness is concerned, derives indirect value from the economic growth it facilitates. But on a more fundamental level, liberty lays the groundwork for happiness by giving people freedom of choice and facilitating the development of relationships and the practice of virtue. People value freedom in their person and possessions: they are “jealous of their liberty” (WN I.x.c.59). The very idea of happiness for Smith as an object or state of pursuit seems to require freedom of choice, understood negatively as a lack of physical restraint on person or property. Smith in fact indicates the basic importance of liberty to happiness directly in TMS: “Except the frivolous pleasures of vanity and superiority, we may find, in the most humble station, *where there is only personal liberty*, every other [pleasure from which derive our real happiness] which the most exalted can afford” (TMS III.3.32; italics added). Concerning the pleasure of relationships, the exchange of sympathy (and goods and services), and the practice of virtue in Smith are all articulated within a frame of self-possession and voluntarism. The very title of TMS in its full intended form makes this clear: “The Theory of Moral Sentiments, or An Essay towards and Analysis of the Principles by which Men naturally judge concerning the Conduct and Character, first of their Neighbours, and afterwards of themselves” (Raphael and Macfie 1982, 40). Political power and material dependency distort relationships and, along with riches, rank as among the chief corruptors of our moral sentiments (TMS I.iii.2.3). The discovery of the good and the nature of virtuous conduct in particular situations requires ongoing social conversation

between free political equals—virtue is, by and large, not the business of the political superior (see TMS II.ii.1.8).

## **6. A potential resolution**

Once Smith's social analysis in TMS IV.8-10 is understood, along with the character of his view of happiness, the question remaining is this: given knowledge that we, like the poor man's son, are apt to be deceived into ambitiously pursuing wealth at the cost of our own happiness, but also that our pursuit of wealth may contribute to the continuation of commercial society, what should we do? It is true that commercial society facilitates deception and can lead to unhappiness. Beyond a fairly minimal threshold, material improvements don't contribute meaningfully to our lives. We can pursue them sometimes at the cost of relationships and virtue. But it is equally true that commercial society provides for the needs of the many, liberates from direct dependence on masters and lords, and provides a secure framework in which individuals have the freedom to organize their lives. How should this all be synthesized? What kind of life is Smith implicitly recommending, and what should a future poor man's son, as it were, do?

In an interpretation of TMS IV.i.8-10, Lisa Hill (2017) argues that the "story of 'the poor man's son' points to a significant tension between his personal ideal of happiness and his...recommendations as a social scientist" (10). She concludes that he ultimately becomes a "cheerleader for the kind of ersatz or second-rate happiness that is the mainstay and very engine of commercial societies" (15). I agree with the spirit of this claim inasmuch as it reflects the fact that Smith ultimately authorizes the pursuit of income and the bustle of

commercial activity. The analysis embedded within Smith's dialectic in TMS IV.1.8-10 helps us to see the unintended beneficial effects of the pursuit of wealth, even if the motivations behind that pursuit are imperfect. Smith does not morally endorse avarice; he clearly disapproves of it. But by presenting a dramatic argument of the unintentional benefits of avaricious, wrong-headed wealth-seeking, then a fortiori he makes a case for properly motivated wealth-seeking bounded by the rules of justice.

In the wider arc of his thought, however, I submit that Smith pushes for something beyond the kind of ersatz or second-rate happiness that Hill says he favors. Hill (2017) contends that "Smith's positivity about *eudaimonia* is really only his personal rather than his professional position" (22; italics original). I think this may be an overstatement. By way of the tension in TMS IV.i.8-10, Smith actively encourages the reader to reflect on how the pursuits of wealth and happiness may become balanced and complementary, not oppositional modes of life. He is not advocating that people give up their commercial enterprises for the sake of ascetic pursuits of wisdom and virtue. But he is pushing his readers to reflect upon how commercial enterprise might be undertaken in an appropriate manner not inconsistent with cultivating one's relationships and pursuing virtue—not inconsistent with cultivating real happiness.

I follow Ryan Hanley (2009, 100–132)—who argues that Smith was a true friend of commercial society, clearly seeing both its virtues and flaws—and suggest that the key here is Smith's elaboration of prudence in TMS VI. Whereas prudence is sometimes associated with "economic" ends or "utility maximization" (e.g., McCloskey 2008), Smith's conception runs deeper. It is true that an important part of prudence is "economic," i.e., concerning the

industrious and frugal “care of the health, of the fortune” and “of the rank and reputation of the individual” (TMS VI.i.5), along with the gradual accumulation of material wealth (VI.i.12). But Smith’s description of prudence encompasses other important aspects of character. Smithian prudence includes a number of character traits that seem to take into account the splenetic view of wealth. Smith’s chapter on prudence almost reads as if it were written with TMS IV.i.8-10 in mind, which supports Hanley’s (2009) reading of the final edition of TMS, especially Part VI which was new to the final edition, as a guidebook to virtue in the age of commerce. For present purposes, I highlight two aspects of Smithian prudence that ward off the potential maleffects and deceptions of wealth-seeking: sincerity and contentment.

The prudent man is sincere in his interactions with others and in his self-regard. This has two important implications. First, sincerity renders the process of wealth acquisition agreeable. The prudent man seeks to increase his wealth and practices an honest commerce comprised of genuine relationships and interactions, where he trades upon the legitimate value of his talents and interests. His talents “may not always be very brilliant” but “they are perfectly genuine” (TMS VI.i.7). Whereas the poor man’s son “serves those whom he hates and is obsequious to those whom he despises” (IV.i.10), the prudent man is “simple and modest, ... averse to all the quackish arts by which other people so frequently thrust themselves into public notice and reputation” (VI.i.7). If the poor man’s son had, instead of subjecting himself to misery, simply and honestly presented himself and his abilities, he may not have regretted his life choices; his process of wealth acquisition could perhaps have been more pleasant.

Second, the sincerity aspect of prudence emphasizes a kind of self-affirmation that provides a partial antidote to vanity. Note that Smith conceives of the poor man's son's desire for wealth, particularly for luxury items, as stemming not from direct considerations of utility but from an imagination of how wealth would appear to *other* people (TMS IV.i.8). It is not wealth *per se* that motivates, but rather his desire for the social distinction that wealth confers.<sup>12</sup> It is not only the restless industry and sacrifice of ease that contributes to the poor man's son's unhappiness, but also his desperate move to "bring [his] talents into public view" (IV.i.8). The prudent man, though concerned with becoming a proper object of confidence, esteem, and good-will (VI.i.4), seems to be relatively immunized, by Smith's description, from such vanity: "He neither endeavours to impose upon you by the cunning devices of an artful imposter, nor by the arrogant airs of an assuming pedant, nor by the confident assertions of a superficial and imprudent pretender" (VI.i.6). The sincerity aspect of prudence somewhat discounts the public light; the prudent man cares little for the favor of "little clubs and cabals" (VI.i.7) and "convivial societies...distinguished for the jollity and gaiety of their conversation" (VI.i.8). The prudent pursuit of wealth thus entails a sincere and authentic commerce with a relatively limited concern for public appearance and status signaling.

The second important character aspect of Smithian prudence is contentment and limited aspiration. The prudent man recognizes that changing his permanent material

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<sup>12</sup> Hill (2012) usefully distinguishes two parts of self-interest in Smith: one which involves desire or appetite, and one which involves ambitious spirit or "thumos." The latter part often seems to be the more psychologically powerful. Knud Haakonssen (1981) even goes as far as claiming that "taste and vanity constitute the 'invisible hand' that leads and directs all the individual human lives into a more or less orderly social process" (183).

situation beyond a certain point will not significantly affect his happiness. The anxiety associated with that change “might endanger, but could not well increase, the secure tranquility which he actually enjoys” (TMS VI.i.12). Consequently, he simply seems to view wealth as instrumental to his tranquility and enjoyment. He is driven to improve his material situation so that he might “gradually...relax, both in the rigour of his parsimony and in the severity of his application” (VI.i.12). But he has no ambition for public recognition or vain glory. “In the bottom of his heart he would prefer the undisturbed enjoyment of secure tranquility, not only to all the vain splendor of successful ambition, but to the real and solid glory of performing the greatest and most magnanimous actions” (TMS VI.i.13).

Prudence is of course not the end of virtue for Smith. It is a baseline. But it does appear to provide a way in which wealth can be pursued and kept in its proper place. By way of a prudent pursuit of wealth, we can contribute to the continuation of commercial society, supporting the independency, liberty, security, and material welfare of others, while still leaving space for the more significant elements of our happiness. Perhaps this is a plausible way to synthesize the dialectic of IV.i.8-10.

## **7. Concluding remarks**

Smith’s thought is at times puzzling. In the case of the story of the poor man’s son, I think it is intentionally so. The open-ended dialectic that Smith there presents may well be an effort to flag our attention, to get us, Smith’s readers, to wrestle with and attempt to resolve a significant tension in modern commercial life. My interpretation is that Smith

implicitly recommends in TMS IV.i.8-10 that we pursue wealth, but that we do so prudently, in a way that won't detract from other important aspects of life, namely our relationships and our cultivation of virtue. Smith thinks that a society characterized by individuals prudently pursuing wealth, while perhaps strictly on that dimension only worthy of a "cold esteem" (TMS VI.i.14), will tend towards liberty, security, and economic growth. These conditions which the prudent pursuit of wealth brings are worthy of a warmer and higher esteem in that they sustain a social, political, and material framework in which happiness might have opportunity to flourish.

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