

Lord William Wyndham Grenville's manuscript notes on the First edition of David Ricardo's *Principles*

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On 19 April 1817, David Ricardo (1772-1823) published his *Principles of Political Economy*. Four months later, he heard from his acquaintance Pascoe Grenfell (1761-1838) that the Whig leader William Wyndham Grenville (1759-1834) was “not reading but [was] studying [his] book” (Ricardo 1951-73, 7:189).

At this time, Lord Grenville² was a leading figure of British political life and benefited from a solid reputation as far as commercial, financial or monetary issues were concerned. He owed this reputation to a career he had started almost thirty-five years earlier. Grenville had entered the House of Commons for the borough of Buckingham in February 1782 through the influence of his oldest brother, Earl George Nugent Temple Grenville (1753-1813). Six months later, Earl Temple was appointed Lord-Lieutenant of Ireland. William became his chief secretary and was sworn a member of the Irish Privy Council. He resigned office in June 1783 after the arrival of the Fox-North coalition. After the fall of the coalition in December of the same year, Grenville entered the first administration of his cousin William Pitt (1759-1806) as Paymaster-General of the forces. He was also made one of the Commissioners of the newly-created Board of Control for Indian affairs and entered the Board of trade. In 1789 he was appointed Secretary of State for the Home Department and two years later, he became Secretary of State for the Foreign Department, an office he occupied for ten years. During Pitt's first administration, Grenville was involved in the 1786 plan to reduce the national debt through the establishment a sinking fund, a project in which he declared to have had “a larger share than [...] anybody knows” (in Jupp 1985, 57-8). In 1794 and 1795, he was in charge of the commercial negotiations with the United States which led to the signature of the “Jay treaty”. As a member of the Privy Council, Grenville was also involved in the 1797 order to suspend cash payments, a decision he regarded “as an act of state arising from necessity” (Debrett 1797-1802, 3:47). Finally, in 1800, he opposed the intervention of Government to regulate the corn market. It is on this occasion that he wrote to Pitt: “We in truth formed our opinions on the subject together, and I was not more convinced than you were of the soundness of Adam Smith's principles of political economy till Lord Liverpool lured you from our arms into all the mazes of the old system” (in Stanhope 1861-2, 3:248). In 1801, Grenville resigned with Pitt over the issue of Catholic relief. Then, Grenville joined the opposition and followed Lord King (1776–1833) in his 1803-4 attack toward the suspension of cash payments at the Banks of England and Ireland (Hansard 1812-1820, 1:1824-31, 635-7, 641-4, 701-5). In 1804, Grenville refused to enter Pitt's second administration. After Pitt's death in 1806, he was called by George III to form a Government of national unity: the “Ministry of all the talents”. Grenville's premiership was marked by a new plan of finance which aimed to keep on financing the war against France without increasing the burden of taxation, and by the Act for the abolition of slave trade. On 25 March 1807, George III dismissed Government for supporting a Catholic Relief Bill. Grenville then became the leader

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² On Lord Grenville Biography, see Jupp 1985.

of the Whig opposition, a position he held until 1817. According to Jupp, this is during this period that Grenville –who already benefited from an important intellectual stature– added “new dimensions to his political philosophy. The result was that he attracted the admiration of some of the brightest and newest talents in the House of Commons [...] the economists, Pascoe Grenfell, Francis Horner, and David Ricardo” (1985, 415). This decade was first marked by Grenville’s opposition to a series of orders in council adopted to answer Bonaparte’s Continental System and which put France and her allies under an economic blockade. As Grenville prophesied, these orders, created tensions with America and led to the United States declaring war to Great Britain in 1812. With respect to monetary issues, Grenville advised and supported Francis Horner (1778-1817) in his 1810 project to move for a committee on inquiry into the high price of bullion, the famous Bullion Committee (Horner 1994, 631-2). He also gave his sanction to Grenfell’s 1816 resolutions respecting the Bank of England affairs (Hansard 1812-1820, 32:458-506; 33:264-87), an issue which was also supported by Ricardo in his *Proposals for an Economical and Secure Currency* (Sraffa in Ricardo 1951-73, 4:45). The same year, Grenville assisted both Horner (1994, 898) and Grenfell in their joint effort to revive the debate on the Bank restriction Bill (Hansard 1812-1820, 33:1054-8, 1174-8). Finally, Grenville took a very active part in the 1815 parliamentary debates on the New Corn Laws, voicing his opposition to the policy of Lord Liverpool. As he wrote in a letter to the 2nd Earl Grey in October 1814, he considered that: “as the supply [of corn] must be more certain, so also must the price be both lower and steadier in that country to whose demands our markets are open, than in that which is restricted to consume only its own growth. This is a proposition which, I think, approaches nearer to demonstration than almost any other political problem that can be discussed” (in Jupp 1985, 446).

Grenville’s impressive political career and the economic line he supported for years explain why Ricardo was much pleased by Grenville’s interest in the *Principles*. He wrote to Grenfell on 27 August 1817:

“I am very much gratified by learning of Lord Grenville's attention to my book. Having a very high opinion of his judgment, on all matters of Political Economy, I am very desirous of knowing his criticisms on those doctrines which may be considered new, & therefore I shall hope that if after reading the book, he should make any remarks to you upon it, either in writing or in conversation, that you will communicate them to me. Whether for or against me let me know them, as I am only desirous of truth, and am as anxious to correct my opinions if wrong, as to fortify myself in them if right” (in Heertje 1991, 520).

Two weeks later, Ricardo reported this story to James Mill and expressed his aspiration “to have such a Lord amongst [his] disciples” (Ricardo 1951-73, 7:189).

Obviously, Ricardo’s wish to be made acquainted with Grenville’s reaction to the *Principles* was fulfilled. On 10 December, Ricardo announced to his friend Hutches Trower: “I have been made acquainted with Lord Grenville’s opinion on my book, which is favourable beyond my expectations. When I go to London I am, at his Lordship’s desire, to be introduced to him” (7:220). An interview was finally organised during the first quarter of 1818. It was reported by Ricardo to Trower on 22 March in the following manner:

“I received from [Lord Grenville] the most flattering testimony of his favourable opinion of my endeavours to throw additional light on the science of Political Economy. Praise from Lord Grenville on this subject is particularly gratifying to me because he has given many proofs of his persevering attention to [the science of Political Economy], and on all great discussions, of the correctness of his opinions” (7:259).

As far as we know, Ricardo and Grenville both remained silent with respect to the content of this interview. Therefore it seems impossible to know precisely what Grenville said and on which particular points of Ricardo's theory his opinion was "favourable".

However, the copy of the first edition of the *Principles*, in which Grenville studied Ricardo's doctrine, as well as his manuscript notes on the book, all survived. This material now belongs to the private collection of Arnold Heertje and turns out to be an unexpected source of information on Grenville's reaction to Ricardo's *Principles*. The reading of these notes is, *prima facie*, puzzling. Indeed, on the whole, Grenville's comments express a rather negative judgment upon Ricardo's theory and the Lord appears as someone having adopted a very different model. Even though these notes deal almost exclusively with the real economy, their content suggest that Ricardo's wish to have Lord Grenville amongst his disciples failed.

The purpose of this article is twofold. First it means to account for this apparent contradiction between Ricardo's belief, after he had met Grenville, that he could convert the Lord to his doctrine, and the content of Grenville's notes on Ricardo's *Principles*. Second, this paper aims at strengthening our knowledge of Grenville's economic thought. Indeed, even though his views in political economy were praised by figures of his age³, they remain almost totally unrecognized. To our knowledge, the only contribution on this subject is the article entitled *Lord Grenville's Manuscript Notes on Malthus* published by John Pullen in this journal in 1987⁴. In this respect, our contribution follows closely in Pullen's footsteps.

The structure of the paper is the following: section 1 considers the "story" of Grenville's copy of the first edition of Ricardo's *Principles*. It also provides a brief material analysis of the book and of the different leaves that were added to it. This is in view of dating as precisely as possible the different sets of manuscript notes. Section 2 examines the analytical content of Grenville's notes. It concerns the main issues of Ricardo's economics: his theories of value, of distribution and of capital accumulation. Finally, the conclusion attempts to reconcile Ricardo's belief that he could turn Grenville into one of his converts and the critical tone of Grenville's notes with regard to the core of Ricardo's theory.

Grenville's copy of Ricardo's *Principles*

The library of Lord Grenville – which included his annotated copy of the first edition of Ricardo's *Principles*– was purchased from his heirs by the London bookseller and collector Leon Kashnor (1880–1955)⁵. In 1952, Kashnor sold a large part of Grenville's Library to the National Library of Australia. However, the copy of Ricardo's *Principles* was not part of the transaction. It is likely that at this date, Piero Sraffa had already bought the book from Kashnor. Sraffa was arranging deals before the items he was interested in were publicly put up for sale, and he probably had a standing arrangement of this type with Kashnor. In 1979,

³ See for example Wheatley (1807, 346-7); Tooke (1829, 1).

⁴ An extended version of this paper appears in the "Research report or occasional paper" of the Department of economics of the University of Newcastle (Australia). We are very grateful to Professor John Pullen for sending us this paper as well as photocopies of Lord Grenville's manuscript notes on Malthus' *Principles* and the transcript of these notes.

⁵ In 1901, Kashnor opened a second-hand bookshop close to the British Museum, the famous "Museum Book Store". He specialized in British social, political and economic history, and was among the first booksellers to purchase entire libraries from aristocratic or landed families such as the Grenvilles. He then formed large collections on specific themes that he sold as a whole to collectors or libraries.

Sraffa sold the book to Deighton Bell in Cambridge, a branch of Dawsons of Pall Mall in London. One may wonder why Sraffa decided to get rid of this very special item, while the catalogue of his library shows that he still possessed two copies of the first edition of Ricardo's *Principles* at the time of his death (de Vivo 2013, 488)⁶. In 1980, the book was finally bought by Arnold Heertje from Bernard Quaritsch in London. It still belongs to Heertje's private collection (Heertje 2017, 67).

Lord Grenville's copy of the *Principles* is in original boards. The backside of the front cover bears several allograph writings in pencil in different unidentified handwritings: "Grenville's copy with important notes"; "Grenville's copy"; "\$8000" "LO 22/A"; "Coll J.B. 5/79". In this last inscription, "J.B." are the initials of the bookseller John Beech who was working at Deighton Bell, and "5/79" is the date of May 1979 at which the book was purchased from Sraffa.

The copy bears many marginal notes in Grenville's handwriting. All of them are written in pencil and a couple of them (but no further than page 8) were traced over with a pen dipped in black ink. The only exception is on page iv of the "Preface". This is a note in black ink which was not previously written in pencil. It refers to Ricardo's assertion that "in 1815, Mr. Malthus, in his 'Inquiry into the Nature and Progress of Rent,' and a Fellow of University College, Oxford, in his 'Essay on the Application of Capital to Land', presented to the world, nearly at the same moment, the true doctrine of rent" (Ricardo 1951-73, 1:5). Grenville's reference mark (a cross) appears after the word "Oxford" and the note reads: "M^r. West".

These marginal notes may be divided into two kinds. A first set includes short summaries of Ricardo's argument. ~~These read~~ for example on the first page of the *Principles*, one may read: line 1 "Value what?", line 7 "Value in use", line 11 "in exchange"... These notes appear in the left or right margin. They run from page 1 to page 56 and cease with the introduction of Ricardo's explanation of his theory of differential rent at the intensive margin (Ricardo 1951-73, 1:71). Another set of marginal notes is of a critical nature. These notes appear in the top or bottom margins from page iii to page 56. Then, as the marginal summaries disappear, these critical notes are also found in the left/right margins. Most of the time, the commented passages in the notes are indicated in Ricardo's text by underlined fragments or by note reference marks (usually a cross).

Grenville's copy of Ricardo's *Principles* also contains 25 interleaved gilt-edged folio (23 in-8° and 2 in-16°) written full page, with a pen dipped in black ink⁷. The paper type is vellum and its color is ecru. 17 of these *folio* are glued between the pages of the book. Among them, three have a watermark vintage: "18[?]", "[18]20" and "1820". They represent 26 sides of writing. At the start of each comment, Grenville wrote the page and the line of the *Principles* to which the comment refers. There are 15 such comments.

In addition to these glued sheets are 4 separate bi-sheets in-4. One of these sums up the argumentation developed in Chapter 1 "On value" from the beginning to the demonstration that an increase in wages may change the relative value of two commodities incorporating the

⁶ Sraffa's library includes the two "economic" tracts that Lord Grenville ever published: the "Substance of the Speech of the Right Hon. Lord Grenville in the House of Lords, November 30, 1819: On the Marquis of Lansdowne's Motion" (1820) and the "Essay on the Supposed Advantages of a Sinking Fund" (1828). See de Vivo 2013, 233. To these works may be added the "preface" of the 1817 edition of Joseph Townsend's "A Dissertation on the Poor Laws" which is usually attributed to Lord Grenville (de Vivo 2013, 589).

⁷ From here and until the end of the article, marginalia are indicated by the letter M followed by the page of Ricardo's *Principle* on which the note occurs, and quotations from the interleaved sheets are indicated by the letters IS followed by Grenville's reference to the *Principle*. The transcript of Grenville's notes was made *ne varietur*. The following symbols have been used: ~~word~~: crossed word; |word|: added word; word [?]: uncertainty about the transcript of a word.

same quantity of labour when the proportion between circulating and fixed capital or the durability of the capital necessary to their production are different (Ricardo 1951-73, 1:61). The second separate bi-sheet actually belongs to Grenville's notes on Malthus. Indeed, it is the end of an incomplete note on page 132 of Malthus' *Principles* dealing with "the differences between Ricardo and Malthus, as to the adoption of labour as a standard of exchange value". This bi-sheet bears a watermark vintage "1820". The last two separate bi-sheets both start with a reference to "p.468. 1.3". The shortest of these notes covers three pages and appears to be the unfinished draft of a comment fully developed on the four pages of the second bi-sheet. Both of them deal with the "fallacious distinction" of "the author" between the principles governing agriculture on the one side, and commerce or industry on the other. These two bi-sheets actually comment on an article published anonymously by William Nassau Senior (1790-1864) in October 1821 in the *The Quarterly Review*. In this article, Senior reviewed both the *Report from the Select Committee on the Depressed State of the Agriculture* and West's *Essay on the Application of Capital to Land*⁸. In the passage commented by Grenville, Senior stated that one general mistake consisted

"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 [...] The distinction may be thus stated: [...] 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 (Senior 1821:467-8).

It is likely that Grenville's notes on Ricardo were written before April or May 1821. The third edition of the *Principles* started to circulate at this period⁹ and there is evidence that Grenville owned a copy of this edition¹⁰. As a consequence, it is likely that at that time Lord Grenville had ceased to work on the first one.

The interleaved sheets glued in Grenville's copy of the *Principles* comprise two kinds of dating evidence. ~~In the first place~~, there is the content of Grenville's comments. One of them clearly alludes to Jean Baptiste Say's notes on the first French edition of Ricardo's *Principle*. This edition bears the date 1819 and even though it may actually have been published late in 1818¹¹, it is unlikely that Grenville had a copy of this book before early 1819. Second, these interleaved sheets bear material characteristics such as watermark vintages which attest that the paper was manufactured in 1820. Thus, in all likelihood, the notes on the interleaved sheets were written in 1820 or during the first months of 1821.

⁸ See Sraffa in Ricardo 1951-73, 9:109n2.

⁹ The third edition of the *Principles* was printed at the end of January 1821. However, the editor, John Murray, kept it and did not advertise it before 18 May 1821. As for Ricardo, he started to send copies of this edition to his acquaintances at the end of April (Sraffa in Ricardo 1951-73, 1:liv).

¹⁰ See Grenville 1821-1823, 66r. There, Grenville explains that "Say's inconsistencies [in the use of the word 'value'] have been placed by Ricardo in striking opposition to each other" and gives the reference: "Ricardo Pol. Econ. p. 330." (65v). The passage to which Grenville refers (Ricardo 1951-73, 1:282-3) was added to the third edition of the *Principles* (see Sraffa in Ricardo 1951-73, 1:278n). It is likely that Lord Grenville received a copy of the third edition of the *Principles* from Ricardo himself or from Murray (at Ricardo's demand). By 1821, Ricardo and Grenville had become quite close and were used to sending each other their new publications. In January 1820, Lord Grenville offered Ricardo his "Speech on the Marquis of Lansdowne's Motion" (see Ricardo in Heertje, 1991,523) and two years later, it was Ricardo who sent Grenville a copy of his pamphlet "On Protection to agriculture" (525).

¹¹ A copy of this edition circulated in London at the end of 1818 (see Ricardo 1951-73, 7: 370).

Dating the marginalia is much more difficult. One cannot have recourse to watermark vintages and nothing in their content furnishes any dating indication. Several elements suggest that they might be the result of different “reading campaigns” undertaken between April 1817 and April 1821. We know from Ricardo’s correspondence that Grenville was studying the *Principles* during the summer of 1817. As for the watermark vintages “1820” on the interleaved sheets, they demonstrate that Grenville was still working on Ricardo’s *Principles* more than two years later. Thus, it is likely that a number of marginalia date from 1817 while several others may have been written at a later stage. In this respect, an interesting detail is that certain marginal notes are numbered from 1 to 5 while others bear no number. Thus, this series seems to constitute an independent set of notes.

Grenville’s Notes on Ricardo’s Principles

Aim and scope of political economy

A first point considered by Grenville in his notes on Ricardo’s *Principles* deals with the aim and scope of political economy. As stated in the “preface” of the *Principles*, Ricardo considered that “the principal problem in Political economy” was to determine the laws which regulate the distribution of the produce of the earth between rent, profit and wages. (Ricardo 1951-73, 1:5). This was far from being insignificant since this position was based on the convictions that “no law can be laid down respecting quantity, but a tolerably correct one can be laid down respecting proportions” and “that the former enquiry is vain and delusive, and the latter the only true object of the science” (8:278-9). This was characteristic of Ricardo’s “classical analysis” in Sraffa’s sense of the terms (Sraffa 1960, v), that is to say an analysis essentially interested in the determination of the distributive variables rather than in the size of the output.

A couple of comments show that Grenville did not get the whole measure of this point for Ricardo’s theory. First, in reading the sentence of the preface defining distribution as the principal problem in political economy, Grenville asked “in what sense is that affirmed?” (M, iii). On the other hand, the clarifications that Grenville inserted on pages 44 and 46 of Ricardo’s text show that he formally understood what the author meant while opposing proportions and quantities¹². However, he considered this merely as a “verbal” issue. Indeed, he criticised the confusion that might follow from the unusual sense conveyed by the words “rise” or “fall” when applied to the different shares of distribution. Nevertheless, he did not connect this with the quotation from the preface, nor with the way Ricardo conducted his theoretical analysis:

“It is evident that according to this explanation the |words| *rise* or *fall* of rent, of profits, or of wages, ~~is~~ are intended to convey a sense perfectly different from their usual and obvious acceptance ~~of those words~~.”

“If it can be shewn that in any country or province, the day-labourers, (& in proportion all the higher classes of labourers,) receive now, in return for the same work, twice the

¹² Grenville’s additions to Ricardo’s text are indicated in the following quotations between vertical bars. The first passage reads: “it is according to the division of the whole produce of the land of any particular farm, between the three classes of landlord, capitalist, and labourer, that we are to judge of |the relation which| rent, profit and wages |bear to each other|” (M, 44). As for the second passage: “if then in this medium, which had not varied in value, the wages of the labourer should be found to have fallen, it will not the less be a real fall |in relation to rent & profits (but not in the actual reward of the labourer)|, because they might furnish him with a greater quantity of cheap commodities, than his former wages” (M, 46)

amount of food, clothing, houseroom, furniture, & other necessaries & conveniences, which they received a century ago, would it not [1v] be thought a strange perversion of language to assert that during this period the wages of labour had fallen?

“It may be true that in that period the proportion or relation between rent, profits, & wages may have been varied to the disadvantage of the latter, but an actual increase in the reward of the labourer cannot without the utmost confusion of language & reasoning, be described as a *real* fall [2r] in his wages.

“This is no doubt nothing more than a *verbal* dispute as to the sense in which we shall use these terms. But it must not be forgotten how much all sciences are embarrassed, & obscured by using familiar words in new & unusual senses.” (IS, p.46, l.16)

On utility, value and price

One key to understand Grenville’s notes on Ricardo’s theory of value is the marginal comment on page 1 of his copy of the *Principles*. It reads: “the general nature & laws of *value* are better laid down in Storch than in any other writer I know on the subject” (M, 1).

Heinrich Friedrich von Storch (1766-1835) was the author of memoirs on value for the Imperial Academy of Sciences in St. Petersburg between 1807 and 1809. In 1815, he published his *Cours d’économie politique*, a book he had written for the education of the Tsar Paul I’s children, the grand dukes Nicholas and Michael. In these writings, Storch developed a subjective doctrine of the nature and causes of value which, from his own confession, owed much to Germain Garnier (1754-1821) and Etienne Bonnot de Condillac (1714-1780)¹³.

Storch’s theory of value was based on the notions of needs and utility. According to him, value is the result of a judgment on the utility of things, that is, on their ability to satisfy needs (Storch 1815, 1:61). These needs may be “natural” when they consist in necessaries of life. However, most of the time, they are “artificial” and are satisfied through conveniences or luxuries (49, 63-4). Thus, according to Storch, value is not the consequence of the causes that make things exist. It is the result of a mere judgment of the capacity of things to satisfy our needs or, as he called it, of a recognised utility (*utilité reconnue*). Then, value is not intrinsic to things but lies in opinion (64). Things that have a recognised utility are called goods (57) and they become exchangeable things when they can be appropriated and transferred (74). Finally, these exchangeable things acquire exchangeable value and become commodities when they are subject to demand (85-6). Thus, according to Storch, this is demand, and demand only, which confers exchangeable value to things (88). However, the degree to which a commodity will be exchanged for another, that is its price, will depend on both demand and supply (88-9).

Lord Grenville’s adhesion to this doctrine explains the opposition he expressed in his notes on the *Principles* –especially in the interleaved sheets– with respect to Smith and Ricardo’s theories of value. First, Grenville challenged the way Smith had expounded the diamond-water paradox. Grenville asserted it was not true, in point of fact, that even though “water and air are abundantly useful [and] indispensable to existence, yet, under ordinary circumstances, nothing can be obtained in exchange from them” (Smith *in* Ricardo 1951-73, 1:11). Grenville could accept the idea that air has no exchangeable value, since it cannot be appropriated nor transferred. However, he believed that the case of water was different. Water has all the attributes of a commodity: it has a recognized utility; it can be appropriated and transferred, and it is the subject of demand. Thus, in Grenville’s view, water necessarily has an exchangeable value:

¹³ See Storch 1810, 472-5; 1815, 1:57n.

“Smith, I believe, was the first who selected water as an instance of this proposition. The choice was not happy. How much water did he consume at Edinburgh, or Ricardo in London, without paying money for that for which they say nothing can be ~~had~~ obtained in exchange?

“But if we carry our thoughts further, from the uses of water in food, to its uses in machinery, navigation, & various other arts of life, & to the expensive expedients by which water is obtained for these purposes, it will strikingly appear how much is annually paid by man for the use of water.” (IS, p.1, l.4 from bottom)¹⁴

Next, Grenville criticised the meaning ascribed by Smith to the word “utility”. According to the Lord, Smith’s conception of utility as synonymous with “necessity”, led him to the rejection of utility from the theory of value, and to a wrong apprehension of the phenomenon of value. Ricardo, who considered as “useful” all the commodities which “contribute to our gratification” (Ricardo 1951-73, 1:11), was free from this charge. However, his use of the word “value” in place of “exchangeable value”, –which was symptomatic of the little attention he paid to utility– was stressed by Grenville:

“Smith in delivering this doctrine uses this word utility ambiguously. He confounds the power of gratifying the desires whatever they may be, of man, with the power of satisfying his natural wants. The former, as Ricardo here states, is the sense of the word in this science.

“But in line 16¹⁵, & what follows, Ricardo ought to have stated that he uses value to express exchangeable value only. Otherwise what he then says of value would not be true” (IS, p.2, l.4).

Then Grenville distinguished between value, exchangeable value and price in a manner which fits exactly with Storch’s terminology. Value meant value in use; exchangeable value was the propriety of goods of being given in exchange for something else, and price was the degree to which two commodities were exchanged one for the other:

“It is most convenient, I think, in the whole so to limit this word, & to consider price as the measure of this value in the which against which the exchange is made, as Money-price, Corn-price [N°65-1v] and that when price is used simply, it should always be taken to mean money price.” (IS, p.2, l.4).

An interesting point is that Grenville’s notes on the *Principles* show an evolution on this issue. Indeed, several marginal notes offer a different terminology than the one developed in the interleaved sheet previously quoted. Thus, on the very same page “2” of the *Principles*, Grenville underlined the two occurrences of the word “value” in the paragraph starting line 16 and wrote: “their *exchangeable* value. In other words their *price*” (M, 2). The same use of the word “price” appears in the marginal note on page 5 which deals with Ricardo’s proposition according to which, “if the quantity of labour realized in commodities, regulate their exchangeable value, every increase of the quantity of labour must augment the value of that

¹⁴ The same point was made by Grenville in his marginal comments on Chapter 2 “on Rent”. Ricardo had written: “if air, water, the elasticity of steam, and the pressure of the atmosphere, were of various qualities; if they could be appropriated, [...] they [...] would afford a rent” (Ricardo 1951-73, 1:75). Grenville noted: “water does” (M:63).

¹⁵ Line 16 is the beginning of the paragraph reading: “There are some commodities, the value of which is determined by scarcity alone...” (Ricardo 1951-73, 1:12).

commodity on which it is exercised, as every diminution must lower it” (Ricardo 1951-73, 1:5). Grenville attached a “note 2” to the second occurrence of the word “value”. It reads: “From this place the author always uses the word *value* absolutely to signify *exchangeable value* & *price* to signify *money price*. I think it more correct to use *price* to signify *exchangeable value*, & *money price* to signify that value in exchange for money” (M, 5).

There is therefore a difference in the use of the word “price” in Grenville’s marginal notes and in his comments on interleaved sheets. This suggests that during the interval which is likely to have separated these two sets of writing, Grenville’s thought and terminology changed and became closer to those developed by Storch. Another interesting point is that one of the marginal notes in which Grenville developed a “non-storchian” terminology is numbered “2” while the tribute to Storch’s analysis of value appears in an un-numbered marginal note. This intimates that the numbered marginal notes may have been among the earliest that Grenville wrote in his copy of the *Principles*.

The labour theory of value: marginal comments

The labour theory of value is another issue on which a comparison between Grenville’s marginal notes and his comments on interleaved sheets shows an evolution. Grenville’s marginalia first deals with the discussion of Smith’s doctrine which appeared at the beginning of the *Principles*. Ricardo had first quoted Smith approvingly in support of his theory of embodied labour:

“‘The real price of every thing,’ says Adam Smith, ‘what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What 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, is the toil and trouble which it can save to himself, and which it can impose upon other people.’ ‘Labour was the first price –the original purchase-money that was paid for all things’” (Smith in Ricardo 1951-73, 1:12-3)

Grenville underlined “save to himself, and” as well as “impose upon” and commented in the marginal note numbered “1”: “but these are in many cases, almost in all very different quantities. Which then is the standard? See this stated on p. 6 et seq” (M, 4). The reference to page “6 et seq” of the *Principles* pertains to Ricardo’s criticism of Smith sometimes speaking of “the quantity of labour bestowed on the production of any object” and sometimes of “the quantity which it can command in the market: as if these were two equivalent expressions” (Ricardo 1951-73, 1:14). Thus, Grenville appears to agree with Ricardo in considering that Smith’s doctrine suffered from a confusion between embodied and commanded labour. When Ricardo wrote on page 5 “Adam Smith who so accurately defined the original source of exchangeable value [...] has himself erected another standard measure of value” (Ricardo 1951-73, 1:13-4), Grenville commented in “note 3”: “not accurately but with great inaccuracy see the note p.4” (M, 5).

Another problem raised in Grenville’s marginal notes was Smith’s treatment of the different qualities of labour. In a footnote on page 13, Ricardo had quoted approvingly a long extract in which Smith explained that the different degrees of hardship or of ingenuity must be taken into account when measuring the value of a commodity by labour, and that “there may be more labour in an hour’s hard work, than in two hours’ easy business” (in Ricardo 1951-73, 1:21). Then, Smith stated that “in exchanging, indeed, the different productions of different sorts of labour for one another, some allowance is commonly made for both [hardship and ingenuity]” (in Ricardo 1951-73, 1:21). Grenville commented: “The measure here is in a great degree the cost of production - in the more profitable trades a [large] premium is given with an [?] almost in all” (M, 13).

Grenville's remark makes sense insofar as Smith's text was quoted before Ricardo had raised the question of capital accumulation. Indeed, as Smith himself had noted, in the "early and rude state of society", the labourer earned the whole produce of his labour. Thus, as commodities exchanged for one another according to the quantity and the quality of the different kinds of labour, wage –as Smith called the reward of labour– was necessarily proportional to the quality of the labour thus remunerated. In other words, in this particular case, the ratio between costs of production (quantity of labour X wage) and the ratio between quantities of labour embodied (taking into account their qualitative differences) were exactly the same.

Grenville also commented on Ricardo's theory of value. One of the main criticisms on this issue in the marginal notes appears on page 25. It deals with a paragraph in which, after having introduced capital and profit, Ricardo compared the relative value of fish and deer, both of them being produced in the very same conditions: £100 for a capital calculated to last for ten years, and £100 to pay the annual labour of ten men. In these conditions, Ricardo pursued, a change in the rate of wages *in both occupations* would affect profit, but would let the relative value of fish to deer unchanged (Ricardo 1951-73, 1:53-4). At the end of Ricardo's demonstration, Grenville introduced a note numbered "4" which reads: "certainly all this is stated with too great a disregard of the differences between different sorts of labour. A course of storms making the fishing occupation more dangerous will alter the amount of wages in one occupation & not in the other" (M, 25). Obviously, what Grenville had in mind was that a change in the rate of wage, due for example to a sudden modification of working conditions, may happen in one occupation and not in the other. This, of course, would change the relative value of fish compared to deer. However, this was not sufficient to disprove Ricardo's theory since Ricardo, as well as Smith, had explained that these differences in the intensity of labour could be treated as differences in the quantity of labour (Ricardo 1951-73, 1:20-2).

However, Grenville's case could have been decisive from another point of view. Indeed, for Ricardo, an increase in the intensity of the fishing occupation and a proportional increase in the wages of fishermen had to be considered as an increase in the quantity of labour necessary for the fishing. Thus, it corresponded to a change in the conditions of production of fish which then became different from those of deer in terms of proportion between circulating and fixed capital. In other words, fish became more "labour intensive" than deer. As a consequence, the change in the relative value of fish to deer would not be exactly proportional to the change in the comparative quantity of labour embodied in these two commodities (provided of course that the rate of profit is not zero).

An additional marginal note pointed out another important issue with respect to Ricardo's theory of value. This note "5" considered the same situation as note "4" and discussed Ricardo's supposition of an increase in wages of 10%:

"the capital of the fisherman being the same in quantity, and divided in the same proportion into fixed and circulating capital, and being also of the same durability, he, to obtain the same profits, must sell his goods for the same value. If wages rose 10 per cent. and consequently 10 per cent. more circulating capital were required in each trade, it would equally affect both employments. [the commodities] would [...] be at the same relative value, and profits would be equally reduced in both trade" (Ricardo 1951-73, 1:54).

Grenville commented: "This is not a *consequence*, for wages even including, food & clothing, not being the only circulating capital, a rise of 10 per cent on wages does not necessarily lead to a rise of 10 per cent in the entire circulating capital. (M, 27). Grenville's note pointed out a crucial aspect of the "modification of the law of value" that Ricardo overlooked in the first

edition of the *Principles*. Actually, the problem of the “modification of the law of value” was not linked to the proportion between fixed and circulating capital but, as Ricardo realised later, to the distribution over time of the different quantities of labour embodied in a commodity. Then, and as suggested by Grenville’s comment, two commodities produced with the same quantity of capital -this capital being divided in the same proportion into circulating and fixed capital and their respective fixed capital being of the same durability- may nonetheless experience a change in their relative value in case of a rise in wages. This happens for example when, as in the case brought forward by Grenville, the circulating capital employed in the production of one commodity is composed exclusively of wages while the circulating capital used in the production of the other commodity includes raw material.

However, one cannot be that Grenville had taken the whole measure of his own remark since note “5” continued at the top of the next page reading: “But this is only an inaccuracy of expression & does not affect the argument”. (M, 28).

Grenville’s marginal notes on the labour theory of value showed a great deal of skepticism with respect to Smith’s theory. Grenville followed Ricardo in criticizing Smith’s apparent confusion between embodied and commanded labour. However, he also expressed doubts with respect to the possibility of treating differences in the quality of labour as quantitative differences of an indistinct labour, which is what both Smith and Ricardo did. Finally, Grenville developed a series of remarks on the conditions of production of commodities which deserve to be taken seriously since they enlighten the actual causes of the modification of the law of value that Ricardo had not perfectly identified in the first edition of the *Principles* (see Sraffa in Ricardo 1951-73, 1:xliv).

The labour theory of value: notes on interleaved sheets

A few comments by Grenville on interleaved sheets re-state remarks already made in marginalia. This is the case with respect to Smith’s position that what everything is really worth to a man who possesses it “is the toil and trouble which it can save to himself, and which it can impose upon other people” (in Ricardo 1951-73, 1:13). Grenville commented as he had done in his marginal notes: “these propositions of Smith are very loose and inaccurate. The toil & trouble which the possession of any commodity can save to the possessor of it, is not necessarily, (or even ordinarily) the same thing |with| ~~which~~ the toil & trouble which it can impose on other people” (IS, p.4, l.5). Grenville also repeated his agreement with Ricardo’s criticism of Smith’s confusion between embodied and commanded labour as invariable measure of value “as if these were two equivalent expressions” (Ricardo 1951-73, 1:14). Ricardo’s argument was that “if this indeed were true, if the reward of the labourer were always in proportion to what he produced, the quantity of labour bestowed on a commodity, and the quantity of labour which that commodity would purchase, would be equal, and either might accurately measure the variations of other things” (14). As for Grenville, he commented:

“This is surely not correct, except we take the words *quantity* of labour to be exactly synonymous with *productiveness* of labour.

“But quantity & productiveness are so far from being the same, that all the same circumstances which successively increase (in the progress of society,) the productiveness of labour employed on any given amount of any commodity, necessarily diminish its quantity.

“And this difference forms one of the great objections to employing *labour* without discriminating whether we speak of its quantity or value, as a standard for

measuring the value of other things. See farther on this subject, p. 12.” (IS, p.6, 1.22)

Thus, Grenville’s remarks on Smith appear as critical in his notes on interleaved sheets as they were in his marginal comments.

Things are quite different with respect to Ricardo. Indeed, Grenville’s tone in his notes on interleaved sheets appears much more critical than in the marginal notes. In this respect, the remark on page 12 of the *Principles* –alluded to in the preceding note– is significant. It deals with Ricardo’s idea that “the estimation in which different qualities of labour are held, comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer, and intensity of the labour performed.” (Ricardo 1951-73, 1:20). In the marginal notes, this passage was left unnoticed by Grenville who had only pointed out that the differences between different sorts of labour were somewhat disregarded by Ricardo. In his comments on interleaved sheets, Grenville’s opinion on this issue became definitive:

“The difficulty which Ricardo here vainly seeks to obviate, is fundamental, & decisive against his system.

“Quantity & *cost*, or quantity & *value*, are things not commensurable. If labour alone regulated either cost of production, or exch.^{ble}. value, it ~~must be~~ |is| not the quantity, but the cost, or the value, of labour that must be referred to for this purpose. And the |relative| cost or value of different sorts of labour are too various, & fluctuating, to allow of measuring them merely by quantity” (IS, p.12, 1.7).

Again, while commenting on Ricardo’s assertion that “if a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, it has long ago been adjusted, and placed in its proper position in the scale of value” (Ricardo 1951-73, 1:20-1), Grenville stated:

“This is assumed without |the shadow of| proof. It supposes, (~~in~~ against all experience,) that in every branch of trade & manufacture, the wages of the labourers, of whatever description employed in it, uniformly keep the |same| fixed proportion to the wages of common day-labour. This consideration, of the different & varying relative exchangeable value of the different cost of labour, is ~~therefore~~ amongst others an inseparable objection to the adoption of *labour* as a measure of exchangeable value.” (IS, p.13. 1.?).

These propositions, according to which quantity and cost, or quantity and value, are not commensurable, sharply contrasted with what Grenville appeared to accept in the marginalia, viz, that in the early state of society, Smith’s invariable measure of value was “in a great degree the cost of production” (M, 13). Indeed, Grenville now considered that it was impossible to treat differences into the quality of various kinds of labour as quantitative differences of a “common” or “basic” labour. What was new was the idea that the wage structure, and therefore the valuation of the different kinds of labour, was not fixed but subject to important and frequent changes. In rejecting the idea of a “scale [which], when once formed, is liable to little variation” (Ricardo 1951-73, 1:20), Grenville rejected Ricardo’s, as well as Smith’s, conviction that labour is essentially homogeneous. Then, Grenville developed the idea that different qualities of labour were incommensurable and that wages were no indication about these qualities. The only things that could be compared were not quantities of heterogeneous labours but their respective costs.

This criticism was repeated in the comment on Ricardo’s proposition that “if there were any other commodity which was invariable in its value [...], we should be able to ascertain, by comparing the value of fish and game with this commodity, how much of the variation was

to be attributed to a cause which affected the value of fish, and how much to a cause which affected the value of game” (1:27-8). On this occasion, Grenville further explained his reasons for rejecting labour, whether it be commanded or embodied, as an invariable measure of value. He clearly assessed his position that labour was not homogeneous. Then, the only way labour could be regarded as a measure of value was when considered as a commodity bearing an exchange value. However, since the value of labour, –just like the value of any other commodity– fluctuated, it could in no respect constitute an invariable measure. According to Grenville, this, was the substance of Jean Baptiste Say’s (1767-1832) opposition to Ricardo’s reasoning, with which Grenville concurred:

Say justly observes on this proposition, that it is true only on the supposition here contended for, viz^t. that labour is itself an invariable standard of value. But the truth is, that the exchangeable value of labour is as subject to the same variations, & from the same causes, as the exchangeable values of all other commodities. And this is not only true of labour as exchanged against other commodities, but [1v] also of the different sorts of labour in respect of each other. The ~~pay~~ [day’s labour] of a cotton weaver may sometimes be equal in exchangeable value to that of two day labourers, & sometimes of three. Labour is not, like the precious metals, an article of a homogeneous nature, capable of being measured by quantity alone.

This whole proportion depends on the assumed existence of *some* invariable standard of value. But it is indisputably clear that none such can exist (IS, p.26, l.8).

The reference to Say is not perfectly clear since, as far as we know, Say never commented on the passage of the *Principles* highlighted by Grenville. However, on many occasions in his writings, Say had discussed the invariability of the value of labour and criticised Ricardo on this point. This was particularly the case in the 1819 “critical notes” he added to the first French edition of the *Principles* (in Ricardo 1819, 1:12-3, 18)¹⁶. Furthermore, Grenville relied on these notes in an extensive comment rejecting both Smith’s and Ricardo’s analysis on value:

“Say has truly remarked in his notes on this work [*in* Ricardo 1819, 1:7], that both Smith & Ricardo confound manual labour with industry, [1v] and improperly class under the general description of *labour* all ~~the operations~~ & exertions of human faculties, whether intellectual or corporeal, which contributes to production. It is in this sense only that we can admit the proposition that *labour* was the original purchase money paid for all things. Even in the rudest state of society the *skill* of the hunter, & the fisherman, are ~~as~~ [not less] necessary, & and often more productive, [2r] ~~as~~ [than] his bodily toil.

“Taking however the *labour* of production in this [enlarged] sense, Smith declares it to be the *standard*, & Ricardo calls it both the *foundation* & the *regulator* of exchangeable value. These three propositions are again very far from identical: & in truth no one of them is strictly correct.

“A *standard* of exchangeable value is a thing plainly impossible to be attained; for it must be that which has itself ~~exchangeable~~ [un] some immutable value [in exchange.]

The three elements of all value in exchange are [2v] utility, scarcity, & *labour* in the [enlarged] sense ~~in~~ [of] which that word[,] is here, (this very improperly,) used. It cannot exist without some portion, however small, of each. No one of them separately can therefore be said to be its’ *foundation*.

“A *general regulator* of exchangeable value is as unattainable as a *standard* of such value; and for the same reasons. In each particular exchange the relative value of the

¹⁶ On the first French edition of Ricardo’s *Principles* and on Say’s “critical notes”, see Hollander 2005, 30-50; Depoortère 2017.

articles exchanged is governed, not by the *cost*, or by the *labour* of their respective [3r] production, but by the reciprocal operation of the relations of demand & supply in respect to each of them separately.

“To these remarks it is to be added, that in every state of society in which ~~property~~ is the rights of property, ~~whether~~ in land, or even in capital, are established, the *productive services* of these, (as Say has such denominated them,) are themselves objects of exchangeable value, and form therefore a part of the cost [3v] of every production to which they contribute. It is not therefore correct to say that whatever is acquired by man is purchased by *labour* alone, even if that term be admitted to include all *human industry*” (IS, p.4, l.5).

This comment appears fundamental to understand Grenville’s late point of view on the determination of value. On this issue, he appeared to have closely followed Say’s doctrine and to have adopted the notions of “industry” and of “productive services” in opposition to Ricardo’s concepts of labour and of means of production. Furthermore, Grenville endorsed Say’s position according to which the prices of commodities, as well as those of productive services, were all determined by the law of supply and demand.

Supply, demand and gravitation

On the issue of demand and supply, as well as on the gravitation of market prices around natural prices, Ricardo followed closely in Smith’s footsteps. Thus he concluded his chapter “On natural and market price” by indicating that: “in the 7th chap. of the *Wealth of Nations*, all that concerns this question is most ably treated” (Ricardo 1951-73, 1:91). Even though Ricardo never claimed a substantial contribution on this question, it is usually recognized that his analysis of capital mobility between different sectors of the economy is more sophisticated than Smith’s. In particular, Ricardo showed how, thanks to “bankers and monied men”, circulating capital was “transferred from one employment to another, without the necessity of a manufacturer discontinuing his usual occupation.” (1:89). This did not escape Grenville’s attention who underlined this contribution in the most unconditional manner in his marginal notes: “This is new, & very good. Add to this that in times of distress the bankruptcies of course are most numerous in the more losing branches” (M, 85).

Once again, things changed in Grenville’s notes on interleaved sheets. At the beginning of the *Principles*, Ricardo had distinguished between reproducible and non-reproducible goods. According to him, the value of the first ones depended on the quantity of labour necessary for their production. As for the value of non-reproducible goods, it was “determined by their scarcity alone” (Ricardo 1951-73, 1:12). In his notes on interleaved sheets, Grenville challenged this distinction and generalised the “scarcity” doctrine to all kind of goods:

“[Ricardo] seems here to confine the effect of scarcity on value, to those articles which admit not offer increase. But in each particular exchange the value is more governed by relative scarcity & abundance, than by any consideration of previous cost or labour.

“It should therefore have been explained that this doctrine is true only of the general course of price, on large average of time & place, & does not apply to temporary, & individual transactions” (IS, p.3, l.7).

Grenville reaffirmed his position when he annotated Ricardo’s assertion that it is “the comparative quantity of commodities which labour will produce, that determines their present or past relative value” (Ricardo 1951-73, 1:17). Indeed, he wrote: “Present & past relative value are not necessarily governed by the same principle. The *cost* of production express the

past exchangeable value of the product; (i.e. at the time of the production.) but it does not govern its ~~future, nor even its present~~ exch: value, at any subsequent period” (IS, p.11, l.13).

Thus, at the time he wrote his comments on interleaved sheets, Grenville had definitely broken with all that sustained the concept of natural price and the doctrine of gravitation. In place of this, Grenville supported the doctrine –which also appears in his notes on Malthus– that prices are determined by supply and demand and that the cost of production influences values only indirectly through its effects on supply. Pullen stressed that Grenville offered a rather sophisticated conception of supply and demand, the originality and importance of which lay in the fact that it established “an explicit link between the quantity demanded and the price at which it is demanded” (Pullen 1986, 50; 1987, 232). This relation between prices and quantity also appeared in Grenville’s notes on Ricardo. However, it was not limited to demand but was extended to supply

“Both demand & supply must [...] always be considered with reference to price. Demand strictly speaking is merely the expression of a wish to ~~possess~~ obtain the commodity: but commercial demand ~~in a particular market~~ is the expression of a wish to ~~possess~~ obtain it at a specified price. Supply strictly speaking is much the [1v] bringing the commodity to the market; but commercial supply is the ~~offer~~ |expression of a desire| to exchange, or in other words |the offer to| sell; it, at a specified price” (IS, p.8, l.19).

Thus, the concepts of “commercial demand” and “commercial supply” developed by Grenville clearly contrasted with Smith’s and Ricardo’s the notions of “effective demand” and of “quantity brought to the market”¹⁷.

Wage

Ricardo’s theory of wages was based on a definition of the “natural price of labour” as the price “necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution” (Ricardo 1951–73, 1:93). As Ricardo explained, “The power of the labourer to support himself, and the family which may be necessary to keep up the number of labourers, does not depend on the quantity of money which he may receive for wages, but on the quantity of food, necessaries, and conveniences become essential to him from habit, which that money will purchase (1:93). Thus, the natural wage was a constant real wage, even though it may correspond to a variable nominal wage.

In his copy of the *Principles*, Grenville underlined the words “become essential to him from habit” and questioned the relevance of Ricardo’s definition of natural wage as a constant real wage: “does it not suppose an invariable state of comfort enjoyed by the labourer? History shows us that population has increased under a diminishing reward for labour (M, 90). As for the second part of this comment, it was irrelevant, since an increasing population under a diminishing reward of labour was not an impossible case in Ricardo’s theory, provided this decreasing rate of wages remained above its natural level.

Grenville’s rejection of the idea of “natural wage” as a constant real wage also appeared when he commented on Ricardo’s description of the consequences on rent of an improvement in agriculture. According to Ricardo, the first consequence is that the worst land will be thrown out of cultivation and that rent will fall. The lands remaining under cultivation being

¹⁷ On the “classical” theory of gravitation, see Garegnani, 1983.

the most fertile, the price of raw produce and nominal wages will fall (real wages remaining constant at their natural level). Then, profits and accumulation will increase. Ricardo pursued: “This accumulation would lead to an increased demand for labour, to higher wages, to an increased population, to a further demand for raw produce, and to an increased cultivation. It is only, however, after the increase in the population, that rent would be as high as before” (Ricardo 1951-73, 1:79-80). Grenville did not challenge Ricardo’s conclusion with respect to the final increase of rent to the initial level. However, according to him, the adjustment mechanism operated much faster through the direct influence of an increased real wage on the demand of raw produce and did not imply any increase in the population: “This effect would equally result from the increased consumption by the same population in consequence of higher wages. This is the more ordinary case, & the interval consequently which will elapse before agricultural improvement leads to increase of rent is less than is here supposed.” (M, p.70-1).

The same kind of criticism with regard to Ricardo’s notion of natural wage as a constant real wage at subsistence level was developed in the notes on interleaved sheets. Grenville first introduced a distinction between “necessaries” and “conveniences”. While the former satisfied physiological needs and were necessary for the subsistence of the labourer, the other became necessary only “from habits”. This distinction was probably borrowed from Storch who, as we saw, differentiated between “natural” and “artificial” needs. Then, Grenville rejected the notion of natural wage, arguing that, in point of fact, wages are never maintained at their subsistence level:

“This seems very loose. There is an obvious distinction between those *necessaries* without which the labourer cannot subsist and perpetuate his race, & those accommodations which are become *essential* from habit. In no civilised community is the reward of the labourer reduced by competition or otherwise to the lowest standard necessary for human existence, & for its continuance. But the notion stated in the text supposes an invariable state of food necessaries, & accommodations enjoyed by the labourer from age, to age, kept up to that level by the necessity of existence & reproduction, & kept down to it by competition. Which is contrary to all experience” (IS, p.90, l.15).

This rash criticism was common place among the opponents of Ricardo’s theory of wages and was formulated by Malthus as early as 1817 (*in* Ricardo 1951–73, 7:122). However, such a criticism was actually unfounded since Ricardo’s theory established that the part of the product retained by the labourer amounts to a “subsistence level” determined by historical rather than physiological conditions. Moreover, as Ricardo stressed in his chapter “On Wages”, “it is not to be understood that the natural price of labour, estimated even in food and necessaries, is absolutely fixed and constant. It varies at different times in the same country, and very materially differs in different countries. It essentially depends on the habits and customs of the people” (Ricardo 1951–73, 1:96–97)¹⁸.

Grenville’s discussion of Ricardo’s theory of wages went along with an opposition to Malthus’ law of population to which Ricardo resorted to account for the gravitation of current wages around their natural level. This appears clearly in the comment of a case put forward by Ricardo and which was based on the supposition of a sudden fall of 75% in the value of all the objects of labourers’ consumption. Then, Ricardo wrote, “the effects of competition, and the stimulus to population” would in no long time adjust the wages “to the new value of the

¹⁸ On this question, see Depoortère 2013, 34-6.

necessaries on which they were expended”, and “we should find [the labourer] probably at the end of a very few years, in possession of only a small, if any, addition to his enjoyments” (1:16).

This last proposition was precisely the point challenged by Grenville. According to him, it illustrated the absurdity to which a rash application of “iron law” of population could lead to. Thus, for Grenville who appealed to Smith’s authority, historical evidence clearly invalidated Malthus’s theory of population.

“Observe in this passage to what extravagant conclusions this theory of population leads, when pushed to its full extent. Follow up this argument, and it will prove by inevitable conclusion that civilization & wealth do nothing to improve the condition of the labouring classes in any community. But is the fact so? The accommodations of an European peasant, says Smith, far exceed those of many an African monarch. How much superior are they to those of their own barbarous ancestor, or of the present nations of New Holland. From century to century, from generation to generation they have continued to improve and he is found at the end of so long a period in possession not of a small, but of ~~as~~ a very great addition to his enjoyments, in comparison with those which he possessed in the beginning” (IS, p.10, l.20).

There was nevertheless a particular case in which Grenville admitted that the increase of population could be such as to keep real wages at a constant level. This case was that of contemporary England. However, this was not attributable to the law of population but to the pernicious effect of the Poor Laws which artificially maintained population at an excessive level: “if there be any foundation for the remark in the text, not as applicable to labourers generally, but with a special reference to this country, this is to found not in the general theory of population (if left to itself,) but ~~to~~ in the well known operation and consequences of our Poor-Laws” (IS, p.10, l.20).

Another criticism developed by Grenville in the interleaved sheets does not appear in his marginal notes. It deals with Ricardo’s two-level analysis of natural and current wages, which was clearly rejected by Grenville. Ricardo’s theory rested upon the distinction between “natural” and “accidental” causes, the first ones acting upon the conditions of production (or in the case of population, upon the conditions of reproduction) and giving birth to permanent effects. The second ones concerned demand and supply and generated “temporary” effects¹⁹. This two-level analysis was implicit when Ricardo asked: “is not the value of labour equally variable; being not only affected, as all other things are, by the proportion between the supply and demand [...] but also by the varying price of food and other necessaries, on which the wages of labour are expended?” (Ricardo 1951–73, 1:15)

In a comment on an interleaved sheet, Grenville rejected the idea that wages could be influenced by two different types of cause (natural and accidental). Thus, although he did not clearly contest that the price of subsistence might be a cause of a variation in wages, he included it in the demand and supply mechanism: “this seems incorrect. The varying prices of food & necessaries are not an additional cause of the variations in the price of labour, but an element of one of the two causes (in^s *supply*) the varying relations of which occasion these, as they do all other variations in price (IS, p.8, l.19). Furthermore, Grenville did not clearly establish this relation between the price of subsistence and the supply of labour. Instead, he expressed a rather perplexing judgement according to which a decrease in the wages of labour

¹⁹ On the distinctions between “natural” and “accidental” causes as well as on “permanent” and “temporary” effects in Ricardo, see: Garegnani (1983, 313), Rosselli (1985, 243), Marcuzzo and Rosselli (1994, 1258), Depoortère (2008, 145–6).

may be the consequence of both an increase or a decrease in the price of food “this offer |desire| [to sell] may in the case of labour be vari affected in many different ways by the varying prices of the labourer’s subsistence and necessaries. A man may offer his labour at a lower rate than before, because a |the| a higher price of food has increased the necessity of his finding |some| work in order to live |subsist at all,| or because |its| a lower rate |price|, has enabled him to ~~subsist at a lower cost~~ maintain himself & his family at less cost.” (IS, p.8, l.19). Thus, Grenville’s rejection of Ricardo’s notion of natural wages in his notes on interleaved sheets logically went along with the rejection of the influence of the price of subsistence over wages.

On these points, it is likely that Grenville’s thought had evolved, for nowhere in his marginal notes did he contest the relation between the price of subsistence and nominal wages. Besides, Grenville appeared to agree with this when he commented on the assertion stating that “with the progress of society the natural price of labour has always a tendency to rise, because one of the principal commodities by which its natural price is regulated, has a tendency to become dearer, from the greater difficulty of producing it” (Ricardo 1951–73, 1:93). Indeed, even though a part of Grenville’s comment remains obscure, he obviously did not challenge the mechanism described by Ricardo: “not only this; but the increased application of capital at lower rates of profit will have the same effect on the *natural* price of labour” (M, 91). Then, in the marginalia, Grenville accepted the influence of the price of subsistence over real wages. He nonetheless added another element in the determination of the “natural price of labour” –connected with the accumulation of capital and with the rate of profit– which led to a secular increasing real wages

Accumulation of capital, population and wage path

Grenville’s theory of capital accumulation occurred only in his marginalia notes and aimed at accounting for a historical increasing trend in real wages. According to Grenville, this wage path was possible only when considering capital accumulation. In this respect, the comment he added to Ricardo’s supposition of a fall in nominal wages proportional to the 75% decrease in the value of the objects of labourers’ consumption is crystal clear: “If this were followed up it would prove that this condition of the labourer never improves - we know the fact to be otherwise & this can only be reconciled by the rapid accumulation of capital” (M, 10).

In normal conditions, that is when the growth of population was undisturbed by public interference, Grenville considered that capital accumulated faster than population grew. Demand for labour thus increased at a more rapid rate than supply. This put a constant pressure upon the price of labour and led a secular upward path of wages. The difference between this view and Ricardo’s appears in two marginal comments by Grenville. The first one deals with Ricardo’s proposition that “under favourable circumstances population may be doubled in twenty-five years; but under the same favourable circumstances, the whole capital of a country might possibly be doubled in a shorter period”. In this particular case, and during the whole period, these favorable circumstances lasted, Ricardo pursued, “wages [...] would have a tendency to rise, because the demand for labour would increase still faster than the supply” (Ricardo 1951-73, 1:98). According to Grenville, “this is not only a possible case but it is the natural tendency of things in all civilized communities” (M, 98). Ricardo considered that this happens only “in new settlements, where the arts and knowledge of countries far advanced in refinement are introduced” (Ricardo 1951-73, 1:98). However, it was far from usual and this did not fit with the situation of old developed countries such as England. Furthermore, as he explained in the following paragraph, this could not last long since, “with

every increased portion of capital employed on [land], there will be a decreased rate of production, whilst the power of population continues always the same” (1:98).

Grenville answered Ricardo’s remark by introducing a distinction between the “power” and the “tendency” of population to increase. While the former appeared as a mere possibility (a potential increase), the latter was effective (an actual increase). He then argued: “this may be true of the *power* of population, but not of its tendency to increase – since in the natural state it is the increase of the capital that calls forth the increased population (M, 99). As a consequence, and even if Grenville’s comment appears as a mere *petitio principii*, what was an exception for Ricardo was the general rule for Grenville.²⁰

According to this view of an increase of the capital that called forth the increased population, Grenville challenged the effectiveness of diminishing returns in agriculture in the long run. Several of his marginal notes stressed counter tendencies to the decreasing returns in agriculture. The first one was the recourse to foreign markets for the supply of subsistence. When Ricardo asserted “in proportion as these countries become populous, and land of a worse quality is taken into cultivation, the tendency to an increase of capital diminishes”, (Ricardo 1951-73, 1:98) Grenville asked: “does not this too much exclude import” (M, 99). Another counter tendency was technical progress in agriculture. Thus, when Ricardo wrote that “the productive powers of labour are generally greatest when there is an abundance of fertile land: at such periods accumulation is often so rapid, that labourers cannot be supplied with the same rapidity as capital” (Ricardo 1951-73, 1:98), Grenville commented: “improved machinery has in this respect the same effect as fertile land” (M, 98)²¹. Again a few pages further on, when Ricardo wrote: “as population increases, these necessaries will be constantly rising in price, because more labour will be necessary to produce them” (Ricardo 1951-73, 1:101), Grenville noted: “This excludes the effect of increased capital in lowering this price” (M, 103). Then, while annotating a sentence by Ricardo admitting that an “addition may be made [to the food and clothing of a country] by the aid of machinery, without any increase, and even with an absolute diminution in the proportional quantity of labour required to produce them” (Ricardo 1951-73, 1:95), Grenville stressed that such an addition may also be made “by any [new] application of the powers of nature” (M, 94). All these comments aimed at disqualifying the decreasing return in agriculture as a historical trend –even though Ricardo never considered it as such²²– in order to support the view of capital increasing faster than population and leading to an increasing wage path. Here are the premises of the model developed by Grenville in his notes on Malthus and in which “the increase of capital in any country naturally tends *both* to augment the numbers, and to increase the enjoyments if its population” (Malthus in Pullen 1986, 31; 1987, 227)

Conclusion

The reading of Lord Grenville’s notes on the first edition of Ricardo’s *Principles* is quite puzzling. The account that Ricardo gave of his first meeting with Grenville, their subsequent collaborations on monetary issues²³ as well as their known correspondence, all

²⁰ This issue was discussed in the Grenville-Ricardo correspondence in early 1820. See Heertje 1991, 524 and Ricardo 1951-73, 8:151.

²¹ Grenville added in the margin: “instance in 1767” (M, 98).

²² For different interpretations of Ricardo’s tendencies as non-predictive propositions, see Tucker (1960, 162), Hollander (1979, 599-629) and Depoortère (2013, 37-9).

²³ See Deleplace, Depoortère and Rieucan 2013, 11-6.

suggest that Grenville rather strongly supported Ricardo's theory. This assumption is strengthened by the fact that Grenville called Ricardo his "master in this science [of political economy]" (in Ricardo 1951-73, 8:151) in January 1820. However, Grenville's notes on the *Principles* show that, in the early 1820's, he developed a subjective approach of value and determined the prices of commodities and of "productive services" through the mechanism of demand and supply. This may explain why Sraffa accepted to sell this copy of the *Principles*. Indeed, Grenville's comments appear irrelevant to the analysis of a classical system based on reproduction costs.

However, a minute analysis of Grenville's notes suggests that things may be more complex than they first appear to be. Not all of Grenville's notes appear to have been written at the same period. Moreover, a comparison of his comments on interleaved sheets and of the bulk of the marginalia reveals an evolution in Grenville's thought. Thus, Grenville might have been sincere when he gave Ricardo hope that he would become his disciple. Similarly, Ricardo's hope of converting Grenville to his theory does not appear anymore as a battle already lost, but rather as a missed opportunity.

Further research into Grenville's economic thought would of course be necessary to assess this suggestion. This investigation might begin with an analysis of the speech delivered in Parliament on 15 March 1815 on Lord Liverpool's project of new Corn Laws. The content of this intervention suggests that, at that time, Grenville shared most of the West-Ricardo analysis. Indeed, he argued that restriction on importation would lead to putting inferior land into cultivation, to increasing the quantity of corn and that, due to diminishing returns, the price of corn would increase. In his opinion, "the tendency of this Bill would be to raise the price of bread above its natural level; and considering the influence of the price of provisions upon the price of labour, he conjured their lordships maturely to inquire and deliberate, before they determined upon such a question" (Hansard 1812-1820, 30:197-201).

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