ADAM SMITH, THE THEORY OF VALUE, AND THE HISTORY OF ECONOMIC THOUGHT

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Discussion Paper  #3

November 1983
It is quite possible to write a history of thought 
............using... controversies as starting-points 
or themes. But one would then be writing only a history 
of opinions, that is, of the choices operated according 
to individuals, environments, social groups; and a whole 
method of inquiry is thereby implied. If one wishes to 
undertake an archaeological analysis of knowledge itself, 
it is not these celebrated controversies that ought to 
be used as the guidelines and articulation of such a 
project. One must reconstitute the general system of 
thought whose network, in its positivity, renders an 
interplay of simultaneous and apparently contradictory 
opinions possible.

Michel Foucault, *The Order of Things*, *An Archaeology of the Human 
Sciences*, p. 75.
In this paper, I will present an analysis of the conceptual structure of The Wealth of Nations. I will argue that there is a very close relationship between the sociology of Smith's division of labor and the analytics of his value theory. The division of labor is the primary concern, and opening salvo, of Smith's text. Historians of economic "analysis," however, have been preoccupied with the theory of value. It is appropriate therefore to ask about the relationship between Smith's particular theory of value and his particular conception of the division of labor. It is appropriate indeed to ask about the extent to which the former is dependent on the latter.

The practice of reading, and judging, Smith from the standpoint of modern economic theory has been quite common. I will argue, however, that the analytical problems of The Wealth of Nations can, and should, be identified and discussed solely by reference to Smith's sociology--i.e., his conception of the division of labor. Of course, this will introduce methodological and epistemological issues. On this score, I will argue that the value of Smith's text to the history of economics lies not so much, if at all, in any specific concept it produced, but in its having created the discursive space of economic "theory." And, moreover, not only did The Wealth of Nations create the possibility for an "theory," but by doing so it also delineated the space within which, and thus necessarily the form in which, different views of the social nature of economic activity could first be formed and then be aired and discussed.

This paper has two main sections. The first will discuss the methodology used in the paper, especially the nature of our opposition
to the "absolutist" view of economic analysis. The second section will then discuss the actual relation between Smith's sociology and his theory of value. As many have argued, the value of historical studies such as this is that they may shed light on the nature of "economic theory" and thus be of aid to the current theoretical process. We will therefore conclude by suggesting some of the ways in which our reading of Smith may be of such aid.

On Method

As stated, we will use the division of labor as the referent for our understanding of Smith's analytics and as the standard for passing judgment on the coherence and completeness of his text. But, since this approach will not go unchallenged by those who judge analytical questions from the vantage point of modern theory, it may be well to discuss first the implications and value of our method.

We will treat the division of labor as the core-structuring concept of *The Wealth of Nations*. This may provisionally be understood in terms of Schumpeter's thesis that economic theorizing proceeds from an essentially "preanalytic cognitive act" [Schumpeter, 41]. We may thus suggest that the division of labor functions as the locus (concept) into which Smith's own preanalytic acts are first condensed, and out of which they are then dispersed according to the logic of the systematicity of a text. We however do not accept Schumpeter's thesis that the question of the analytic strength and validity of a text should be divorced from the question of the vision of the theorist. For us, the vision and the nature of analysis are inextricably bound
to each other. Thus, we argue that (sociology of) the division of labor not only provided Smith with a way to conceptualize problems, but indeed with the problems to be conceptualized and, most significantly, with a standard for the production of those analytical categories needed to give a theoretical form and resolution to those problems.

Schumpeter's boundary between analysis and vision is, of course, part of the absolutist view of economics. The view gets its name from the epistemological underpinning that what is and is not analytically rigorous can, at least in principle, be defined in absolute, a-historical terms. It is from this epistemological stand that it is proposed that the analytical rigor of a text should be discussed independently of the vision of that text's author. The absolutist view, moreover, requires the use of a continuist method of historical construction, and it thus produces the history of the discipline as a history of ideas that have "a momentum of their own" [Blaug - 3]. For, only such a view of history can justify the use of modern economic theory as a standard with which to judge the analytic achievements and/or failures of the texts of the past. This is of course the view of science discussed critically by Kuhn in The Structure of Scientific Revolutions.

A prime example of the absolutist view, and an example of special interest to us, is Blaug's discussion of Smith's theory of value. Through the filter of the neoclassical paradigm, Blaug argues that Smith's "natural price" can be reduced to "a special case of the Marshallian theory of value, the case in which price is determined by supply alone"--i.e. constant returns to scale. Then, with admirable
epistemological self-consciousness, Blaug adds: "The fact that we need Marshall to make sense of Smith affords an excellent illustration of what is meant by analytical progress in economics" [Blaug - 43-44]. Blaug's discussion itself affords an excellent illustration of the intimate relation that exists among the category of scientific progress, the continuist approach to the history of the discipline, and the absolutist view of "analysis."

As this example, through Blaug, shows, the methodological prescriptions of the absolutist view are such that no text of the past can ever be read as an analytically self-sufficient text. For, as long as there has been "progress" (and it is the whole point of this view to argue that there has been progress), this progress has consisted in the development of the analytical tools that either have rendered explicit what was unrecognized in the past, or have corrected the errors of the past. Thus, insofar as one is interested in judging the analytical rigor of a text of the past, one must use the modern text as a standard. The former, in fact, is defined as a "text of the past" because it is not analytically self-sufficient: it does not contain the tools necessary for us to judge it.

The absolutist view has come under attack because, in order to carry out its task of judgment, it has had to assume that the texts of the past must have operated within the same general frame of reference as that of modern analysis. To this objection, some have responded not by abandoning the absolutist view altogether but by limiting the scope of its operation. Thus, in his Economics of Adam Smith, Hollander has justified reading Smith from the vantage point of general
equilibrium theory on the bases of a prior and independent judgment that he (Smith) indeed adopted "the position that price mechanism can be relied upon to clear product and factor markets" [Hollander - 13].

But, there is a more powerful critique that the absolutist method cannot answer, even by limiting the scope of its operation. In fact, what is involved in the method of absolutism is not only a question of judgment, but also and most importantly, a question of "understanding." Thus we have just seen Blaug arguing that "we need Marshall to make sense of Smith." From the standpoint of his epistemology Blaug is correct. For, as we have argued, to justify the passing of an analytic judgment on a text of the past using the tools of the present, it must be shown that the text of the past is operating within the general reference frame of the modern text. But, it is only the tools of the present that specify what this frame of reference is. So that it is impossible to think that one can ascertain the text of the past was working within the modern frame of reference without surreptitiously using that very same frame of reference in order to understand what the text of the past "must have been trying to say."

The primary issue in the reading of Smith has been the status of his theory of value. All those who have read Smith from the vantage point of later discourse(s)--and neoclassicals are not alone--have understood and portrayed his value categories as attempts to theorize the particular value theory of their paradigms. They have made their case as best they could by playing on the ambiguity of some of Smith's statements. Those of Smith's statements that have not fit within the theoretical grid of post-Smithian discourse(s), the readers of his text
have interpreted as indexes of theoretical confusion, analytical limitations, and methodological duality. They have all been correct; but correct, of course, only from the standpoint of absolutism.

If we reject absolutism, it is clear that we must read *The Wealth of Nations* as an analytically self-sufficient text. This is what we propose to do by using the division of labor—and not the market clearing function of price, nor the extraction of surplus value, nor the laws of distribution *à la* Ricardo—as Smith's entry-point, as the referent from which to judge the analytical strengths and weaknesses of his text.

But the real question is: what is the value of this attempt to restore to *The Wealth of Nations* that measure of coherence of which it has been stripped?

The rejection of the absolutist view does not indicate an atavistic interest in Adam Smith on our part. Blaug is correct in arguing that "judging past theory on its own terms . . . is an impossible accomplishment." Nor is it possible to simply read Adam Smith without having in mind the issues and concerns of the economic discourse of the present. We share the concern which is the rational kernel of the absolutist view that the importance of forays into the history of thought lies in their possible contribution to a better understanding of the concerns of modern economic theory. We are also concerned with the past for the sake of the present. Nonetheless, our method of reading Smith is different from the method of absolutism because the issues we want to discuss and lessons we want to learn are different from the issues discussed and lessons taught by absolutism.
It cannot be said that economic discourse is, at present, in a healthy state. An index of the problem is the by no means constructive formalism that pervades economic theorizing. The pervasiveness of this formalism is evidenced by the fact that even the debate between alternative paradigms has, at times, been conducted through the simple counterposition of highly abstract and formalized models of price determination. In fact, the existence of different and competing paradigms makes this tendency to formalism a simmering, if not exactly burning, issue. For, it is clear that what needs to be discussed are not only questions about the internal logic and conceptual structure of each paradigm—important as these questions may be—but also questions about the episteme of economic discourse itself. It is in order to uncover this episteme that the absolutist view must be rejected.

There is in fact a common episteme running across paradigms. We may call it the essentialism of the concept of value theory. True, there are different theories of value. But they are designed to answer the same question about what the essential structure of economic relations is. The theory of value, in other words, acts as a locus where all the qualities of the experience of economic life are condensed. Therefore, theorizing about the quality and nature of economic life has taken the form of theorizing abstractly about value.

Now, the problem we have with the absolutist view is that it does not accept that the very idea of "analysis separate from ideology" is itself ideological. The absolutist view therefore does not, and cannot, critically question the episteme that provides it with the tools of its trade. But, be that as it may, the problem also extends
beyond the practice of the strict absolutist. In fact, even those who have challenged the exclusive claims of scientificity of the orthodox theory of value, and who have thus addressed the question of the paradigmatic nature of different theories of value and analytical techniques, have nonetheless tended to give priority to the formalization of their theory of value. All too often the references to kuhn have had more the character of ritualistic prefaces designed more to evade the question of the exact nature of the relation between vision and analysis than to introduce it as a major concern.

Thus, the question of the episteme of economic discourse in general, the question about the homogeneity of economic theory in general, still cries out for an answer. How is it possible for different visions of society to all be dressed up in the garb of the same formalism? If the various visions of the nature of economic activity, in order to be accepted as candidates for the house of "theory," must all be reduced to the formal structure of value theory, then does this not impose inescapable limits on "theory" itself? For, does it not mean that only that which is quantifiable is theoretical? And does it not also mean that there is an in-built bias in economic discourse to quantify everything, and even to attempt to quantify the unquantifiable? This is in fact the episteme of economic discourse, or rather of that economic discourse which offers to the theory of value an unquestioned place of prominence.

It is an important question therefore to ask whether the course of economic theory and research should proceed within the homogeneity of economic discourse as it now exists, or whether it should break out
of its epistemological limits. But it is clear that even to attempt to break out of these limits requires an awareness of them. And this is the value of studies in the history of thought for those who are interested in challenging those limits. Blaug wrote that "the task of the historian of thought is to show how definite preconceptions lead to different kinds of analysis and then to ask whether the analysis stands up when it is freed from its ideological foundation." But, if this were the task of the historian of thought, that would be tantamount to never asking the question about the epistemological limits of modern economic theory. For, as we have argued, to pass judgment on the analysis of a text of the past requires the use of the analysis of the modern text as a standard. And this use of the modern text as a standard presupposes the unquestioned episteme of modern economic discourse. It therefore follows that, if this episteme is to be questioned, the task of the historian of thought is to ask about the mental set-up that made possible, and continues to delineate the boundaries of, the homogeneity of economic theory.

Smith's text is particularly well suited to bring to the fore questions about the nature of economic theory. The Wealth of Nations is a watershed text in the history of economic discourse: it separates the more directly practical discourse, typical of the modern economic "commentary" as well as of the mercantilist writings, from the more formal and abstract discourse typical of economic theory since the times of Ricardo. The Wealth of Nations does not fit well with either type of discourse. But neither is it that simple mix of the two that some have interpreted it to be. Its watershed quality is rather due to the
fact that it transforms the nature of economic discourse: it produces an all-inclusive conception of society. It therefore sets the stage for the elevation of the theory of value at once to the very core of economic discourse and to the level of abstraction characteristic of the formalism of modern theory.

As a text in the history of economic analysis, The Wealth of Nations is an ambiguous text. It is ambiguous from the vantage point of modern discourse because the status of the theory of value there is indeterminate. The indeterminacy comes from the nature of the relationship between the theory of value and the division of labor. The division of labor, and not the theory of value, is the object of analysis in Smith's text. The function of the theory of value is simply to explicate the possibility and characteristics of the division of labor: it is a subsidiary function. Nonetheless, Smith's conception of the division of labor created those discursive conditions that, beginning with Ricardo, allowed for the theory of value to be catapulted to the center of economic discourse and for economic sociology to be submerged in the sea of formality of modern theory. In fact, as we shall see, Smith's conception of the division of labor plays intimately with that conception of human nature as a homogeneous mass of labor, and/or of toil and gratification, which is at the basis of the homogeneity of the calculus of modern economic theory.

We now turn to the reading of Smith's text. 3
SECTION II

The Theory of Value and the Division of Labor

The Division of Labor

There is a sense in which Smith's division of labor may be thought of as the sum of all the economic relations of his text. We have in fact proposed that the function of the economic categories is to theorize the possibility and characteristics of this division of labor. Our thesis however requires that the division of labor be conceived as more than the sum of its analytical parts. For, if the economic categories are, as we intend to show in the case of the value categories, a product of the structuring function of the division of labor, then this latter must be thought of as a concept existing independently of, and prior to, the economic categories it produces. The first question that must be answered therefore is about the nature of the independence of this concept.

We have argued that the structuring function of the division of labor can be understood by analogy to the Schumpeterian "pre-analytic cognitive act"—given of course the qualifications to Schumpeter's overall view that we have discussed. The division of labor therefore must come to be constituted as a concept in that nebulous area between analysis and the needs and conflicts of society that analysis recognizes and theorizes. It is in this space, which we hope to render less nebulous, that the division of labor exists as an independent concept: it is independent of analysis because its formation as a concept is the product of a "pre-analytic" act; it is
As a concept, the division of labor has a referent. For Smith, as we will see, this referent is "humanity." In fact, we will explain the conceptual independence of the division of labor as a function of the conceptual independence of this "humanity." The terms in opposition to which this humanity retains its independence are, of course, the same terms in opposition to which the division of labor must retain its own independence: analysis and society. In this space between society and analysis, this humanity also, as the division of labor, does not exist as an analytical concept: it will be the task of The Wealth of Nations to develop the tools with which the concept can be analytically constructed. Nor does this humanity exist immediately in society, with the force of the reality of an unquestioned concept: it will be the task of The Wealth of Nations to argue similarly that such an unquestioned social status be given to the concept.

Given that the division of labor stands as a referent for humanity, the pre-analytic structure of this division of labor must parallel the pre-analytic structure of the concept of humanity. We use this term, "pre-analytic structure," to refer to the range of concerns and conceptions that do not fall within the field of economics "analysis" proper. Two such concerns are particularly important for us: political concerns and philosophical concerns. The formation of the concepts of "the division of labor" and of "humanity" will therefore be explained by the structure of these political and philosophical concerns.
The specific political problem that Smith confronted was that of finding the bases upon which a call could have gone out for the (political) allegiance of citizens to the unimpeded operation of the system of private property—unimpeded, that is, by the paternalism of feudal and mercantile policies. So important was this problem that, as is well known, the success of The Wealth of Nations was due to Smith's political philosophy, and not to his analytical powers. As is also well known, Smith found the resolution to this problem in the promise of the benefits that the extension of the division of labor would bring to the citizens in terms of an increased standard of living.

In this respect it is important to note that Smith's conception of the citizenry was all-inclusive: his call for political allegiance goes out not only to centers of power in English society, but extends as well, at least discursively, to all the "servants, labourers and workmen of different ranks (who) make up the far greater part of every great political society" [Smith - 78-79]. It is at this juncture that the concept of humanity comes in. In fact, Smith's all-inclusive conception of the citizenry is partly explained by some intellectual developments of the time dealing with the question of human nature. As Hollander [Hollander - 65] has pointed out, Smith's relation with the Scottish philosophers is responsible for his view that, in fact as well as principle, all human beings operate with the same set of propensities. This principle about the homogeneity of human nature was the product of psychological theories that had been promoted by the empiricist philosophies of Locke and Hume.
The importance of this intellectual development, for our understanding both of Smith and of the structure of later economic theory, cannot be emphasized too much. This development is in fact the philosophical conductor to the principle of "analytic equalitarianism" that Schumpeter spoke of and judged to be "the pillar of [the economists'] analytic structures" [Schumpeter - 122]. This principle is indeed operative in the development of Smith's analytics. However, what is important at this stage of our argument is to understand how it (the principle) affected Smith's choice of the division of labor as the point of entry into the house of theory. It is, after all, through the grid of the division of labor that the principle becomes operative at the level of "analysis."

Smith's conception of the problem of the political allegiance of the citizenry and his conception of human nature mutually define each other. The division of labor is important because it is the concept where the definition of human nature and the problem of political allegiance not only come into contact with each other, but merge and operate within the same discursive space. Here, the key to the riddle is the concept of wealth. The division of labor functions as a social mechanism for the production of wealth. And, for Smith, the concept of wealth accomplishes two important things at the same time (it is a composite commodity). On the one hand it defines the field of operation for the propensities of human nature as economic propensities. On the other hand, it delimits the nature of political interests as essentially the economic interests of wealth-consuming citizens.
The crucial role that the division of labor plays as the concept that formalizes Smith's "pre-analytic cognitive act" may now be more clearly understood. Through its relation to the concept of wealth, the division of labor is the concept into which Smith's political and philosophical concerns are condensed. It is therefore also the concept through which Smith must filter his economic observations and knowledges in order for these observations and knowledges to be transformed into the analytics of that text designed to express those concerns and give them a theoretical resolution.

We are now almost done with our discussion of the structure of Smith's concept of the division of labor. I say "almost," because we must address two further issues before we can understand Smith's value categories as the product of his conception of the division of labor. The first of these issues refers to the relation between this division of labor and capitalism as a specific socio-historical system. The second refers to the connection between Smith and the political theory tradition of the natural law philosophy of Locke.

The function of Smith's text was not only to theorize the division of labor as a system for the organization of production, but also as a socially cohesive such system. Now, the grounds for social cohesion are political; and, as we have seen, the political interests of the citizens are defined by their wealth-consuming possibilities. Therefore, to theorize the division of labor as a socially cohesive system was, for Smith, tantamount to theorize the division of labor as a system that subsumed the structure of production to that of consumption. This, of course, explains the emphasis that Smith put on
the price mechanism as a market-clearing device.

But while this subsumption of production to consumption is crucial for Smith, we should not for this reason think that he was operating within the same general frame of reference as the neoclassicals. In fact, Smith's consumers are by no means reducible to their counterparts in the neoclassical paradigm.

To see this, one need only remember the political concerns that structure Smith's concept of the division of labor, and therefore of wealth. As we have seen, Smith was concerned not only with his citizens as consumers of wealth but also with their political allegiance to the principle of private property. There is thus a definite sociology of property relations embedded in the pre-analytical constitution of Smith's concept of the division of labor. And it is clear that for Smith this was a sociology of "class." When Smith theorized the division of labor, he theorized the capitalist division of labor. Thus, if in the analytical plan of his text consumers play a role, as they must, these consumers are not defined abstractly but as consumers who also occupy a definite class position. In The Wealth of Nations, the socially homogeneous nature of consumption and the class structure of production move in tandem, are never separate from each other, but rather mutually define each other.

It should not even be said, at this point, that the specific theoretical problem that Smith faced was that of reconciling the capitalist structure of production, and its inherent conditions of structural inequalities, with the political interests of a citizenry defined as such by the homogeneity of economic needs and interests.
In fact, whereas "reconciliation" presupposes separation and conflict, the tenor of Smith's discourse is that no such separation and conflict exist in the system of the division of labor.

What should rather be said is the following: that, for Smith, the specific theoretical problem was to extend the unity between production and consumption that exists in each individual, that indeed defines the constitution of an individual as a rational economic being, to the social plane. The specific theoretical problem faced by Smith was how to constitute society itself as a unity of production and consumption, just as if society were understood as a homogeneous aggregation of individuals, while at the same time maintaining the heterogeneity of class relations.

For Smith, there is in fact a double link, of extension and contraction, between the individual and society. This double link is evident especially in the "non-analytical" parts of his text, as for example when Smith first discussed the social nature and benefits of the division of labor and then attributed the development of the division of labor to the natural propensity of the individual to "truck, barter, and exchange one thing for another" (13). Here, society appears as an extension of the individual, and the individual as a contraction of society. But this double link is operative not only at the metaphysical and metaphistorical level, but also at the analytical level (pointing of course to the intimate relation that exists between metaphysics and analysis). It is in fact our thesis that Smith's development of the value categories--i.e. his distinction between labor embodied and labor commanded--proceeds from, and formally
reproduces, this double link.

Smith's distinction between labor embodied and labor commanded is designed to perform a double operation. First, to introduce into the consumption activity of each individual the class structure of the process of production. Second, to represent the class structure of production as an extension of the rationality of individual consumption, or rather, the rationality of the consumption of the homogeneous aggregation of individuals. Smith's distinction between labor embodied and labor commanded is designed to produce, or at any rate has the effect of producing, a double reversal of roles, whereby the individual is reduced to society, and the society is reduced to the individual. Thus, far from being that index of confusion that many historians of thought have recognized in Smith's theory—a problem that economists have thought they have resolved—Smith's act of distinguishing between labor embodied and labor commanded was the act that was to seal the fate of later economic discourse. This it did in the sense of having created a specific discursive space where the distinction between individual and society does not play a role.

But there is that one last issue to be discussed before we open the door to Smith's house of theory. This is the connection we briefly mentioned above between Smith and the political theory of Locke. There is a similarity between Locke's and Smith's justification of bourgeois, capitalist, property rights. The nature of this similarity is crucial to our understanding of Smith's theory of value, and of distribution.
Locke's original (in a logical sense) justification of Private property was the "natural right" of individuals to their life and to the fruits of their labor. This right to the fruits of one's labor was to be turned by the utopian socialists into the nemesis of the established property order. For Locke, however, the principle was not to be held strictly, but rather was to serve only as a first step in the building of an argument that justified the existence of a class of propertyless individuals.\(^6\)

Originally (still in a logical sense), the Lockean right to the fruits of one's labor implied a social obligation: to appropriate only as much land as one could work—for, otherwise others might be excluded from the available land and thus be deprived of the right to labor and to the fruits of their labor. But, this social obligation was soon transcended by Locke, the mercantilist, with the introduction of money into the state of nature.

While, in fact, prior to the introduction of money, quantitative limits could have been placed on the wealth possessed and to be consumed by an individual, once money was introduced and wealth thus generalized into an abstract form, no such quantitative limits could have been placed. In abstract terms, no individual is wealthy "enough." It thus became possible to "accumulate" wealth, and therefore to appropriate more land than had been possible hitherto. It thus also became implicitly possible to appropriate land to the exclusion of others.

But what, then, became of the "right" of those who had been excluded from the land and thus deprived of the fruits of their labor?
How was it possible to justify this appropriation of land to the exclusion of others without at the same time destroying the philosophical principle upon which property rights had originally been made to rest? It is striking to note that for Locke the solution was the same as it was later to be for Adam Smith. We may quote extensively from MacPherson's discussion of Locke:

Although more land than leaves enough and as good for others may be appropriated, the greater productivity of the appropriated land more than makes up for the lack of land available for others. This assumes, of course, that the increase in the whole product will be distributed to the benefit, or at least not to the loss, of those left without enough land. Locke makes this assumption. Even the landless day-labourer gets a bare subsistence. And bare subsistence, at the standard prevailing in a country where all the land is appropriated and full used, is better than the standard of any member of a society where the land is not appropriate and fully worked: "a King of a large and fruitful Territory there [among several nations of the Americans'] feeds, lodges, and is clad worse than a day Labourer in England." Private appropriation, in this way, actually increases the amount that is left for others. No doubt at some point, there is no longer as much left for others. But if there is not then enough and as good land left for others, there is enough
and as good (indeed a better) living left for others. And the right of all men to a living was the fundamental right from which Locke had in the first place deduced their right to appropriate land. Not only is as good a living provided for others after the appropriation of all the land; it is by the appropriation of all the land that a better living is created for others. So, when the results of appropriation beyond the initial limit are measured by the fundamental test (provision of the necessities of life for all others) rather than by the instrumental test (availability of enough land for others to get the necessities of life from), appropriation beyond the limit takes on a positive virtue. [MacPherson - 212-13]

It is striking to note that the example used by Locke to make his point is virtually the same example that Smith was to use in his introductory chapter on the benefits of the division of labor.

The lesson that may be learned from this is the following. For Smith, as well as for Locke, the question of property relations was a practical, pragmatic question. They argued that that set of property relations was to be adopted which was most effective for the production of wealth. For Smith, the capitalist division of labor was such an effective system. And, if "in this state of things, the whole produce of labour [did] not always belong to the labourers," but had to be shared by them with the capitalists and landlords, there was nothing wrong in this. For, only with this social structure was it possible
to extend the division of labor and increase the standard of living.

With this under our belt, it is now possible to proceed to Smith's value categories.

The Theory of Value

A theory of value implies a process of exchange. And the process of exchange that Smith wanted to theorize specifically was that process which entailed the social reproduction of the division of labor. This means that Smith structured the value categories in order to show that the process of exchange brought about the reproduction of the social agents of the capitalist division of labor. It is thus that Smith thought of value as the sum of the incomes of the class agents of production.

The often-used critique that Smith really had no theory of value because he did not explain what, to begin with, determines wages, profits, and rents, is really not very strong. A good case can be made to show that The Wealth of Nations contains an analysis of the class distribution of the national product in terms that are structurally not different from those of the Ricardian system [Sraffa, p. 44], even if for Smith the actual determinants of this distribution are not the same as Ricardo's—the main difference being on the theory of wages.

It would however be a mistake to think that for Smith the theory of distribution was primary, and the theory of value secondary. We have not argued that for Smith distribution determines value. For him there can be no order of logical priority between value (exchange) and distribution. As we have seen, the theory of distribution is
intimately related to the political problem of the heterogeneity of capitalist property relations. But, as we have also seen, for Smith this problem could not have been separated from the homogeneity of human nature. This homogeneity Smith theorized through the concept of value. Therefore, Smith's theory of distribution cannot be explained separately from his theory of value; nor of course can his theory of value be conceived separately from the theory of distribution. (It should be mentioned in passing that the only other theorist for whom this is true is Marx.)

But before discussing exactly how Smith accomplished this marriage of distribution and exchange (circulation) as two equal partners, it is necessary to discuss briefly how value (exchange) theorized the homogeneity of human nature. Smith conceived of the homogeneity of human nature in the background of the bourgeois concept of "man" as "individual." Therefore, the homogeneity of the economic interests of the citizens was explained by, was the sum of, the individual's rational calculation of benefits and costs. Given the importance of the category of "labor" in the development of the philosophy of property "right," Smith of course presented this cost-benefit calculation in terms of labor effort.

We now have the tools necessary to explain the overall structure of Smith's theory of value. We proceed directly from the division of labor.

From our point of view, the question that Smith must have asked and attempted to answer with his theory of value was the following: What is the amount of wealth that each of the agents of the
division of labor must appropriate in order for there to be a social reproduction of the division of labor? And since wealth is the product of labor, and since moreover when there is a division of labor the wealth consumed by some is the product of the labor of others, this question was transformed into: How much of the labor of others must these agents be able to command in order for the social structure of the division of labor to be reproduced?

Thus, those are right who have argued that Smith had a labor-commanded theory of value. In fact, it could be argued further that for Smith labor-commanded functions not only as a measure of value, but as a cause of value as well, in the sense that it determines what the value of a commodity is. The necessity of value relations for Smith is understood in terms of the exchanges that must occur between individuals if the division of labor is to be reproduced. It is thus not possible to think of the labor necessary for the production of a commodity, whether that labor be conceived as a technically determined quantum of time or a subjectively determined quantum of "effort," as the "cause" of value.

It is not correct to think of Smith's "early and rude stage of society," where commodities exchange according to the labor embodied rule, as any example devised by Smith to assert the historical and/or logical primacy of labor embodied. It is not the case that Smith started with the principle of labor embodied, and that then, when he got into trouble trying to apply it to capitalist society, he changed course in the middle of his text. Smith was a much more systematic thinker than that. The function that the concept of labor
embodied plays in the discursive plan of Smith is rather different. It is the concept through which Smith transforms individuals into "humanity"—i.e., it is the concept through which Smith bridges the gap between the justification of property rights in terms of the right of the individual to the fruits of his labor and the justification of these rights in terms of the pragmatism of the division of labor. It is the concept through which Smith produces that double link, of extension and contradiction between the individual and society, of which we have spoken. Let's follow Smith as he lays the foundations of this link.

We have seen that for Smith labor-commanded is the cause and measure of value. The questions that Smith asked in the production of this category of value were different from questions about what is necessary to (re)produce a commodity. What is necessary to (re)produce a commodity is technically determined and can be expressed directly as the quantity of labor time embodied in that commodity. However, there is no reason to suppose a-priori that what is necessary to reproduce a commodity is *ipso facto* what is socially necessary for the reproduction of that commodity's producer. This *may* indeed be the case in some circumstances, but need not be so in all circumstances. It depends on the type of society.

Smith spoke of labor-embodied as affording a rule for determining labor-commanded in the "early and rude state of society."

According to him, in this society the reproduction of the "citizen," his command over wealth, over other people's labor, is *directly* determined on the basis of "his own" production of wealth. He only gets as much
wealth as he gives in exchange. But the interesting question is: Why should this be so? The answer is that in this early and rude society (Smith uses these terms as synonymous with the "society of savages"), the relationship between man and nature is direct and not socially mediated. Each producer's survival is directly dependent on "his" own "toil and trouble," and the extent of "his wealth" is determined by the extent of his toils and troubles. Thus, in the Theory of Moral Sentiments, Smith had written that

the general security and happiness which prevail in ages of civility and politeness afford little exercise to the contempt of danger, to patience in enduring labour, hunger, and pain . . . . Among savages and barbarians it is quite otherwise. Every savage . . . by the necessity of his situation is inured to every sort of hardship. He is in continual danger. . . . 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: And all savages are too much occupied with their own wants and necessities, to give much attention to those of another person.

[Mizuta - 124]

It makes sense therefore that in this society of savages, when the universal bonds of humanity have not yet been established (the division of labor has not yet been expanded so that the productive powers of labor are not such as to provide the mastery of man over
nature), the ability of each to survive must be directly related to what he himself produces ("all savages are too much occupied with their own wants and necessities to give much attention to those of" others).

It is different, however, in civilized society. Here men live not in a direct relation to nature, but in a relation of "humanity" to nature. This, we propose, is for Smith the meaning of "the division of labor." In this society, the reproduction of producers depends not on their own direct toil and trouble but on the toil and trouble of others. And since the wealth of the nation, and therefore of every individual within it, depends on the division of labor, and is not simply an expression of an individual's own toil and trouble, then the distribution of wealth that reproduces the division of labor is not directly, or at least not necessarily, determined by the rule that each consumes what s/he produces. Thus, we no longer speak of individuals producing, but of society producing; and the consumption of wealth now must be that consumption that reproduces the whole gamut of social relations entailed in the division of labor.

As we have seen, Smith theorized the division of labor as occasioned by private property over land and capital. In fact, he made the accumulation of capital a necessary condition of the division of labor [Smith - 259-61]. It then follows that for him the reproduction of the division of labor should entail the reproduction of capitalist property relations, and that a good should command (must command if the division of labor is to be reproduced) that quantity of labor that is necessary to pay not only wages, but also profit and rent.
But while Smith has been accused of having gone from a labor theory of value to a cost-of-production theory of value (from labor embodied labor commanded), and while he has been accused of having done this only when he introduced capitalist relations of production, our own reading is that the labor-embodied principle had been modified by Smith even before the introduction of capitalist relations.

Even before explicitly taking up the issue of class incomes, Smith argued that the introduction of the division of labor problematizes the meaning of a "quantity of labor." "The greater part of the people," he wrote, "understand better what is meant by a quantity of a particular commodity, than by a quantity of labor... [This] is an abstract notion, which, though it can be made sufficiently intelligible, is not altogether so natural and obvious" [Smith - 31-32]. He therefore explained that by a "quantity of labor" one must not understand the actual quantity of labor that a producer embodies in a commodity. The quantity of labor embodied in a commodity is not a given, but a social determination. The quantity of labor that a commodity can exchange for is determined by the socially necessary labor time required to produce it. Moreover, Smith argued that the "quantity of labor" socially necessary to produce a commodity is not determined only by the social conditions of the production of that commodity (such as average productivity, the reduction of skilled to simple labor). It is also determined by factors that have nothing to do with the production of the commodity in question but refer us to the reproduction of the producer as a member of society. We now explain how this is so.
We begin by noting that condition which establishes, in the market, the equality between various types of labor is labor mobility. The quantitative equality between laboring activities is established when there is no entry into or exit from any particular branch. In this case market price directly coincides with natural price, and the products of labor exchange according to the socially necessary labor times required for their production. But the criteria that Smith gives regarding entry and exit include factors other than the need for laborers to be paid in accordance with the labor-time they actually perform, assuming already, that there has been a reduction of skilled labor. Smith's criteria refer to "the agreeableness or disagreeableness of the employments themselves . . . the constancy or inconstancy of employment in them . . . the small or great trust which must be reposed in those who exercise them . . . the probability or improbability of success in them." These are all factors that have nothing to do with the conditions of production but refer to social status. They envision a society where the structure of social relations supposedly guarantees (in the absence of impediments to labor mobility) that every participant in the division of labor is rewarded so that he can consume all year round (the constancy of employment) and, moreover, consume wealth to such an extent that he maintains a certain social status (trust, agreeableness of employment).

It thus must be concluded that Smith modified his labor-embodied rule for determining value even before the introduction of capitalist relations. He in fact implicitly modified, as we have just seen, labor-embodied with the concept of socially necessary labor time
and identified this quantity with the quantity of wealth, and therefore the quantity of labor producing that wealth, necessary to maintain the producer within a network of social relations by guaranteeing to that producer a socially determined level of consumption. When Smith later on introduced capitalist relations of production and abandoned the labor-embodied measure of value, he was no more than rendering explicit what was implicit in his notion of "a quantity of labor."

We have proposed above that the function of the category of labor embodied is to produce for Smith a double link, of extension and contraction, between the individual and society, between the society of private property and the society of capitalist property, between the heterogeneity of class relations and the homogeneity of economic interests defined by virtue of a common relation of all to wealth. We can now see precisely how the use of the category of labor embodied does this. For, what we see in Smith is a gradual theoretical transformation of this category from its pristine state to its later socially mediated state: from the state in which it is operative to construct discursively the individual in a relation to wealth that is independent of society, since the individual and wealth both are constituted in the immediacy of the relation between man and nature which is proper to the society of "savages"; to the state in which this individual and the wealth she consumes are both socially defined.

In this latter state, to be socially defined means of course to be defined as a specific agent in the structure of capitalist relations of production and to have one's consumption activity also delineated by one's class income. It is true nonetheless that in this
state the producers-consumers still maintain the status of individuals in the pristine sense of that term, and therefore maintain their relation to wealth specified in terms of "effort." Only, this effort is now itself socially defined.

In the end what we have for Adam Smith is that the distinction between labor embodied and labor commanded disappears in the state of civilization produced by the division of labor. For, if the effort of the individual is defined socially through the intervention of such terms as "the constancy of inconstancy of employments" and "the probability of success in them"--terms which have nothing to do with the pristine effort of production--and if moreover, the intervention of these terms is necessary to guarantee to the producer a socially defined level of consumption, then this socially established level of consumption, quantitatively measured by the command over other people's labor, participates in the very definition of the effort of each producer.

Nevertheless, it must be seen that even though the distinction between labor embodied and labor commanded disappears in the act of exchange, yet this distinction is discursively crucial for Smith. Labor embodied is the concept through which Smith establishes the political identity of each citizen in terms of that citizen's relation to wealth, and thus establishes the political interest of each citizen as an economic interest. It therefore also establishes the homogeneity of economic interests. But, labor commanded is the concept through which Smith establishes these individuals in society, in the society of the division of labor, and more precisely in the society of that
capitalist division of labor which is characterized by the heterogeneity of class position. Smith's function is to bring these two together, to fuse them so to speak, to make the play of one the play of the other.

The act of exchange in which, as we have seen, the distinction between labor commanded and labor embodied disappears. But Smith needs nonetheless to keep them separate because of his political project. For, Smith's project was not to deny that there is a distinction between the homogeneity of the interests of wealth consuming humanity and the heterogeneity of class position. His project was rather to argue for that system of perfect liberty that is the system of unregulated exchange—and not necessarily "perfectly competitive"—on the grounds that it is exactly this system that bridges the gap between that homogeneity and that heterogeneity.

Section 3 - Conclusions and Implications

We have seen Smith in the process of constructing the value categories as an attempt to provide an analytical response to his pre-analytic concerns with the problems of capitalist private property and of the homogeneity of human nature. This Smith did by letting the division of labor function as an analytical grid.

I am perfectly aware of some of the limitations of this study. We have not passed any judgments on Smith. But that was not our intention. Moreover, if the function of the division of labor as an analytical grid is to be fully accepted, it should also be shown that
Smith produced the other categories of his text (capital, productive and unproductive labor, fixed and circulating capital, etc.) also through the grid of this division of labor. But, for obvious reasons of space, this could not have been done in this paper.

Nonetheless, what the paper shows is important in and of itself. For, we have concentrated on the part of Smith that, given the concerns of modern economic theory, is most telling about the episteme of economic theory, the theory of value.

We have seen that Smith produced the theory of value by bridging the gap between the homogeneity of the economic interests of humanity and the heterogeneity of class positions. But while Smith labored to bridge this gap, modern economic theory, it seems to me, simply wanders back and forth on this bridge. Thus, on the one hand, we have the neoclassical paradigms that construct society as an extension of the individual and thus as a set of calculations of the homogeneous rationality of choice. On the other hand we have the neoclassical-Ricardian approach that constructs society as the heterogeneity of class relations, but nonetheless does it in the background of the homogeneity of the definition of economic interests as interests in "wealth." Thus the emphasis on the distribution of the national product.

It is no wonder then that we seem to be at an impasse. This impasse is characterized by two sets of operations that presuppose the homogeneity of economic theory. On the one hand, from one side of the bridge there is an attempt to submerge the identity of the other side. Thus, neoclassicals have argued that the Sraffa system is just a special case of their larger system. On the other hand, the side of the
heterogeneity of class relations has walked on that same bridge by attempting to parade in the same garb of formality of model building which presupposes the homogeneity of human economic interests.

We are not suggesting here any solution to this problem, and certainly not a solution that would be agreeable to all. What we are suggesting, however, is that while the counterposition of paradigms in economics today takes place on an homogeneous terrain, this epistemic homogeneity is particularly unlikely to lead to any advances. In fact, the paradigmatic opposition in economic discourse is one between the point of view of class and the point of view of the individual. But we have seen that what Smith produced through the theory of value was a reduction of these two points of view into a common analytical framework. And, it follows therefore that, as long as the two different points of view are debated on this common terrain, the possibility of ever quintessentially clarifying their differences. For, as in Smith, the common terrain of the theory of value is such that, if it on the one hand allows for these differences in point of view, it at the same time reduces them to two different parts of the same discourse.

But, one could further make the case that the questions that are being raised and expressed by the existence of different paradigms in economics are not even those of "the point of view of class," and of "the point of view of the individual." In fact, it is more likely that these points of view, rather than being established preanalytically as indeed "points of view," are already analytically constituted frameworks. The point could be made that these "points of view" are
the epistemologically necessary entry points into the house of theory, from the point of view of the episteme of economic discourse that Smith created. In reality, the preanalytic concerns of those being initiated in economic theory may be quite different from those of class, or individual. But, because the terrain of economic discourse, as handed down by Smith, was and is defined in terms of these two concerns, those interested in the economics are not initiated into the house of theory unless and until they filter their concerns through these points of view.

But, as we have seen, there is nothing innate in these two points of view. The terrain of "economics" was the result of a definite process of theoretical production on the part of Adam Smith. It was the result of the attempt by Smith to produce an analytical structure for the expression of his preanalytic concerns. But there was no absolute necessity for things to have taken the form that they did. For one, there was no necessity for Smith to have conceived of the need to give his preanalytic concerns an analytical expression. Nor, was there any necessity for those preanalytic concerns to have been conceived in the precise way in which the terms "class" and "individual" were conceived by Smith. And if there was no necessity for it to have happened that way, then (although why it did happen that way is certainly explainable--and this is the real question), there is certainly no necessity for economic thought to proceed along those lines now.
NOTES

1Thus, Schumpeter, pp. 39-40, speaks of "scientific progress" in economics in terms of the standards set up by the analytics of modern economic theory. In a well-known phrase, he argues that scientific progress in economics can be said to exist in the "same sense in which we may say that there has been technological progress in the extraction of teeth between the times of John Stuart Mill and our own."

2I am using the word episteme in the same sense in which it is used in Michel Foucault, The Order of Things, Vintage Books, 1973.

Two attempts to deal with the state of scientific crisis of economics should be mentioned here. They are: Blaug, The Methodology of Economics, Cambridge University Press, 1980; and T. Hutchison, Knowledge and Ignorance in Economics, The University of Chicago Press, 1977. I mention these texts because they proceed along lines quite different from the one suggested here. They are attempts to "go back to the basics," by restoring Popper's methodology of falsification after dealing with the questions raised by Kuhn, Lakatos, Feyerabend, et al., as the best way out of the crisis. We cannot deal with these arguments here in any detail, other than to say that this attempt only makes sense from the point of view of the absolutism we are criticizing, and that therefore we do not agree with it.

3The reader should now see that the methodological counterposition we are proposing between us and absolutism is not the same as that between absolutism and relativism, as that term is used by Blaug [Blaug - 1-8]. For Blaug, relativism means the attempt to read the
texts of the past for their own sake, and strictly on their own terms. It is doubtful that relativists would agree with this characterization of their method. But, be that as it may, it is clear that this is not what we are proposing. Our approach to Smith does not imply that no judgments should be made from the standpoint of modern concerns. It does imply, however, that if such judgments are to be made, they should be not only judgments from within the episteme of modern economic theory, but also and most important, judgments of that episteme itself.

4It is this independence of the division of labor that allows us to think of that concept as bridging the gap between society and analysis without reducing these two terms to "expressions" of each other. And society and analysis must not be reduced to each other, or the very questions we have posed would not exist.

5By "observations and knowledges," I refer to Smith's knowledge of economic issues proper through his own observations and knowledge gained from reading. The reader will have noticed that we have not paid attention to this issue. This has been a deliberate choice. What is important here, after all, is not what Smith knew, but how he systematized his knowledges into a consistent whole.


7Thus Smith, Wealth, 66-67, speaks of the "mean rapacity of merchants and manufacturers" and of the combinations of masters to "sink the wages of labor."
Why Smith should have conceived of the possibility of, and the need for, expressing his preanalytic concerns into the form of an all-encompassing theoretical "system" is also an important question. Here it is a question of the specific view Smith had of the nature of knowledge, of Smith's own epistemology, and of the epistemology he handed down integrated into the terrain of economic discourse. On this point I will limit myself to mentioning that there are strong ties between Smith and the rationalism of Descartes as well as the empiricism of Locke and Hume. See Wightman, W. P. D., "Adam Smith and the History of Ideas," in Skinner and Wilson, eds., Essays on Adam Smith.
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*SRAFFA, PIERO, PRODUCTION OF COMMODITIES AS MEAN OF PRODUCTION OF COMMODITIES*