

As for the meaning of value, he was rather ambiguous. He wasn't aware of marginal utility. Because of this he couldn't give a proper to the diamond-water paradox. The price we're willing to pay for a commodity depends not on its total utility but on its marginal utility.

Because Smith was some what confused about the factors determining relative prices, he developed three separate theories relating to them:

1. Labor cost theory of value: he suggested that the exchange value of a good in an economy in which land and capital are non-existent is determined by the quantity of labor required to produce it. But he refused to use just clock hours and from here his reasoning becomes circular and doesn't really provide any solution to the problem.
2. A labor command theory: According to Smith, under the labor command theory, the value of a good "to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labor which it can enable them to purchase or command".
3. A cost of production theory of value: the value of a commodity depends on the payments to all the factors of production: land, labor and capital.

As for distribution theory, The personal distribution of income depends on the prices and quantities of factors of production sold by individuals. Labor is the only factor of production owned by most households; so a household's income generally depends upon the wage rate and the number of hours worked. Because wages, profits, and rents are prices in an economy, their relative values—along with the quantities of labor, capital, and land that individuals bring to the market—determine the distribution of income.

On the other hand, Karl Marx, identified numerous problems with capitalism:

1. Modern work is alienated. He holds a belief that work is one of the greatest joys of life. And one should be able to see themselves in the work they've produced. But modern world is specialized. Specialized jobs make the modern economy very efficient, but it makes it hard for any worker to derive a sense of genuine contribution they might be making to the real needs of humanity. → Alienation
2. Modern work is insecure, jobs are not very secure. We could be replaced easily.
3. Workers get paid little, while capitalists get rich. He believed the capitalists shrunk the wages of laborer as much as possible in order to skim off profit. Profit is the fancy term for exploitation.
4. Capitalism is very unstable. Capitalism included many crises. Crises are endemic to capitalism. Capitalist crises are crises of abundance rather than – as in the past – crises of shortages.
5. Capitalism is bad for capitalists: bourgeois marriage is an extension of business. Capitalist system forces people to put economic interests at the heart of their lives, so that they can no longer know deep, honest relationships. It makes us value things that have no objective value. ← Commodity fetishism