

DAVID RICARDO  
ABSOLUTE VALUE  
AND EXCHANGEABLE VALUE

1823



NOTE ON 'ABSOLUTE VALUE AND  
EXCHANGEABLE VALUE'

THIS paper on Absolute Value and Exchangeable Value, of which we have a complete rough draft and an unfinished later version, was written by Ricardo in the last few weeks of his life. Besides presenting his own views on the subject of a measure of value, the draft contains criticism of the measures advocated by Malthus, M<sup>c</sup>Culloch, Mill and Torrens; while what there is of the later version discusses only those of Malthus and M<sup>c</sup>Culloch.

The existence of these writings was hitherto unknown. They were found among the Mill-Ricardo papers, and are now published for the first time. A hint of their existence which had been given by M<sup>c</sup>Culloch in the early anonymous versions of his *Life and Writings of Mr. Ricardo*<sup>1</sup> has been completely overlooked. He stated that Ricardo, on retiring to Gatcomb in the summer of 1823, 'engaged, with his usual ardour, in a profound and elaborate investigation concerning the absolute and exchangeable value of commodities. But he was not destined to bring this investigation to a close!' In the later and better known versions of the *Life*, however, this allusion was dropped.<sup>2</sup>

Prompted by his disagreement with Malthus's *Measure of Value*, which was published in April 1823, there was a prolonged correspondence on the subject between Ricardo and Malthus, which later extended to his other friends. During M<sup>c</sup>Culloch's visit to London between the middle of May and the end of June 1823 he joined in a number of discussions on this question which took place among Ricardo's circle: discussions once referred to by Mrs. Grote as 'the interminable controversy about the

<sup>1</sup> See *Edinburgh Annual Register for 1823* and the pamphlet *Memoir of the Life and Writings of David Ricardo*, London, 1825.

<sup>2</sup> In these later versions, such as the one prefixed to his own edition of Ricardo's *Works*, 1846, p. xxix, M<sup>c</sup>Culloch merely speaks of Ricardo's engaging 'in elaborate inquiries regarding some of the more abstruse economical doctrines.'

“measure of value”.<sup>1</sup> After these conversations Ricardo wrote to Malthus: ‘M<sup>c</sup>Culloch and I did not settle the question of value before we parted—it is too difficult a one to settle in a conversation’; adding that he himself had promised ‘to bestow a good deal of consideration on it’ during his holiday.<sup>2</sup> And on 8 August Mill, in a letter to Ricardo, remarked: ‘He [M<sup>c</sup>Culloch] also told me that you were to reconsider the subject with your pen in your hand’.<sup>3</sup>

The paper which was the product of Ricardo’s reconsideration must have been sent to Mill after Ricardo’s death, together with the *Plan for a National Bank*; but unlike the latter it was apparently regarded by Mill as not suitable for publication. Ricardo himself evidently felt dissatisfied with his results: in his last letter to Mill on 5 Sept. 1823 he confessed that he had ‘been thinking a good deal on the subject lately, but without much improvement.’<sup>4</sup>

Yet this paper has importance since it develops an idea which existed previously in Ricardo’s writings only in occasional hints and allusions: namely, the notion of a real or absolute value underlying and contrasted with exchangeable or relative value.

The draft was written on odd pieces of paper paginated 1 to 18. Some of them are covers of letters addressed to Ricardo; those which bear postmarks being dated in all but two cases between 6 and 9 Aug. 1823, and some insertions (below p. 364, n. 2 and n. 4, and p. 365, n. 2) being written on a letter-cover postmarked 23 Aug. 1823. We may, therefore, conclude that this draft was mainly written not earlier than the second week of August<sup>5</sup>, and was revised not earlier than the last week of that month.

The later version is neatly written on seven uniform sheets of paper with scarcely any corrections. It breaks off at the end of a page. This version must have been written between the last

few days of August and 5 September when Ricardo fell ill, since it contains passages from M<sup>c</sup>Culloch’s letter of 24 August, from Malthus’s letter of 25 August, and from Ricardo’s reply to Malthus of 31 August.<sup>1</sup>

The papers here printed thus belong to the period between the beginning of August 1823 (after he had completed his *Plan for a National Bank*) and the onset of his fatal illness in the first few days of September.

Besides the draft and the later version there are two sheets which mark stages of transition between them. The first of these (*a*) is printed below in full at the end of the draft (below, pp. 396–7). It is written on a letter-cover postmarked 18 August 1823.

The other sheet (*b*) is closely similar to the opening pages of the later version, including the two headings ‘Exchangeable Value’ and ‘Absolute Value’. But it contains a paragraph which is a revision of a passage of sheet (*a*) and which does not re-appear in the later version. This is given below, p. 399, n.

<sup>1</sup> See below, pp. 409–10.

<sup>1</sup> Quoted below, IX, 301.

<sup>2</sup> *ib.* 303.

<sup>3</sup> *ib.* 334.

<sup>4</sup> *ib.* 387.

<sup>5</sup> The fact that two pages are

postmarked respectively 28 and

29 July 1823, does not affect the

above conclusion, since these consist

of the final page and a page

added later.

# [Absolute Value and Exchangeable Value]

[*A Rough Draft*]

The only qualities necessary to make a measure of value a perfect one are, that it should itself have value, and that that value should be itself invariable,<sup>1</sup> in the same manner as in a perfect<sup>2</sup> measure of length the measure should have length and that length should be neither liable to be increased or diminished; or in a measure of weight that it should have weight and that such weight should be constant.

Altho' it is thus easy to say what a perfect<sup>3</sup> measure of value should be it is not equally easy to find any one commodity<sup>4</sup> that has the qualities required. When we want a measure of length we select a yard or a foot—which is some determined definite length neither liable to increase or diminish, but when we want a measure of value what commodity that has value are we to select which shall itself not vary in value<sup>5</sup>? Mr. Malthus has recommended the pay of a day's labour whatever it may happen to be as a perfect measure<sup>6</sup> of value\*—labour has value, and so far no objection

\*If for example the pay for a day's labour were 2 shillings this month or year and 1 shilling or four shillings next month or year he would say the two shillings, one shilling or four shillings were all of equivalent value, because they could each in their time command the same quantity of labour.<sup>7</sup>

<sup>1</sup> First written 'The only quality necessary in a measure of value is invariability'.

<sup>2</sup> 'a perfect' is written above 'the' as an alternative.

<sup>3</sup> 'perfect' is inserted.

<sup>4</sup> 'commodity' is ins.

<sup>5</sup> Replaces 'not be subject to a variation of value'.

<sup>6</sup> Replaces 'the hire of labour as a measure'.

<sup>7</sup> This note is ins.

can be made to it, but is its value invariable? No one will assert that it is, and least of all should Mr. Malthus who has written ably on the subject of population, and endeavored to shew the great effects which are produced on the value of labour by the increase of numbers<sup>1</sup> when it is not proportioned to the increase of the capital which is to employ them.

Suppose the capital of a country to continue unaltered, and the population to be greatly increased in consequence of the influx of a great number of people from foreign countries or that by unwise laws at home injudicious encouragements are given to marriage, and to the birth of children, can it be denied that labour would fall in value, and that every commodity in the country excepting indeed those which are produced by a day's labour only<sup>2</sup> would exchange for a greater quantity of it? Would it be just in this case, to do what Mr. Malthus requires of us, to say that all commodities had fallen in value, and that labour alone had remained invariable, when we should all know that nothing had occurred to alter the value or price<sup>3</sup> of these commodities, but that the alteration had been specifically in labour, which had greatly increased in quantity, and had consequently made the supply excessive as compared with the demand. Now let us suppose an opposite case, let us suppose that while the capital of the country remained the same an epidemic disorder carried off a vast number of the people[,] would not the supply of labour have diminished as compared with the demand, would not every commodity in the country (excepting again those commodities which are produced by a day's labour and which therefore are always equivalent to a day's labour)<sup>4</sup> exchange for a smaller

<sup>1</sup> 'numbers' replaces 'mankind'.

<sup>2</sup> The last eleven words are ins.

<sup>3</sup> 'or price' is ins.

<sup>4</sup> The words in brackets are ins.

quantity of it, and would it not be correct to say that labour had risen in value, and not as Mr. Malthus requires us to say that all commodities had fallen in value.—

It is I believe contended by Mr. Malthus and<sup>1</sup> acknowledged on all hands that if all commodities were produced with labour alone and brought to market immediately<sup>2</sup> after having had one day's labour bestowed on them,<sup>3</sup> commodities would then be valuable in proportion to the number of mens labour bestowed on them. If 5 men were employed for one day in cutting down trees which were found in a Forest that was no man's property, the trees would be of 5 times the value of the game which one man could kill in a day. This is true, but it would not be true that if one man was 365 days in cutting down trees and at the end of that time brought his trees to market they would then be of the same value. In this case the game killed in one day, or the fifth part of the trees cut down in a day would be equally a good measure of value and all the commodities brought to market might be estimated by this measure. The measure would be invariable while the same quantity of labour was required to kill game or fell trees, and commodities could not vary in such a measure for any other reason than because the labour of fewer or more men<sup>4</sup> for a day was required to produce them. Thus if the same number of trees could by some improvement of skill<sup>5</sup> be felled by 4 men they would be worth only 4 times the produce of a days labour by one man in the killing of game.

<sup>1</sup> 'contended by Mr. Malthus and' is ins.

<sup>2</sup> 'immediately' is ins.

<sup>3</sup> The following was ins. here and then del.: 'and no longer time was to elapse before they were so brought to market'.

<sup>4</sup> 'the labour of fewer or more men' is written above 'more or less labour' as an alternative.

<sup>5</sup> 'by some improvement of skill' is ins.

If then all commodities were produced by labour employed only for one day Mr. Malthus's proposed measure would be a perfect one, for however abundant or however scarce might be the number of hands yet the exchangeable value of a day's labour would be always precisely the same as<sup>1</sup> the commodities that a day's labour could produce.<sup>2</sup>

If *all* commodities required a year's time before they were in a state to be brought to market, and required the continued labour of men to produce them during that time, then again they would be valuable according to the number of men employed on their production. If a piece of furniture were twice the value of a piece of cloth, it would be so because double the number of men had been occupied in producing one that<sup>3</sup> had been employed in producing the other. In this case too any commodity which continued uniformly to require the same quantity of labour would be an accurate measure of value. It would in fact be invariable, and the variations in the relative value of this commodity to others, when they occurred, would be owing to some alteration in the facility or difficulty of producing those other commodities, by which a less quantity of labour was employed on them. This is in fact the measure which I have proposed as the nearest approximation to a perfect measure.<sup>4</sup>

If all commodities required 2 years time before they could be brought to market the same argument would apply: either would be a good measure of value while it required the same quantity of labour to produce it and if any varied

<sup>1</sup> In MS, by mistake, 'as' is replaced by 'in'.

<sup>2</sup> This sentence, evidently intended for insertion at this place, was written later on a separate sheet.

<sup>3</sup> Replaces 'than'.

<sup>4</sup> This sentence was written later on a separate sheet and marked for insertion here.

in this measure it would only be because more or less labour was required for its production.<sup>1</sup>

If all commodities were produced by labour employed only for one day there could be no such thing as profits for there would be no capital employed, beyond that of which every labourer is in possession before he commences to work—there could as we have seen be no variation in the value of labour, but commodities would vary as labour was more or less productive. If a labourer by a day's labour could get a thousand shrimps 1000 shrimps would be of the value of a day's labour and if he could get only 500, 500 would be of the same value. If a labourer could pick up on the sea shore as many grains of gold as are coined into 2 shillings, 2 shillings would be of the value of a day's labour and if he could pick up half the quantity one shilling would be of the same value.<sup>2</sup>

But of the commodities which are brought to market after the lapse of one year or of two years there are in fact two classes of persons who are joint proprietors. One class gives its labour only to assist towards the production of the commodity<sup>3</sup> and must be paid out of its value the compensation to which it is entitled, the other class makes the advances required in the shape of capital and must receive remuneration from the same source.<sup>4</sup> Before a man can work for a year a stock of food and clothing and other necessaries must be provided for him. This stock is not his property but is the property of the man who sets him to work. Out of the finished commodity they are in fact both paid—for

<sup>1</sup> The words following the colon are ins.      duction'. (The reading of both versions is uncertain.)

<sup>2</sup> This paragraph was written later on a separate sheet evidently for insertion here.      <sup>4</sup> First written simply: 'One class gives its labour only, the other class makes the advances required.'

<sup>3</sup> Replaces 'to assist its pro-

the master who sets him to work and who has advanced him his wages must have those wages returned with a profit or he would have no motive to employ him, and the labourer is compensated by the food clothing and necessaries with which he is furnished, or which is the same thing which his wages enable him to purchase. It greatly depends then on the proportion of the finished work which the master is obliged to give in exchange to replace the food<sup>1</sup> and clothing expended on his workman what shall be his profits. It not only depends on the relative value of the finished commodity to the necessaries of the labourer, which must always be replaced, to put the master in the same condition as when he commenced his yearly business but it depends also on the state of the market for labour (or on the quantity of necessaries which competition obliges the master to give for these necessaries)<sup>2</sup>, for if labour be scarce the workman will be able to demand and obtain a great quantity of necessaries (or which is the same thing to the master luxuries)<sup>3</sup> and consequently a greater quantity of the finished commodity must be devoted to the payment of wages and of course a less quantity remains as profit for the master. The profits of the master depend then on two circumstances first on the comparative value which necessaries bear to the finished commodity, secondly on the quantity of necessaries and enjoyments which the labourer by his position can command. If however commodities were all the result of labour, employed for<sup>4</sup> and brought to market precisely in the same length [of]<sup>5</sup> time, the rise or fall of wages,<sup>6</sup> either in con-

<sup>1</sup> 'food' replaces 'stock'.

<sup>2</sup> The words in brackets are ins.

<sup>3</sup> The words in brackets are ins. In MS 'luxuries' is replaced by 'other enjoyments equally valuable with luxuries'; 'luxuries' ap-

parently being a mistake for 'necessaries' in this amended wording.

<sup>4</sup> 'employed for' is ins.

<sup>5</sup> Omitted in MS.

<sup>6</sup> 'wages' is written above 'labour' as an alternative.

sequence of the rise or fall of necessities advanced to the labourer or in consequence of the favorable or unfavorable position in which he stands in relation to his employer, will not produce any effect whatever on the relative value of one commodity to another and consequently any commodity which continues always to require the same quantity of labour to produce it will be a perfect measure of value. For if the manufacturer of cloth should demand in exchange for his cloth more furniture, in consequence of the greater quantity of his commodity which he was obliged to part with in order to replace the advances which he made<sup>1</sup> to his workmen, the upholsterer would answer that the very same circumstance operated with equal force upon him as he also was obliged to part with more of his furniture to satisfy the demands of his workmen.

Either of these commodities would be a correct measure of value and would therefore shew correctly all the variations which took place in the value of commodities provided there was no other cause of the variation of commodities but the<sup>2</sup> increased or diminished difficulty of producing them. Though this is by far the greatest cause<sup>3</sup> it is not strictly the only one.<sup>4</sup> If by a day's labour fewer shrimps were obtained and nothing altered in regard to cloth and wine<sup>5</sup> shrimps would sell for more wine and for more cloth and exactly in proportion to the increased quantity of labour required to procure them. The same may be said of wine (supposing that to be the commodity requiring more labour),<sup>6</sup> if measured either by cloth or shrimps, and of cloth if measured

<sup>1</sup> 'made' replaces 'was obliged to make'.

<sup>2</sup> The last twelve words are written above 'they were caused by any' as an alternative.

<sup>3</sup> 'of all' is del. here.

<sup>4</sup> This sentence is ins.

<sup>5</sup> The last seventeen words are written above 'to get shrimps it required more labour', which however is not del.

<sup>6</sup> The words in brackets are ins.

by wine or shrimps, but they would be still liable to variations in value from variations in the value of labour which though comparatively of rare occurrence cannot be omitted in this important enquiry.

Either<sup>1</sup> of these commodities would in the case supposed correctly indicate all variations in value because they would themselves be invariable, but difficulty or facility of production is not absolutely the only cause of variation in value there is one other, the rise or fall of wages, which though comparatively of little effect and of rarer occurrence yet does affect the value of commodities and must not be omitted in this important enquiry.

As this increase of wages then would operate equally on all, it could not be admitted as a plea either to raise the value of their commodities in relation to others, or in relation to that which<sup>2</sup> for the general accommodation was recognised as the common measure.

It appears then that we should have no difficulty in fixing on a measure of value, or at least in determining on what constituted a good measure of value, if all commodities were produced exactly under the same circumstances—that is to say if all required labour only without advances, to produce them, or all requiring labour and advances<sup>3</sup> could be produced and brought to market in<sup>4</sup> precisely the same time.

The difficulty then under which we labour in finding a measure of value applicable to all commodities proceeds from the variety of circumstances under which commodities are actually produced. Some, such as shrimps and a few

<sup>1</sup> This paragraph was evidently intended as an alternative to the preceding one.

<sup>2</sup> 'by universal' is del. here.

<sup>3</sup> 'and advances' is ins.

<sup>4</sup> 'and brought to market in' replaces 'with precisely the same amount of advances and for'.

others, are the result of a few hours labour without any advances which are actually acknowledged to be such; others such as cloth is the result not of labour only, but of advances made probably for a year before the finished commodity is brought to market. Others again such as wine mellowed by age after being kept long in the merchant's cellar, is the result also of labour and advances but advances made for a much greater length of time than in the case of the cloth, and therefore requiring an increased price to afford the regular profit on such advances.

Now while these commodities continued to be produced precisely in the same way—shrimps would be an excellent measure of value for all things produced under the same circumstances as shrimps are produced, cloth for all commodities produced under the same circumstances as cloth, and wine for all commodities produced under the same circumstances as wine, but shrimps would be very far from an accurate measure of value for cloth or wine, cloth not a good one for shrimps or wine and wine a very inaccurate measure for shrimps and cloth. If for example labour rose from one of the two causes mentioned before, namely the higher relative value of food and other necessaries, or the advantageous position in which the labourer found himself placed, it would affect all commodities produced under the same circumstances as shrimps alike, and therefore their relative value would continue unaltered—it would affect all commodities produced under the same circumstances as cloth alike, and therefore their relative<sup>1</sup> value would also remain unaltered—it would affect all commodities produced under the same circumstances as wine alike and therefore their relative value would also continue unaltered. Altho' each would bear the same relative value to things produced

<sup>1</sup> 'relative' is ins.

under circumstances precisely similar, yet each would not bear the same relative value to the other which was not produced under similar circumstances. In proportion as labour rose a given quantity of shrimps would exchange for more cloth, for the whole value of cloth is not the reward of labour, a part constitutes the profits of the master who makes the advances, (while the whole value of the shrimps is the reward of the labourer and he has nothing to allow out of it for profits on capital or advances)<sup>1</sup> and for the same reason they would exchange for more wine, for a still greater portion of the value of the wine is made up of the profits on advances and a less portion of the wages<sup>2</sup> of labour. If then we constituted the shrimps the measure of value of all things, cloth and wine would fall in such measure altho' nothing had altered in respect to the circumstances of<sup>3</sup> actual labour and advances under which all these commodities were produced. If we constituted cloth the measure of value wine would fall in such measure and shrimps would rise, and if we chose wine as the measure both cloth and shrimps would rise but in unequal degrees the shrimps in which nothing but labour entered would rise a great deal, cloth in which there were profits as well as labour would rise in a more moderate degree.

In this then consists the difficulty of the subject that the circumstances of time for which advances are made are so various that it is impossible to find any one commodity which will be an unexceptionable measure, in those cases in which wages rise and in which consequently profits fall, or in those in which wages fall and profits consequently rise.

What are we to do in this difficulty, are we to leave every one to chuse his own measure of value or should we agree

<sup>1</sup> The words in brackets are ins.

<sup>2</sup> Replaces 'and not of wages'.

<sup>3</sup> 'of' replaces 'as far as regards'.

to take some one commodity and provided it were always produced under the same circumstances constitute that as a general measure to which we should all refer that we may at least understand each other when we are talking of the rise or fall in the value of things. When Mr. Malthus speaks of the rise or fall in the value of commodities he estimates value by shrimps, or by commodities produced under similar circumstances in which shrimps are produced, and which are<sup>1</sup> wholly made up of labour. When Mr. Ricardo speaks of the rise or fall in commodities he estimates value by commodities produced under the same circumstances as cloth or gold, always supposing that cloth or gold require capital as well as labour to produce them, and always require them in the same proportions, for on no other conditions does he hold them to have any of the characters of invariability without which character there can be no measure. Now against Mr. Malthus's measure I object that it assumes labour itself to be invariable; that under all the circumstances of a redundant or a deficient population, under all the circumstances of an abundant supply or of a great demand for labour, it supposes labour to be of the same value. Labour might and probably would be of the same value, whatever might be its redundancy or deficiency, as compared with shrimps and other things produced by labour only, but it would vary prodigiously in value as compared with corn, with clothes, with furniture, with wine and millions of other things. We should as I have already observed be always required to say that it was these millions of commodities that had varied in value whether the cause of the variation was a deficiency of labour in the market, or an abundance of commodities from new facilities of producing them,—now I confess I prefer a measure, though

<sup>1</sup> In MS 'are' is replaced by 'is'.

confessedly an imperfect one, which will give some idea whether when labour varies as compared with commodities it is the value of labour which has undergone a change, or whether it is the commodity which rises or falls. Now this is what Mr. Ricardo's measure does.

It is not like Mr. Malthus's measure one of the extremes it is not a commodity produced by labour alone which he proposes, nor a commodity<sup>1</sup> whose value consists of profits alone, but one which may fairly be considered as the medium between these two extremes, and as agreeing more nearly with the circumstances under which the greater number of<sup>2</sup> commodities are produced than any other which can be proposed. He does not propose it as a perfectly correct measure for none such can be obtained but as one more nearly approaching to that character than any that has been suggested. In this measure, if labour became abundant or scarce, it would, like all other things, rise or fall. If it became difficult, from the appropriation of land to agriculture, to obtain an additional supply of corn without the expenditure of more capital for each quarter obtained, corn would rise, and nearly in proportion to the increased difficulty. In Mr. Malthus's measure provided the labourer were always paid the same quantity of corn for his labour the value would always be the same although to obtain this same quantity double the expenditure of labour and capital might be necessary at one time to what was necessary at another. If by improvements in husbandry corn could be produced with half the expenditure of labour and capital it would by Mr. M be said to be unaltered in value provided the same quantity and no more was given to the labourer as wages. It is indeed acknowledged by Mr. Malthus, (and how

<sup>1</sup> 'produced by' is del. here.

<sup>2</sup> 'the greater number of' replaces 'most'.



could it be denied?)<sup>1</sup> that under such circumstances corn would fall very considerably in money price—it would fall also in the same degree in exchangeable value with all other things, but still Mr. M says it would not fall in absolute value, because it did not vary in his measure of value. On the contrary all these things as well as money would under the circumstances supposed vary in this measure and therefore he would say they had all risen considerably in value. He would say so altho' with respect to any one or more of them great improvements may have been made in the means of producing them by the application of machinery, or from any other cause which should render it cheap in price and lower in exchangeable value with regard to all things corn and labour excepted. In Mr. Ricardo's measure every thing to which such improvements were applied would fall in value[,] and price and value would be synonymous while gold the standard of money cost the same expenditure of capital and labour to produce it. If the commodity chosen for Mr. Ricardo's measure, whose value confessedly consists of profit and labour, were divided in the proportion of 90 for labour and 10 for profit—it is manifest that with every rise of 1 pc<sup>t</sup> in<sup>2</sup> labour a commodity produced by labour alone would rise one per cent.<sup>3</sup> If the measure was perfect it ought not to vary at all. Now suppose any other commodity whose value is made up of 40 pc. for profit and 60 pc. for labour, how much would that fall with 1. pc. rise in wages? Probably about 3 pc<sup>t</sup>. These are the two extremes, and it is evident that by chusing a mean the variations in commodities on account of a rise or fall in wages would be much less than if we took either of the extremes.<sup>4</sup>

<sup>1</sup> The words in brackets are ins. tenth in such a measure.'

<sup>2</sup> '1 pc<sup>t</sup> in' is ins.

<sup>3</sup> 'one per cent.' replaces 'one beginning 'If the measure', replace:

<sup>4</sup> The last four sentences, be-

By many it is contended that the sole way of ascertaining value is by estimating the commodity whose value we wish to ascertain in the mass of commodities—that if at one time it will exchange for more of these than it did at another we may justly say that it has risen in value and vice versa. Now the objection to this is that it assumes invariability in the value of the mass of commodities, for as has been already observed nothing can be a proper measure of value which is not itself exempted from all variations. In our own times great improvements have been made in the mode of manufacturing cloth, linen and cotton goods, iron, steel, copper, stockings—great improvements have been made in husbandry all which tend to lower the value of these goods and of the produce of the soil and yet these are made a part of the measure by which you would measure the value of other things. Col. Torrens does not scruple to confound two things which ought to be kept quite distinct—if a piece of cloth will exchange for less money than formerly he would say that cloth had fallen in value but he would also say that money had risen in value because it would exchange for more cloth. This language may be correct as he uses it to

'Suppose wages to rise 5 pc<sup>t</sup>, how much would a commodity of the value of £100 produced wholly by labour rise in Mr. Ricardo's measure? The answer is 10/- consequently it would become of the value of £100.10.—If the measure was perfect it ought not to vary at all. Now suppose wine or any other commodity to be made of the values of profit and labour—of the former 40 pc<sup>t</sup> and the latter [actually written 'former'] 60 pc<sup>t</sup> and that wages as before rise 5 pc<sup>t</sup> the commodity would in the

measure proposed by Mr. Ricardo fall'.

The difference between the two versions seems to be this. In the earlier calculation (referred to in this and the two preceding footnotes) of the change in value Ricardo was neglecting the fall of profit which is caused by the rise of wages. In the revised calculation (as given in the text) he takes into account the effect upon value of the fall in profit, and assumes that in the commodity chosen as a measure the fall of profit is equal to the rise of wages.

express only exchangeable value but in Political Economy we want something more we desire to know whether it be owing to some new facility in manufacturing cloth that its diminished power in commanding money is owing, or whether it be owing to some new difficulty in producing money. To me it appears a contradiction to say a thing has increased in natural<sup>1</sup> value while it continues to be produced under precisely the same circumstances as before. It is a contradiction too according to the theory of Col. Torrens himself for he says that commodities are valuable in proportion to the quantity of capital employed on their production. If less capital then be required to produce cloth, cloth will fall in value—in this we all agree but would it not be wrong while the same quantity of capital was required to produce money to say that money had risen in value. It has risen in value as compared with cloth he will say. It is undoubtedly of a higher relative value than cloth but how it can be said to have risen in value because another commodity had fallen in value does not appear clear to me nor can it be warranted but by an abuse of language.

Mr. Mill says<sup>2</sup> that commodities are valuable according to the quantity of labour worked up in them and when the objection is made to him<sup>3</sup> that cloth and wine which has been kept several years are not valuable in proportion to the quantity of labour worked up in them as the wine must in its price pay a compensation for the time that the merchants capital has been invested in it he answers<sup>4</sup> that such an objection shews that the principle contended for is too strictly applied. The wine is not valuable exactly in pro-

<sup>1</sup> 'natural' is ins.

<sup>2</sup> First written 'Mr. McCulloch to whom the public is indebted for'; then replaced by 'Mr. McCulloch

and Mr. Mill say'; finally as above.

<sup>3</sup> 'him' replaces 'them'.

<sup>4</sup> 'he answers' replaces 'they answer'.

portion to the quantity of labour worked up in it, but that its value is regulated by the value of the commodity in which labour is worked up, and which for a sufficient reason has been chosen as the measure of value. But this is not exactly true. Wine now bears some relative value to cloth and let us suppose cloth the measure of value. Next year<sup>1</sup> a greater proportion of the finished commodity is paid for labour in consequence of a scanty supply of or a greater demand for labour. It becomes necessary then that wine should alter in relative value to cloth, although there is the same quantity of labour, neither more nor less, worked up in the cloth. If it did not so alter, if wine did not fall in this measure, the wine manufacturer's profits would be greater than those of the clothier, and consequently competition would immediately operate on that trade. How can Mr. Mill then be right in saying that the value of wine is regulated by the quantity of labour worked up in cloth the measure, when it may exchange for a greater or smaller quantity altho' no alteration has taken place in the mode of producing it.<sup>2</sup>

Mr. McCulloch defends the principle on a somewhat different ground—he estimates the quantity of labour employed by the quantity of capital employed. If I employ £1000 this year in erecting the walls of my house, £1000 the next in laying the timbers, £1000 the next in finishing and completing it my house ought not to be of the value only of a commodity on which so much labour was employed as £3000 could pay for one year, which is really all the labour which is put in the house but something more. If profits were 10 pc<sup>5</sup> a commodity on which £3000 worth of labour was bestowed in one year, cloth for example,<sup>3</sup>

<sup>1</sup> 'labour rises in price [replaced by 'value'] was first written here, then del.

<sup>2</sup> This sentence is ins.

<sup>3</sup> 'cloth for example,' is ins.

should be of the value of £3300 but the house would be of the value of £3641.—for £1000 expended the first year ought at the end of it to be worth £1100 and this £1100 the second year would be of the value of £1210 and the third year this again would be of the value of £1331 con-

sequently the house ought to sell for

£1331	}	which is £341
1210		
1100		
3641		

more than the other commodity would sell for. Now in the house more labour is realised than in the other commodity according to Mr. McCulloch because the capitals employed for three years were not equal to £3000 employed for one year but to £3410<sup>1</sup>; for 1000£ was employed the first year,

£1100 the next and 1210 the next

(	1000	)	)	and 10 pc. profit
	1100			
	1210			
	3410			

on 3410 is equal to £341 the difference between the value of the cloth and the house. I have a right says Mr. McCulloch to estimate the value of my house by the quantity of<sup>2</sup> labour which I might have realised in a commodity if I could have realised the profit from year to year. On an oak tree at the end of 73 years I have only perhaps expended as much labour as 2 shillings could command, but if my profits had been received at the end of each year, at the end of the first year I should have had 2.2 shillings at the end of the second 2.42 shillings and at the end of 73 years my 2/- would have amounted to £100, I contend then that in saying my tree is of a value equal to the labour which is expended upon it,

<sup>1</sup> First written 'the capitals employed for one year were not £3000 but £3410'. This last figure is a mistake for £3310.

<sup>2</sup> 'quantity of' is ins.

I am not to be supposed to maintain that as much labour has been actually expended on the tree as on a commodity such as cloth which sells for £100 for that would be absurd<sup>1</sup>, but that if from year to year I had realised my original 2/- with the profits on it I should this last year have been able to employ as much labour for this particular year as the clothier and therefore the commodity which I should have had to sell would have been of the same value as the cloth, or of<sup>2</sup> the tree. Mr. McCulloch may be quite right in saying what he does but in that case he is only contending for the propriety and correctness of the measure of value which he adopts in which he in fact estimates the value of all things and gives his reasons for so doing, but that language is not strictly correct which affirms that commodities bear a relative value to each other according to the quantity of labour worked up in each.—To enable the capitalist of 2/- who received no fruits of it for 73 years to be on a par with those who employed labour all the time with annual profits of 10 pc<sup>t</sup> he should sell his tree for £100—that is undoubtedly true and no one contests it<sup>3</sup>—but supposing labour so rises as to sink profits to 5 pc<sup>t</sup> 2/- expended for the next 73 years without any revenue derived from it for the whole of that time should produce only £35.—. The subject is a very difficult one for with the same quantity of labour employed a commodity may be worth £100 or £35 of a money always produced under the same circumstances, and always requiring the same quantity of labour. Mr. McCulloch in fact shews as Mr. Malthus might do that if you grant his measure to be a correct one it is adequate to the object of measuring commodities, but the dispute really is about the invariability of the measure chosen. If that chosen by Mr. McCulloch be

<sup>1</sup> 'for that would be absurd' is ins.      <sup>3</sup> The last nine words are ins.

<sup>2</sup> 'or of' replaces 'and as'.

invariable Mr. Malthus's is not invariable, and if Mr. Malthus's be invariable Mr. McCulloch's is not.

1. All<sup>1</sup> commodities having value are the result either of immediate labour, or of immediate and accumulated labour united.

2. The proportions in which immediate labour and accumulated labour enter into different commodities are exceedingly various and will not admit of definite enumeration.

3. That part of the value of a commodity which is required to compensate the labourer for the labour he has

<sup>1</sup> An earlier draft of the series of propositions which begins here reads as follows:

'All commodities having value are the result of labour alone, or of labour and capital united.

'A commodity which is the result of labour and capital, and whose value therefore resolves itself into wages and profit is the only one which under any circumstances can be an accurate measure [first written 'A commodity made up of labour and profit is the only one calculated for a measure] of the value of other commodities made up also of labour and profits.

'To be an accurate measure of value even of such commodities other conditions are necessary—first it must require the same length of time to bring the commodities which are measured and the commodity by which they are to be measured, to market. And the commodity which is to be the measure should always require the same quantity of labour to produce it.

'A commodity made up of

labour only without any advance of a capital for a day [the last nine words are ins.] is a good measure of value of all commodities which are produced under the same conditions, provided the commodity which is the measure be always produced by the same quantity of labour.

'A commodity produced by labour only without advances is not a good measure of value for commodities in the production of which advances are required.

'A commodity which requires one year to produce it and bring it to market is not an accurate measure of the value of commodities which require 2 or more years to effect the same object.

'When commodities are produced in the same time their values are in proportion to the quantity of labour bestowed on their production.

'When they are produced in unequal times their values are directly in proportion to the quantity of labour employed together—here the draft breaks off.

bestowed on it is called wages, the remaining part of its value is retained by the master and is called profit. It is a remuneration for the accumulated labour which it was necessary for him to advance, in order that the commodity might be produced.

4. If I have a foot measure I can ascertain the length of a piece of cloth, of a piece of muslin, or of a piece of linen and I can not only say which is the longest and which the shortest, but also what their proportional lengths are.

5. In the same way if I take any commodity having value and which is freely exchanged for other commodities in the market, I can ascertain the proportional value of those other commodities. I can discover for example that one is twice, another one half and another three fourths of the value of the measure of which I make use for ascertaining their value.

6. There is this difference however between a measure of length and a measure of value, with respect to the measure of length we<sup>1</sup> have a criterion by which we can always be sure of regulating it to<sup>2</sup> the same uniform length or of making a due allowance for any deviation.<sup>3</sup> (In the measure of value we have no such criterion.)<sup>4</sup> If I have any doubt whether my foot measure is of the same length now that it was of 20 years ago I have only to compare it with some standard afforded by nature, with a portion of the arc of the meridian—or with the space thro' which a pendulum swings in a given portion of time. But if I have similar doubts with respect to the uniformity of the value of my measure of value at two distant periods what are the means by which I should arrive at the same degree of certainty as in the case of the measure of length.

<sup>1</sup> 'we' replaces 'I', here and six words below.

<sup>3</sup> The last nine words are ins.

<sup>4</sup> The words in brackets are ins.

<sup>2</sup> Replaces 'of its remaining of'.

6[\*]. We are possessed then of plenty of measures of value and either might be arbitrarily selected for the purpose of ascertaining the relative value of commodities at the time they are measured, but we are without any by which to ascertain the variations in the values of commodities for one year, for two years or for any distant portions of time. I cannot for example say that linen is 20 pc<sup>t</sup> cheaper now than it was a year ago unless I can with certainty say that the commodity in which I ascertain its value at the two periods had been itself invariable, but by what test shall I ascertain whether its value has remained fixed or has also altered. I can have no difficulty in asserting that a piece of cloth which measures 20 feet now is twice the length of a piece of cloth which was measured a year ago—I have no means whatever of ascertaining whether it be of double the value.

7. The difficulty being stated, the question is how it shall be best overcome, and if we cannot have an absolutely uniform measure of value what would be the best approximation to it?

8. Have we no standard in nature by which we can ascertain the uniformity in the value of a measure? It is asserted that we have, and that labour is that standard. The average strength of 1000 or 10,000 men it is said<sup>1</sup> is nearly the same at all times. A commodity produced in a given time by the labour of 100 men is double the value of a commodity produced by the labour of 50 men in the same time. All then we have to do it is said to ascertain whether the value of a commodity be now of the same value as a commodity produced 20 years ago is to find out what quantity of labour for the same length of time was necessary to produce the commodity 20 years ago and what quantity is necessary to produce it now. If the labour of 80 men was

<sup>1</sup> Replaces 'A man's strength'.

required for a year then and the labour of 100 is required now we may confidently pronounce that the commodity has risen 25 pc<sup>t</sup>.—

9. Having discovered this standard we are in possession of an uniform measure of value as well as an uniform measure of length[;] for suppose 1000 yards of cloth or 100 ounces of gold to be the produce of the labour of 80 men we have only to estimate the value of the commodity we wish to measure at distant periods by cloth or gold, and we shall ascertain what variations have taken place in its value, and if we have any doubt whether our measure itself has varied in value there is an easy method of correcting it by ascertaining whether the same quantity of labour neither more nor less is necessary to produce the measure, and making a correction or allowance accordingly.

10. This measure would have all the merit contended for if precisely the same length of time and neither more nor less were necessary to the production of all commodities. Commodities would then have an absolute value directly in proportion to the quantity of labour bestowed upon them. But the fact is otherwise, some commodities require only a day for their production, others require 6 months, many a year and some 2 or 3 years. A commodity that requires the labour of 100 men for one year is not precisely<sup>1</sup> double the value of a commodity that requires the labour of 100 men for 6 months; a commodity that requires the labour of 100 men for two years is not precisely of twice the value of a commodity which requires the same quantity of labour for one year, nor of 24 times the value of a commodity produced with the same quantity of labour in one month. Nor is the value of a commodity produced with the labour

<sup>1</sup> 'precisely' is ins. here and three lines below.

of 100 men in one month 30 times the value of one produced with the same quantity of labour in one day.

It might nevertheless be said that if we even allow that no measure of value can be an universally accurate one for ascertaining the relative variations of commodities produced under different circumstances of time, yet that one might be found which would inform us of the relative value of the same commodity at different periods—that if for example the same quantity of cloth required now 100 men to make it and 20 years ago required 80 men we might say its value had increased 25 pc<sup>t</sup>, and the same might be said of every other commodity which required a fourth more labour whether produced in 1 day 1 month 1 year or 5 years. But if wine produced in 5 years and cloth produced in one, each required one fourth more labour to produce them they would not exchange for the same proportional increased quantity of any commodity whatever. If for example I valued them in a commodity produced during the whole time with one uniform quantity of labour.<sup>1</sup>

II. A commodity produced in two years is worth more than twice<sup>2</sup> a commodity produced with an equal quantity of labour in one year for if profits be 10 pc<sup>t</sup> £100 employed for one year will produce a value equal to £110 and £110 employed the second year will produce a value equal to £121, therefore 100 in two years will produce £121

and 100 in one year  $\frac{110}{1}$   
£231

If then a commodity be produced in one year by such a quantity of labour as £100 will employ it ought to be worth at the end of the year £110 but if an equal quantity

<sup>1</sup> This unfinished paragraph is written on a separate sheet.

<sup>2</sup> 'the quantity of' is ins. here apparently by mistake.

of labour be further employed upon it, if the labour which a sum of £100 can command be employed the second year the whole value of the commodity would be £231.—This value would be necessary in order to afford the fair remuneration of profits but<sup>1</sup> if it were valued according to the quantity of labour employed on it, its value would be only £220. Its value therefore is not regulated by the actual quantity of labour bestowed upon it.<sup>2</sup>

Suppose however the labour that £200 can employ upon it be worked up in it the first year it will at the end of the year be worth £220—but if it be a commodity that improves by age such as wine and it be kept in a cellar for one year more at the end of the second year its value should be £242. Here then are 3 commodities all with the same quantity of labour employed upon them for the same time, one of which is of the value of £220—one of the value of £231 and one of the value of £242.

12.<sup>3</sup> Suppose now labour to rise in value, and profits to fall—that from 10 pc<sup>t</sup> they fall to 5 pc<sup>t</sup>, the value of one commodity will be £210, of the other £215.25—and of the third £220.5. But if the first of these be the measure of value, it cannot itself vary, and therefore will be still of the value of £220. In this case the second will be £225.5 and the third £231. Measured then by the first, the second will have fallen 2.38 pc<sup>t</sup>, the last 4.54 pc<sup>t</sup>. While as far as labour is concerned in their production nothing has occurred to alter the value of these different commodities, because the same quantity of labour neither more nor less is worked up in them they vary however and vary very unequally.<sup>4</sup> It is true that the labour actually worked up in these com-

<sup>1</sup> The first part of this sentence up to this point is ins.

<sup>2</sup> This sentence is ins.

<sup>3</sup> Misnumbered '13' in MS.

<sup>4</sup> 'But may it not be said in answer to this' is del. here.

modities is the same under every supposition you<sup>1</sup> have made, and therefore it is not strictly correct to say that commodities only vary<sup>2</sup> on account of the quantity of labour worked up in them being either increased or diminished, for we see they may vary also<sup>3</sup> merely on account of an alteration in the rate of profits, and wages—that is to say on account of the different proportions in which the whole result of labour is<sup>4</sup> distributed, between master and workers.<sup>5</sup> But does this prove the measure proposed an imperfect one? May I not say that I estimate the value of commodities once a year—that at the end of the first year the wine on which £200 has been employed is worth £220 and both the other commodities on which only half the labour has been employed for the same time £110. So far their values agree with the quantities of labour employed, and if you were to alter profits to 20 pc<sup>†</sup> or to 5 pc their relative value would be precisely the same.<sup>6</sup> If you employ the first of these capitals without employing any labour its value must be the same precisely as if you employed an equal value in the support of labour and therefore if profits be 10 pc<sup>†</sup> they will both be of the value of £242 the second year. In the second case you actually employ only as much labour as £210 can employ (only such a capital as is equal to £210 employed in labour)<sup>7</sup> and therefore you obtain only a value of £231. If the measure of value be<sup>8</sup> produced in a year, the commodity to be measured must be valued annually, and must not be valued by the quantity of labour actually employed

<sup>1</sup> 'you' replaces 'I'.

<sup>2</sup> 'in proportion to' is del. here.

<sup>3</sup> 'also' is ins.

<sup>4</sup> 'the whole result of labour is' replaces 'they are'.

<sup>5</sup> This phrase, beginning 'that is to say', is ins.

<sup>6</sup> At this point there is an incomplete insertion which reads: 'The wine would be always of'.

<sup>7</sup> The words in brackets are ins.

<sup>8</sup> Replaces 'If the employment be yearly—the measure of value must be'.

on the commodity, but by the quantity which its value could employ<sup>1</sup> if devoted to the production of the commodity which is the measure.

We have already had occasion to remark that a measure of value which is the result of immediate<sup>2</sup> labour only without any advances whatever, as in the case of shrimps or any other commodity which requires a day's or a few hours labour to produce it; or a measure of value<sup>3</sup> which is the result of immediate labour and of accumulated labour, that is of labour and capital expended for a given time[,] a year for example[,] are equally accurate measures of value if confined respectively to the class of commodities which are produced precisely under the same circumstances as themselves. If gold and cloth be produced under the same circumstances of labour and capital united, for the same time, then will either of them be an accurate measure by which to estimate the variations in other things also produced under the same circumstances<sup>4</sup> provided the gold or cloth be always produced with the same quantity of labour—and if shrimps and broken stones prepared for the roads be produced also under similar circumstances either of them will also be an accurate measure of the value of commodities produced by a days labour without advances in the same manner as shrimps and stones, but the stones or shrimps will not accurately measure the value and variations of the commodities produced under the same circumstances as cloth and gold, nor will cloth and gold measure accurately the variations in the commodities produced under the same circumstances as shrimps and stones. This then seems to hold universally true that the commodity valued must be

<sup>1</sup> 'employ' replaces 'produce'.

<sup>2</sup> 'immediate' is ins.

<sup>3</sup> The last two lines, beginning 'as in the case', replace 'or'.

<sup>4</sup> The last six words are ins.

reduced to circumstances precisely similar (with respect to time of production)<sup>1</sup> to those of the commodity in which the valuation is made. Tho' wine be not fit to drink for 3 years after it is made, in the first year some if not all the labour has been bestowed, cloth and gold is a good measure of its value at that period. Whatever its value may be at that period we may enquire what quantity of labour that capital would employ if bestowed on the production of cloth or gold, and then again after another year has elapsed the wine would be worth more cloth and gold by all the profits which such a capital is calculated to produce. The third year it would be still more valuable and so on as long as it was advantageous to keep it. If I am possessed of equal values in cloth and in wine I have equal powers with either to employ labour. If I dispose of the cloth and employ labour, in the production of cloth, and for the satisfaction of the wine drinker lock up the wine in my cellar and forbear selling it for one year ought I not to obtain an additional value for it equal to that which the cloth which I have produced will enable me to get. If I had 100 pieces of cloth and by the exchange for food raw material &c<sup>a</sup> and the employment of 50 men for a year I obtain 120 pieces of cloth, as my cloth has increased one fifth in quantity and value, ought not my wine to increase also one fifth in value. Tho' it is not strictly right to say that these two commodities are valuable in proportion to the quantity of labour actually bestowed on them, would it be not correct to say that the value of the wine after two years was in proportion to the labour actually employed on it the first year, and to the labour which might have been employed on wine or on some other commodity if it had been brought to market after the first year of its production.

<sup>1</sup> The words in brackets are ins.

An oak which is the growth of 100 years in like manner has perhaps from first to last only one day's labour bestowed upon it, but its value depends on the accumulations of capital by the compound profits on the one day's labour and the quantity of labour which such accumulated capital would from year to year have employed.

Iron is the production of many days perhaps a year's labour before it is finally brought to market, and accordingly is accurately measurable by a commodity produced under the same circumstances as itself such as cloth and gold—but we may make use of the<sup>1</sup> measure for commodities of the produce of one day's labour such as shrimps and broken stones if we reduce the iron in its rude state to the same condition as the shrimps and stones.

When the ore is first dug from the earth the quantity obtained by one man's labour in one day will probably be of the same value as the shrimps or broken stones obtained by the labour of one man for one day. After the second day it will be of more than double the value, because it will not only be increased in value by the second day's labour but by the profit on a capital advanced for one day and which is equal to a man's wages for one day. This case in days is precisely similar to that for years in our former supposition respecting the cloth and wine, one the produce of one year's labour the other the produce of two years labour. If the Iron should have 365 days labour bestowed upon it, it will be more than 365 times the value of the ore when it was first dug by one day's labour from the mine, because it will have all the successive profits on the advances which were made and which if realised at any of the intermediate periods would have commanded a greater quantity of labour than had been actually expended.

<sup>1</sup> 'other' is del. here.



If we succeeded in our object we have shewn that one of these measures is best calculated to measure one class of objects and that another of them is more applicable to a different class. But as it is desirable that we should have one measure of value only which it is acknowledged cannot be accurate for all objects, to which shall we give the preference[:] to that commodity which is the result of continued labour for one year, and whose value must consequently include profits as well as wages, or that commodity which is the result of the labour of one day only and which consequently does not require advances and does not include profits. The choice is in some degree arbitrary and should be governed only by expediency. If the generality of commodities which are the objects of the traffic of mankind were produced under the circumstances of the shrimps and stones, shrimps or stones should be the measure of value and whenever we said a thing had risen or fallen in value it should always be in reference to that measure; if the generality of commodities were produced under circumstances similar to those under which wine is produced and required 2 or 3 years before it could be brought to market then a commodity similar to wine should be the general measure of value. But if as is most certain a much greater proportion<sup>1</sup> of the commodities which are the objects of exchange amongst men are produced under circumstances similar to those under which gold and cloth are produced and are the result of labour and capital applied for a year, then gold or cloth is<sup>2</sup> the most proper measure of value (while they require precisely the same quantity of labour and capital<sup>3</sup> to produce them)<sup>4</sup> and to that measure should we always refer when we

<sup>1</sup> 'a much greater proportion' replaces 'the generality'.

<sup>2</sup> Replaces 'gold and cloth are'.

<sup>3</sup> 'and capital' is ins.

<sup>4</sup> The whole sentence within brackets is ins.

are speaking of the rise or fall in the<sup>1</sup> absolute value of all other things.

It cannot have escaped the attention of the reader that for the measure which I have proposed I have not claimed the character of perfection—I have now and at all other times acknowledged that it was not under every circumstance a measure against which no objections could be urged; on the contrary when I first proposed it I shewed that there were many cases of exception where it could not be correctly denominated an accurate measure of value—I claimed for it only the preference over all measures which had up to that time<sup>2</sup> been proposed. Mr. Malthus was the first who questioned the correctness of the principle on which this measure was founded. He made use of the very exceptions which I had mentioned to shew its inaccuracy as a general measure of value, and insisted that though it was a correct measure of value for all commodities produced under like circumstances with itself, for all others it was an incorrect one, and could not on the one hand measure the variations in those things which were the produce of labour alone as shrimps and broken stones,<sup>3</sup> nor of commodities produced with advances employed for a much longer time than those employed on the production of the measure itself. Mr. Malthus was perfectly right in these observations and in fact I had made them myself before he made them<sup>4</sup>, but what has Mr. Malthus subsequently done he has himself written a pamphlet to recommend a general measure of value against which every objection which he has made against mine exists in full force. He in fact constitutes as his measure a commodity which is produced by labour alone, and has not

<sup>1</sup> 'value' is del. here.

<sup>2</sup> Replaces 'thitherto'.

<sup>3</sup> 'and broken stones' is ins.

<sup>4</sup> 'him' is written above 'he made them' as an alternative.

appeared to see that if a commodity produced by labour and capital united is a bad measure of value for a commodity produced by labour alone, a commodity produced by labour alone must be a bad measure of value for a commodity produced by labour and capital united. What should we think of a man who should object to a yard measure for measuring [the]<sup>1</sup> dimensions of a foot and yet propose the foot measure for measuring the dimensions of a yard? He might say that the foot was a more convenient measure than the yard, but he could not say that the one was an accurate measure founded on a principle, and the other an inaccurate measure founded on no principle, for it would be certain that if 1 yard were equal to 3 feet, 1 foot would be the third part of 1 yard and therefore the expressions of one foot and the third part of 1 yard, or 1 yard and 3 feet would be equivalent. Mr. Malthus has in fact made an objection against my measure to which his own is more peculiarly liable. It is in fact founded as he tells us himself on the quantity of labour necessary to production, but necessary to the production of a few particular commodities, and in these he estimates the value of all other things. A pipe of wine for example he says is equivalent to so much of his measure as would require the labour of 1000 men to produce it, in one day—that does not mean that 1000 men's labour for one day or the labour of 500 men for 2 days have been bestowed on the wine, but it means that the wine will exchange for more labour than it cost, and therefore if it cost the labour of 200 men for one day the value of the labour of 800 men will constitute the profit and the whole value of the wine is divided into fifths one fifth of which is the value of the wages and four fifths the value of the profits. If it had sold for 900 then it would have been

<sup>1</sup> Omitted in MS.

divided into ninths of which 2 would have constituted wages and 7 profits.<sup>1</sup> But if it cost 20£ and will sell for £100—or 20 yards of cloth and will sell for 100, these facts would be equally indicated. In saying this then Mr. Malthus appears to me only to repeat that the value of all commodities resolves itself into wages and profits, and therefore all above the value of wages which is produced when sold constitute profits. This is a proposition which no man will dispute but which may be equally known whether we use gold, silver, cloth, hats, wine or labour for our measure of value. It in fact indicates nothing but the proportions in which the finished commodity is divided amongst the master and his workmen. Labour says Mr. Malthus never varies in itself, a day's labour is always worth a day's labour, therefore labour is invariable and a good measure of value. In this way I might prove that no commodity ever varied and therefore that any one was equally applicable as a measure of value, as for example gold never varies in itself and therefore is an invariable measure of value—cloth never varies in itself and therefore is an invariable measure of value, but labour, gold, and cloth vary in each other—they vary in all other commodities, and therefore they are not all invariable and we are as far as ever from the object of our search which is not a measure invariable in itself but invariable in some standard which is itself fixed and unalterable. If no commodities but those which are the result of one day's labour existed in the world Mr. Malthus would have obtained this desirable standard, for as<sup>2</sup> the average strength of a man is at all times nearly the same, the labour

<sup>1</sup> The last five lines, beginning 'the value of the labour of 800 men', are written as an alternative above

<sup>2</sup> 'one man's strength' is del. here.

of 1000 men in one commodity for one day would be equal in intensity and therefore equal in value to the labour of 1000 men in another commodity and for this reason the commodities themselves would be of equal value but as the result of the labour of 1000 men for 365 days is and always will be of considerably<sup>1</sup> more value than 365 times the result of the labour of 1000 men for one day Mr. Malthus cannot claim the character of invariability for his measure which he refuses to accord and justly refuses to accord to the measure proposed by others.

“After capitalists become a distinct class from labourers, competition turns, not upon the quantity of labour, but on the amount of capital expended in production; and the results obtained after the employment of equal capitals, will always tend to an equality of value in the market”.<sup>2</sup> Col.<sup>1</sup> Torrens means that if two equal capitals be employed for the same time the commodities produced will be of equal value. No one can doubt the truth of this proposition, but I may ask Col.<sup>1</sup> Torrens what he means by equal capitals? If he answer I mean what I have often mentioned equal quantities of loaves and suits of cloathing for the support of labourers I understand him, but I again ask him to compare the capital of the clothier consisting of buildings steam engines, raw material &c.<sup>3</sup>, with the capital of the sugar baker consisting of a very different set of commodities, and then to tell me what he means by equal capitals—he must answer that by equal capitals he means capitals of equal value. Now how does he discover that they are of equal value? he will tell me by comparing them with a third commodity which will accurately determine their relative value—he is quite correct

but suppose now something occurs to alter the value of the clothiers capital as compared with the sugar bakers the means are undoubtedly easy of ascertaining what the alteration is in the relative value of these two capitals but what I want to know [is]<sup>1</sup> in which the alteration has taken place and here Col.<sup>1</sup> Torrens’ rule fails me. I can only know that their relative value has altered but I have no measure by which I can tell whether the capital of the one has fallen or the capital of the other has risen. A yard of cloth may be worth 5 loaves of sugar. The difficulty of producing cloth and sugar may be increased two fold, or it may be doubly easy to produce them both, in neither of these cases will the relative value of these two commodities alter, a yard of cloth will be still worth 5 loaves of sugar, and because their relative value has not altered Col. Torrens would lead you to infer that their real value has not altered—I say their real value has certainly altered, in one case they have both, the yard of cloth and the 5 loaves of sugar, become less valuable, in the other they have both become more valuable. If Col. Torrens says that he also says they are altered in real value I ask by what rule he estimates the alteration—if he says by comparing them with a third or fourth commodity I ask him for his proof that they have not altered [in]<sup>2</sup> value for it can not be too often repeated that nothing can be a measure of value which is not itself invariable. If he says that this third or fourth commodity are invariable then he has found out an invariable measure of value and then I ask him for his proof of its invariability. But instead of making any such claim he says expressly there is no measure of absolute<sup>3</sup> value and all we can know any thing about is relative value. When Col.<sup>1</sup> Torrens says<sup>4</sup> that equal capitals

<sup>1</sup> ‘considerably’ is ins.

<sup>2</sup> *An Essay on the Production of*

*Wealth*, by Robert Torrens, London,

1821, p. 38.

<sup>1</sup> Omitted in MS.

<sup>2</sup> Omitted in MS.

<sup>3</sup> ‘absolute’ is ins.

<sup>4</sup> Replaces ‘But is it true’.

will produce equal values he must then clearly define what he means by equal capitals, and he ought to add “when employed for equal times” for equal capitals do not produce equal results unless they are employed for equal times.

“Exchangeable value &c<sup>a</sup> &c<sup>a</sup> Page 56.<sup>1</sup>

“Nothing can be an accurate measure of value &c<sup>a</sup> &c<sup>a</sup>— 59.<sup>2</sup> In page 49 Col. Torrens says the exchangeable value of cottons would fall one half if they could only purchase half the former quantity of commodities altho’ they might at the same time exchange for double the former quantity of wine, corn, labour, or money.<sup>3</sup> But suppose that their exchangeable value rose relatively to as many commodities as it fell relatively to others we should not then say its exchangeable value had fallen. I suppose Col. Torrens would say their exchangeable value had both risen and fallen, according to the goods [with]<sup>4</sup> which he compared them. But if I asked him whether their value, leaving out the word exchangeable, had altered, he would be puzzled for an answer. Now with respect to the correctness of Col. Torrens’ definition of exchangeable value no one questions it, no one who has preceded him in these enquiries who has not nearly said the same thing on the subject as he has himself, but there are writers deeply impressed with the importance of possessing an absolute measure of value to which all things may be referred, and the question is not whether an accurate measure

<sup>1</sup> ‘Exchangeable value is determined, not by the absolute, but by the relative cost of production.’ *Production of Wealth*, p. 56.

<sup>2</sup> ‘Nothing can be an accurate measure of value, except that which itself possesses an invariable value.’ *ib.* p. 59.

<sup>3</sup> ‘If cotton would purchase only half the former quantity of com-

modities in general, while it purchased twice the quantity of some particular commodity, such as corn, or wine, or labour, or money,—then its exchangeable value would have sunk one half, while its price, as expressed in corn, or wine, or labour, or money, became double.’ *ib.* p. 48.

<sup>4</sup> Omitted in MS.

of this description can be obtained, but whether any thing approximating to it can be suggested?

[The following is the draft described as sheet (a) in the introductory Note, above, p. 360]

It is a great desideratum in Polit. Econ. to have a perfect measure of absolute<sup>1</sup> value<sup>2</sup> in order to be able to ascertain what relation commodities bear to each other<sup>3</sup> at distant periods. Any thing having value is a good measure of the comparative value of all other commodities at the same time and place, but will be of no use in indicating the variations in their absolute value<sup>4</sup> at distant times and in distant places. If I want to know what the relative values of cloth, leather, copper and lead bear to each other I may successively compare them to gold, iron, corn or any other commodity—if a given quantity of cloth be worth twice a like quantity of leather, it will also be worth twice the value of the gold, or iron or corn which a like quantity of leather will exchange for. But if I want to know whether cloth be of a greater absolute value<sup>5</sup> now than at a former period I can know nothing of this fact, unless I can compare it to a commodity which I am sure has itself not varied during the time for which the comparison is to be made. If for example a piece of cloth is now of the value of 2 ounces of gold and was formerly of the value of four I cannot positively say that the cloth is only half as valuable as before, because it is possible that the gold may be twice as valuable as before. That the cloth is only half as valuable as before must depend therefore

<sup>1</sup> ‘absolute’ is ins.

<sup>2</sup> This phrase echoes Blake’s ‘that great desideratum in political economy, a uniform measure of value’ (*Observations on...Expenditure*, 1823, p. 19).

<sup>3</sup> ‘now bear to the same com-

modities’ is written as an alternative above ‘bear to each other’.

<sup>4</sup> ‘their absolute value’ replaces ‘the value of commodities’.

<sup>5</sup> ‘of greater absolute value’ replaces ‘more valuable’.

on the invariability of the measure by which I endeavor to ascertain the fact. If to determine the value of gold I compare it with some other one commodity or many other commodities how can I be sure that that one commodity or all the other commodities have not themselves varied in value. I may be asked what I mean by the word value, and by what criterion I would judge whether a commodity had or had not changed its value. I answer, I know no other criterion of a thing being dear or cheap but by the sacrifices of labour made to obtain it. Every thing is originally purchased by labour—nothing that has value can be produced without it, and therefore if a commodity such as cloth required the labour of ten men for a year to produce it at one time, and only requires the labour of five for the same time to produce it at another it will be twice as cheap. Or if the labour of ten men should be still required to produce the same quantity of cloth but for 6 months instead of twelve cloth would fall in value.

That the greater or less quantity of labour worked up in commodities can be the only cause of their alteration in value is completely made out as soon as we are agreed that all commodities are the produce of labour and would have no value but for the labour expended upon them. Though this is true it is still exceedingly difficult to discover or even to imagine any commodity which shall be<sup>1</sup> perfect general measure of value, as we shall see by the observations which follow.

<sup>1</sup> 'or even to imagine any commodity which shall be' replaces 'any'.

## [Absolute Value and Exchangeable Value]

[*Later Version—Unfinished*]

### EXCHANGEABLE VALUE

By exchangeable value is meant the power which a commodity has of commanding any given quantity of another commodity, without any reference whatever to its absolute value. We should say that an ounce of gold had increased in exchangeable value in relation to cloth if from usually commanding two yards of cloth in the market, it could freely command or exchange for three: and for the same reason we should under the same circumstances say that the exchangeable value of cloth had fallen with respect to gold, as three yards had become necessary to command the same quantity of gold that two yards would command before. Any commodity having value will measure exchangeable value, for exchangeable value and proportional value mean the same thing. By knowing that an ounce of gold will at any particular time exchange for two yards of cloth, ten yards of linen, a hundred weight of sugar, a quarter of wheat, 3 quarters of oats &c.<sup>a</sup> &c.<sup>a</sup> we know the proportional value of all these commodities, and are enabled to say that a yard of cloth is worth 5 yards of linen, and a quarter of wheat 3 times the value of a quarter of oats.

All measures of length are measures of absolute as well as relative length. Suppose linen and cloth to be liable to contract and expand, by measuring them at different times with a foot rule, which was itself neither liable to contract or expand, we should be able to determine what alteration had taken place in their length. If at one time the cloth measured 200 feet and at another 202, we should say it had increased 1 per cent. If the linen from 100 feet in length increased to 103 we should say it had increased 3 per cent, but we should not say the foot measure had diminished in length because it bore a less proportion to the length of the cloth and linen. The alteration would really be in the cloth and linen and not in the foot measure. In the same manner if we had a perfect

<sup>1</sup> In an earlier draft, described above (p. 360) as sheet (b), this section opened as follows:

‘But although in the case just supposed we should know the relative value of these commodities we should have no means of knowing their absolute value. If an ounce of gold from commanding two yards of cloth came to command 3 yards of cloth it would alter in relative or exchangeable value to cloth but we should be ignorant whether gold had risen in absolute value or cloth had fallen in absolute value. Suppose lead to be a measure of absolute value, and that when an ounce of gold exchanged for two yards of cloth it was of the same value as 2 cwt of lead and that when it was worth 3 yards of cloth it was worth also 3 cwt of lead then cloth would not have varied in absolute value, but gold

would have risen 50 pc<sup>t</sup>. If on the contrary the ounce of gold continued of the same value as 2 cwt. of lead then when it exchanged for 3 yards of cloth cloth would have risen 50 pc<sup>t</sup> in absolute value and gold would not have varied. The question is can we obtain such a measure of absolute value and what are the criteria by which we are to satisfy ourselves that we have obtained. Into that question we now propose to enter.

‘No one can doubt that it would be a great desideratum in political Ec. to have such a measure of absolute value in order to enable us to know[,] when commodities altered in exchangeable value[,] in which the alteration in value had taken place’. Here the draft broke off and started again with the paragraph ‘All measures of length’.

measure of value, itself being neither liable to increase or diminish in value, we should by its means be able to ascertain the real as well as the proportional variations in other things and should never refer the variation in the commodity measured to the commodity itself by which it was measured. Thus in the case before stated when an ounce of gold exchanged for two yards of cloth and afterwards exchanged for three, if gold was a perfect measure of value we should not say that gold had increased in value because it would exchange for more cloth but that cloth had fallen in value because it would exchange for less gold. And if gold was liable to all the variations of other commodities, we might, if we knew the laws which constituted a measure of value a perfect one, either fix on some other commodity in which all the conditions of a good measure existed, by which to correct the apparent variations of other things, and thus ascertain whether gold or cloth, or both had varied in real value, or in default of such a commodity we might correct the measure chosen by allowing for the effect of those causes which we had previously ascertained to operate on value.

By many Political Economists it is said that we have an absolute measure of value, not indeed in any one single commodity but in the mass of commodities. If we wanted to ascertain whether in the case just supposed of the cloth and gold<sup>1</sup> the variation had been in the one or in the other we could immediately ascertain it by comparing them alternately to many other commodities and if the gold preserved the same relation as before with these commodities then the cloth had varied, but if the cloth remained as before we might safely conclude that gold had varied.

This measure might be an accurate one on many occasions, but suppose that on such a comparison I found that with

<sup>1</sup> In MS ‘whether’ is repeated here.

respect to a great number gold had altered in value, and with respect to another large number it had not altered in value, but cloth had; how should I determine whether the cloth or gold had varied? Suppose further that with respect to any twenty or thirty with which I compared them the results were the same, how should I know that the commodities to which I thus compared them had not themselves altered in value? If it be admitted that one commodity may alter in absolute value, it must be admitted that 2, 3, 100, a million may do so, and how shall I be able with certainty to say whether the one or the million had varied.

There can be no unerring measure either of length, of weight, of time or of value unless there be some object in nature to which the standard itself can be referred and by which we are enabled to ascertain whether it preserves its character of invariability, for it is evident on the slightest consideration that nothing can be a measure which is not itself invariable. If we have any doubts respecting the uniformity of our measure of length, the foot, for example, we can refer it to a portion of the arc of the meridian, or to the vibrations of the Pendulum under given circumstances and by such means can correct any accidental variations. If we have any doubts respecting our clocks and watches we regulate them by the daily revolution of the earth on its axis, and by similar tests we are enabled to correct our measures of weight and our measures of capacity, but to what standard are we to refer for the correction of our measure of value? It has been said that we are not without a standard in nature to which we may refer for the correction of errors and deviations in our measure of value, in the same way as in the other measures which I have noticed, and that such standard is to be found in the labour of men. The

average strength of a thousand or of ten thousand men it is asserted is always nearly the same, why then not make the labour of man the unit or standard measure of value? If we are in possession of any commodity which requires always the same quantity of labour to produce it that commodity must be of uniform value, and is eminently well qualified to measure the value of all other things. And if we are not in possession of any such commodity, we are still not destitute of the means of accurately measuring the absolute value of other things, because by correcting our measure, and making allowance for the greater or less quantity of labour necessary to produce it we have always the means of referring every commodity whose value we wish to measure to an unerring and invariable standard. If this test were adopted it has been said every commodity would be valuable according to the quantity of labour required to produce them,—that if a quantity of shrimps required the labour of ten men for one day, a quantity of cloth the labour of ten men for one year, and a quantity of wine required the application of the labour of ten men for two years, the value of the cloth would be 365 times that of the shrimps, and that of the wine twice the value of the cloth. It is further said that if a commodity produced 20 years ago, such as cloth, required the labour of 10 men for a year, and now requires the labour of 12 men for the same time it would have increased one fifth or twenty per cent in value and that in fact it would in the market exchange for one fifth more of a commodity on the production of which the same quantity of labour had been uniformly employed.

Of all the standards hitherto proposed this appears to be the best but it is far from being a perfect one. In the first place it is not true that the cloth produced under the circumstances supposed would be precisely 365 times the value

of the shrimps for in addition to such value, if profits were 10 pc<sup>t</sup>, 10 pc<sup>t</sup> must be added on all the advances made for the time they were made before the commodity was brought to market. It would not be true either that the wine would be of only twice the value of the cloth, it would be more for the clothier would be entitled to one years profits only, the wine merchant would be entitled to two. In the second place if profits fell from 10 pc<sup>t</sup> to 5 pc<sup>t</sup>, the proportions between the value of wine, of cloth, and of shrimps would alter accordingly, although no alteration whatever took place in the quantity of labour necessary to produce these commodities respectively. Now which of these commodities should we chuse for our standard? they would be all unerring, if the quantity of labour employed on production were the sole test of value, and yet we see that without any alteration in the quantity of that labour they all vary with respect to each other. If we selected cloth, when profits fell to 5 pc<sup>t</sup> shrimps would rise in value, and wine would fall. If we selected wine shrimps would rise very considerably, and cloth would rise in a slight degree; and if we selected shrimps both wine and cloth would fall considerably, but the wine more than the cloth.

If all commodities were produced by labour alone, without any advances, and were brought to market in one day, then indeed we should possess an uniform measure of value, and any commodity which always required the same quantity of labour to produce it would be as perfect a measure of value, as a foot is a perfect measure of length, or a pound a perfect measure of weight.

Or if all commodities were produced by labour employed upon them for one year, then also would any commodity always requiring the same quantity of labour be a perfect measure.

Or if they were all produced in two years the same would be equally true, but while commodities are produced under the greatest variety of circumstances, as far as regards the time at which they are brought to market, they will not vary only on account of the greater or less quantity of labour necessary to produce them but also on account of the greater or less<sup>1</sup> proportion of the finished commodity which may<sup>2</sup> be paid to the workman, accordingly as labour is abundant or scarce, or as the necessaries of the workman become more difficult to produce, and which is the only cause of the variation of profits. A commodity produced by labour alone in one day is totally unaffected by a variation in profits, and a commodity produced in one year is less affected by a variation in profits than a commodity produced in two.

It appears then that any commodity always produced by the same quantity of labour, whether employed for a day a month a year or any number of years is a perfect measure of value, if the proportions into which commodities are divided for wages and profits are always alike, but that there can be no perfect measure of the variations in the value of commodities arising from an alteration in these proportions, as the proportions will themselves differ according as the commodity employed for the measure may be produced in a shorter or longer time.

It must then be confessed that there is no such thing in nature as a perfect measure of value, and that all that is left to the Political Economist is to admit that the great cause of the variation of commodities is the greater or less quantity of labour that may be necessary to produce them, but that there is also another though much less powerful cause of their variation which arises from the different proportions in which finished commodities may be distributed between

<sup>1</sup> 'or less' is ins.

<sup>2</sup> Replaces 'must'.



master and workman in consequence of either the amended or deteriorated condition of the labourer, or of the greater difficulty or facility of producing the necessaries essential to his subsistence.

But though we cannot have a perfect measure of value[,] is not one of the measures produced by labour better than another, and in chusing amongst measures which are all acknowledged to be imperfect which shall we select[,] one which is produced by labour alone, or one produced by labour employed<sup>1</sup> for a certain period, say a year?

To me it appears most clear that we should chuse a measure produced by labour employed for a certain period, and which always supposes an advance of capital, because 1<sup>st</sup> it is a perfect measure for all commodities produced under the same circumstances of time as the measure itself—2<sup>dly</sup> By far the greatest number of commodities which are the objects of exchange are produced by the union of capital and labour, that is to say of labour employed for a certain time 3<sup>dly</sup> That a commodity produced by labour employed for a year is a mean between the extremes of commodities produced on one side by labour and advances for much more than a year, and on the other by labour employed for a day only without any advances, and the mean will in most cases give a much less deviation from truth than if either of the extremes were used as a measure. Let us suppose money to be produced in precisely the same time as corn is produced, that would be the measure proposed by me, provided it always required the same uniform quantity of labour to produce it, and if it did not provided an allowance were made for the alteration in the value of the measure itself in consequence of its requiring more or less labour to obtain it. The circumstance of this measure<sup>2</sup> being produced in the

same length of time as corn and most other vegetable food which forms by far the most valuable article of daily consumption would decide me in giving it a preference.

Mr. Malthus proposes another measure and he supposes a money to be picked up by the labour of a day on the sea shore and whatever quantity can be so uniformly picked up is according to him not only the best but a perfect measure [of]<sup>1</sup> value. Thus suppose a man by a day's labour could always pick up as much silver as we call 2/- a day's labour and 2/- would be of equal value and either in Mr. Malthus's judgment would be a perfect measure of value.

Now that it cannot be a perfect measure of value must be evident from the foregoing observations, but it is singular that Mr. Malthus himself after the admissions which he has made for it should claim for it that character. Mr. Malthus acknowledges that if all commodities were produced by the union of capital and labour in the same time that corn is produced[,] that corn always requiring the same quantity of labour or gold produced under the same circumstances as corn would be a perfect measure of value. Mr. Malthus admits then that for a large class of commodities the measure proposed by me is a perfect one, and that it would be a perfect one for all if the case were as I have just supposed it. Now let me suppose that corn, cloth, gold and<sup>2</sup> various other commodities to be produced in the same time, and that gold is the measure and always produced with the same quantity of labour. Let me also suppose that labour becomes scarce and is universally paid by a larger proportion of the finished commodity, will corn, or cloth rise in price? Will it exchange for more gold the general measure? Mr. Malthus has admitted and will admit that it would not, because this rise of wages will affect all equally, and will

<sup>1</sup> Replaces 'advanced'

<sup>2</sup> 'agreeing exactly with' is del. here.

<sup>1</sup> Omitted in MS.

<sup>2</sup> 'poultry' is del. here.

therefore leave them in the same relative situation to each other. If the labourers in agriculture receive  $\frac{3}{4}$  of the produce, in lieu of one half, as wages, the labourers in the gold mines, and in the clothiers manufactory will do the same and consequently the prices of these commodities, their value in this (under these circumstances acknowledged) perfect measure will remain unaltered. Now suppose Mr. Malthus' money obtained by the labour of a day to be the measure of value, will corn and cloth under the former supposition of a larger proportion of the whole produce being paid to the workman remain of the same value? certainly not, every quarter of corn will command less labour, less of Mr. Malthus' money and therefore will be of less value. Here then are two measures both perfect according to Mr. Malthus in one of which the same commodities will remain stationary that vary in the other.

If I had no<sup>1</sup> argument to advance against the expediency of adopting<sup>2</sup> Mr. Malthus's proposed measure, this is I think conclusive against the claim which he sets up for its universal accuracy and perfection, but I have many reasons to urge against its adoption on account of its inexpediency.

Let me suppose that some great improvement was discovered in agriculture by means of which we might without any additional labour on the land produce 50 pc<sup>t</sup> more of corn. According to my mode of estimating value, without any regard to what was paid to the workman corn would fall in the proportion of 150 to 100. According to Mr. Malthus mode of estimating the value of corn, it would not depend at all upon the difficulty or facility of producing it, but solely on the quantity paid to the labourer. Altho' you could produce 50 pc<sup>t</sup> or 100 pc<sup>t</sup> more with the same labour he would say it was of the same value if the labourer

received no more than before—according to him commodities are not valuable in proportion to the difficulty or facility of producing them, but their value depends wholly not on the proportion but on the actual quantity paid to the labourer. A man can buy in our present money a loaf and a half of bread for the same money that he could before buy only a loaf: he can do so because the facility of producing it is increased 50 pc<sup>t</sup> and yet Mr. Malthus would constrain us to say that corn had not fallen in value, but that money had risen in value if the labourer received the same quantity of corn.

An epidemic disorder prevails in a country to so great a degree as to sweep off a very large portion of the people and in consequence all the employers of labour are obliged to give a much larger proportion of their finished commodities to their labourers, this in my estimate of value would have no effect whatever on the price of goods, but it would have a great effect on the price of labour. Wages I should say were high and specifically because labour was scarce as compared with capital, not so Mr. Malthus he would say that labour remained precisely of the same value, and that all commodities without exception<sup>1</sup> which were the produce of labour and capital had undergone a considerable reduction of value.—

A vast number of people come into this country from Ireland and by their competition sink the price of labour. Mr. Malthus assures us that labour has not altered in value, but that all commodities, in the production of which no new difficulty has occurred, have very considerably increased in value.

I know and am ready to confess that however these expressions might be contrary to general usage, if Mr.

<sup>1</sup> 'other' is del. here.

<sup>2</sup> 'the expediency of adopting' is ins.

<sup>1</sup> 'without exception' is ins.

Malthus had shewn that the alteration he proposed rested on a sound principle, we ought, at least amongst Political Economists, to have adopted them, but I contend that his selection rests on no sound principle whatever,—that it is an arbitrary choice, and that it has no foundation in reason and truth. My measure says Mr. Malthus is an invariable one because it will measure both wages and profits. “I can see no impropriety he says in saying with Adam Smith and myself that labour will measure not only that part of the whole value of the commodity which resolves itself into labour but also that which resolves itself into profits”.<sup>1</sup> Nor no body else if the object be to determine the proportions into which the whole value is divided between the capitalist and the labourer, but what proof does this afford of its being an invariable measure of value? Would not gold, silver, iron, lead, cloth, corn all confessedly variable measures equally effect the proposed object? The question is about an invariable measure of value, and the proof of the invariability of the proposed measure is that it will measure profits as well as labour, that is to say that it will do what every other measure without exception variable or invariable will equally accomplish.<sup>2</sup>

But the conditions of the supply of every commodity says Mr. Malthus are that it should command more labour than it cost, and therefore labour is a particularly appropriate measure. That is saying in other words that wherever advances are made, if those advances only are returned, and nothing remains for profit, the commodity will not be produced. This is a proposition which no one denies but it does not afford the least proof of the invariability of the value of labour, for if a man value his advances, in labour, and his

returns in the same medium, his profits will be increased if labour during the interval that he is obtaining the returns become very abundant, they will be reduced to little or nothing if labour become scarce. But so also they would be if he made these estimates in money. If labour rose in money he would realise less money for profits when he was obliged to give a great deal of money to his labourers, he would realise more money for profits if in consequence of the fall of the price of labour he had to pay his labourers a small quantity of money. Mr. Malthus appears to me wholly to fail in his proof of labour being invariable in value.

Mr. McCulloch has a different theory—he does not he says<sup>1</sup> pretend to establish any general invariable measure of value, but all he aims at is to lay down the rule by which the relative value of commodities may be determined and this he says depends on the quantity of labour worked up in them. If one commodity is twice the value of another, it is because it has twice the quantity of labour employed on it. It is objected to Mr. McCulloch that this does not appear to be the fact, that an oak tree worth £100 has not had perhaps from the first moment it was planted<sup>2</sup> as much labour employed on it as would cost 5 shillings while another commodity of the value of £100 had really had 100 pounds worth of labour bestowed on it. Mr. McCulloch answers that he estimates the labour in a commodity by the capital which has actually been devoted to its production, and if you again object that only 5/- worth of capital has been bestowed on the tree he denies this and says 5/- employed for a day will when profits are 10 pc<sup>t</sup> be equivalent to 5/6 in a year, that after the 1<sup>st</sup> year, and for the second year 5/6 is employed as capital which at the end of the 2<sup>d</sup> year becomes a capital

<sup>1</sup> Malthus' letter of 25 Aug. 1823, below, IX, 363.    <sup>2</sup> See Ricardo's letter to Malthus, 31 Aug. 1823, *ib.* 380–1.

<sup>1</sup> Cp. McCulloch's letter of 24 Aug. 1823, *ib.* 369.    <sup>2</sup> 'had' is repeated here in MS.

of  $6/0\frac{1}{2}$  and so from year to year because you forbear using any part of the capital it becomes in the course of time worth £100, in the same manner as if you employed 5/- for one day on the land, in a year it would be worth 5/6. This 5/6 will employ more labour and will at the end of another year produce  $6/0\frac{1}{2}$  and so on from year to year till it amount to £100. That in fact there is not so much actual labour bestowed on the tree as on the corn which may sell for £100 but that equal capitals have been actually expended on them if you make due allowance for the forbearance of the owner of the 5/- expended on the tree in not appropriating to himself any part of the accumulations which the tree made from year to year. If you suppose the growing tree brought to market every year the first year it will be worth 5/6 the second  $6/0\frac{1}{2}$  and so on; that in fact these successive purchasers actually advance such a sum of capital to become possessed of the tree, till at last £100 is advanced. Mr. McCulloch asks what are these advances but capital, what is capital but labour how then can it be denied that equal quantities of labour yield equal values. If you ask Mr. McCulloch whether the labour of 52 men for one week be not the same quantity of labour as the labour of one man for 52 weeks, he will answer, no, it is not the same, for after each week a man who receives the profit on his work has an increased capital with which to work the second week and so on from week to week; the second man who employs his capital for 52 weeks without receiving any profit during the interval is equally entitled to these successive accumulations, and therefore his capital is to be estimated by the same rule as the man's capital who realises an increased capital every week, by adding to the original capital the further capital which his profits enable him to cultivate. The only doubt one can feel on this subject is the accuracy of the language used by

Mr. McCulloch—it might be right to say that commodities were valuable in relation to each other according to their cost of production, or according to the quantity of capital employed on them for equal times, but it does not appear correct to say that their relative value depended on the quantity of capital worked up in them

[The MS breaks off here]