

Lord William Wyndham Grenville

Notes on Senior's "Reviews of the Report
from the Select Committee on the
Depressed State of the Agriculture and of
West's Essay on the Application of
Capital to Land"

[1821]

[Notes on Senior's "Reviews of the Report from the Select Committee on the Depressed State of the Agriculture and of West's Essay on the Application of Capital to Land"]¹

[f. 1r]
p. 468. l. 3.²

That agriculture & manufactures, the production of cloth, & that of wool, should be governed by different principles of political Economy appears at first view incredible. The distinction here alledged between them is manifestly fallacious. It rests on the obvious error of excluding the price of the productive power of land from the cost of production of corn.

The value of land arises wholly from its productive power: so does that of capital, & in the same manner [f. 1v] that of labour. If there were a permanent standard of value, any given portions of land, capital, & labour would represent certain portions of value so measured. Suppose money were that standard and that the produce of the given portions of

¹ MS in Arnold Heertje Private collection.

² Grenville comments on a passage from an article published anonymously by Senior in October 1821 in the *The Quarterly Review*. The passage reads: "The branch of political economy which is the principal subject of this Report, the effect of the employment of capital in obtaining raw agricultural produce, is one on which writers and speakers are in general guilty of so many errors, and seem so little aware of their ignorance that we may, perhaps, be forgiven if we endeavour to explain at some length the mistake, by which those errors appear to us to have been principally occasioned. That mistake consists in applying to the employment of capital in obtaining raw produce, the maxims which regulate the employment of capital in manufacturing raw produce, or, to use a more convenient though less accurate expression, in considering agriculture and manufactures as governed by the same rules. They are in fact the subjects of one fundamental distinction, which opposes them to one another in all their details, and renders almost every proposition, which is true as to one, false as to the other. The distinction may be thus stated: every additional capital employed in manufactures produces a greater proportionate net return, while every additional capital employed in agriculture produces a smaller proportionate net revenue; or thus-every additional quantity of manufactured produce is obtained, so far as the manufacturing it alone is concerned, at a smaller respective expense, while every additional quantity of agricultural produce is obtained at a greater respective expense (*The Quarterly Review* XXV, N° L, pp. 467–468).

all the three were worth £1000, that would be the combined value of the three. Suppose the portion of land in question were 100. acres applied for one year, the portion of capital £500. applied for the same time, [f. 2r] and the portion of labour that of a farmer or 10 labourers applied for the same time, the value of the sum of these would as above be £1000. and if the hire

[f. 3r] p. 468. l. 3.

The general proposition that agriculture & commerce are governed by different principles seems at first sight incredible. The distinction which this writer would establish between them rests I think on a very obvious fallacy.

In speaking of manufactured produce he includes the cost of all the sources of production: in speaking of agricultural produce, he includes two only, viz^t labour, & capital; & excludes the cost of the productive power of the land.

Now raw material is [f. 3v] produced but by the combined effect of these three: & the *natural price* as this writer chooses to call it of corn for instance is composed of the cost of applying each of these three to the particular article to be produced.

The value of labour consists in its productive power & in nothing else – the same is true of capital, & the same of land.

If I possess, or occupy, land, which has a productive power equal to 40, I may by the addition of labour whose power is equal to 20, & of capital whose power is also equal to 20, produce corn [f. 4r] to the amount of 80.

But in that case as the proprietor of [?]³ labour ⁴ (including the farmer himself) must receive $\frac{1}{4}$ of the sell price of the corn, so must the proprietor of the capital receive his proportion whether this is the farmer himself or someone from whom he hires ⁵ it, and so must the proprietor of the land, whether he is the farmer himself or his landlord, receive his proportion of the same price.

The land is in fact as much as the labour |or the seed| a part of the means employed in the production.

Now it is evidently not true that the corn raised on poorer [f. 4v] land is on the whole raised at a greater cost of production than that raised on the richer.

³ “[?]” is inserted.

⁴ “must receive” is deleted.

⁵ “[?]” is deleted.

The proportions are different; the power of the land is perhaps equal only to 20, that of the capital may be 30, & that of the labour the same. Other proportions ad infinitum may obtain between them, but the total is [?] equal to 80