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T O
A D A M S M I T H, L. L. D. F. R. S.
B E I N G A N
E X A M I N A T I O N O F S E V E R A L P O I N T S O F D O C T R I N E,
L A I D D O W N I N H I S
" I N Q U I R Y I N T O T H E N A T U R E A N D C A U S E S O F
T H E W E A L T H O F N A T I O N S."

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M D C C L X X V I .

The Reader is desired to correct the following Errata, which escaped notice in correcting the Pref-
Copy from the Manuscript.

P. 13, l. 3, for *more*, read *mere*.

P. 27, l. 26, for *think*, r. *thing*.

~~_____~~ *tend*, r. *tends*.

P. 28, l. 24, for *at first that*, r. *that at first*.

P. 34, l. 1, in the note, for *motion*, r. *money*.

P. 45, l. 25, for *great knowledge*, r. *information*.

There are also one or two errors in the pointing, which were not attended to, but which the
Reader will be so good to rectify.

A

L E T T E R, &c.

S I R,

WHEN I first saw the plan and superstructure of your very ingenious and very learned Treatise on the Wealth of Nations, it gave me a compleat idea of that system, which I had long wished to see the publick in possession of. A system, that might fix some first principles in the most important of sciences, the knowledge of the human community, and its operations. That might become *principia* to the knowledge of politick operations; as Mathematicks are to Mechanicks, Astronomy, and the other Sciences.

Early in my life I had begun an analysis, of *those laws of motion* (if I may so express myself) which are the source of, and give direction to, the labour of man in the individual; which form that reciprocation of wants and intercommunication of mutual supply that becomes *the creating cause of community*; which give energy, motion, and *that organized form* to the compound labour and operations of that community, *which is government*; which give source to trade and commerce, and are the forming causes of the instrument of it, *money*; of the effect of it in operation, an *influx of riches*, and of the final effect, *wealth and power*. The fate of that life called me off from study. I have however at times (never totally losing sight of it) endeavoured to resume this investigation; but fearing that the want of exercise and habit in those intellectual exertions may have rendered me unequal to the attempt, I am extremely happy to find this executed by abilities superior to what I can pretend to, and to a point beyond that which the utmost range of my shot could have attained. Not having any personal knowledge of the author, or of the part which I now understand he bears in the learned world, I read your book without prejudice.—I saw it deserved a more close and attentive application, than the season of business would allow me to give to it; I have since in the retreat of summer studied it: you have, I find, by a truly philosophic and patient analysis, endeavoured to investigate *analytically* those principles, by which nature first moves and then conducts the operations of man in the individual, and in community: And then, next, by application of these principles to fact, experience, and the institutions of men, you have endeavoured to deduce *synthetically*,

tically, by the most precise and measured steps of demonstration, those important doctrines of practice, which your very scientific and learned book offers to the consideration of the world of business.

Viewing your book in this light, yet seeing, as my reasoning leads me to conceive, some deviations which have misled your analysis, some aberrations from the exact line of demonstration in the deductive part; and considering any errors in a work of that authority, which the learning and knowledge that abounds in yours must always give, as the most dangerous, and the more so, as they tend to mix themselves in with the reasoning and conduct of men, not of speculation, but of business—I have taken the liberty, by stating my doubts to you in this Letter, to recommend a revision of those parts which I think exceptionable.

If these doubts should appear to you to contain any matter of real objection, I should hope those parts might be corrected, or that the bad consequences of those positions, which I conceive to be dangerous, may be obviated. When I first wrote these observations, I meant to have sent them to you, by the interposition of a common friend, in a private letter; but, as I think these subjects deserve a fair, full, and publick discussion, and as there are now in the world of business many very ingenious men, who have turned their minds to these speculations, the making this publick may perhaps excite their ingenuity, and thus become the means of eliciting truth in the most important of all sciences. It may animate even your spirit of inquiry, and lead to further researches. It is not in the spirit of controversy, which I both detest and despise, but in that of fair discussion that I address this to you.

When, in your investigation of those springs, which give motion, direction, and division to labour*—you state “*a propensity to barter;*” as the cause of this division: when you † say, “that it is that trucking business which *originally* gives occasion to the division of labour;” I think you have stopped short in your analysis before you have arrived at the first natural cause and principle of the division of labour. You do indeed ‡ doubt, “whether this propensity be one of those *original principles* in human nature, of which no farther account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech.” Before a man can have the propensity to barter, he must have acquired somewhat, which he does not want himself, and must feel, that there is something which he does want, that another person has in his way acquired; a man has not a propensity to acquire, especially by labour, either the thing which he does not want, or more than he wants, even of necessaries; and yet nature so works in him, he is so made, that his labour, in the ordinary course of it, furnishes him in the line in which he labours, with more than he wants; but while his labour is confined in that particular line, he is deprived of the opportunity to supply himself

* B. I. C. II.

† P. 18.

‡ P. 16.

himself with some other articles equally necessary to him, as that which he is in the act of acquiring. As it is with one man, so is it with the next, with every individual, and with all. Nature has so formed us, as that the labour of each must take one special direction, in preference to, and to the exclusion of some other equally necessary line of labour, by which direction of his labour, he will be but partially and imperfectly supplied. Yet while each take a different line of labour, the channels of all are abundantly supplied.

Man's wants and desires require to be supplied through many channels; his labour will more than supply him in some one or more; but through the limitation and the defined direction of his capacities he cannot actuate them all. This limitation, however, of his capacities, and the extent of his wants, necessarily creates to each man an accumulation of some articles of supply, and a defect of others, and is the original principle of his nature, which creates, by a reciprocation of wants, the necessity of an intercommunion of mutual supplies; this is the forming cause, not only of the division of labour, but the efficient cause of that community, which is the basis and origin of civil government; for, by necessarily creating an inequality of accumulation, and a consequential subordination of classes and orders of men, it puts the community under that form, and that organization of powers, which is government. It is this principle, which, operating by a reciprocation of wants in nature, as well as in man, becomes also the source to that intercommunion of supplies, which barter, trade, and general commerce, in the progress of society, give. It is not in the voluntary desires, much less in a capricious "*propensity to barter*," that this first principle of community resides; it is not a consequence of reason and speech actuating this propensity, it is interwoven with the essence of our nature, and is there in the progress of, and as part of that nature, the creating and efficient cause of government; of government as *the true state of nature* to man, not as an artificial succedaneum to an imagined theoretic state of nature.

The pursuing of the Analysis up to this *first principle*, does not immediately, I agree with you, "belong to the subject of your inquiries;" for the doctrine contained in the second chapter of your first book, seems only noted *en passant*, but is no where, either in the course of your Analysis, used, nor applied in the subsequent explications. But as some thirty years ago, I had made this Analysis of the * *Principles of Polity*; and as I have, in the practical administration of the powers of government, found, that those powers on one hand do, as from the truest source, derive from these principles of nature, and

* A little Treatise which I wrote when I was very young, and which is very imperfect and incorrect in its manner and composition; but such in the matter and reasoning, as frequent revision and application of the principles to matters in fact, have confirmed me in the conviction of as true, although different from the common train of reasoning in those who follow Mr. Locke's phrases rather than his arguments.

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that the liberties of mankind are most safely established on them: and as I think that great danger may arise to both, in deriving the source of community and government from passions or caprice, creating by will an artificial succedaneum to nature, I could not but in the same manner, *en passant*, make this cursory remark.

Having established and defined this first operation of man in community, that of *barter*, you proceed to consider the *natural rules* by which this is conducted; what it is which gives *value*; what it is which *measures* the relative or *comparative value*, and hence the doctrine of *price*: and by the intervention of these, *the introduction of money and coin*. As in the former doctrine, I thought you had not pursued the analysis to the real sources of nature; so here, on the contrary, I think you have stretched your doctrine beyond the garb of nature. Some of your more refined doctrines have rather subtilised ideas, as they lie in your mind, than analysed those distinctions which lie in nature. On the first reading the eight first chapters of your first book, in which these matters are treated of, before I came to the use and application of your doctrines in the explication of practice and business, I began to apprehend, that some dangerous consequences in practice might be deduced from theory, instead of those sound and beneficial doctrines which derive through experience, by a true analysis of nature and her principles. I thought I saw, that many mischievous impertinent meddlings might take rise from a distinction between *a natural* and *a market price*. As I had been used to hold that only to be the measure of *exchangeable value*, which the world generally takes and uses as such, money formed of the precious metals; I could not but apprehend, that many extensively dangerous practices might arise from your laying aside, in your Analysis of Money, the idea of its being A DEPOSIT. I saw, that that *theory in metaphysics*, led to a destructive *practice in physics*; to the practice of creating a *circulation of paper*, and of calling such circulation, money; and of introducing it as such. In your doctrine, that “labour is the measure of “exchangeable value of all commodities,” connected with your mode of explanation of the wages of labour, the profit of stock, the rent of land, and the effect of the progress of improvements, I thought I saw great danger, that Theory, in the pride of rectitude, might harden its heart against the real, though relative, distresses, which the labourer and the landed gentry of a country do suffer, and are oppressed by, *during the progress* of improvement, in consequence of a *continuing influx of riches*; and might therefore depreciate, or even endeavour to obstruct, all those current remedies which give comfort and relief to these distresses, and alleviate even those which cannot be remedied.

Although * the demand for those who live by wages must naturally increase with the increase of national wealth; and consequently the price of wages rise in proportion to the rise of every thing else; so as that the labourer will in the

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and partake of the general riches and happiness of the publick. Although * the rise in the price of all produce is in the end no calamity, but the *forerunner* of every publick advantage : Yet as those prices do *forerun*, and must, during the progress of improvement, *always forerun* ; wages and rent must always continue *at an under-value* in the comparison. They will indeed rise also, but as this foreruns, they can only follow, *sed non passibus æquis*. The labourer, and he who lives on rent, therefore, must always, though improving, be unable to improve so fast as to emerge from a continued distress : if this distinction, that a flowing encrease of wealth, although it is the forerunner of every advantage to the publick in general, and *in the end* to every individual, yet is the continuing cause to the continued distress of the labourer, and of him who lives by rent, is not carefully attended to. If the state of the circumstances of distress, which continues to oppress those classes of the community, are not constantly adverted to with feeling, and with exertions of precaution and benevolence, we shall, in the triumph of our general prosperity, be the constant oppressors of those who have the best title to share in this prosperity.

Under these ideas and apprehensions I did very carefully and repeatedly, before I proceeded to the applied doctrines contained in the latter book, revise the analytic part of the former. When I came to the doctrines applied to practice, and the businesses of the world, I found that my cautions had not been unnecessary, and that my apprehensions, that some such consequences might be drawn from it, were grounded : I found also what I did not from the principles expect (nor as yet do I see how they derive from them, as any part of the chain of reasoning) that in the course of the doctrines you hold, you are led to disapprove the law giving a bounty on corn exported ; and also to think, that the monopoly, which we claim in the American trade *, “ like all other mean and malignant expedients of the mercantile system,” without in the least increasing, doth on the contrary diminish the industry of the country, in whose favour it is established ; and doth, although it may have the seducing aspect of a *relative advantage* †, subject the nation, its trade and commerce, to an absolute disadvantage. I hope you will not think, that I misunderstand, or mean to mis-state, your position. You allow, and very fully explain the great advantages of the colony trade, but think that the monopoly is the reason why, great as it is, we do not derive so great advantages from it to the nation and to the landed interest, and to the community in general, as we might have done, had it not been cramped and perverted by the monopoly.

In the many occasions which I have had to view this monopoly, I own, although I have seen some errors in the extension of the *measure*, further than is expedient or necessary, yet I do not see the malignancy of the principle of a monopoly ; nor while I have lived amidst the daily proofs of the *relative advantage* which it gives to the mother country, by its colonies, over all other
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* Pag. 286.

† B. IV. C. VII. P. 201.

foreign nations, I have not been able to discover, nor have your arguments, although so methodically and so clearly drawn out, been able to explain to me, that absolute disadvantage which you think it subjects us to.

Although I agree entirely with you, having also previously read the same opinion in Mr. Necker's Treatise, *sur la Legislation & le Commerce des Graines*, that the bounty which our law gives to the exportation of corn, has not been the sole cause which hath rendered corn cheaper than otherwise it would have been; but, on the contrary, hath, in each direct instance, given it some small advance in the general scale of prices: Yet, considering that so far as it does this, and gives relief to the relative oppression which the landed interest must continue to feel under a *continued influx of riches*, and an advancing rise in the prices of every thing else; I think it one of the wisest measures for a country like England that could be devised.

I think with you, that many of our laws and regulations of trade are practical errors, and mischievous. I think that, while they seem to be founded on our navigation act, they mistake the spirit of it, and no less mistake the real interest of the nation: yet I cannot but hold these to be errors only, as they deviate from the true principle of the act of navigation, which is a different thing from the acts of trade.

Having prefaced thus much as to the several doctrines on which I have conceived some doubts, I will now, following the order of your work, state those doubts. When I found you discarding *metallic money*, that intervening commodity which having, by common consent, acquired a value of its own, hath been hitherto esteemed a common known measure of the value of all other things, from being any longer such common measure, and by a refinement of theory, endeavouring to establish in its place "an abstract notion," *that labour was the common measure of all value*; I did not only doubt the truth of the position, but, looking to the uses that might be made of the doctrine, hesitated on the principle. If labour be the only real and ultimate measure of value, money is but the instrument, like the counters on the checkquer, which keeps the account; if this be all the use of money, then *circulation*, or even *an account opened with a banker* (according to a practice in Scotland, as described by you) is to all uses and ends as good as money. If it is not necessary, that the common measure should have some known permanent value in itself, so as to be a deposit of that absent value which it represents, as well as measures, so as to convey to all who possess it an absolute power of purchase, then indeed the circulating instrument, the machine that circulates, whether it be a paper or a leather one, or even an account, without any *deposit*, is equal to all the uses and end of money, is that which we may safely receive for the future. As I have been mixed in the business of a country, where the evils of this doctrine and practice have been severely felt, and where it was my duty to watch, that nothing was imposed upon the publick as money, but what was either in it-
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self a deposit, or was established on a fund equal to a deposit, and what had *all* the uses of a permanent known measure in all cases of circulation; I could not but read this leading doctrine of your's with great caution and doubt. I must doubt, whether it be labour simply which creates and becomes the measure of value, when I find other component parts mixed in the most simple idea of value: I cannot conceive, that equal quantities of labour are absolutely of equal value, when I find the value of labour both in use and in exchange varying in all proportions, amidst the correlative values of these component parts; I cannot suppose labour to be the ultimate measure, when I find labour itself measured by something more remote.—You say very properly in the major of your syllogism, that when the division of labour has once thoroughly taken place, it is but a very small part of the necessities and conveniences of life, with which a man's own labour can supply him. But when we come to the minor proposition of it, we must consider also the objects on which labour is employed; for it is not simply the *labour*, but the *labour mixed with these objects*, that is exchanged; it is *the composite article, the laboured article*: Some part of the exchangeable value is derived from the object itself; and in this composite value, which is the thing actually exchanged, the labour bears very different proportions of value, according to the different nature of the object on which it is employed. Labour, employed in *collecting the spontaneous produce* of the earth, is very different in the composite exchangeable value of the fruit collected, from that which is employed in raising and collecting the *cultured fruits* of the earth. Labour, employed on a rich, cleared, subdued and fruitful, or on a poor and unkindly soil, or on a wild uncleared waste, has a very different value in the composite object produced in the one, from what it bears in the composite value of the other. As the object then makes part of the composite value, we must consider, in the exchangeable value, the object also, as a component part. Whose then is the object? Who has acquired, and does possess, the object or objects on which the labour may be employed? Let us take up this consideration under these first scenes of man, which are usually called a state of nature, somewhat advanced in the division of labour and community. Previous to the employing of labour, there must be some acquisition of objects whereon to employ this labour; a strong and selfish man, who will not labour, sits, we will suppose, idly under a tree, loaded with the spontaneous fruits of nature; an industrious, but weaker man, wants some part of those to supply his necessity, the idler will not let him collect the fruit, unless that other collects also enough for both. Or if, still more churlish and more selfish, he will not let him who is willing, by his labour, to collect a sufficiency for *his* use, unless the labourer collects also more than sufficient for the idler's present use, sufficient for his future use also. Does the labourer here command or exchange, by his labour, any part of the labour of the idler? Certainly not. In this state *a division of*
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the objects on which labour must be employed, and with which it must be mixed, as well as a division of labour hath taken place; and therefore the labourer must be able, by his labour, to command in exchange a certain portion of these objects which another hath, as well as a certain part of that other's labour. It will not relieve this doubt by saying, as Mr. Locke (treating of right) says, that there can be no *right of possession*, but by a man's mixing his labour with any object; because we are here not considering the matter of right, but the matter of fact: nor will it answer to say, that the acquisition itself is an act of labour, because I have here stated the case of a churlish fluggard idler, strong enough to maintain himself in idleness, by commanding not only the actual labourer, but certain *greater or lesser quantity of that labour*, according as his selfish churlish temper leads him to press upon the necessity of the weaker. Suppose the same idler, in this division of the objects of labour, to have got possession of a fishing lake, or a beaver-pond, or in a sandy desert of a spring; or of a spot of fruitful ground, amidst a barren country; or of a ford, or particular position, which commands a fine hunting-ground, so as to exclude the labourer from the objects whereon his labour must be employed, in order to form that laboured article which is to supply his wants. You see, that the means of commanding the *objects of labour*, as well the labour of another, make part of the supply whereby a man must live, whereby he may be said to be rich or poor. Even you yourself (I hope you will excuse the expression under which I quote it) say, with rather some degree of confusion in terms, "that every thing is really *worth* to the man who has *acquired it*, and who "wants to dispose of it, or exchange it for something else; the toil and trouble "which it can save to himself. and which it can impose upon other people." This expresses the conclusion which I draw from the case I have stated, and not your position, that labour is the *measure*, and that it is labour which is exchangeable for *value*: it is, on the contrary, the mixture of the labour, and the objects laboured upon, which produces the composite value. The labour must remain unproductive, unless it hath some object whereon to exert itself, and the object is of no use unless laboured upon. The exchange therefore is made by A keeping a part of his labour mixed with a part of the object, and B using a part of his objects rendered useful by the labour of A mixed with them. The consequence therefore in your syllogism cannot fairly conclude, that the value of any commodity to the person who possesses it, and who means not to use or to consume it himself, but to exchange it for other commodities, *is equal to the quantity of labour*, which it enables him to purchase or command. On the contrary, it is a composite value of the object and labour mixed, and takes part of its value from each of the component parts. It is not therefore labour (which is but one of the component parts of the exchangeable commodity) which gives the exchangeable value, but *the labour and the object mixed*, the compounded laboured article, in which the labour bears all possible

possible proportions to the correlative value of the two component parts, according as the possessor of the object, or the exertor of the labour, or the common general course of the estimation of mankind shall settle it. Real value, if any such thing there be different from market value, is *the mixed composite laboured article*, not labour simply.

You have, Sir, made a very proper distinction of *value in use*, and *value in exchange*. That labour which varies in its productive power, according as it is differently applied, and according to the object it is employed upon, must certainly vary in its use, and equal quantities of it must be in such different circumstances of very unequal value to the labourer. *Labour in vain, lost labour—Labour which makes itself work*, (phrases which, to a proverb, express some species of labour,) cannot be said to be of *any use* to the labourer. He who would shave a block with razor, will labour in vain. He who sows on a rock, or on a barren sand, or in a drowned morass, will lose his labour. He who sheers his hogs, will have great cry and little wool, and only make himself work : but labour will still vary more in its *exchangeable value* ; equal quantities of labour will receive very variable degrees of estimation and value. In the first operation of barter of labour (the value of the objects being, for the sake of argument, laid aside) we will suppose A to say to B, you shall have as much of the surplus of my labour on the article \circ , as you will exchange for the surplus of your labour on the article Δ . By this, A “ means to save “ as much of his toil and trouble to himself, and to impose as much upon B, “ as he can.” B means the same. What then is to be the real standard of measure ? Not labour itself. What is to give the respective estimation in which each holds his labour ? Each alternately will be disposed to estimate his own most valuable, and to each “ the labour of the other will sometimes appear to “ be of greater and sometimes of smaller value*.” This value cannot be fixed by and in the nature of the labour ; it will depend upon the nature of the feelings and the activity of the persons estimating it. A and B having, by equal quantities of labour, produced equal quantities of two of the most necessary articles of supply, whose values, in the general scale of things, vary the least ; each having a surplus in the article which his labour has produced, and each likewise having an equal want of what the other has produced. This *quantity* of labour, although stated as *equal*, will have very different *exchangeable values* in the hands of the one or the other, as A or B are *by nature* formed to make a good bargain in the common adjustment of the barter. He who has not an impatience in his desire on one hand, or a soon-alarmed fear on the other of losing his market ; who has a certain firmness, perseverance and coldness in barter ; who has a certain *natural* self-estimation, will take the lead in setting the price upon the meek and poor in spirit ; upon the impatient and timid bargainer. The higher or lower value of these equal quantities of labour,

* Pag. 39.

labour, will follow the one or the other spirit. The value is not equal, and is not fixed in, nor depends upon, the equal quantity of the labour; it is unequal and differs, and is fixed by, and derives from, the different *natures of the persons* bargaining. The exchangeable value of equal quantities of labour, stated equal in all circumstances, is not only not equal in this first instance, between that of A and B, but may, in other comparisons, vary both in A and in B individually. The exchangeable value of B, although inferior in barter with A, may acquire an ascendant value, and be superior in barter with C. This difference and this variation will run through every degree in the utmost extent of the markets: nay, the same person will, in different habits, relations and circumstances of life, estimate that labour (which shall be stated to be absolutely equal) as of very different value; he will, on different occasions, estimate his "ease, liberty, and desire of happiness" differently. Equal quantities of labour, equal, I mean absolutely, and in every respect, will acquire and derive very different values both in use, and in exchange both in respect of the person by whom such is exerted, as well as in respect of the person who barter for it, from the objects with which it is mixed. Respecting the person by whom it is exerted, if a day's labour always produces a day's subsistence, the value in use is always the same; if it doth not, the value in use must vary. In respect of exchangeable value, labour will sometimes give value to things which, in themselves, had little or no value: in others, it will derive value from the things with which it is mixed; it will itself have an exchangeable value from its compounded value; that is, from the proportion of value which it bears in the composite laboured article.

What is thus varying in a relative value, must require some correlative, which, while this measures other things, in return will measure it; that which is itself measured by something more remote, cannot be the final measure or standard. It cannot * therefore be "alone the ultimate and real standard by which the value of all commodities can, at all times and places, be estimated and compared: it is not their *real price*." I must therefore conclude, in a proposition which I quote from yourself, where I wish you had let the business † rest; "That there can be no accurate measure, but that exchangeable value must be settled by the higgling and bargaining of the market, according to that sort of rough equality, which, though not exact, is sufficient for the carrying on the business of life."

You confess, that this proposition of your's, "*That labour is the measure of the value, and the real price of all commodities,*" is "*an abstract notion.*" As such I should not have taken any notice of it; but you endeavour to establish it as a leading principle, whereby I think a *practical one*, which mankind hath universally and generally acted upon, may be in dangerous speculations distinguished away. If the common forensick idea, that money which,
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* Pag. 39.

† Pag. 37.

in the common acceptation of it, hath actually been used to measure, doth in strict truth measure as “a common intervening commodity,” both labour and all other things, and their relations, is to be considered as a more practical notion, and we are in reasoning to look to some abstract notion, as the real standard. What do we, but pervert our reasoning from distinct notions in practice, to “abstract notions,” and subtleties in theory: as I apprehend that these theories have been, and fear they may and will again be used, if admitted into the reasoning of the world, to very mischievous and destructive schemes; as I think that they remove old bounds, and erase old and solid foundations, and may be applied to the building paper castles in the air; as they lead to speculations, which swerve from the idea of *pledge and deposit in money matters*, and tend to create *an imaginary phantom of circulation*, erected on the foundation of credit and opinion of trust only, I have taken the liberty of stating my doubts upon it.

While I have thus doubted, whether labour is the ultimate measure and standard of the exchangeable value of all commodities, I should be willing with you to admit, that corn will not universally answer as such a measure, had not you yourself*, in another part of your book seemed to think, that “the nature of things has stamped upon corn, *a real value*, which no human institution can alter; and that *corn* is that regulating commodity, by which “the real value of all other commodities must *be finally measured* and determined.” Gold and silver, you say, varying as it doth in its own value, can never be an accurate measure of the value of other things. There is then, according to what I have always been used to think, and what from your Treatise I find myself confirmed in, no one commodity that will measure all others, but that all are to one another in their reciprocal value *alternate measures*; and that *gold and silver* is only the common and most general, almost the universal, measure, so found to be, and so used by the general experience and consent of mankind, as *that intervening commodity* which will most uniformly become *a common measure*, at the same that it doth (as being a deposit of value, which all mankind have agreed to receive) *give universal power of purchase*.

As I think that there is no real measure of value, so I think there is no fixed natural rate of value, or real price distinct from the market price. I think, that the doctrine which states the two definitions as an actual existing truth, and as a practical distinction formed for business, not true on one hand, but on the other a dangerous proposition.

You say, † “That there is in every society or neighbourhood *an ordinary or average rate* both of wages and profit, in every different employment of labour and stock;” these average rates you call “the *natural price*, at the time and place in which they commonly prevail.”

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* B. IV. C. V. Vol. II. P. 101.

† B. I. C. VII. P. 66.

The actual price at which any commodity is *commonly sold*, is called its market price.

I clearly see the distinction in definition; but I do not learn how the ordinary average rates, or price paid for labour, or for the use of land or stock, or for any commodity in the neighbourhood, where it comes from the first hand, in the first act of bargain and sale, is any more natural than the price which it finds and bears in any other succeeding act of bargain and sale, at the time and place wherever it is sold. What is it, in the first instance, which settles these average rates, which you call natural, but the competition of the effectual demand, compared with the supply, and founded on some proportion whereby the price paid for labour, stock or land, will enable the seller to purchase an equivalent quantity of those necessaries and conveniences which his state of life requires? If, from this first operation of bargain and sale, the commodity, by means of carriage, and the collection, storage, and distribution of the middle man, goes to a succeeding and more complicated value with these adventitious articles of expence added to it: Is not the price which is here, also the price at which it here commonly sells, and which is in like manner precisely determined equally, that ordinary average rate and *natural price* as the former? Or rather, is not the price in the first operation of bargain and sale *equally a market price* as the latter, settled by that higgling and barter which doth and must finally regulate it in all times and in all cases? The refinement which, using different expressions, as in one case calling it "the ordinary average rate," and in the other, "that price at which it is commonly sold," is a distinction of words without scarce a difference in idea, certainly none in fact and truth. If there be any such thing as a natural price, both are natural; if not, which I rather think both are the artificial market price, such as the act of higgling and barter can settle on the reciprocation of wants and mutual supply. What else is it in *nature* which settles the ordinary average rates, which you call the natural price? This price "*naturally* increases," as adventitious circumstances mix with the commodity brought to sale. The increased market price increases by the adventitious circumstances of labour in carriage, of risque, storage, and the middle-man's profit. This increase is *naturally* regulated by the ordinary and average rates of these added circumstances in their time and place; and on these the competition, compared with the supply, doth as naturally in one case as in the other create the market price; which may be called, if you choose to call the former so, a natural price; but both are, in fact, equally in their time and place the market price. When therefore you say, * "that the natural price is the *central price*, to which the prices of all commodities are perpetually gravitating;" I must own that I receive the metaphor of the proposition with great apprehensions of the uses in practice, which the doctrine may lead to. If any one, who

* B. I. C. VII. P. 70.

who has got a lead in business, should adopt your distinction of *natural and market price*; and, following the delusion of your metaphor, should think, that, as in nature, all market prices do perpetually gravitate to the natural *central price*, so the circuiting motion of all market prices should be made to take and keep this direction round their center; (perfectly satisfying himself, that as he ought not, so he does not, meddle with the *natural prices* of things:) he may, through a confusion and reverse of all order, so perplex the supply of the community, as totally to ruin those who are concerned in it, and intirely to obstruct it. He may render trade almost impracticable, and annihilate commerce. That the succeeding prices of the secondary operations of bargain and sale are regulated by the same rules and laws of barter as the first; and that the outset of the first will give direction of motion, as well as motion to all succeeding operations, regulated by the same laws of this motion, is certainly true; and that it will (while in the ordinary course of things) keep this motion equable by the respective average rates in their time and place: that the violence and artifices of man will ever and anon try to warp and misrate it, is certainly true; and a truth well worthy of constant attention—not with a view to interfere and intermeddle with the *market prices*, under any theory of regulating them by some supposed natural *central price*, but to obstruct and oppose all interference and meddling whatsoever; and upon this truth to maintain in the market an universal freedom, choice and liberty.

Although, as I have stated my opinion above, I think, that the general course of all prices, or that correlative value between commodities must depend upon, and derive from the reciprocal higgling of bargain and sale, and are not measured by labour: Yet so far as they depend upon, or are mixed with labour, there is some natural scale below which they cannot go; which scale takes its level from the quantity of subsistence which such labour will procure. The plain and home-spun wisdom of our ancestors, therefore, did not attempt to measure the prices of things by any *abstract notion of labour being that measure*, but they measured labour itself * “by the plenty or dearth of provisions,” or the subsistence, according to the laboured productive effects of nature from time to time. Although therefore I agree with you, † “that the *common wages* of “labour *depends* every where upon the *contract* made between two parties, “whose interests are by no means the same;” yet in that, ‡ “a man must “always live by his work, and that his wages must at least maintain him.” There is a scale of rate below which the price of labour cannot by any contract or bargain be lowered.

That the prices of wages do continually increase with the advancing prosperity of any community, and that they are the highest in those communities, who are advancing with the most rapid velocity, is a truth, a comfortable and an encouraging truth: yet as prices of wages follow but with slow and loaded

* Vide the several statutes of labourers.

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† B. I. C. VIII. P. 81.

‡ P. 83. steps,

