

# Revisiting Adam Smith and Karl Marx and their First Proposals in their Seminal Works

Carlos Largacha-Martínez. Profesor Titular de la Universidad EAN. Director del Nodo Colombia de Humanistic Management Network. *Fellow* del RSA y RSA Connector para América Latina. Consultor en temas de estrategia, liderazgo y gerencia humanista. Doble doctorado de la University of Miami (EE.UU.)

## Abstract

Adam Smith wrote “Wealth of Nations”. Karl Marx wrote “Capital”. They are regarded as one of their most important works in their lifetime. Both writes from different intellectual spaces, giving an interesting aspect to this research. Hence, the purpose of this article is to revisit them, particularly their first proposals within these books, in order to highlight the most important tenets presented. At the end the reader will make the conclusions, since as Derrida put it, deconstructing a text is co-creating with the author. Several years ago written, it is interesting that the reader makes the deconstruction of “Wealth of Nations” and “Capital”.

**Key words:** Wealth of Nations, Capital, Karl Marx, Adam Smith

## Introduction

In the first chapters of the ‘Wealth of Nations’ and ‘Capital’ Smith and Marx explain their main arguments of writing those books and of their importance for understanding economics and social exchange. For example, Smith deals with the division of labor, social change and innovation, while Marx argues about the differences of value and use-value, human labor and exchange of commodities.

Within these ideas, it is clear that their intellectual roots are divergent. In order to compare two societies, a reduction should be made. In this reductionism, Marx is distancing himself from Smith and his universality, but in order to make the objectification of the worker, not only objective but intersubjective, Marx’s ideas could be enhanced and complemented. Actually, not only Marx, but other writers that deals with the definition of value as a social construction process.

The structure of this article is straightforward, since each work is treated separately in order to allow the reader to make her own mental representations. In the following pages, Smith’s ideas are presented first, and later the ones elicited by Marx.

## Adam Smith. Wealth of Nations. Great Mind Series.

In Chapter I, Book I, Smith deals with the ‘Division of Labor’, as part of his “inquiry into the nature and causes of the wealth of nations”. It is important to have in mind that his writings were an outcome of his observations plus some abstractions, therefore his analysis of the division of labor were done at the beginnings of the Industrial Revolution, which means that the switch in production was from agriculture to manufacture, two totally distinct activities—at

that time. Thus, the ‘distance’ from an agriculture peasant-worker to a manufacture worker was big, in comparison, say, to the distance of 20th century industrial worker to a 20th century service-tech worker.

That is why Smith argues that “the spinner is almost always a distinct person from the weaver; but the ploughman, the harrower, the sower of the seed, and the reaper of the corn, are often the same.” (11). Concomitantly, Smith states that “the nature of agriculture, indeed, does not admit of so many subdivisions of labour, nor of so complete a separation of one business from another, as manufactures” (Ibid), which helps explain why the rate of improvements in manufacture are way beyond those of agriculture (12). Hence, capital, at that time, would be invested in manufacture, and not in agriculture.

Everything just said is important for several reasons. First, social change in the 18th century was blatantly clear, which helped Adam Smith’s ideas to be accepted, understood, and most important, legitimated by the establishment. In contrast, sociologists in the 21st century are arguing that the internet is a major

force of social change, but the establishment does not pay attention because of the small ‘distance’, because of the ideology of the ‘end of history’ (see Fukuyama, Bell). Second, manufacture was seeing as the paramount activity of the time, and thus agriculture for more than a century was depreciated as a profitable activity. Agribusiness was not part of the picture until approximately the beginnings of the 20th century<sup>1</sup>. As an outcome of this shortcoming, agriculture was not part of the path-to-development, the ideology of the 19th century, neither its holistic operational culture. Dehumanization of the worker was not an issue.

Additionally, Latin American countries, for example, in the post-independence era invested their tiny taxes not in being more agriculturally competitive, but in trying to become “industrialized”<sup>2</sup>. And the third point can be seen in part as a by-product of the first two points. Since the ideology of development is hostile to the integrality of the human being present in agriculture, as Smith observes, therefore it goes against the culture attached to it, the immanent embedded holistic culture present in the agriculture sector.



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<sup>1</sup> The trend continues today as seen in the World Development homework where industrialized countries have increased steadily the participation of the service industry on the GDP throughout the 20th century.

<sup>2</sup> Albeit the subsidies that ‘industrialized’ countries have in their agricultural sector, because as Smith states “in agriculture, the labour of the rich country is not always much more productive than that of the poor” (12).

Structural barriers present in agriculture, like land and seasonal production (11-12), plus disinterest in the 19th century, produced a big number of people in the industrialized countries that are so-called backward. Today, and here is the main point of the problems of the division of labor —ideology that I personally not accept— is that the great-grand-son of the division of labor, as Smith states, is globalization. Hence globalization threatens the agricultural, small scale production culture, which explains the French and other industrialized anti-globalization movements.

For Adam Smith, the division of labor produced a “great increase of the quantity of work” due to three circumstances: increase in worker dexterity, time efficiency as part of the anti-holistic nature of factories, and the machine (13). More could be produced, more could be accumulated, workers would be more capable, nations would be more wealthy, thus Smith says, opulence can be achieved as never before. Nirvana is ahead. It was, and it is, so difficult to counterattack this ideology, similar to what happens to the Internet today.

Machines, worker dexterity, and time management were outcomes of the division of labor, which for Smith was a natural consequence of the economic life. Machines were “inventions of common workmen” (15). By stating this Smith is solving a long-lasting marketing debate. He argues that needs are not created, they are invented, thus creativity comes from necessity, not from the immanent inherent human drive of ‘growing’, “not originally the effect of any human wisdom” (19). He acknowledges that speculators and philosophers were the principal occupation for the progress of society (19).



Today Smith’s translation for speculators and philosophers would be entrepreneurs and scientists. Smith is not trying to convey an idea of a passive human being, rather a deterministic one. Creativity comes from necessity, or “inventions of common workmen, who, ... naturally turned their thoughts toward finding out easier and readier methods of performing it” (15), needs to be translated as well. What I think he is arguing is that creativity in order to be needed, demanded, has to have an “value in use”, which actually means that has an immanent “value in exchange”, as part of the “propensity in human nature ...[to] exchange one thing for another” (19).

A creative worker, which his goods cannot be exchanged means that those things does not have an use-value, therefore not labor are on them, therefore are not needed, ergo, the worker as a worker does not exist, his creativity is not needed, ergo, he is not creative. Which is not true! Smith argues that his goods has value only for him. Simply stated, “the division of labour is limited by the extent of the market” (pg. 24). Therefore we subsist because of our “own interest [and not because of the] benevolence of the butcher, the brewer, or the baker” (20).

On average, people are equal. There are some genius, but “the difference of natural talents ... [is] the effect of the division of labor... it seems to arise not so much from nature, as from habit, custom, and education” (22). Today that phrase sounds highly conservative, but at that time was novel. Saying that people would be able to succeed if they wanted, and not because of some biological inheritance or divine grace, was a subversive proposal for that time. Nonetheless, it is clear that Adam Smith writes with silk-hands, because he does not want to push too much (i.e. ‘seems’, ‘not so much’). Could be said that for Smith the phrase would be: “Division of labor ergo societies exist”.

For Adam Smith value has two different meanings: “sometimes express the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys” (34). Once Smith stated the notions of “value in use” and “value in exchange”, and the limits of the market, he goes on to place a price to commodities. How to define the real and nominal price (if they are different, though) of goods? His answer is that “labour, ... is the real measure of the exchangeable value of all commodities” (36), because a person would be rich relative to the amount of labor he can exchanged, even if is not his labor.

In order to highlight and support his thesis, he explains that money is a means for the exchange process, for the market. Money has a relative value to the good to be exchanged. First was cattle, then salt, then gold and silver, and finally coins, asserts Smith. Metals were finally the ‘money’ commodity because several reasons: less perishable, handy and easily kept, divisible and fusionable (30). Smith argues that

money cannot be the ‘absolute’ value of goods, or the ‘real value’, because its value varies, “sometimes cheaper and sometimes dearer” (38). “Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared”, Smith argues (39).

This position is an universalistic one. Smith does not see any difference between the labour of one person and another. Even if we do not compare two cultures, which will present several problems in terms of the ‘absolute’ standard of value—what if two men were compared, one a ‘normal’ one, and the other a handicapped. Do finished goods coming from both have the same ‘labour-value’? I do not think so. Smith states that “equal quantities of labour, at all times and places, may be said to be of equal value to the labourer” (39). This is true to the laborer alone and independently considered.

But once it is put on the market, a different approach to labor-value ought to be made. Smith does not make such distinction, but from his ideas one can extrapolate to the whole mass of commodities. Value for me, as today —I don’t know tomorrow— has to be considered in an cultural-economic immanent reality for labor. Value would be culturally embedded, therefore, in constant money, two hours of a Colombian peasant are different from two of an American farmer, regardless of their costs. In plain value terms, before use-value, the ‘quantities of labor’ are not universal, absolute, neutral, and cultural-free. I don’t know yet how to be exchanged, how to be ‘measured’. But as far as I see, it is discriminatory to place similar prices to equal commodities that comes from different cultures.

Nonetheless, Smith made a loose phrase that can be understood in this way when he states that “the subsistence of the labourer, or the real price of labour, ... is very different upon different occasions” (42, emphasis added), albeit he did not develop this idea further. Maybe Marx gives some ideas to an alternative culturally value-labor understanding.

## **Karl Marx. Capital. A Critique of Political Economy. Volume 1.**

First of all, for Marx, value and use-value are two distinct things. Marx argues that “the usefulness of a thing makes it a use-value” (126). For Marx, the use-value is an attribute of a commodity, is not necessarily immanent to the commodity, it is like an adjective, like socially constructed. Another factor of the commodity is the exchange value, which is the quantitative relation between one good’s use-value and another. Therefore, and here is where Marx makes a paramount insight to the political economy arena, since the use-value is an attribute, the “exchange relation of commodities is characterized precisely by its abstraction from their use-values” (127). The ‘quality’ of the use-values of commodities disappear (128), no longer exist.

That abstraction is the key element to the commoditization of labor, the alienation of the worker, and the dehumanization of the market. Due to that possibility, having an abstract approach to the market, the human being, the socially embedded process of production, the culturally milieu of labor, is that the ideology of the market can functioned so well. This ideas will appear later in his writings, but just at the beginning of Das Kapital, Marx is already signaling his path-analysis.

If all the “sensuous characteristics [of commodities] are extinguished”, and the “human labor [is considered] in the abstract”, the common denominator of this “phantom-like objectivity” is that “they are values” (128). “A use-value ... therefore, has value only because abstract human labor is objectified or materialized in it (129). The “equal quantities of labor”<sup>3</sup> for Adam Smith has a not so different interpretation for Marx, albeit the latter acknowledges that the skillfulness of a worker should change the value of a commodity, as a reflection of “the quantity of labour expended to produce it” (129). However, Marx argues, this is not happening on the commodity-values because they are equalized<sup>4</sup> as a result of “the expenditure of identical human labor-power” (129).



<sup>3</sup> This phrase is cited by Marx when highlighting the dual character of labor-power, as an abstract part of value and as part of the use-value. (pg. 137, cite # 16).

<sup>4</sup> Marx writes that “equality in the full sense between different kinds of labour can be arrived at only if we abstract from their real inequality, if we reduce them to the characteristic they have in common, that of being the expenditure of human labour-power, of human labour in the abstract” (pg. 166). Therefore, the abstraction maneuver has an inequality behind scenes. An alternative culturally embedded should help re-interpret that inequality.

Hence, the total human labour-power is homogenized, as well as the different skills on it. The resulting different labour-time, therefore, ought to be congealed in a fixed quantity present in its exchange-value. The fixed labour-time will change the use-value over time due to productivity (130). Use-value and useful labour is more or less abundant due to productivity; conversely, value is independent of “any variations in productivity” (137). It seems that the abstraction and objectification of the worker is important for Marx, and not the objectification of societies, however.

For Marx the “socially necessary labour-time is the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society” (129). What is ‘normal’ and ‘average degree of skill’ in a multicultural society? Marx makes a difference of simple average labour and intensified or multiplied average labour, when comparing two different societies at a certain time.

Also, he acknowledges the difference of labour in a different societies in terms of different times and cultural epochs (135). In order to compare two societies, a reduction should be made. In this reductionism, Marx is distancing himself from

Smith and his universality, but in order to make the objectification of the worker, not only objective<sup>5</sup> but intersubjective, Marx’s ideas could be enhanced and complemented, which is one of my goals. Actually, not only Marx, but other writers that deals with the definition of value as a social construction process. Do you have any writer in mind?

The objectification of the exchange of commodities in a given society goes also to the exchange process as well. Marx argues that “the accidental relation between two individual commodity-owners disappears” (156). The social interaction is no longer valuable for the society, rather the exchange-value of commodities. This is a sub-valuation of culture and its components. Therefore, an alternative approach to value need to be conceptualized within a cultural-labour approach. Marx’s ‘accidental’ relation is a socially constructed process, and because of that, has value on its own.

The same can be said of everything that is culture<sup>6</sup>. Marx writes about ‘sensuousness’, which can be used in a more elaborated way. He argues that “as soon as it [wood] emerges as a commodity, it changes into a thing which transcends sensuousness” (163). Transcending the senses

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<sup>5</sup> Marx states that “commodities possess an objective character as values only in so far as they are all expressions of an identical social substance, human labour, that their objective character as values is therefore purely social” (pg. 139). In a way, this ‘purely social’ has to be transcended as an objective enterprise and understood as a broader intersubjective, multi-diverse reality. Later on, Marx argues that value is a “supra-natural property... which is something purely social” (149).

<sup>6</sup> Culture is something hard to define. However, a quick one would help at this juncture. “Everything that is not nature, is culture” (Everett, 2012).

<sup>7</sup> op. cit. # 4.

is a good analogy of transcending culture, or the multiple realities of the lived-experiences of people. Experiences experienced through their senses, brain and mind. The objectification of the individual, the disappearance of social interaction, the real inequality behind abstractness<sup>7</sup>, all are elements to be reinterpreted. These 'facts' are all by-products of what was said at the beginning, that the 'quality' of the use-values of commodities disappear (128).

The subjective part of the commodities is hidden, in the same way that money, a commodity for Marx, is de-commodified and become an abstraction on their own. Once abstracted it can become anything neutral, value-free, a "symbol". Marx argues that "the fact that money can ... be replaced by mere symbols of itself, gave rise to another mistaken notion, that it is itself a mere symbol" (185). Again, an alternative approach is needed.

Finally, for today, Marx reviews Aristotle as the first to tackle the 'value-form'. At the end of his review, Marx writes that "only the historical limitation inherent in the society in which he lived prevented him from finding out what 'in reality' this relation [men as possessors of commodities] of equality consisted of"

(152). The same could be written about Marx and his lived-experiences of that time in order to expand his ideas to a multi-diverse global village—i.e. culturally-embedded value-goods that differ from his commodities' definition, intangibles, intersubjective valuing of commodities, etc.

## Conclusion

Since this literature review is only done about the main arguments presented by Marx and Smith in their seminal works in their first chapters, it must be clear to the reader that further research is needed. All the ideas presented in their books are not analyzed here, but since the goal was to present their main arguments, the goal of this article is fulfilled. The concept of value, as presented here, is different from both authors and are present in 21st debate about globalization. It is here that this article gets all its strength.

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<sup>7</sup> Cite # 4.