

The GrEco Project

Grenville's Economics

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Notes on Smith's *Wealth of Nations*
[1808]

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[Notes on Smith's *Wealth of Nations*]¹

[f. 70r] Vol. I. p. 1 Introd par 1. The first proposition laid down as the foundation of this invaluable worth is questionable & as I hold erroneous.

Turgot maintained that the spontaneous produce of the Earth is the only original source of wealth. Smith here affirms that the annual labour of every nation is the original fund “of all the necessaries & conveniences of life which it consumes”, or in other words of its wealth.

It is surely true, & equally so in the modest & in the most cultivated stages of society, that all human necessaries & conveniences are supplied partly from one & partly from the other, of these sources: taking the producer of the earth in its largest sense & [f. 70v] extending it, as Turgot would, so as to include the animal productions of the Land & Sea.

The savage who subsists on the fruits of the forest, or on the produce of the chase or fishery, employs some labour in gathering the former, and much more in possessing himself of the two latter; but none in the production of any of them. And that the value of them when acquired is not wholly composed of the skill & labour bestowed upon them is evident from this ¹, that more skill & labour are required to obtain them when nature has not supplied them in abundance than where she has.

In the same manner, tho in very² different proportions, the highest production of arts is only in part composed of skill & labour, & must [f. 71r] owe a portion of its value to the native produce of which it is composed, and to the natural qualities with which that produce is endowed by the author of the creation, either in its rudest state, or after

¹ Instance this in a shoal of Herrings –a herd of wild cattle cropping the Hunter's path &c &c. [...?] producing the dread fruit, the plantain tree &c &c. And observe how these operate on the question of plenty, as stated in Smith's second paragraph.

¹ MS in British Library Add. MS. 69145 ff. 70-79. Watermark: “Phipps & son 1808”.

² “very” is inserted

undergoing certain processes which he has given to than the faculties of Discoverers, & to ³ imitate, or to apply.

Introduction par. 2

2. This inaccuracy extends to the second paragraph; in which the author affirms that *Plenty* depends solely on the proportion between *this* produce (i.e. the produce of labour) & consumption. By which he should ⁴ exclude fertility of the soil & climate from among the sources of plenty. It is true that no produce of the Earth can be enjoyed without some exertion, but it would surely be an abuse of [f. 71v] language so to say that the convenience of water (for instance) where it abounds, is *the produce* of the labour of [stopping?] down to the Brook to di[?].

Plenty must in every case result from⁵ the proportion between produce & demand. Less skill & labour will in some situation supply & glut⁶ that demand than in others; & in the same situation the variation of season will vary⁷ these proportions.

⁸But it is true that, presupposing equal fertility of the soil, climate, & season, the *greater part* of the necessaries or conveniences of life will abound only in proportion to the labour & skill employed in producing or rendering them available.

And this is the⁹ position which ought to have been laid down.

[f. 72r] Smith W. of N. vol. I p. 2

Introduction par. 3.- 3. With this limitation what follows in par. 3 is correct, except that the last sentence of this par. is also inaccurately expressed. Its meaning is however obvious, & unobjectionable. It is included in our *first proposition*.

Second Proposition. 4. The 4th Par. states correctly that the *quality* of labour is more effectual in production than its *quantity*; the skill¹⁰ of those who labour, than the proportion which they bear¹¹ to those who do not.

5.

³ “& to” is inserted.

⁴ “[...?]” is deleted.

⁵ “be” is deleted and “result from” is inserted.

⁶ “and glut” is inserted.

⁷ “the facility” is deleted.

⁸ The following comment appears in the margin: “This proposition more accurately stated”.

⁹ “true” is deleted.

¹⁰ “with which it is applied than the proportion” is deleted.

¹¹ “than the proportion which they bear” is deleted.

6. In the 6th Par occur the same inaccuracy of expression by which abundance is solely referred to labour.

A new phrase is also introduced viz. *useful* labour of which no explanation is here given.

A distinction is also assumed between productive & unproductive labour and a principle¹ [f. 72v] asserted, but reserved for future demonstration that the number of productive labourers is regulated by the amount & application of capital.

7. The 7th in like manner assumes the fact which it proposes afterwards to explain: & the same remark applies to the 8th & 9th.

As this is perfectly an introductory chapter no farther remark is necessary to be made on these paragraphs, than that this is an obscure & illogical mode of prefacing a book of science, because it presupposes a knowledge of the subject on which it treats.

[f. 73r] B I C I p 1 The first chapter is employed in stating & exemplifying the proposition contained in the first paragraph viz^t that the greatest increase in the skill and productiveness of labour is produced by the division of labour a fact of unquestionable certainty.

It is however an unskilful foundation of this work because its application to the subject depends on the antecedent proposition stated not in the body of the work, but only in the introduction.

p. 2&3. Are [...?] in illustrating this by the case of the manufacture of pins.

p. 4 The separation [f. 73v] of trades & employments is here stated to be a consequence of the advantage of the division of labour. It would perhaps be more accurate to describe it as being itself (what is true is) a species of divisions of labour.

The next proposition w^h this par. contains is important. It is “that this separation is a consequence as well as a cause of increased industry & wealth.

It is next stated truly that this separation is more easily made in manufactures than in agriculture.

It is added, (which may well be questioned), that for this reason rich countries do not with the same extent & fertility of territory exch the poorer as much in [f. 74r] agriculture as in manufacture.

¹ Vol. I P. 3 Introduction par. 6

He explains this by adding
1/ that tho' the land of the richer country (*ceteris paribus*) commonly produces more than that of the poorer this is¹² only in proportion to the increased *quantity* of labour & expense bestowed upon them; for that, 2^{dly}¹³ the same quantity of labour employed by the rich country in agriculture is not as much non productive than that of the poor country in agriculture as in manufacture.

He illustrates this by asserting that the corn of the rich country will not¹⁴, in the same degree of goodness, come cheaper to the market than that of the poorer, & he instances it¹⁵ in the three cases of England France and Poland whose corn he asserts comes to market equally cheap tho'¹⁶ [f. 74v] the [...] manufactures of the English are cheaper & better than the French & the Polish have no manufacturer¹⁷ at all.

How ill placed this argument is in the first chapter of an Elementary book need hardly be remarked. The nature causes and effects of Price & Value are among the¹⁸ least obvious parts of these enquiries.

The reasoning presupposes¹⁹ this proposition which instead of being self evident is not even true viz that the price of a commodity at any one market, much more its price at different markets, is governed solely by the comparative²⁰ productiveness of the same²¹ quantity of labour employed upon it -or in other words that if the²² labour of ten labourers produces in England more corn²³ on land of equal extent [f. 75r] & fertility than the labour of 20 labourers in Poland, the same quantity of corn must be²⁴ brought to market in England twice as cheap as in Poland.

To examine this proposition distinctly we must again enquire what is meant by the comparative cheapness of these commodities? Their

¹² “commonly” is deleted.

¹³ “that” is deleted.

¹⁴ “therefore” is deleted.

¹⁵ “this” is deleted.

¹⁶ “in these” is deleted.

¹⁷ “none” is deleted and “no manufacturer” is inserted.

¹⁸ “most important &” is deleted.

¹⁹ “a” is deleted.

²⁰ “comparative” is inserted.

²¹ “same” is inserted.

²² “the labour” replace “labour equal”.

²³ “than” is deleted.

²⁴ “twice as cheap” is deleted.

value in exchange? When & for what? Or their price, which is in fact the measure of what value? ²⁵ thus we get again the difficulty of presupposing in the learner a thorough knowledge of the science we profess to teach him.

[f. 76r] Propositions extracted from Smith after such corrections of them as they seem to me to require.

Introduction.

1. Wealth of Nations consists in the abundance of the necessaries and conveniences of life
2. The supply of these commodities²⁶ arises partly from the native produce of the animal, vegetable, & mineral kingdoms, & partly from the produce of the labour of man.
3. The abundance of these commodities²⁷ compared with the demand for them constitutes what is called plenty.
4. Ceteris Paribus this abundance will be [f. 76v] in proportion to the produce of²⁸ the labour employed upon them
5. The amount of that produce depends more on the quality than on the quantity of the labour so employed.

²⁵ “& if so their price in money or in” is deleted.

²⁶ “commodities” is inserted.

²⁷ “commodities” is inserted.

²⁸ “produce of ” is inserted.

[f. 77r]²⁹ agriculture as in manufacture.

He adds that the greater productiveness of the land of the richer country (*ceteris paribus*) than that of the poorer result only from the greater *quantity* of labour and expense bestowed upon it. For that, the same quantity of labour is not as much more productive in rich countries than in poor, in the case of Agriculture, as it is in that of the manufacture.

The comparison is not I think easily made, especially when it is considered how much of manufacturing labour enters into the [f. 77v] execution of every operation of agriculture, as indeed Smith himself shews in this very chapter.

[?] To illustrate and prove his proposition the author brings the three instances of England, France, & Poland, whose corn (he says) when³⁰ of equal quality, is brought to market at nearly the same price, tho' the [?] manufactures of the English are both³¹ cheaper and better than those of the French, & the Poles have no manufactures at all.

How ill placed this illustration is at the outset of an Elementary work need hardly to be [f. 78r] remarked. It supposes such a knowledge of the nature causes & effects of value & price as belongs only to a farther proficiency in this science.

But it is besides very inaccurate. It affirms a principle manifestly false, & it applies it by the means of the fact of which no evidence can wick be had.

The general proposition is this

If a given quantity of labour produces more corn or cloth³² of equal goodness in one country than in another, the corn or cloth³³ of the first will be brought to market cheaper than that of the second.

Or in other words the expense of bringing any article to market [f. 78v] is governed solely by the *quantity* of labour employed in its production.

A proposition which thus simplified appears manifestly false in whatever sense we understand the expression of the *expender* of bringing the commodity to market.

But from this proposition he goes on to argue that the productiveness of agricultural labour in England, France & Poland must

²⁹ The text hereafter appears to be an alternative end to ff. 74r-76v.

³⁰ "bring" is deleted and "when" is inserted.

³¹ "both" is inserted.

³² "or cloth" is inserted.

³³ "or cloth" is inserted.

be nearly equal because the price of their corn of equal goodness, is he says, nearly equal.

He confounds here two things as essentially different as the expense of bringing an article to its market, & the price at which it sells in that [f. 79r] market. Or if his words, inaccurate & loose as they are, shall be understood as far his argument this must be, to apply only to the former of these. That is to the expense of bringing the article to its market, I then ask what evidence he can of the expense at which corn comes to market in those respective countries?

Stated shortly Smith's argument is this,

Let A. B. C. stand for the countries,

Let x be the quantity of corn (of a given goodness) produced by a given quantity of labour

And let y be the price at which a given quantity of such corn is brought to market.

Then he [f. 79v] says universally

If Ay , & By , & Cy be equal to each other, then Ax , & Bx , & Cx will be so likewise.

But he says Ay , By & Cy are equal

Therefore...

I deny the major, & I ask what proof can be brought of the minor?