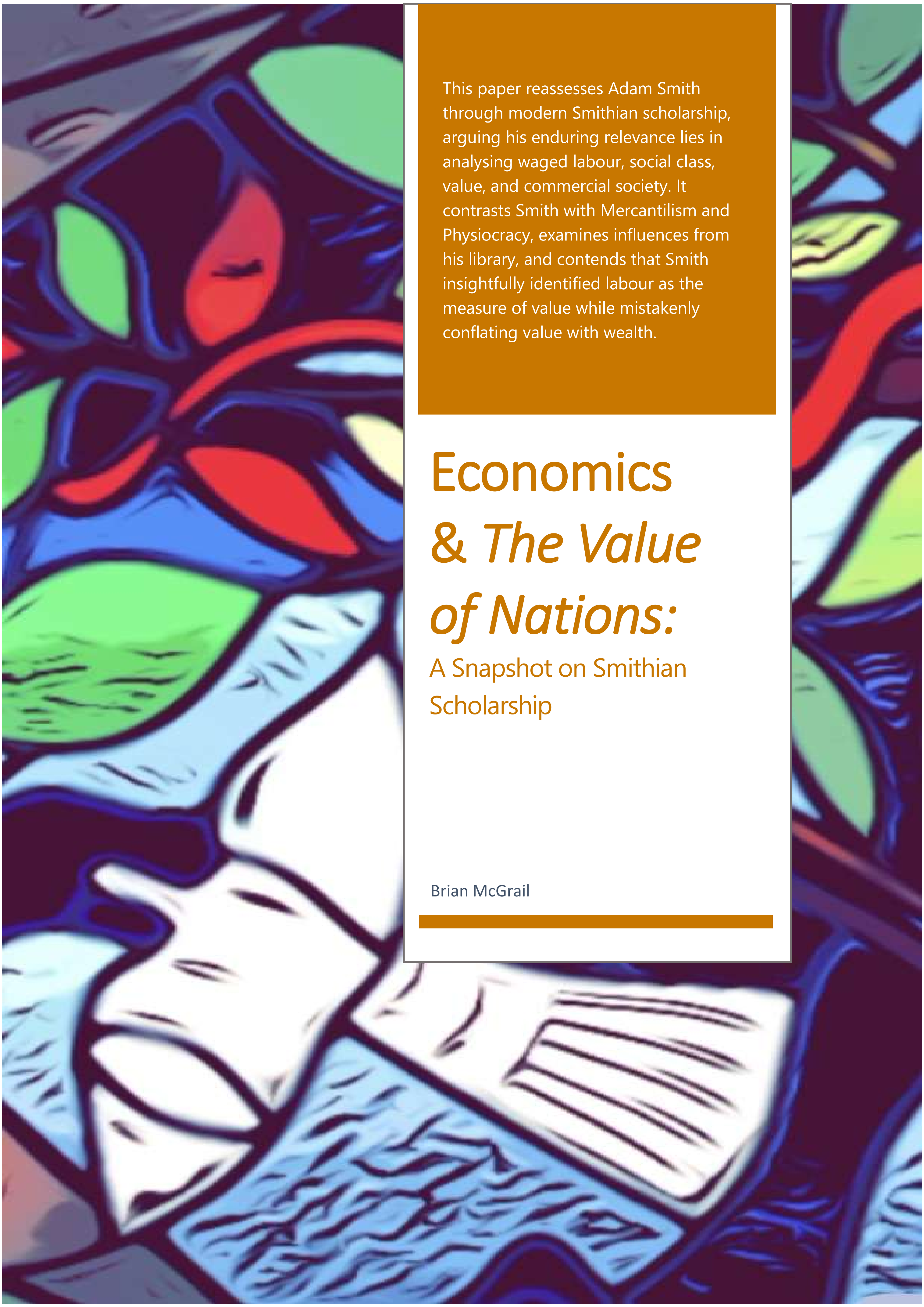

This paper reassesses Adam Smith through modern Smithian scholarship, arguing his enduring relevance lies in analysing waged labour, social class, value, and commercial society. It contrasts Smith with Mercantilism and Physiocracy, examines influences from his library, and contends that Smith insightfully identified labour as the measure of value while mistakenly conflating value with wealth.

Economics & *The Value of Nations:*

A Snapshot on Smithian Scholarship

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Introduction[1]

When studying economics today, why should we turn to examine the work of Adam Smith (1723-1790)? After all, whilst he is often cited as the *father* of modern economics, aren't his ideas out-dated? Haven't they been surpassed by 'more advanced' theories? Hasn't the society Smith was familiar with passed away, overtaken by an age of industrial machinery and automation (developments which, it is claimed, have fundamentally altered the very *nature* of work, economic relationships, and human labour)?

There are several immediate responses I can make to the above objections. Firstly, the emerging society Smith observed and described (what he called 'commercial society') was one *predominated* by **waged labour** relationships. And this is a *fact* which has not changed since Smith's observations. Smith's focus on waged labour is demonstrated by the **order of presentation** in his main work on 'economics' (*The Wealth of Nations*, 1776), covering the key "component parts of price", as follows (by Chapter number, Book 1):

8. Of the Wages of Labour

9. Of the Profits of Stock

10. Of the Wages and Profits in the Different Employments of Labour and Stock

11. Of the Rent of Land

Note that the chapter on 'Wages of Labour' comes **before** those on 'Profit' and 'Rent' – it is more important to deal with it first. Whilst 'waged labour' may have existed in Roman and Mediaeval times (eras), and in the Arabic world of Ibn Khaldun (14th century), it was always 'marginal' within the general social reproduction of earlier 'civilisations' (where use of slaves, serfs, indentured and domestic servants predominated). With the emergence of waged labour as the **principal** manner by which 'most' people earned their livelihoods (sustained their existence), Smith occupied the same social world as 'us' – like 'us' Smith was a **modern**.

Secondly, Smith stood at a unique juncture in the **transition** from the pre-modern (non-wage labour dominated society) to the modern world. Significantly, the **social form** of modern society (with its

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[1] Please note that this piece was originally written (June 2026) as an 'opening talk' for a group of students visiting The University of Edinburgh's Heritage Collection (and Adam Smith's personal library, held by the University) as part of a Pre-University Summer School in Social Sciences (for final year Secondary School students). Hence, there is (what may appear as) a tangential section on the significance and usefulness of examining Smith's personal library.

fundamental social relationship of 'exchange', involving nearly everyone surviving by 'trade') had already *changed*, though not (for Smith) its **techno-mechanical form**. As such, I would argue, due to a lack of machines, Smith could more *easily observe* the **social side** of the emerging commercial relationships, separate from and without being distracted by the wonderment of machines 'doing work'.

Many later economists (e.g., Jean Baptiste Say, 1803) were *deceived* by the rise of **automatons** which, like Mary Shelley's (1818) *Frankenstein,* became independent actors in economic theory (actors, which, somehow, deserved an 'income' as a **factor of production** – a concept which Say, and not Smith, introduced to economic theory). By contrast, Smith had the opportunity to observe the relationships between length of working day (labour time) and distribution of rewards (across social classes) which later generations of political economists (later: economists) would struggle to see.

Thirdly, whilst elements of Smith's theory were, indeed, inaccurate (or misplaced), his theories were no more or less 'flawed' than later economists. Precisely because these later economists struggled with the same theoretical **problems** as Smith, many of their supposed 'solutions' to Smith's 'errors' have equally *failed* to grasp the nature of the 'scientific' dilemma. Indeed, many later economists (e.g., Alfred Marshall, the Austrian Marginalists, or John Maynard Keynes) did not 'share' Smith's **social interests** in pursuing a study of 'economics' as a **moral task** and, consequently, their 'readings' of Smith were *misrepresentative* and *biased* (towards their own interests).

Since the 1960s a new (it can be claimed 'more accurate') **hermeneutic** reading of Smith has emerged. **Hermeneutics** (coming from Biblical Studies) means going back and reading something from the 'standpoint' of the original author/s (literally 'in their shoes'). Hence, we need to take care when reading *about* Smith on 'popular' websites and in 'textbooks' as (most often) an older, misrepresented version of Smith's 'theory' is offered. In academic circles, much more nuanced accounts of Smith, from contemporary Smithian scholarship, are to be found.

Subsequently, in the following I aim to:

a) outline the **theories of 'economics'** which were most popular in Smith's Day, so that the **contribution** of Smith can be drawn out.[2] After this exposition I;
b) consider why **examining Smith's own library** (his *own reading*) is **important**, before;
c) **analysing** what Smith **got 'right'** and where his work can be considered as **being 'flawed'**.

Existing Theories of 'Economics' in 1775

Two major 'schools' of thought pre-existed Smith's *Wealth of Nations* (1776). On the one hand, there was (what we now call) **Mercantilism**. On the other, there was **Physiocracy**. Different chapters within Smith's *Wealth of Nations* respond to these 'Systems' of thought. Physiocracy was the newer of the two 'Systems', and Smith gives it less space (and less criticism) – only one chapter (Book 4, Chapter 9) – this is because he sees Physiocratic 'ideas' as less **dangerous** to the free (unfettered) development of market-based societies. Indeed, it was from the (French) Physiocrats

[2] Not everything 'assigned' to Smith in popular discourse are original 'contributions' by Smith – his *Wealth of Nations* was, in many areas, composed from existing ideas and concepts. Smith's *juxtaposition* of old, competing ideas produced new ones. In some places, his 'reconsiderations' burst through, towards new theoretical ground (e.g., his division of social classes), but in other areas Smith remained within established confines (e.g., the Physiocratic conflation of value with use value).

that Smith borrowed arguments for the removal of government rules, laws, and interventions – it was the French (like Quesnay and Turgot) who gave rise to the concept of "leave do" or "leave alone" (*laissez-faire*).

Meanwhile, Smith devotes a much larger chunk of *Wealth of Nations* (Book 4, Chapters 1-8) to excoriating and criticising the Mercantilist stance, since this was bound up with demands for government intervention (the provision of subsidies and bounties) and control of the legislature and 'laws' on trading (colonisation; the navigation laws), typically backed-up by (very) expensive military force which required high taxation.

Mercantilism

Nine years before Smith published *The Wealth of Nations* (1776), another Scottish Enlightenment thinker, Sir James Steuart (1712-1790: who lived in France as a Jacobite exile) produced *The Principles of Political Economy* (1767). This is often understood as the 'high point' of **theoretical Mercantilism** – a place where all the arguments in favour of a Mercantile approach are put forward. It consists of 5 Books (like Smith's *Wealth of Nations*) and is, in every way, as substantial in its undertaking, covering everything from population growth and agriculture, through trade, industry, banking, credit, exchange, and public credit (fiscal policy).

In short, Mercantilism held that the way in which a nation becomes wealthy (rich) is via a **positive balance of trade**. Thus, it is sometimes called a shopkeeper's view of the economy, because shopkeepers (merchants) buy goods at a cheap (low) price in order to sell them at a dear (high) price. This is very much a way in which people *experience* a commercial economy: you 'make money' by buying something and selling it 'at a profit'.

However, there is also no guarantee that when you buy something you will make a profit – you can also make a loss. Consequently, theoretical Mercantilism (economic theory) grew out of the practical need of merchants (the term 'mercantile' is derived from the word 'merchant') to **understand** the underlying processes, and by understanding these, better 'guarantee' that they did not make losses. A key component of making a loss might entail the payment of taxation to sovereign authorities. That is, a trade may make a profit, but if the Monarch (government) imposed too high a tax then the profit could become a loss! Hence, Mercantile theory was also about theoretically justifying **levels of taxation**, or explaining the need to **monopolise trade** in certain goods (via legislation) so that the merchant could make a profit which would, in turn, enable the government to take a (rightful) portion in tax.

As Marx noted later (in *Theories of Surplus Value*, notebooks from 1863), Sir James Steuart theorised that there were **two 'types' of profit**: (1) Relative Profit and (2) Positive Profit. With **Relative Profit**, for one trader to make a gain (profit) another had to make a loss (we would call this, in contemporary Games Theory language, a 'Zero-Sum' Game). With **Positive Profit**, both traders make a profit from the same transaction (a 'Positive-Sum' Game). The Mercantilists did not quite understand 'how' the latter process worked in terms of the production of 'new' money (value), and largely focused on the **protection of trade**.

The classic example of the latter was the **Colonial System**, under which a **Colony** (say Massachusetts or Carolina in America) could only buy manufactured goods from its **Metropole** (its 'founding' nation – in this case England and then the United Kingdom of England and Scotland, or 'Britain'). This gave Merchants in the metropole a monopoly market. Likewise, the Colony could only sell its produce via merchants from the Metropole. The English (British), Dutch, French, Spaniards, and Portuguese all ran similar systems. There was no 'free' trade, except that involving 'smuggling'. In the British system, Massachusetts and New York were forced to buy sugar from British Caribbean Islands (Barbados, Jamaica) even though much cheaper sugar could be bought from the French territory of San Domingo (Haiti) (see Williams, 1944). Glasgow 'Tobacco Lords' (merchants) became rich by being the only people allowed to buy up tobacco crops from Virginia and Carolina. Colony-based merchants had the small advantage of having no competitors (from other nations), which kept supplies short and, thus, prices high.

At a national level, government policies were focused on maintaining merchants' profits (and thus government taxation) by ensuring and enforcing trade controls. This boosted the merchant class, but at the expense of workers (everywhere), who paid high prices (and therefore worked harder than they should) for goods produced under uncompetitive conditions.

Why did this system persist? So, long as the Metropole could guarantee a **positive balance of trade** (that is, sell more than it buys in overseas exchange), monetary wealth would flow into the Metropolitan country (i.e., Britain). Colonies saw a relative outflow of value (money), but an inflow of labourers who came to occupy what was effectively 'free' (or 'virgin') land. In other words, overall, colonial economies grew, in spite of their **negative balance of trade**, so long as the entire 'System' expanded (i.e., providing the possibility of Positive Profit). Though, with the metropole growing faster than the colonies, inequality was also an outcome.

Despite Smith publishing *Wealth of Nations* in 1776 – seen as a well-received argument promoting the benefits of 'free trade' (especially in the wake of the American Revolution, in the same year: see Liu, 2023) – Mercantilism remained the mainstay of **British economic policy** until the late 1840s (and the abolish of the Corn Laws, which restricted purchase of cheap French and Baltic grain, first instituted during the Napoleonic Wars, 1800-1815). British mainstream-economics only became **liberal** and 'free trader' from around 1850 (75 years after publication of *Wealth of Nations*), and **only** in relation to trade outside the 'Empire' (the private East India Company continued to rule the Indian subcontinent up to the Indian Mutiny of 1859). But with this shift in practical emphasis, Smith's theory finally became associated with **Classic Liberalism** and a core component of British Imperial propaganda.[3]

Physiocracy

The 'System' of **Physiocracy** developed out of different social and political conditions – those of France. 18th century France was the 'losing' side in the Seven Years War (1756-63), when France lost Quebec to the British. French agriculture was struggling due to low wages amongst the agricultural poor (farm labourers), leading to low output of cereals (e.g., wheat). This produced a poor supply of grain to towns, which increased the price of bread for the urban poor (many of whom had left the countryside to seek better wages in the towns). Consequently, high bread prices led to food riots

[3] After 1859, the British Raj imposed 'free trade' policies and principles (or **ideology**), which meant that grain produced in India went to the highest bidder (often an external, international buyer). This system could work (especially with rising productivity in grain production) outside of 'drought' years. But there was particularly bad droughts across Asia (India and China) in the late 1870s due to a strong El Nino (part of the Pacific weather system) (Davis, 2000). Such droughts caused a naturally-induced 'dearth' of grain which became mass starvation due to government policies (when grain was shipped out of India on a 'free market' basis *and* the British Raj decided to buy up grain in rural areas to secure supply for major cities, where political upheaval was feared). Between 1881 and 1920, government of India under the British Raj and its 'free market' ideology led to the starvation of approx. 100 million Indians (Sullivan & Hickel, 2022).

which threatened to topple the government. The government, in turn, sought to set a **maximum price for a loaf of bread**, which seemed like a 'solution', but (perversely) meant less money going to farmers and agricultural labourers, further squeezing the latter's wages, and sending more of them to the towns. A vicious cycle or spiral was put in motion.

Some French economic theorists (who came to be known as *The Economistes* [English: The Economists]) proposed the radical idea of removing government 'caps' on bread prices, letting the price of bread *rise*, which would **move money into the agricultural economy**, raise agricultural labourer's wages, and advance the production of grain in future years (e.g., Robert Anne Turgot argued for this, and implemented such a policy as a local governor). In other words, the government should "leave do" (*laissez-faire*).

To 'argue' for such policies (or ***non*-policies**) these Economists required **information**.[4] So, they began to 'count' things and keep records, with the revolutionary (meaning to 'revolve'!) idea of repeating counts every so often – annually - of how many sheep, cattle, flagons of wine, cobblers, or ironmongers the country had (a census). With such 'records' or accounts, the **progression** of the French economy could be **measured** and **tracked**. The Economists discovered that despite France having a **negative balance of trade** (with other nations) the French economy was growing.

Notably, the balance of trade was negative because the French nobility were spending (could spend) more **on luxury imports** from Italy, China, and the 'Indies' (West and East) as their income (land rents) increased. This latter *fact* could be put down to rising, not falling, production (so, *more* sheep, cattle, flagons of wine, workers, etc.) in the **domestic economy**. Indeed, the negative balance of **overseas trade** was *due* to the **rising** wealth of the nation! But where was this wealth coming from if not 'profits' due to a positive balance of trade?

The answer (for these early Economists) was to be found in **nature** and the **physical** world (hence, *Physiocracy*), and thus **agriculture**. Their argument was that agriculture (and industries based on extraction from nature, such as forestry, mining, or fishing) continually generated a rising amount of produce. Plant one seed and one-hundred will grow in its place; put a bull and 10 cows in a field and you will soon have 21 heads of cattle and not 11. As with Mercantilism, this generation and regeneration is a simple, everyday thing to observe.

However, by contrast, these *Economistes* (we can now call them *Physiocrats*) viewed urban industries (such as pottery or jewellery making) as **sterile** – meaning they produced nothing 'new'? Why? Well, if a jeweller takes 1 kilogramme of silver and turns this into 100 necklaces then the 'weight' of the necklaces produced will not exceed 1 kilogramme of silver! The **jeweller 'adds' nothing** to the **amount** of silver available. Not so the 'miner' of silver!

Consequently, the Physiocrats **privileged** certain types of industry (namely, agriculture and the extractive industries) over others because they 'noticed' (discovered) that increasing wealth lay in the **act of production** rather than **exchange** (or trade). This then produced a new set of government and investment conditions which 'skewed' ideas and preferences towards agriculture and extraction whilst reducing the importance of both urban industries and Mercantile trading.

[4] I answer the question: "what is an economy?" with the response that it is "an information system". Without "data" you cannot have "an economy". An economy is a product of in-*forming*.

Smith's Introduction to Physiocratic Ideas

In 1764, Adam Smith gave up his position as Professor of Moral Philosophy at the University of Glasgow to become the private tutor to the sons of the Duke of Buccleuch. The advantage was that this position allowed Smith to go on a Grand Tour (2-year trip) of France. Through this journey, Smith met many of the leading thinkers in France who were Economists / Physiocrats.

From his lectureship in Glasgow, Smith was familiar with the concept of **expediency** and general moral arguments on **justice** and **economy** in public life. Mercantilism had been known to him, but the tour of France introduced Smith to a new 'literature' and ideas on the economics of Physiocracy (with its emphasis on 'production', or 'industry' in addition to 'business', as core to the wealth of a nation). However, unlike the Physiocrats, Smith's development of a new 'System' gave trade (exchange) a prominent position in **motivating** or **stimulating** production (for commercial purposes) – it was not 'sterile' as the Physiocrats argued.

Smith's 'Contribution'

A key element in Smith's argument is that he recognises the universal or general role of human **labour** (working with 'nature' for the Physiocrats) in producing new wealth but drops the 'privileging' of agricultural labour over supposedly 'sterile' industries. The very first example in Smith's *Wealth of Nations* is that of pin factory where the output of (hat) pins is increased exponentially. This is achieved without use of new machinery or techniques – the process is an entirely social one, entailing the **reorganisation** of what each individual does (they **specialise**). Indeed, where new machinery is mentioned (the attachment of the bellows to another piece of moving equipment) it is the **outcome** of **social organisation** and a product of a little boy's boredom (due to the simplification of his 'task').

The Physiocrat might note that slightly less metal (iron) comes out of the process than it starts with (and the more pins being produced leads to more metal being consumed from nature). Yet, the **monetary value** of the output (pins) exceeds that of the inputs (costs of metal, fuel, wages). This is why Smith discusses human 'needs' in **social** and not purely physical or biological terms. The 'market' (a conglomeration of socialised or 'civilised' individuals) demands pins to keep hats on. A hat is not a natural requirement. With the reduction in labour time taken to produce a single pin, and (ultimately) a limited market for pins, then human labour power can be released to do / make other things via **rising labour productivity** (which is a social and *not* a natural process and outcome).

Smith is outlining that whilst 'nature' adds to the wealth of an economy (and the use values in circulation) it is human labour – under new forms of organisation – which acts as the catalyst to a nation's wealth. Nations do relatively well (or not) compared to other nations due to their **population size** and **productive capacity** (productivity) of their population (see the 'Plan of the Work' in *Wealth of Nations*).

Significantly, Smith revises Turgot's **system of social classes**. Where Turgot has 5 classes, because he sees 'productive' agricultural workers as a *different class* from 'sterile' industrial workers (and, thus, tenant farmers as a *different class* of capitalist from mercantile capitalists), Smith is able to 'observe' that both types (of worker) are motivated by wages (sharing *in common* the need for waged employment) and both types of 'business owner' are motivated by profit-making (sharing *in common* the need for profits-on-stock). Smith produces a 'classic' **three-way division in social classes** (landowners; capitalists; workers). The latter remains in use today, in many 'Economic 101' classes, despite attempts to reframe the division (e.g., some argue there is a 4th 'entrepreneurial' class – though Smith would see such a ‘class’ as part and parcel of human labour, under the **mental labouring** of ingenuity; others argue that the landowning class is now part of the capitalist class – which is true, since land is now, typically, **owned financially**, though, culturally ‘land ownership’ is still viewed as having different and often **competing interests** from the ownership stocks and shares).

Examining Smith’s Library

So, what is important about studying Smith’s own library (the collection here in CRC)? Remember that this is not a collection of Smith’s works (though the collection contains copies of his own works). It is the personal library (worth thousands of pounds in his day – so it shows his relative wealth) Smith built up and consulted when writing.

Going back to the ‘hermeneutic’ turn of the 1960s, examining the collection enables researchers in comprehending the kinds of information Smith had available to him. The collection includes travel guides, with maps, that, although give inaccurate descriptions of distant peoples (by contemporary standards), contain insightful 18th century maps of the world divided in ways which are unfamiliar to us. The collection presents us with Smith’s perspective on the world. It also demonstrates Smith’s command of other languages (including French, Italian, Latin and Ancient Greek). Furthermore, some works contain communications (inscriptions from people who have sent Smith a work – such as the inscription on the inside of the first French edition of *The Wealth of Nations*). Importantly, we can trace points, comments, and references Smith makes in *The Wealth of Nations* back to the original works (in his library). An example is that of Richard Cantillon’s (1755) book *Essai sur la nature du commerce en général* (Collection item: Smith. 1114 / JA 2873).

Whilst Smith’s copy (edition) dates from 1755, Cantillon originally wrote the contents in the 1720s (he died in 1734, born in the 1680s). Cantillon appears in Smith’s *Wealth of Nations* in Chapter 8 ‘On the Wages of Labour’. What does Smith ‘take’ from Cantillon? First there is a comment on the sufficiency requirement of the (lowest) labourer’s wage (or on the lowest minimum wage); and, second, a comparison with the output of a slave (Smith, 1776, *Wealth of Nations,* Chp8, Para.15):

> A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more, otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation. Mr Cantillon seems, upon this account, to suppose that the lowest species of common labourers must everywhere earn at least double their own maintenance, in order that, one with another, they may be enabled to bring up two children; the labour of the wife, on account of her necessary attendance on the children, being supposed no more than sufficient to provide for herself: But one half the children born, it is computed, die before the age of manhood. The poorest labourers, therefore, according to this account, must, one with another, attempt to rear at least four children, in order that two may have an equal chance of living to that age. But the necessary maintenance of four children, it is supposed, may be nearly equal to that of one man. The labour of an able-bodied slave, the same author adds, is computed to be worth double his maintenance; and that of the meanest labourer, he thinks, cannot be worth less than that of an able-bodied slave.

From this we may see how Smith made use of his reading, and then (from the collection) review the same reading as Smith. It shows us where ideas came from (Cantillon was an early Physiocrat and the opening line of his book is: “The Earth is the source of all wealth”. By which he means ‘nature’ is the source of all wealth).

Interestingly, Smith chose to draw on points which highlight both the wage labourer’s and slave’s **capacity** and **ability** to **produce more** than what they, as individuals, needed. The slave is “computed” to be worth double his maintenance, meaning the slave could produce twice as much output as he consumes! Meanwhile, the waged labourer is viewed in comparative terms – he must be able to produce twice his own cost. Whilst his wife’s efforts reproduce her own needs (unpaid in terms of monetary value, she nonetheless regenerates her own being), the waged worker must earn enough to reproduce the equivalent of two people (himself = 1; plus 4 children = 0.25 each). And why 4 children, because Cantillon notes that 2 will die before adulthood (maturity) – so this is a minimum as 2 parents reproducing 2 adult children would leave population growth at 0 (zero).

Smith was aware of the importance of population growth and what a minimum social wage had to consist of, and we can check his source on his claims (Cantillon’s work, written 40-50 years before *The Wealth of Nations*). Despite Cantillon coming from the Physiocratic ‘stable’, Smith identifies a more general point in his work. In Chapter 5 of *The Wealth of Nations* (where Smith gives his famous account of his **labour theory of value**) Smith demonstrates his **awareness** that **waged workers produce more value (money) than they receive**, and that the **surplus** produced goes to (is “shared” with) the employer. This generates a major division in Smith’s social accounts, as he draws a distinction between two ‘states’ of being: one where ‘everyone’ trades goods at labour values, and a second where the principle of trading at labour values is broken because workers received less payment for hours (labour) performed than they should (according to the ‘labour theory of value’ principle). This then leaves Smith with a theoretical problem (a **duality**) which, despite revising *The Wealth of Nations* 5 times (in his life), he never resolves. How can things trade at their labour values (“price in labour”) when workers (who sell ‘labour’) never receive the full value of what their labour produces?

Smith’s Rights and Wrongs

There have been several approaches taken to resolving this issue. The mainstream approach has been to argue that Smith opens *Wealth of Nations* with a **misguided** theory (the labour theory of value), which he then realises is ‘wrong’, before correcting his ‘theory of price’ from Chapter 6 onwards (with what is called a cost of production theory, whereby the price of a good is ‘compiled’ from component parts: wages, profit and rent). This is the approach taken by Andrew Skinner (1999) in the Introduction to the Penguin edition.

Another approach is to place the issue not with Smith’s own failings, but with the society and social relationships he was observing, in the sense that it is our social world that does not appear as the way it is. In this view, Smith was able to identify monetary value as a human institution. As such, nature does not produce ‘value’ (dogs do not trade nor use money – something Smith says in Chapter 2, on the ‘Principles’ behind the Division of Labour). Hence, human labour is the measure of value (and Smith is correct on this point). However, later on in the book he notes the discrepancy between labour being the measure of value (his principle of what counts as equal exchange) and how the value of ‘labour’ (note the scare quotes here) is recompensed in the process of exchange (i.e., labourers do not receive the true value of their ‘labour’). So, Smith gets something fundamentally correct, but then fails to analyse and explain it fully (nor correctly). What’s gone wrong?

On this point I typically use **an analogy**. We all know who to measure the 'weight' of things – we use scales, and the scales have to be calibrated using some common and identifiable (understood) means of measurement. For instance, we could use Imperial measures (ounces, pounds, stones, tons) or Metric / Continental measures (milligrams, grammes, kilograms, tonnes). Let's use Kilograms.

So, to know if I have 1 Kg of oranges, I would put them on a set of scales with an amount of iron weights. The latter would be marked with 'known' weight in Kilograms (0.1Kg, 0.3Kg, 0.5Kg, 1Kg)[5]. I end up with 1Kg of iron on one side of the scales and 1Kg of oranges on the other side. This should 'balance' and the scales will be even or horizontal. We have 'equilibrium' (a well-known economic term / concept).

However, I now give you various tasks. Tomorrow, I want you to bring me 1Kg of apples, or 1Kg of paper, or 1Kg of sand, or 1Kg of boot polish, or 1Kg of tinned tomatoes, and so on. Eventually, I will task one of you with bringing 1Kg of Kilograms. That is, you cannot bring in (with the latter task) 1Kg of anything else (oranges, apples, sand, leather, cotton, sugar, flour, nor iron) – it has to be 1Kg of Kilograms. I think all of you would quickly say 'that's an impossible task'!

The concept of Kilograms is a **real abstraction** in so far as we can all agree that 'weight' exists (somethings are heavier than others), and we have a **means** of measuring this (Kilograms). But the one thing that never goes 'on' the scales are Kilograms. You cannot bring me a Kilogram of Kilograms since the 'concept' of Kilograms must (necessarily) **express itself in something else** (as an amount of oranges, iron, apples, etc.).

Now, think of labour[6] as a **measure** of monetary value in the same way. **Labour (time)** is the *means* of measuring the product of the carpenter **in relation** to the cobbler, in relation to the surgeon, in relation to the teacher, etc. But the one thing that never appears on the market (in exchange, being traded) is **labour** (time). That would be like a Kilogram of Kilograms hopping on to one side of the scales.[7] And, yet, talking about 'On the Wages of Labour' (as Smith does) presents just such an idea: that 'labour (time)' is paid for using money (when, in fact, *going-rate* labour time 'is' money; it is the means of measurement). Yet, such a notion or **semblance** is used in everyday parlance in our society – people 'believe' they are **paid** for their labour time and that the **wage** is a recompense for time spent or served (e.g., how much do you earn per hour?). But (following my analogy), labour time can only ever express itself through something else – namely, the **products** of labour (i.e., so many hat pins, pieces of coal, iPhones, etc.).

Under this point, what does the **wage** pay for (or how is it **expressed**)? It is expressed in the **product** of the (socially required) labour time taken to produce / reproduce the body and mind of the

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[5] We should note that 1kg is (in origin) the weight of 1 litre of water (its reference point).

[6] Here I should (to be precise) write "socially-necessary labour …" or "exchangeable labour …" (see Heinrich, 2021). The notion that 'all' types of human labour act as a 'measure of value' is an inaccurate description of what takes place. Only under conditions of (predominant or capitalist) commodity exchange does 'labour time' act as a measure of value. This same point applies to the opening of the next sentence on "Labour (time) …". In the latter case I should write: "Abstract labour (time) …". For simplicity I have shortened the my main text.

[7] Please note I am making an analogy for teaching purposes which cannot quite replicate the conditions of the value (money) form using an example from the natural world (based on gravity / weight). 'Weight' (measured in Kilograms) is a natural phenomenon or force. In contrast, 'Value' is a purely social phenomenon or force. Nevertheless, the basic point about 'labour' not going 'on to' the scales holds. Kilograms have to be expressed in a 'product', whilst Value (socially-necessary labour time) has to be expressed in a use value (product) and exchange value (an amount or quantity of one use value in relation to another).

worker. Following Cantillon's guide (the slave can produce double their 'maintenance'), if the slave can cut down 1 tonne of sugar cain in a day, we will find that 0.5 tonnes of sugar cain will be required to purchase the slave's subsistence (necessities: food, clothing, shelter, tools). If the value of clothing falls (due to improved textile technology and/or importation of cloth from India, where labour power is relatively cheaper) then perhaps the maintenance of the slave can be reproduced through the production of only 0.3 tonnes of sugar.

From this, we can see where Smith went 'wrong'. He gives himself an impossible task of trying to measure the weight of some "Kilograms" by placing them on scales, which measure things in Kilograms! He ends up seeing 2Kg (the value or 'cost' of the worker's reproduction) 'appearing' (or weighing in) as 3Kg (the value, expressed in product, of what the worker has produced). It may now seem like a very 'basic' error, but is one which many / most economists have made.

On the Value of Nations

Smith titles his book *The Wealth of Nations*. And he (mistakenly) makes the claim that 'labour' is the source of (all) wealth. This comes across in the pin factory example where the 'new wealth' is down to nothing but the reorganisation of **labour** (defined as the activity of humans). However, this appears to play down the role of **nature** (non-human activity). And this has been picked up as a criticism of Smith by many subsequent economists. [Later on, Smith's position would appear to play down the role of machinery, which like 'nature' can be described as non-human activity].

The issue here is that Smith used the word 'wealth'. But, crucially, monetary wealth, or **value** (which is what Smith was focused upon), is only one form of wealth. Consequently, to say 'value' counts as all 'wealth' would be a false / inaccurate statement. Nature does, indeed, provide humans with **wealth** – rain, sunshine, the production of oil, coal, gas over millennia (millions of years), or salmon produced in 'the wild'. However, what nature does not do is produce **value**, since (and Smith is *right* on this point) value is a purely human concept and social practice (think of it as the 'weighing in' of different peoples labouring activity). To have 'value' we need **exchange** (and an evaluation that one thing is 'more' valuable than or equal in value to another). In Chapter 2 of *Wealth of Nations*, on the 'Principles of the Division of Labour', this (exchange) is something, Smith points out, that "dogs" – a natural being – do not partake in!

Conclusion

If Smith had entitled his book *An Inquiry into the Nature and Causes of the **Value** of Nations* then his book title would have been more in tune (consistent) with most of its contents. What Smith did 'wrong' was to **conflate** his description of the production of value (a socially specific type of activity) with the production of wealth (a universal activity which humans undertake in ALL types of society). Yet, this does not mean Smith was incapable of bursting out of his "bourgeois skin" (as Karl Marx, 1867, Chapter 10, later assessed). In places, Smith (1776) lets it be known he has cognized a rash or some boils and eruptions. His Book 5 (Chapter 1, Article II) conclusion on the 'fate' of the division of labour (eulogised as bringing about opulence in Book 1, Chapter 1) notes that the on-going process or practice make human participants (workers) as "stupid and ignorant" as it is possible to be – thus, a calamity or tragedy. Smith offers publicly-funded, general education as a 'solution'. But isn't that a salvation akin to placing soothing cream on the eruption to sink, once more, beneath a bourgeois skin?

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