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Adam Smith's Concept of Value of Labour. Anglo-American Perspective till Mid-19Th Century¹

Abstract

RESEARCH OBJECTIVE: The aim of this paper is to investigate applicability of Adam Smith's Labour Theory of Value (LTV) and present both: the development of Adam Smith's LTV as well as the early Anglo-American respond to the thesis that labour is real measure of the exchangeable value of all commodities.

THE RESEARCH PROBLEM AND METHODS: Paper analyses premises that led Adam Smith to formulate his thesis that the labour is the only common measure of all value; as well as the reasons for critiques and appraisals of Smith's thesis. Using analytical methods, as Frederic Beiser defined it, paper will "identify the problem behind a passage, the question the author is attempting to answer, (...) reconstruct the arguments the author gives for its solution, i.e., formulate them into premises and conclusion [and] (...) appraise these arguments, determining their formal validity and the quality of the evidence for them."

THE PROCESS OF ARGUMENTATION: After taking preliminary considerations on development of Smith's theory the paper examines the earliest critique by the Anglo-American thinker Thomas Pownall. Finally, to investigate shortcomings of Pownall's criticism, the paper explores various British and

1 The Author would like to thank the anonymous reviewers for their careful reading of this article and their many insightful comments and suggestions. Needless to say, Author takes full *responsibility* for all *remaining errors and shortcomings*.

American attempts to implement LTV in utopian experiments and validate accuracy of Smith's assumptions in practice.

RESEARCH RESULTS: The result of the study is to clarify the Smith's LTV concept and present it in new light, without the Marxist distortion given to it by both: Karl Marx itself and Marxists supporters.

CONCLUSSIONS, INNOVATIONS AND RECOMMENDATIONS: This proves that no matter how disputable and undefined the LTV concept might be, and besides all imperfections of LTV theory emphasised by Pownall, under specific circumstances it might be implemented into practice. The paper focusses on pre-Ricardian economy and utopian social experiment and therefore it provides new context of analysis does not intend to present the Marxist variations on LTV.

KEYWORDS:

LTV, pre-Ricardian economy, Anglo-American utopias, labour for labour exchange

How to determine the proper value of labour has been among the most commonly investigated questions of political economy, especially at the age of industrial revolution. The labour theory of value (LTV) has enormously rich and long tradition. It began with the Aristotelean concept of reciprocity in exchange expressed in *Nichomachean Ethics* (Book V). Then the concept of labour theory of value repetitively returned in the writings of sir William Petty, John Locke, Richard Cantillon, François Quesnay, Francis Hutcheson and David Hume to finally find the mature form in Adam Smith's *An Inquiry Into the Nature and Causes of the Wealth of Nations*. Adam Smith offered highly acclaimed and widely discussed claim that each labour has the same value, claiming that "Labour, therefore, is the real measure of the exchangeable value of all commodities." Although the subject of LTV has been discussed numerous times, the aim of this paper is to present it in Anglo-American perspective, and analyse its possible applicability.

ADAM SMITH'S CONCEPT OF LABOUR AS THE COMMON MEASURE OF ALL VALUE

Labour Value theory has been one of the most controversial and obscure concepts (Hueckel, 2000, p. 317-345; Evensky, 2009, p. 118-120; Meacci, 2012, p. 663-690; Rothbard, 1995, p. 452-455), that has been analysed and rejected by many scholars (O'Donnel, 1990; Meek, 1979, p. 45-81; Whitaker, 1904, p. 16-40). Adam Smith for the first time considered the theory of value in so called the *Glasgow Lectures*. Smith gave the course of lectures on *Justice, Police, Revenue and Arms* while he was a professor at Glasgow University. A student's notes of these lectures, taken down in 1763, were discovered over a century later and published by Edwin Cannan in 1896. In the *Glasgow Lectures*, in the section entitled "What Circumstances regulate the Price of Commodities," Smith observed the difference between the "natural price" and the "market price."

Of every commodity there are two different prices, which though apparently independent, will be found to have a necessary connexion, viz. the natural price and the market price. Both of these are regulated by certain circumstances. When men are induced to a certain species of industry, rather than any other, they must make as much by the employment as will maintain them while they are employed (Smith, 1896, p. 173-174).

As Ronald L. Meek pointed out in his classical piece *Studies in Labour theory of Value*:

Smith linked the natural price of a commodity, not to the *actual* price of the labour employed to make it (i.e., not to the actual reward paid to the direct producer, whatever this might happen to be in any particular instance), but to what he called the *natural* price of labour (Meek, 1979, p. 48).

Therefore the question that one should raise is what the Smith meant by the *natural price of labour*. Smith in the next paragraph of his lecture more precisely stated that

A man then has the natural price of his labour, when it is sufficient to maintain him during the time of labour, to defray the expense of

education, and to compensate the risk of not living long enough, and of not succeeding in the business. When a man has this, there is sufficient encouragement to the labourer, and the commodity will be cultivated in proportion to the demand (Smith, 1896, p. 176).

This might at the first moment create a false impression that the natural price of commodity should be equivalent to the natural price of the labour by which it was produced. But when we examine this passage minutely, it is evident, that the price of the commodity must be sufficiently high to “encourage the labourer” – i.e., to yield to the direct producer, after all his paid-out costs had been met, a reward at least equivalent to the natural price of his labour as so defined” (Meek, 1979, p. 49).

When we consider what Smith wrote about the proper reward for labour the most crucial question will be the broad context of Smith’s assumptions about the economy.

Smith has tacitly assumed that the direction of production is in the hands not of capitalist employers who expect to receive the natural rate of profit on their capital, but of more or less independent workmen who expect to receive the natural price of their labour (Meek, 1979, p. 49).

This vision from the early Smith’s work divulges economy of the pre-industrial revolution. When one examines the examples that Smith used to elaborate his theory, his world will be full of blacksmiths, weavers, tailors, watchmakers, carpenters. Therefore, one must conclude that in Smith’s world the production was carried by more or less independent craftsmen and labourers who still owned their own means of production. The economy that Smith in his early works analysed was based on productive units “where several individuals (...) seem to be looked upon rather as co-operative establishments consisting of workmen who still retain a certain measure of independence and a «master» who is virtually one of themselves” (Meek, 1979, p. 47). Only with this assumption producers would expect the natural price of their labour. Otherwise, those that owned the capital but are not directly engaged into and responsible for the production process would seek to obtain the natural rate of profit on their capital.

The greatest transition between the *Glasgow Lectures* and the *Wealth of Nation* is the change of perspective toward more post-industrial revolution. Smith is aware that the British economy not any longer will be based on the craftsman and artisan, therefore capital and investment are going to play more crucial role. Such distinction was not so visible in earlier Smith's writing: between stock and capital, between profits and wages and between two classes: one who lived by profits and other that lived on wages become more essential. Labour theory of value is possible in "labour only economy" or "hypothetical Robinson Crusoe type of economy," as O'Brien called it (O'Brien, 1975, p. 79). Then,

In that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another. If among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer. (...) If the one species of labour should be more severe than the other, some allowance will naturally be made for this superior hardship; and the produce of one hour's labour in the one way may frequently exchange for that of two hours' labour in the other (Smith, 1975, p. 65).

But in the economy where land has been appropriated and capital has been accumulated Smith observed different patterns.

In this state of things, the whole produce of labour does not always belong to the labourer. He must in most cases share it with the owner of the stock which employs him. Neither is the quantity of labour commonly employed in acquiring or producing any commodity, the only circumstance which can regulate the quantity which it ought commonly to purchase, command, or exchange for. An additional quantity, it is evident, must be due for the profits of the stock which advanced the wages and furnished the materials of that labour (Smith, 1975, p. 67; cf. O'Brien, 1975, p. 79-80).

The best illustration of this transition is Smith's passage where he stated that

the person who employs his stock in maintaining labour, necessarily wishes to employ it in such a manner as to produce as great a quantity of work as possible. He endeavours, therefore, both to make among his workmen the most proper distribution of employment, and to furnish them with the best machines which he can either invent or afford to purchase. His abilities in both these respects are generally in proportion to the extent of his stock, or to the number of people whom it can employ (Smith, 1975, vol. 1, p. 277).

As the Meek accurately points out, "Smith's concept of commandable labour as the 'real measure' of value may have been in large part a product of his concern with the analysis of the particular problem of accumulation under capitalism" (Meek, 1979, p. 66). But Smith expressed this concept in the *Wealth of Nations* in the general form that might be useful to all types of society that reached "division of labour" stage in the process of their economic development. In that case:

Every man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences, and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities (Smith, 1975, vol. 1, p. 47).

In the next paragraph Smith develops this idea emphasizing more firmly the fact that

The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What everything is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people. What is bought with money or with goods is purchased by labour as much as what we acquire by the toil of our own body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour which we exchange for what is

supposed at the time to contain the value of an equal quantity. Labour was the first price, the original purchase-money that was paid for all things. It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command (Smith, 1975, vol. 1, p. 47).

However, Smith rejects money as the accurate measure. “[H]e proceeds to point out that money is itself variable (witness the great Tudor inflation) according to variations in the amount of labour that gold and silver cost to mine” (Dobb, 1973, p. 47).

Then Smith's conclude this with statement that “though labour be the real measure of the exchangeable value of all commodities” (Smith, 1975, vol. 1, p. 48). Smith is aware of possible shortcomings of his claim, stating in the same sentence that

it is not that by which their value is commonly estimated. It is often difficult to ascertain the proportion between two different quantities of labour. (...) In exchanging indeed the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by an accurate measure, but by the higgling and bargaining of the market, according to that sort of rough equality which, though not exact, is sufficient for carrying on the business of common life (Smith, 1975, vol. 1, p. 48).

This provision provides more flexibility to measure of the exchangeable value of all commodities.

What is not explicitly stated by Smith, his theory is plausible only if we adopt the following assumptions:

- a) Natural resources come free from nature;
- b) Adding labour to natural resources creates raw materials;
- c) Adding labour to raw materials created machines and other commodities;
- d) Adding labour to machines and other commodities created goods;
- e) The whole value of the product comes from efforts of an individual to make it.

As we can see from this line of arguments: rent, capital and interests has been eliminated. Also, the labour is the only invariable element.

THOMAS POWNALL'S CRITIQUE OF *LABOUR*
WAS *THE COMMON MEASURE OF ALL VALUE*

There are some good reason to use Thomas Pownell's critique as the starting point for investigating Smith's Labour Theory of Value in the context of transatlantic relations. First; Thomas Pownall was British politician and colonial official in America,² therefore his Anglo-American perspective in describing and analysing Smith's theory is undisputable. As John Adam wrote in his correspondence: "Pownall was the most constitutional and national Governor, in my opinion, who ever represented the crown in this province. He engaged in no intrigues, he favored no conspiracies against the liberties of America. Hinc iliae lacrimae [*Hence these tears*]" (Adams, 1856, p. 243). In 1760 Pownall was nominated Governor of South Caroline but he did not take up his post. He left the colonies, and never returned to America, but American affairs always occupied his mind. He was very well read, with vast knowledge and excellent classical education. In 1764, he published *The Administration of Colonies*, and then as the member of British Parliament between 1767 and 1780 he was strong advocate of conciliation with America. Even though Pownall was aware that his engagement might be the end of his career at the court" (Smith, 1987, vol. VI, p. 213; cf. Schutz, 1951, p. 216-265).

Second reason is that Thomas Pownall was the earliest critic and commentator of Smith's Labour Theory of Value. Pownall spent the summer of 1776 reading carefully work of Smith, making notes and comments. The final outcome of his study was the letter to Adam Smith, that Pownall decided later to publish as *A letter from Governor Pownall to Adam Smith, LL.D. F.R.S. Being an examination of several points of doctrine, laid down in his "Inquiry into the Nature and Causes of the Wealth of Nations."* The revised edition of this letter appeared in the VI volume of Glasgow edition of Adam Smith's works. The letter was

2 Pownall was born in 1722 in New Styles in Lincoln, England, and died in 1805, in Bath, England. He was British politician and colonial official. He served as a clerk at the Board of Trade between 1743 and 1754. He was a private secretary to Sir David Osborne since 1753, when Osborne was appointed governor of New York. Since 1755 he was Lieutenant Governor of New Jersey, and between 1757 and 1759 he served as the Governor of Massachusetts Bay.

dated on September 25, 1776, and written in Richmond. As Pownall himself explained the main purpose of this letter would be to contribute something to the discussion. Pownall, using the classical rhetorical figures, stated that his letter "is not in the spirit of controversy, which I both detest and despise, but in that of fair discussion that I address this to you" (Smith, 1987, vol. VI, p. 338; Pownall, 1776, p. 4)³. Therefore, his arguments offer an insight into the earliest reception of the Labour theory of value.

The third reason for selection Pownall's critique of Labour theory of value is the fact that he was practitioner. As the Charles A.W. Pownall, descendant of Thomas Pownall as well as the author of Thomas Pownall's biography, noticed the great advantage of Pownall over professor Adam Smith was made by the fact that Pownall was man of action while Smith was theoretician and scholar. "Pownall's life as an active man of affairs in America and in Parliament had given him some advantage over Smith" (Pownall, 1908, p. 282). Pownall's concentrates on practical consequences of adopting labour theory of value and possible applicability of Smith's proposal. Many arguments are based on Pownall's experience as the administrator and colonial official.

Smith expressed appreciation to the Pownall's work, after receiving and reading the copy of Pownall's published letter Adam Smith wrote to Thomas Pownall in January 19th, 1777:

I received, the day before I left Edinburgh, the very great honour of your letter. Though I arrived here on Sunday last, I have been, almost from the day of my arrival, confined by a cold, which I caught upon the road; otherwise I should, before this time, have done myself the honour of waiting on you in person, and of thanking you for the very great politeness with which you have treated me. There is not, I give you my word, in your whole letter, a single syllable, relating to myself, which I could wish to have altered; and the publication of your remarks does me much more honour than the communication of them by a private letter could have done (Smith, 1987, vol. VI, p. 224).

Smith considered the proper respond to Pownall's criticism. In the letter to Andreas Holt written in Edinburgh, October 26th, 1780 he informed him with some regret that

3 Reference to Thomas Pownall letter are given to the first edition from 1776, as well as to more popular edition of Smith's correspondence from 1987, where the Pownall's letter has been included in appendix.

I published more than two years ago a second edition of the inquiry concerning the Wealth of Nations, in which though I have made no material alteration, I have made a good number of corrections, none of which, however, affect even in the slightest degree, the general principles, or Plan of the System. (...) I do not pretend that this second edition though a good deal more correct than the first, is entirely exempted from all errors. (...) I have not thought it proper to make any direct answer to any of my adversaries. In the second edition I flattered myself that I had obviated all the objections of Governor Pownall[1]. I find however, he is by no means satisfied, and as Authors are not much disposed to alter the opinions they have once published, I am not much surprized at it" (Smith, 1987, vol. VI, p. 250).

Pownall criticized few elements from the *Inquiries* but the most relevant for this discussion would be those pertinent to the question of labour. As Pownall pointed out:

Having prefaced thus much as to the several doctrines on which I have conceived some doubts, I will now, following the order of your work, state those doubts. When I found you discarding *metallic money*, that intervening commodity which having, by common consent, acquired a value of its own, hath been hitherto esteemed a common known measure of the value of all other things, from being any longer such common measure, and by a refinement of theory, endeavouring to establish in its place an abstract notion, *that labour was the common measure of all value*; I did not only doubt the truth of the position, but, looking to the uses that might be made of the doctrine, hesitated on the principle (Smith, 1987, vol. VI, p. 341; Pownall, 1776, p. 8-9).

The first part of the Pownall's reservations toward metallic money is quite simple and do not need deep elaboration. Pownall himself clarified that if one adopts the Smith's assumption and "If labour be the only real and ultimate measure of value, money is but the instrument, like the counters on the checkquer, which keeps the account" (Smith, 1987, vol. VI, p. 341; Pownall, 1776, p. 9). In this observation, that from Pownall's perspective is a form of accusation, Pownall had foreseen the future mid-19th century socio-economic experiments with different medium replacing metallic money as the reliable currency (Grey, 1825).

The second part of Pownall's arguments against Smith relates to the fact that the "labour is the common measure of value": needs more attention. The most essential is not only the part of Smith's

claim that "equal quantities of labour are absolutely of equal value," which Pownall rejects at the beginning of his reasoning.

I could not but read this leading doctrine of yours with great caution and doubt. I must doubt, whether it be labour simply which creates and becomes the measure of value, when I find other component parts mixed in the most simple idea of value: I cannot conceive, that equal quantities of labour are absolutely of equal value, when I find the value of labour both in use and in exchange varying in all proportions, amidst the correlative values of these components parts; I cannot suppose labour to be the ultimate measure, when I find labour itself measured by something more remote (Smith, 1987, vol. VI, p. 342; Pownall, 1776, p. 9).

It is worth noticing that partially, as the result of Pownall's critique, Smith has modified his opinion on this matter.

The real strength of Pownall's observation lies in his remarks about the value of the labour and the value of objects.

But when we come to the minor proposition of it, we must consider also the objects on which labour is employed; for it is not simply the *labour*, but the *labour mixed with these objects*, that is exchanged; it is *the composite article, the laboured article*: Some part of the exchangeable value is derived from the object itself; and in this composite value, which is the thing actually exchanged, the labour bears very different proportions of value, according to the different nature of the object on which it is employed. Labour, employed in *collecting* the *spontaneous produce* of the earth, is very different in the composite exchangeable value of the fruit collected, from that which is employed in raising and collecting the *cultured fruits* of the earth. Labour, employed on a rich, cleared, subdued and fruitful, or on a poor and unkindly soil, or on a wild uncleared waste, has a very different value in the composite object produced in the one, from what it bears in the composite value of the other. As the object then makes part of the composite value, we must consider, in the exchangeable value, the object also, as a component part. Whose then is the object? Who has acquired, and does possess, the object or objects on which the labour may be employed? (Smith, 1987, vol. VI, p. 342; Pownall, 1776, p. 9).

When we recall once again the assumptions that led Smith's to create LTV it is evident that Pownall opposed to the transition from (b) to (c), and differently interprets (b). Even if the adding labour to natural resources created raw materials then according to Pownall's understanding of this process the source of future value has been split between

the labour that has been added and the object (raw materials). Pownall would consequently object to any transition, starting on from (b). And partial value would be ascribed also to machines and other commodities. As the result of Pownall's assumptions the entire value of the product cannot come only from efforts of individual to make it.

This expresses the conclusion which I draw from the case I have stated, and not your position, that labour is the *measure*, and that it is labour which is exchangeable for *value*: it is, on the contrary, the mixture of the labour, and the objects laboured upon, which produces the composite value. The labour must remain unproductive, unless it hath some object whereon to exert itself, and the object is of no use unless laboured upon (Smith, 1987, vol. VI, p. 343; Pownall, 1776, p. 10).

The second vital reservation of Pownall to the Smith's LTV is the fact that the labour itself is not invariable element, the estimation of value of any labour is subjective. Pownall offered comprehensive explanation that

value cannot be fixed by and in the nature of the labour; it will depend upon the nature of the feelings and the activity of the persons estimating it. A and B having, by equal quantities of labour, produced equal quantities of two of the most necessary articles of supply, whose values, in the general scale of things, vary the least; each having a surplus in the article which his labour has produced, and each likewise having an equal want of what the other has produced. This *quantity* of labour, although stated as *equal*, will have very different *exchangeable values* in the hands of the one or the other, as A or B are *by nature* formed to make a good bargain in the common adjustment of the barter. He who has not an impatience in his desire on one hand, or a soon-alarmed fear on the other of losing his market; who has a certain firmness, perseverance and coldness in barter; who has a certain natural self-estimation, will take the lead in setting the price upon the meek and poor in spirit; upon the impatient and timid bargainer. The higher or lower value of these equal quantities of labour, will follow the one or the other spirit. The value is not equal, and is not fixed in, nor depends upon, the equal quantity of the labour, it is unequal and differs, and is fixed by, and derives from, the different *natures of the persons* bargaining. The exchangeable value of equal quantities of labour, stated equal in all circumstances, is not only not equal in this first instance, between that of A and B, but may, in other comparisons, vary both in A and in B individually (Smith, 1987, vol. VI, p. 344; Pownall, 1776, p. 11-12).

ANGLO-AMERICAN EXPERIMENTS WITH *LABOUR*
WAS *THE COMMON MEASURE OF ALL VALUE*

Despite Pownall's claim about impossibility of practical applications of labour theory of value in practice due to aforementioned arguments, other intellectuals and practitioners found the idea of Labour as the common measure of value more appealing, and tried to popularize it, even through implementation. The first impulse to disseminate idea of equal value of each labour was given by Robert Owen, the British social reformer and father of socialism. Owen in one of the earliest publications *Report to the County of Lanark*, inspired by Smith's theory, proposed to build up a new society based on barter exchange of labour for labour as a means to eliminate

the present demoralizing system of bargaining between individuals, [since] no practice perhaps tends more than this to deteriorate and degrade the human character (Owen, 1821, p. 20-22).

This vague Owenite ideas was later popularized in America when Owen established in 1824 the *New Harmony* community in New Harmony, Indiana. In late 1827 Josiah Warren, a member of *New Harmony* opened the first *Time Store* in Cincinnati, Ohio. The store, also called *Co-operative magazine* was based on Smith's and Owen's principle that the labour is the common and true measure of value. The store was operating for three years, and become quite successful enterprise. Warren based on Owen's concepts introduced *labour for labour notes* – the new form of currency, that supposed to become new circulating medium, that will eventually replace and eliminate money (Warren, 1846, p. 85-90).

The transatlantic connections increased in the early 1830s when reports about Warren's experiment with labour for labour exchange appeared in British newspapers, close to the Owenite movement. There is no evidence to what extent Warren's success become inspirational for Owens, but Owen started popularising the idea of co-operatives and labour as the real measure of value in two newspapers: *Co-operative magazine* and *The Crisis, and National Co-operative Trades' Union Gazette*. Both periodicals were published in the early 1830s. In June 1832 Owen announced in *The Crisis* the formation of an association to promote the exchange of all commodities.

The genuine principle of barter was, to exchange the supposed prime cost of, or value of labour in one article, against the prime cost of, or amount of labour contained in other article. This is the only equitable principle of exchange (Owen, 1832, p. 154).

To carry out this ideal, an *Equitable Labour Exchange* was opened on 3 September 1832 at a building called the Bazaar, in Gray's Inn Road, London (Garnett, 1972, p. 139-141; Claeys, 2005, p. 416-424; Harrison, 2010, p. 169-171). It belonged to a man named Bromley who had pressed Owen to use it for a new society. Any goods might be deposited in it; *labour notes*, which had been elaborately contrived to avoid forgery, were given in exchange, and the goods deposited might be bought in the same currency. The system was extremely crude and scarcely intelligible. There was, however, a rush to the exchange and a large amount of deposits was made and the example was imitated, especially in Birmingham (Claeys, 2002, p. 198-199; Thompson, 1984, p. 141-142).

In America, in the 1830s Josiah Warren took attempts to open *Labour for Labour exchange store* in New York, but those efforts were futile. The next *Time Store* based on Smith's concept of labour as common measure of value was opened in New Harmony in 1842, but it has operated till 1844. Although Warren himself announced self-proclaimed success, but the second store has been less popular the first one. In 1840s the New Harmony was in the so called "after glow period," and majority of adventurous individuals who came with Robert Owen left the place after the collapse of utopian community. Warren tried to rejuvenate the labour for labour exchange in other social experiments that he established. There are evidences that in Modern Times in 1850s the shops where the Smith's principle has been tested in practice operated (Bailie, 1906, p. 9-24, 42-49, 57-82). What is quite astonishing, there was huge the popularity of Smith's concept among groups not directly connected with the Owenite movement. So definitely the idea was so appealing that it disseminated through American independently of Warren-Owen personal influence. The idea that labour was the common measure of all value has been popularized by many pamphlets circulating among the intellectuals, social reformers and commoners. This was a huge impulse to test farther the accuracy of Smith's assertions. To provide just few examples of such attempts: in 1828 in Philadelphia, a *Labour*

for *Labour Association* was formed. According to its constitution, any person, including women, who was above 12 could be a member.

All articles that are entirely the produce of the labour of members of the association, or, for no part of which money has been paid, shall be valued by the number of hours, or parts of an hour, required for the production, and where different persons of the same profession, disagree in their estimates, the average of the whole shall be the price. A medium adult workman shall be taken as a criterion, but if females or children, perform the work, it does not in our opinion diminish its value. (...) All articles that are manufactured out of materials which cost money, shall be received at the store at the prime money cost of such materials, and the number of hours, or parts of an hour, required for their manufacture (Commons et al., 1910, p. 95).

In 1859 the *Dual Commerce Association* has been formed in Boston. In their first report they announced on what principles Association has been operated:

Dual commerce does not demand a price for food measured by '*the demand*' or the sufferings of the community; but *by what it costs to manufacture and distribute it*; the labor of the distributor being measured and compensated, like that of the producer by the labor performed: and for the present, this limit of the distributors (or merchants) in Dual Commerce is set and *limited* at two dollars per day (Dual Commerce, 1859, p. 3).

All these socio-economic experiments proved the applicability of Smith's concept that labour was the common measure of all value. In practice Warren, Owen and other various reformers used Smith's concept as remedy for the "misery of society" or "public distress" and to "provide human happiness."

CONCLUSION

Adam Smith was not the first person who attempted to frame labour theory of value, but undoubtedly has been the first person to present it in mature, coherent form. He has been also the first one, among many earlier philosophers, whose labour theory received such a broad attention. The earliest Smith's attempts to define labour

theory of value were based on premises that the production is in the hands of independent workmen and is deeply rooted in the economy of the pre-industrial revolution. It is also based on the tacit assumption that the natural resources are free and open to everyone. Therefore, the only real source and real measure of value will be one's work. Pownall's critique of labour theory of value has been the earliest one. Pownall pointed out two crucial elements. The first observation was that not only the labour but the natural resources, but also raw materials and created machines as well as other commodities are the source of value of produced goods. The second, that the value of exact labour of two different individuals depends on their personal features, and therefore the measure of labour is highly subjective.

Most surprisingly, all Pownall's reservations, no matter how accurate, appeared to be completely irrelevant, when we observe moderate success of those who tried to implement Smith's theories into practice in America during the early republic. Mainly because at that time American continent offered quite free access to the natural resources, especially at the new territories, just opened for settlement. The Anglo-American successes of such socio-economic experiments proved not only accuracy of Smith's assumptions, but also contribute to the knowledge about the human nature, and reveals non-economic motivations of those that engaged in various labour for labour exchange practices. Evidently, pre-Marxist labour theory of value has enormous potential to provide not only insight into Anglo-American enlightenment tradition but also to might be inspirational for those to seek modification and reform of contemporary capitalism.

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