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**“VALUE IN EXCHANGE”:
PUFENDORF’S MORAL QUANTITIES IN SMITH’S QUANTITIES OF LABOUR**

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**UNIVERSIDADE FEDERAL DE MINAS GERAIS
FACULDADE DE CIÊNCIAS ECONÔMICAS
CENTRO DE DESENVOLVIMENTO E PLANEJAMENTO REGIONAL**

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PUFENDORF’S MORAL QUANTITIES IN SMITH’S QUANTITIES OF LABOUR**

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RESUMO

Este artigo busca mostrar que as “quantidades de trabalho” nas quais Smith baseia sua teoria da medida real do valor de troca não são quantidades objetivas que podem ser estabelecidas antes da troca, mas que seu valor é determinado pela proporção estabelecida *na* troca. Contra o que comumente se afirma, isso significa que essas quantidades de trabalho não são insumos físicos “incorporados” nas mercadorias, nem preços dados antes das trocas, nem uma “desutilidade” absoluta, mas que elas se aproximam daquilo que Samuel Pufendorf denominou “quantidades morais”. Isso significa que elas são preços estabelecidos por comum avaliação e acordo *na troca*, considerando diferentes aspectos associados a cada trabalho e obra. Argumenta-se aqui que a concepção de Smith a respeito da estimação dos diferenciais de salários deve ser entendida dessa forma. O caráter não arbitrário dessa concepção do “valor na troca” se explica pelo entendimento de Smith de que, sob condições de igualdade e liberdade, as pessoas são capazes e dispostas a avaliar de forma imparcial os respectivos trabalhos, uma vez que elas normalmente desejam obter a estima merecida dos outros.

Palavras-chave: Adam Smith, Samuel Pufendorf, Quantities of Labor, Value, Exchange.

Classificação JEL: B10, B11, B12.

ABSTRACT

This paper aims to show that the “quantities of labor” on which Smith bases his theory of the real measure of exchange value are not objective quantities that can be established prior to the exchange, but that their value is determined by the proportion established *in* exchange. Contrary to what is often stated, this means that these quantities of labor are neither physical inputs “embodied” in commodities, nor given prices, nor an absolute “disutility”, but that they come close to what Samuel Pufendorf called “moral quantities”. This means they are prices established through common evaluation and agreement *in exchange*, taking into account different aspects associated with each labor and work. It is here claimed that the estimation of Smith’s wage-differentials should also be understood in this sense. The non-arbitrary character of this conception of value in exchange is explained through Smith’s understanding that, under conditions of equality and liberty, people are capable of and willing to evaluate each other’s labor impartially, since they usually desire to obtain the deserved esteem of others.

Keywords: Adam Smith, Samuel Pufendorf, Quantities of Labor, Value, Exchange.

JEL Classification: B10, B11, B12.

INTRODUCTION

This paper aims to show that the “quantities of labor” on which Smith bases his theory of the real measure of exchange value are not objective quantities that can be established prior to the exchange, but that their value is determined by the proportion established *in* the exchange. Smith states that quantities of labor are not determined solely by labor time, but depend also on factors such as hardship, dexterity, and ingenuity, for which there is no “accurate measure” (WN I.v.4). These quantities are usually considered as something which can be calculated prior to exchange in terms of physical labor inputs¹, by means of the price of labor², or in terms of units of absolute disutility felt equally by all individuals.³ So that the real measure of the exchange value of commodities would be given by the proportion between known quantities of labor expended in production. As this paper seeks to show, by contrast, it is the proportion established through bargaining in exchange what effectively provides an evaluation to the quantities of labor. In this sense, it is the esteem that individuals have for different talents that gives the value to the quantities of labor in the exchange (WN I.vi.3).

Since Smith uses his theory of exchange value based on quantities of labour also to explain the estimation of different wages in the “advanced state of society”, he does not confine it to the “primitive” state of society, as instead is often claimed.⁴

The idea that the value of different quantities of labor is established through estimation and agreement in exchange recalls the idea of the “common price” as a “moral quantity” put forward by Samuel Pufendorf. In this natural jurist’s conception, the common price is not determined by the proportion between physical or mathematical quantities, but expresses an equivalence of moral quantities. These quantities are valued in the exchange, taking into account, among other things, elements similar to those that Smith considers the main ones in the estimation of the quantities of different labors, especially in advanced society.⁵

The idea that the value of different quantities of labor is established by the proportion agreed upon in the exchange is susceptible to the criticism that, if so, there is no stable measure of exchange value, because the negotiation is always the contingent result of a power relationship between the parties.

¹ Bowley (1973), for example, understands the quantity of labor employed in producing or acquiring something as the physical labor-input (at least in the “primitive” state). For Henry (2000), this concept means a kind of absolute value (different from the price), understood as the labor embodied in the commodities.

² This is the case of those who interpret Smith’s “quantities of labor” in terms of a costs of production theory of prices, in which the quantities are prices that are given before the market exchanges. See Schumpeter (2006 [1954]), Hollander (1973), Dobb (1973), Blaug (1985) and Brems (1986). For a critique of these approaches, because of their circular reasoning (they require the long-run price to be known in order to calculate the initial cost of inputs) see Benetti (1981) and O’Donnell (1990). See also Hurtado (2003).

³ See Bowley (1973, p. 113-4, 116) and Paganelli (2020, p. 34). For a critical view, see Aspromourgos (2009, p. 298-9, n. 55).

⁴ On the view that Smith confined the labor theory to the “primitive” state, see the positions – however disagreeing on the meaning of “labor theory” – of Schumpeter (1954, p. 188, n. 20), Bowley (1973, p. 110–20), Dobb (1973, p. 45), Hollander (1973, p. 116–17), Winch (1978, p. 90), Skinner (1987, p. 364), Naldi (2003, p. 554) and Roncaglia (2005, p. 138)..

⁵ Many authors have analyzed the relationship between Smith’s and Pufendorf’s ideas on prices, also taking into account Carmichael’s and Hutcheson’s contributions. Differently from what is claimed here, some say Smith would have broken with these philosophers by abandoning the subjective elements present in their respective conceptions of price in the name of a theory of value based on labor and costs of production (Kauder, 1953; Robertson; Taylor, 1957; Taylor, 1965; Hutcheson, 1988); while others emphasize continuities among the theories of Pufendorf, Carmichael, Hutcheson, and Smith, relativizing the “subjectivist” interpretations mentioned above and/or attempting to show that the labor and costs elements of the latter’s price theory were in some sense already present in the theories of the former (Bowley, 1973; Hollander, 1973; 1987; Pesciarelli, 1986; 1999; Naldi, 1993; Skinner, 1995; Young, 2008; Aspromourgos, 2009).

This critique was first made by Thomas Pownall in his well-known commentary on Smith’s WN.⁶ For Smith, however, this is not the only possible condition and motivation of exchange, since it can also be based on the desire to obtain the deserved esteem of others, especially when people are free not to exchange. In this situation, they are able and willing to impartially estimate the value of their reciprocal contributions. It is thus that it is possible to estimate different quantities of labor through a sort of equality. The problem arises when there are circumstances that prevent free bargaining, such as regulations that empower certain producers, but also in cases where there are structural asymmetries of bargaining power independent of regulations.

QUANTITIES OF LABOUR

In the fifth chapter of WN (I.v.4), Smith argues that the real measure of exchange value is given by the proportion between “quantities of labor”. This could mean that one must calculate these quantities in order to establish a proportion between them and thus obtain the value with which they can be exchanged. To this end, the problem arises of how to calculate such quantities of labor, since Smith says that it is not enough to know how much time has been spent, but one must also evaluate the difficulty they require in terms of hardship and ingenuity. In order to get as objective an assessment as possible, one could argue that these quantities are calculated in advance on the basis of their price costs.⁷ However, to know the prices of the initial inputs, one must already know their long-run price.⁸ Or, one could imagine that we all give up an equal amount of what Smith calls “ease”, “liberty” and “happiness” (WN I.v.7) in the same unit of time, so that we can exchange equal amounts. This assumption should be based on the fact that we are by nature all equal, in the sense of similar. If one labor requires more hardship than another, it will therefore have proportionately more value for all of us over the same unit of time as the other. Similarly, we could relate ingenuity back to quantities of ease, liberty and happiness by considering that a skill can only be obtained after a certain amount of time of application, which then means giving up a certain quantity of ease, liberty and happiness.⁹

In the next chapter, however, Smith says that to reasonably reward the acquisition of a skill one must reward “the time *and labor* which must be spent in acquiring them” (WN I.vi.3, emphasis added). Since the labor required in turn implies not only hardship but also ingenuity, the reasoning becomes circular. To assess the ingenuity of a type of labor on the basis of what was required to obtain it, one must calculate the ingenuity (as well as hardship) that was required along the time frame in which it was being learned.

However, as we intend to show, one needs not assume that it is necessary (and therefore possible) for Smith to reduce everything to such objective quantities. Neither is it necessary to assume that we all value in the same way the giving up of our ease, liberty and happiness. This is so because one must not calculate the quantities of labor before the exchange in order to establish a proportion

⁶ On this, see Aspromourgos (2009, p. 298-9, n. 55), who endorses Pownall’s critiques.

⁷ See Schumpeter (2006 [1954]), Hollander (1973), Dobb (1973), Blaug (1985) and Brems (1986).

⁸ See Benetti (1981) and O’Donnel (1990). See also Hurtado (2003).

⁹ See Paganelli (2020, p. 34). This position is consistent also with that of Bowley (1973, p. 113-4, 116), based on an objective disutility as the physical labor-input.

between them and obtain the value with which to exchange them. It is enough to agree on the proportion between them at the very moment of the exchange. In this sense, it is not the proportion of quantities already valued that gives rise to an exchange value (therefore obtained independently of the exchange), but it is the exchange that gives value to those quantities by establishing their proportion. Labor and its products do not have an exchange value before exchange but only in it. If in one time and place some goods are usually exchanged for a certain value, while in another time and place for another value, this is because their exchange value is determined by the exchanges that usually take place in each situation. These values are modified by people’s judgments, as well as by any general circumstances that affect the latter.

This means that such quantities of labor are not objective, like physical or mathematical quantities, as may be the quantities of time given up for equal ease, liberty and happiness. That is, they are not quantities that can be calculated independently of exchange. However, neither are they purely subjective and therefore impossible to equate. Rather, they are established by the equalization that takes place in exchange. They are the result of the mutual recognition of the hardship and ingenuity required by different kinds of labor that is revealed by the proportion with which the products of such labor are exchanged.

It is true that in chapter five of WN, Smith says that "it is not easy to find any accurate measure either of hardship or ingenuity" (WN I.v.4). However, immediately afterwards he says that there is a solution and that it is found in the adjustments that take place in the market, i.e., in exchanges: "In exchanging indeed the different productions of different sorts of labor for one another, some allowance is commonly made for both. It is adjusted, however, not by any 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" (Ibid.).

It is in this sense that later Smith states that when one labor is harder than another, although it is not easy to estimate it, in any case “some allowance will naturally be made for this superior hardship” (WN I.vi.2). That is, the exchangers somehow recognize the diversity of hardship employed in their respective employments and establish in the exchange the proportion they deem appropriate between the quantities of labor.

The same occurs and even more explicitly in the exchange of products or services of labor requiring different ingenuity: “if one species of labor requires an uncommon degree of dexterity and ingenuity, *the esteem* which men have *for such talents*, will naturally give a value to their produce, superior to what would be due to the time employed about it” (WN I.vi.3, emphasis added). What gives superior value to such work is the *esteem* people have for the other exchanger’s talent. If it is not possible for Smith to have an “accurate” measure for evaluating quantities of labor, this is because they are not objective quantities that can be calculated exactly¹⁰. They require the estimation that finds its adjustment in the agreements that take place in the market, i.e. in the exchanges.

This occurs not only in the "earliest and rudest period" of society, but also and perhaps especially in the society in which the division of labor is developed and each labor is very different from the others:

¹⁰ On the non-precision of this measure, which, however, still implies a sense of justice, albeit different from commutative justice (which instead requires precision like the rules of grammar), see Bee (forthcoming).

“In the advanced state of society, allowances of this kind, for superior hardship and superior skill, are commonly made in the wages of labor” (Ibid.). Smith here is alluding to those wage differentials that he will discuss more fully in chapter ten of WN and that in advanced society require additional criteria for estimation.¹¹ As is often noted, Smith's theory of wage differentials dialogues with the ideas of Cantillon (1756, p. 27-9), who states that different arts and crafts should be remunerated according to the time of learning, skill, risk, and degree of confidence required.¹²

However, while Cantillon's goal is to measure the value of different labors in terms of the physical amounts of land required to maintain a worker at the standard of living required by his or her social position (see Bowley, 1973, p. 93), this is not Smith's purpose. The latter does not seek to measure the value of labor in physical or objective quantities as quantities of land. In this respect, Smith appears closer to the position of Pufendorf, who criticizes the idea that exchange value can be based on physical or mathematical quantities, arguing that it is instead based on “moral quantities”.

MORAL QUANTITIES

Smith argues that exchange value is given by a proportion between quantities of labor, which are difficult to assess because they depend on criteria such as hardship and ingenuity. Since these are not physical or mathematical criteria, they are not objective and require to be assessed through mutual appreciation. In the society in which employments differ greatly from one another, this appreciation requires more criteria than those needed in a society in the early and rude state. The two main criteria of hardness and ingenuity must therefore be expanded.

Smith lists several "circumstances" that he considers to be principal - therefore still not the only ones - that influence the estimation of different employments in an advanced society: their "agreeableness or disagreeableness", "the easiness and cheapness, or the difficulty and expence of learning them", "the constancy or inconstancy" with which they can be practiced, "the small or great trust which must be reposed in those who exercise them" and "the probability or improbability of success in them" (WN I. x.b.1).

In the case of the "agreeableness or disagreeableness" of the work, Smith includes the consideration of factors such as "the ease or difficulty, cleanliness or dirtiness, honorableness or dishonorableness of employment" (WN I.x.b.2). While some aspects such as cleanliness or dirtiness seem objective, they nevertheless need to be considered with respect to the happiness or unhappiness they may procure in practicing a given occupation. Such happiness can certainly be subjective (and in that sense can also invariable for the subject experiencing it). But in order to be considered in the exchange value of such employment it must still find confirmation in the judgment of the person with whom it is exchanged. Otherwise, it has no exchange value. Its value, as with ease and difficulty, must be determined in the agreement that takes place through exchange. This is perhaps even more evident

¹¹ See also the connection the editors of the *Glasgow Edition* make between this point in chapter six and chapter ten, in which Smith discusses wage differentials (WN p. 65 footnotes 2 and 3).

¹² Cantillon's essay can be found in Smith's personal library, see Bonnar (1894). On Smith and Cantillon, see, among others, Bowley (1973) and Aspromourgos (2009).

in the case of honorability or dishonorability of employment. This is a category that is certainly contextual to a particular place and time, but nonetheless a product of the judgment on which to agree and not something objective that can be evaluated without the confirmation that may take place in exchange.

According to Smith, "the difference between the wages of skilled labor and those of common labor" is founded on the differences of dexterity and skill of these labors (WN I.x.b.7). Again, dexterity and skill are related to talents that only acquire a value through the esteem of others in exchange. Such talents sometimes require long and tedious application. The boredom of a labor that is considered “tedious” (WN I.x.b.9) must be somehow acknowledged by both parties to be part of the proportionate equivalence that takes place in exchange. The same applies to “those anxious and desponding moments”, typical of inconstant employments, “which the thought of so precarious a situation must sometimes occasion” (WN I.x.12) and which must be recognized in the exchange, otherwise no one would be encouraged to do such labor.

While the difference between skilled and common labor may seem obvious, it is certainly difficult to compare different skilled labors on the basis of different dexterities and skills. The high rewards of some “ingenious arts”, for example, are based not only on the cost and tedium of learning them, but also on the “rarity and beauty of the talents”, as well as the discredit of employing them to make one’s livelihood (WN I.x.b.25). For their part, “liberal professions” demand high wages because they involve at the same time great difficulty in learning, great improbability of success, and great trust on the part of clients (WN I.x.b.9, 19, 22-4). Investing a great deal of time and labor in acquiring a profession in which one may not succeed is a risk that must be sanctioned in the exchange. In addition to the risk to the worker, these professions also entail a risk to those who rely on them. The trust placed in the worker may be greater in these professions than in other employments. The credibility and trustworthiness of such a professional, like that of a lawyer or physician, therefore, requires appropriate recognition. If this is not done, the professional may lose the proper motivation to continue striving for it.

All these circumstances require an appropriate appreciation, which certainly plays a role in encouraging people to carry on their work at their best. For a wage to be appropriate on the basis of the various circumstances just discussed, it is not enough to say that no one would accept less remuneration. To find people who pay what is considered appropriate, it is always necessary that the payers do not think that such remuneration is inappropriate; this, otherwise, would mean - considering Smith's assumption that an equivalence between different quantities of labour is established in exchange - that the payers would be willing to give part of their work for a part that they deem insufficient.

As Smith will later say about a profession he knows well, remuneration that does not adequately recognize a professor's merit does not "encourage" him to perform it in the way that profession requires (WN V.i.f.3). Only when such remuneration is appropriate does the professor “have some dependency upon the affection, gratitude, and favourable report of those who have attended upon his instructions; and these favourable sentiments he is likely to gain in no way so well as *by deserving them*, that is, by the abilities and diligence with which he discharges every part of his duty” (WN V.i.f.6; emphasis added).

Evaluating quantities of labor requires the recognition of a merit that is not objective. It is “the esteem which men have for such talents” (WN I.vi.3) that gives them value in exchange. Such esteem brings into play those moral feelings that Smith discusses at length in *The Theory of Moral Sentiments* (TMS). Rather than quantities that can be calculated objectively, these are quantities that Pufendorf describes as “moral quantities”, that is, quantities that require moral evaluation.

In the first chapter of the fifth book of *De Iure Naturae et Gentium* (1729 [1672]; ING, V.i), Pufendorf analyzes the determinants of the price of “things” and “actions” that enter into commerce¹³. He notes that in order to exchange things of a different nature, it is necessary to establish a common measure by which such things and actions can be compared and equated through a quantitative relationship or proportion. Pufendorf clarifies that this quantitative relation does not refer to “physical” or “mathematical” properties of what is exchanged, but to a moral attribute that is imposed on them by the common agreement and estimation of individuals, that is, by the price commonly given to them in the market (ING, V.i.2).

The common or natural price is the value estimated through the common judgment and valuation of individuals in civil society when there is a system of natural freedom, while the “legal price” is imposed by a decree, or law, of a magistrate (ING, V.i.3, 8). Pufendorf’s natural price includes both the accidental and necessary aspects of price, which will later be analytically separated by Smith through the distinction between market price and natural price (see WN I.vii).

According to Pufendorf, the foundation of the common price is the “aptitude” of the thing to satisfy needs, whether physical or moral (ING, V.i.4).¹⁴ However, he immediately states that this “aptitude” is only a presupposition of the price, its foundation “in itself”, and not its determining cause.¹⁵ This is illustrated by the fact that the most useful things are generally priced low or nil, whereas “many things that human life could very easily have done without” are priced very high (ING, V.i.5-6). This is a rather similar formulation to Smith’s distinction between “value in use” and “value in exchange”, to the extent that he states that the former is not the determining cause of the latter (WN I.iv.13). It also underscores the fact that value is determined “in exchange”.

Thus according to Pufendorf, the level of the common price is determined by an estimation process that takes into account, in addition to “aptitude,” the rarity (*raritas*) of the goods and the aspects associated with the nature of the work or technique in question. Rarity, however, relates mainly to two extreme cases of valuing things: on the one hand, luxury, and on the other, absolute scarcity.

Pufendorf then points out which qualities most commonly determine the estimation of the goods that enters into commerce: “the subtlety and elegance of the art they exhibit”, “the fame of the artisan”, “the excellence of their previous possessor”, “the abundance and rarity of the artisans or workmen”, “the difficulty, skill, usefulness, and necessity” of the works and actions, “the rarity of their agents”,

¹³ Pufendorf’s system of natural law became the basis for the teaching of moral philosophy at Glasgow University since the time of Gershom Carmichael (Moore; Silverthorne, 1983). Carmichael published a Latin edition of Pufendorf’s abridged treatise, *De Officio Hominis et Civis juxta Legem Naturalem* (1st ed. 1718, 2nd ed. 1724), to which he added a series of critical notes and supplements on various aspects of that jurist’s doctrine, which laid the foundation for many of Hutcheson’s theoretical developments (Taylor, 1965, pp. 26-8).

¹⁴ This prompted many interpreters to see in Pufendorf the germ of the marginalist theory of subjective value. See, for example, Kauder (1953), Robertson and Taylor (1957), Taylor (1965) and Hutchison (1988).

¹⁵ See Asprougourgos (2009, p. 307-8, n. 85) in his critique of Hutchison’s (1988) interpretation.

“their pre-eminence or status”, “the freedom to interrupt the action”, and “the state of the art”. Several times Pufendorf concludes by adding “and the like”, as if to say that the list could go on and cannot be exhaustive (ING, V.i.6). All these qualities find their estimation in the common agreement that gives rise to the common price¹⁶.

PRICE AS DESERVED PRAISE

In chapter five of WN, Smith argues that it is in exchanging different products of different kinds of labor that the different quantities of labor are acknowledged, in the general terms of hardship and ingenuity. As he writes, “*In exchanging* indeed the different sorts of labor for one another, some allowance is commonly made for both” (WN I.v.4, emphasis added). He goes on to say that this is not done according to a precise measure and that the adjustment takes place through “higgling and bargaining” (Ibid.). That is, adjustment occurs through the agreements that may be reached from time to time in market exchanges. The actual quantities of the different works exchanged are not objectively defined before the exchange, but only with the exchange.

This opens, however, to the possibility that some exchangers might estimate their own quantities of labor differently from those of others, giving a preference to their own. In this way, they might seek to obtain in exchange a greater amount of other people's labor than would naturally be recognized to them if both exchangers estimated each other's contributions impartially.

This, after all, is one of several criticisms levelled at Smith by Thomas Pownall, one of his early reviewers.¹⁷ Pownall states that in exchange “equal quantities of labor will receive very variable degrees of estimation and value” (CAS, 344). To demonstrate this, he proposes an idea of exchange in which each seeks to take advantage of the other as he can. This is an idea that Smith knows well because it was already presented by Mandeville in his *Fable of the Bees*¹⁸, an author whom he explicitly criticizes in TMS (as well as in WN, for his mercantilist positions).¹⁹ It is about exchange based on self-love understood as a spirit of superiority.²⁰

Pownall argues that “he who has not an impatience in his desire on one hand, or a soon-alarmed fear on the other of losing his market”, or who have “a certain firmness, perseverance, and coldness in barter” and “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” (CAS, 344). Resuming and explicating the point

¹⁶ Pufendorf’s theory of price was appropriated and modified by Hutcheson, who, in turn, was inspired by Carmichael’s notes to Pufendorf’s text (see Naldi, 1993; Pesciarelli, 1999). Following Carmichael, Hutcheson used the concept of “difficulty of acquiring” to synthesize all those aspects of the different labors that, according to Pufendorf, determine the common estimation of price in commerce (Hutcheson, 1755, p. 54, II.xii.1). This concept, in turn, was drawn upon by Smith as a basis for assessing the value different quantities of labor.

¹⁷ *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 in to the Nature and Causes of the Wealth of Nations'* (London, 1776). cf. Smith (1987, p. 337-376).

¹⁸ See Mandeville (1988 [1732], vol. II, Remark B).

¹⁹ On Smith’s view of Mandeville as a mercantilist, see Hurtado (2006).

²⁰ For a discussion of exchange in Mandeville, Rousseau and Smith see McHugh (2018), Bee (2021), and Sternick (forthcoming).

in the WN where Smith explains how it is possible to agree on an albeit rough equivalence, Pownall argues that "by the higgling and bargaining of the market" exchange value can only be established arbitrarily and contingently (CAS, 345). As a result of this critique, however, Smith did not find it necessary to change his position in later editions of WN, although he was careful to clarify other points touched upon by Pownall.²¹

For Smith, it is possible that in the market people do not come to estimate the different quantities of labor through a "rough equality", but this is mainly due to general conditions. As for Pufendorf, these conditions may relate to accidental moments of scarcity, for example "during the blockade of a town or in a famine" (WN I.vii.9), or a temporary over-importation of "perishable" (WN I.vii.10); when merchants succeed in obtaining monopolies from rulers, because of their "rapacity" (WN IV.iii.c.9) or when, especially in the depressive or stationary state of society, masters are easily able to combine among themselves to lower the price of labor than what would naturally be set if the workers were in a position to negotiate it with them on a more equal footing (WN I.viii.13). In other situations, however, that is, when the exchangers negotiate in common life on an equal and free basis, they can agree on equality, however rough. This can happen if they are not generally moved by rapacity, rather by what Smith says is perhaps the strongest of our desires, namely, the desire to deserve and obtain the esteem of others (TMS VI.i.3).²²

In this case, the exchange is not motivated by the desire to persuade the other at any cost, despite one's own merits, nor by the pleasure of feeling superior to the other²³. Rather, it is motivated by the desire to gain the other's deserved recognition and credit for the work done. Such recognition is what, more than anything else, encourages one to continue doing it to the best of one's ability. From this perspective, exchange is an occasion when the parties can confirm each other's estimation of the value of their labor by obtaining an equivalent in return for what they have done. This type of exchange occurs when both parties impartially balance the mutual interests they have in seeing the approval they deserve recognized. Such impartial evaluation can be achieved when each party is able to make its own assessment as if consulting a third person, equidistant from both. In order to balance our interests with those of the other, Smith observes, "we must view them, neither from our own place nor yet from his, neither with our own eyes nor yet with his, but from the place and with the eyes of a third person, who has no particular connexion with either, and who judges with impartiality between us" (TMS III.3.3).

Smith's implicit response to Pownall, in this sense, implies a distinct understanding of human motivation already developed against Mandeville in TMS. Individuals do not generally tend to overwhelm each other, but to find an agreement that satisfies their respective desire for deserved

²¹ For example, Smith modified the text on WN I.v.7 in response to Pownall's assertion that the same person will not estimate his or her labor very differently "in different habits, relations and circumstances of life" (CAS, 345). In a letter to Andreas Holt (October 1780), Smith says that: "In the second edition I flattered myself that I had obviated all the objections of Governor Pownall" (CAS, 250).

²² On the pleasure of exchange based on this form of self-love, see Bee (2021). Because there is always the risk of self-deception (TMS III.4), individuals generally desire to gain the deserved approval of others as a way to confirm their own self-esteem (TMS III.2.3). On the possibility of self-deceit based on the internal division, and the division between the past and the present forms of the impartial spectator, see Fleischacker (2011). Self-deception, for Smith, occurs above all in the presence of "violent emotions," when general rules come to our aid (see TMS III.4.3; see also Pack 1991, pp. 87–88). On self-deceit see also Darwall (1988) and Walraevens (2019).

²³ On the interpretation of Smith's conception of exchange as based on vanity and the desire of superiority, see Winch (1978), Skinner (1992), Lewis (2000), Kalyvas and Katznelson (2001), Force (2003), Dupuy (2006), Diatkin (2010) and Luban (2012).

approval. Although the agreement of feelings between the spectator and the agent is always imperfect, it is nevertheless "sufficient for the harmony of society" (TMS I.i.4.7). Similarly, in exchange it is possible to find an agreement that satisfies the desire for deserved appreciation, which recognizes the value of our labor. Although such agreement can only be rough, it is nevertheless "sufficient for carrying on the business of common life" (WN I.v.4).

CONCLUSION

Smith’s conception of “value in exchange” means that the origin of price, or “exchangeable value”, lies *in* exchange and not before it. The proportion in which two different quantities of labor are exchanged is not determined by the ratio between previously calculated objective, physical or given quantities or prices. It is rather the proportion agreed upon through common estimation in exchange – the “higgling and bargaining” – that gives rise to the value of those quantities. In this sense, Smith’s theory of value in exchange is not far from Pufendorf’s conception of price as a moral quantity. This means prices are established through common evaluation taking into account different aspects associated with the nature of each labor. Smith’s discussion of the wage-differentials reflects this idea, so that the price agreed upon for each sort of labor expresses the common recognition of the praise the workers deserve, given the circumstances and characteristics of their work. Finally, Smith’s idea of evaluation in exchange is a consequence of his understanding of human motivation and behavior. According to him, under conditions of equality and liberty, or in the absence of structural power asymmetries, people are capable of and willing to impartially evaluate their and the others’ contributions. As Smith puts it: “to value any particular object with that degree of esteem, [...] which to the impartial spectator it may appear to deserve” (TMS VII.ii.1.10).

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