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**SAMUEL BAILEY AND CLASSICAL ECONOMICS**

by  
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of the requirements for the  
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## SAMUEL BAILEY AND CLASSICAL ECONOMICS

The purpose of this study is to evaluate the place of Samuel Bailey in the development of economic thought. Bailey's greatest gains were scored on the matter of economic value. His perception and exposure of value as an absolute notion in the writings of his early nineteenth century contemporaries was a notable advance. Moreover, his own view of value as essentially relative involved, with varying degrees of success, (1) generalizing the theory of value to the value of the factors of production, and (2) plumbing the depths of the measure of value controversy, which in more modern times became the index number problem. His contemporaries' failure to appreciate his message is striking from present vantage points.

In monetary theory, Bailey generally furnished answers which were logically consistent with the value theory he had earlier laid down. Hence, the judgement can be reached that he thereby moved suggestively toward an integration of his value theory with a theory of the value of money. Once again, the relevance to modern attitudes is important.

Bailey's work on banking derived from the proposed bank legislation which succeeded the Bank Act of 1826. In it he urged freedom in banking functions, particularly note issue. His somewhat restricted individualist approach did not permit him to rise to an analytic par with his other work, however.

In treating scope and method, Bailey generally adhered to the non-interventionist attitude, although, as a Utilitarian he was not above urging governmental action if benefits from it could be proved clear and indisputable. Having found the rationale of economic activity in mental phenomena, he rejected the physical, material conceptions held by most of his fellow economists. Thus, his system of thought possessed a wider and more general application, akin to that of the late nineteenth century marginal utility theorists.

## PREFACE

The following study is in large measure due to the generous help and assistance I have received from many quarters. I would first like to express my sincere gratitude to Professor Lionel Robbins, who initially suggested Samuel Bailey as a subject worth consideration, and who aided me with his Olympian patience and courage while the problem was untangled. Needless to say, Professor Robbins is responsible for many of the good things to follow, and certainly for none of the bad.

I also have deep financial obligations. I would mention in this regard the 78th U.S. Congress, whose Public Law 346 ("G.I. Bill") enabled me, as so many others, to undertake and continue studies not otherwise possible. Mr. Redfield Proctor, Proctor, Vermont, USA, has for many years donated funds for the Rutton Fellowship to a member of the graduating class at Middlebury College, Middlebury, Vermont, USA. As holder of the Fellowship in 1950 I was permitted by Mr. Proctor's generosity to spend several years in England, when most of the research for the present study was completed. A grant from the Leverhulme Fund, London School of Economics and Political Science, and a grant from the Central Research Fund, University of London, both contributed to help me over serious financial difficulty mid-way through my course of study.

I am acutely conscious of my indebtedness to librarians and their

staffs. Specifically, I should like to mention those at the British Library of Political and Economic Science, London School of Economics; at the Goldsmith's Library, University of London Library; at the Reading Room of the British Museum; at the Department of Local History, Sheffield City Libraries; at the Trinity College Library, Trinity College, Hartford, Connecticut, USA.

Professor J. Viner, Professor F.A. Hayek, and Mr. P. Braffa kindly took the trouble to answer my inquiries on specific points relating to Bailey. I should also like to thank the others who tried to aid me in my quest for Bailey MSS. If their numbers are so great that I may not acknowledge each individually at this point, I trust that they will nevertheless know of my sincere appreciation for their labors.

Robert M. Raumer

Hartford, Connecticut  
February, 1956.

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"In a word, as truth is my object, I shall endeavour to find it by every means in my power, and shall freely join in the exposure of error, whether found in preceding writings, in my own productions, or in those of my antagonists."

(Samuel Bailey)

PART I

## CHAPTER I

### PRELIMINARY REMARKS

In June of 1825 Samuel Bailey of Sheffield obtained a certain sort of economic immortality for himself by publishing anonymously a small, two-hundred page octave volume entitled A Critical Dissertation on the Nature, Measures, and Causes of Value; chiefly in reference to the writings of Mr. Ricardo and his followers (London: 1825). Six years later, Col. Robert Torrens, one of Ricardo's co-founders of the London Political Economy Club, declared to its members assembled that Bailey's work had settled Ricardo on value.<sup>1</sup> And, in 1863, not long before the marginal "revolution" was to occur, the egregious H. D. Macleod had insisted that Bailey's work was "... one of the most able little volumes on Political Economy in the language."<sup>2</sup>

The stamps of these "authorities" were insufficiently vivid, however, and the reading public of the time responded more to the judgement of the Westminster Review, which branded Bailey's book as "'much ado about nothing,'"<sup>3</sup> and to the opinion of Ricardo's steadfast disciple,

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1 "The only other subject of discussion we had was as to the progress made in the science of Political Economy since the publication of Ricardo's work, and whether the principles of that work were still held in the same estimation. The first part of the Enquiry was not gone into, but Torrens held that all the great principles of Ricardo's work had been successively abandoned, and that his theories of Value, Rent and Profits were now generally acknowledged to have been erroneous. As to value, the dissertation on the Measure of value published in 1825 by Mr. Baillie of Leeds has settled that question." Entry from J. L. Mallet's Diaries, January 13, 1831. Proceedings of the Political Economy Club (London: 1921), VI, 223.

2 H. D. Macleod, Dictionary of Political Economy (London: 1863), I, 59.

3 Westminster Review, V (January, 1826), 172.

J. R. McCulloch, who claimed that "... however ingenious and acute, Mr. Bailey does not appear to have properly appreciated the Ricardian theory of value, or to have succeeded in any degree in shaking its foundations."<sup>1</sup> At any rate, Torrens and Macleod were forgotten; the curtain they had raised on Bailey was lowered by other forces. And it was not until 1903 that Bailey, along with a distinguished group of outcasts, was delivered forth from the exterior darkness by Professor Seligman in his memorable article.<sup>2</sup> Thenceforth, it was only a matter of time before someone would once again regain the ground which Torrens and Macleod had taken earlier. In 1931 the London School of Economics reprinted Bailey's Critical Dissertation as one (Number 7) of its series of scarce tracts in economic and political science. This revealed again Bailey's stature to a different generation, and the references to him gradually became more numerous.<sup>3</sup> Twenty years later, the judgement was made by the late Professor J. A. Schumpeter that Bailey's "... Dissertation, that said, as far as fundamentals are concerned, practically all that can be said, must rank among

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1 J. R. McCulloch, The Literature of Political Economy (London: 1845), p. 33. In McCulloch's later anonymous A Catalog of Books, the Property of a Political Economist; with critical and bibliographical notices (London: 1862), p. 284, a similar remark accompanies the reference to Bailey's Critical Dissertation.

2 E. R. A. Seligman, "On Some Neglected British Economists," Economic Journal, XIII (1903), 335-63, 511-35.

3 Cf. L. Robbins, The Nature and Significance of Economic Science (2d. ed.; London: 1935), pp. 56, 60-62. Karl Bode reviewed the Critical Dissertation in Economica, N.S. II (August, 1935), 343-44, and Bailey was referred to on several counts by Dr. P. N. Rosenstein-Rodan, "The Coordination of the General Theories of Money and Price," Economica, N.S. III (August, 1936), 263.

the masterpieces of criticism in our field, and it should suffice to secure its author a place in or near front rank in the history of scientific economics."<sup>1</sup> Thus, the final insurance was given that Bailey's name would not once again pass into darkened obscurity.

If this is true, however, it seems a worthwhile undertaking to look more carefully into the details of Bailey's steeplechase economic career. It seems worth the time to spread his ideas out on the table, so to speak, and to consider whether or not they may be arranged, or arranged themselves, into any sort of a significant system. In so doing, it should be possible to place Bailey directly opposite his contemporaries. For ever since Professor Seligman's article it has been clear enough that Bailey was a critic of considerable merit vis-à-vis the Ricardians, and that there were certain significant theoretical advances contained in his work. But so far no attempt has been made to combine the facts which are known about his theoretical achievements and to determine from this whether or not there was more to him than merely a judicious criticism of Ricardo. No attempt has been made to ascertain whether or not Bailey's arguments were merely lucky shots in the dark, or whether they were in fact part of a larger consistent and developed (or developing) body of

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<sup>1</sup> J. A. Schumpeter, History of Economic Analysis (New York: 1954), p. 486.

1 thought. Next to a re-appraisal of Bailey's theoretical points, therefore, an evaluation of Bailey's "system," if he has one, will be one of the objectives of the present study. The nature of such an evaluation, combined with the results reached on detailed issues, should serve once and for all to determine his place in the development of thought.

From what little has been said thus far, it will be evident that Bailey's gaze was focussed primarily on Ricardo. Subsequent chapters naturally seek to explore in greater detail the implications of Bailey's scrutiny. This being so, however, it may perhaps be argued that the title, "Samuel Bailey and Classical Economics," is deceptive in that it implies an equality between classical and Ricardian economics. If one accepts Adam Smith, Ricardo, James Mill, Malthus, J. R. McCulloch, Robert Torrens, and John Stuart Mill as the main protagonists of British

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1 The general American textbooks on economic thought have more or less ignored Bailey. None of the following even mention his name: W. A. Scott, The Development of Economics (New York: 1933), L. H. Haney, History of Economic Thought (10th ed.; New York: 1949), E. Heiman, History of Economic Doctrines (New York: 1945), P. C. Newman, Development of Economic Thought (New York: 1952), J. F. Bell, A History of Economic Thought (New York: 1953). J. M. Ferguson, Landmarks of Economic Thought (New York: 1938) mentions Bailey by name, but apparently never read the Critical Dissertation. Edmund Whittaker, A History of Economic Ideas (New York: 1940) more or less gives Bailey his due, although the relevant remarks are somewhat widely scattered. The conspicuous exception to all of this is, of course, Professor Schumpeter's History of Economic Analysis.

On the other side of the Atlantic the picture is somewhat more colorful. Professor E. Cannan, Review of Economic Theory (London: 1937) and G. Gide and C. Rist, A History of Economic Doctrines (2nd. English ed.; New York: 1948) do not consider Bailey. However, Eric Roll, A History of Economic Thought (2nd. ed.; New York: 1942) found a proper place for him. Outside the textbook field, he appeared in L. M. Fraser, Economic Thought and Language (London: 1937), and M. Bowley, Nassau Senior and Classical Economics (London: 1937).

classical economics,<sup>1</sup> it is of course clear that there are some important differences between Ricardo and the other contributors to this agglomerate of thought. But admitting this, it has seemed preferable to place Bailey within the wider and more general framework, rather than in the narrower, and specifically Ricardian, one. Because Bailey's work had implications which spread beyond the particular Ricardian stimulus which originally provoked it, its true import can be seen more sharply against the broader background.

When Bailey published the Critical Dissertation Ricardian notions had pretty much assumed the mantle of orthodoxy.<sup>2</sup> Although Ricardo's work had not appeared unaccompanied by criticism, the weight of its message was in general irresistible. McCulloch, reviewing the first edition of Ricardo's book, had originally described its contents as "... one harmonious, consistent, and beautiful system."<sup>3</sup> And a few years later, contemporaneously with Bailey, he thought that the penetrating and agile mental powers his friend had exercised would "... ever secure the name of Ricardo a high and conspicuous place in the list of those who have done most to unfold the complex mechanism of society, and to carry this science to perfection."<sup>4</sup>

1 Cf. L. Robbins, The Theory of Economic Policy (London: 1952), pp. 2-4.

2 S. G. Checkland, "The Propagation of Ricardian Economics in England," Economica, N.S. XVI (February, 1949), 49-50.

3 Edinburgh Review, XXX (June, 1818), 87.

4 J. R. McCulloch, A Discourse on the Rise, Progress, Peculiar Objects, and Importance of Political Economy (2nd. ed.; Edinburgh: 1825), p. 69.



If it was believed that political economy had been carried to "perfection" by Ricardo, it is clear that the demand placed upon a successful critic involved, first, an appreciation of Ricardo's thought as a system, and second, a light by which any suspected flaws in the foundation of the structure could be revealed. In what follows, it will appear that Bailey possessed both of these requirements and was, in the event, able to use them to maximum effect. Moreover, in the unsurpassed edition of Ricardo's works which Mr. Sraffa has presented economists,<sup>1</sup> it is now possible to establish more or less definitively the nature of Ricardo's structure and its probable development and meaning in Ricardo's own mind. This should not be taken to suggest that Ricardo's final utterances were those which he would have supported had he lived longer. But within the context of what is extant, it is now possible to pass a final judgement on Bailey's appraisal of Ricardo. All of which is to say, the dimensions of Ricardo's system become an index to Bailey's stature.

Mr. Checkland has remarked, quoting from Thomas Chalmers, that what was required to combat successfully the new (i.e. Ricardian) political economy was another metaphysician who could "... restore common sense to all its prerogatives" from which it had evidently been deposed by the "subtleties of scholastic argument."<sup>2</sup> Samuel Bailey, he agreed, fitted

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1 The Works and Correspondence of David Ricardo, ed. P. Sraffa (Cambridge: 1951-52). All references to Ricardo's letters, papers, and writings hereafter are in this edition.

2 Checkland, "Propagation of Ricardian Economics in England," op. cit., p. 52.

this requirement, but in the event was not strong enough to gather around him the forces which could successfully take the dominating fortress. There is more to Bailey's "metaphysical starting-point" than Mr. Checkland was prepared to show, however. In September, 1821 Bailey had published a small volume entitled Essays on the Formation and Publication of Opinions, and on other Subjects (London: 1821).<sup>1</sup> This work provided a most useful, down-to-earth rationalization of some of the very foundation matter of the Philosophical Radicals' arguments. On utilitarian lines it demonstrated in the clearest possible manner the way in which community welfare or happiness would be injured by any attempt by government to control, regulate, or limit opinion or understanding.<sup>2</sup> Any restraint on the formation and publication of opinions, said Bailey, was analagous in its "mischievous tendency" to the "... system of forcing the capital and industry of the community into channels, which they would never spontaneously seek, instead of suffering private interest to direct them to their most profitable employment."<sup>3</sup> Bailey's conclusions followed from the impossibility of discovering any fixed standard of truth by which to test opinions. "Nothing more, it is manifest, would be required for

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1 All references hereafter are to the second (London: 1826) edition, which was unchanged from the first, except for minor verbal alterations and the addition of an Appendix of Notes on the text.

2 The significance of this work is dealt with more fully in Chapter XII, *infra.*, pp. 543-53.

3 Formation and Publication of Opinions, p. 104.

the destruction of error than some fixed and invariable standard of truth, which could be at once appealed to and be decisive of every controversy to the satisfaction of all mankind; but that no such standard exists, the slightest consideration will be sufficient to evince."<sup>1</sup> Pursuing the economic analogy, it would be impossible to discover a standard of economic truth, because individuals alone knew what was best, economically, for themselves.

In approaching his problem from this mental environment, one or two factors in Bailey's attitude deserve mention. First, it is obvious that he is on no account prepared to be intimidated by the authority of "received opinion" or the alleged "perfection" of economic science. His exposition, as he later elsewhere said, was undertaken with "... perfect freedom from awe, either of Mr. Ricardo's intellect or that of any of his followers...."<sup>2</sup> At the same time, he was convinced that only as truth were obtained would economic science have justified itself. For, he insisted in another work,

The prevalence of misery, as the consequence of ignorance, shows at once the paramount importance of the pursuit of accurate knowledge. To discover truth, is in fact to do good on a grand scale. The detection of error, the establishment of fact, the determination of a doubtful principle, may spread its benefits over large portions of the human race, and be the means of

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1 Ibid., p. 128.

2 A Letter to a Political Economist; occasioned by an article in the Westminster Review on the Subject of Value (London: 1826), pp. 6-7.

lessening the misery or increasing the happiness of myriads of untorn generations.<sup>1</sup>

As will become clear in later chapters, Bailey's conviction of the efficacy of the freedom of inquiry was one of his prominent characteristics. And at a time when McCulloch and James Mill were constituting an effective bastion against any "heretical" examination of the Ricardian gospels, it was one viewpoint which afforded some promise. That it was supported by a metaphysician intimated even more likelihood of success.

When Bailey attempted to shine his light into the darkness of economic theory he saw around him, it was inevitable, of course, that he should run up against Ricardo, who, he admitted, "... is generally regarded as the ablest economist of his day."<sup>2</sup> He understood immediately that it was upon his theory of value that so much of Ricardo's argument depended. And he saw that his attack upon it would be successful only as he managed to break down Ricardo's theory and replace it by something better. To substantiate this, he had only to quote<sup>3</sup> DeQuincy's famous remark that "Even for its own sake the subject of value is a matter of curious speculation: but in relation to Political Economy it is all in all: for most of the errors (and, what is much worse than errors, most of the perplexity) prevailing in this science take their rise from this

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1 Essays on the Pursuit of Truth, On the Progress of Knowledge, and On the Fundamental Principle of All Evidence and Expectation (London: 1829), pp. 9-10.

2 Critical Dissertation, p. xii.

3 Ibid., p. iv.

source."<sup>1</sup> Inasmuch as a clear understanding of the problem of value was equivalent to a large measure of truth in political economy, it is obvious that the author of the Formation and Publication of Opinions would be among the first to demand a free and open inquiry into the arguments on value offered by the political economists. In a manner typical of him, Bailey proposed to make the matter as clear as possible, by going slowly and cautiously into the very fundamentals of the value problem. This would make certain that no errors had been committed at the outset. As will appear subsequently, Bailey was able at this stage to discover gratuitous assumptions, double meanings, fallacious inferences, and a variety of other faults. Prime among these was the notion of value as an absolute. Already he had decried the notion of absolute, or absolute standards, in the realm of opinions or the understanding. But he conceived economics as part, or one aspect, of the entire range of mental or moral phenomena.<sup>2</sup> It was natural, therefore, for him to be predisposed to reject absolutes, or absolute standards, put forward to support doctrines of value. He demonstrated that Ricardo saw value as an absolute in his theory; he explained how so many of Ricardo's conclusions derived from and depended upon that notion; he contrasted this viewpoint with his own superior formulation; and, in the last analysis, he was enabled thereby to pull the props from beneath an essential part of

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1 T. DeQuincy, "Advertisement to the Dialogues," Templars' Dialogues, Collected Writings, ed. D. Mason (London: 1897), IX, 44.

2 Cf. Chapter XI, infra., pp. 498-504.

Ricardo's edifice. As might be expected, this performance produced a variety of ramifications on those writers who were related to Ricardo either by agreement (e.g. James Mill, McCulloch, and DeQuincy), or by dissent (e.g. Malthus and Torrens).

These prefatory remarks serve, therefore, to explain the arrangement which has been adopted to demonstrate Bailey's position on all of these, and related, matters. The chapters of Part I encompass virtually all that stimulated Bailey to speak on the problem of value, plus what he in fact did say on the matter. Chapter II, accordingly, will pass over once more the well-travelled ground of the development of Ricardo's theory of value and his subsequent employment of it within his system. This should furnish a perspective against which to place Bailey's appearance. Since Ricardo, like anyone else, did not conceive his theory in a vacuum, it is possible to relate its development in his own mind to the then running criticisms of Malthus. This, in turn, provides a somewhat convenient appreciation of those aspects of Malthus' theory which Bailey appraised. Once this general background is made clear, successive chapters are then devoted to Bailey's specific arguments on the nature, measures, and causes of value. This, of course, is Bailey's own manner of proceeding, as evidenced in the full title of the Critical Dissertation. But by taking his work apart in such a microscopic fashion, it is possible to examine at leisure its various aspects. Bailey's entire theory thus exposed, two additional chapters are devoted to a survey of the responses which it evoked. The whole of Part I, therefore, should render Bailey's theoretical position in contrast to the classical arguments.

Part II consists of three chapters dealing with matters somewhat off the beaten track of the value theory of the preceding part. It is probably less important than Part I. But for all that, it does provide a means of ascertaining the extent to which Bailey's approach to value theory enabled him to construct a wider, but still consistent, system. A judgement on this matter is of some value, inasmuch as it will establish whether or not Bailey's stature in the development of economic thought is to rest wholly and exclusively on a criticism of Ricardo. The first of the chapters in Part II is concerned with a work which Bailey published on the problem of variations in the value of money.<sup>1</sup> It is obviously important to know whether or not Bailey's theory of the value of money was consistent with the value theory he had earlier opposed to Ricardo. Or, even more fundamentally, it is important to know whether or not Bailey understood the need to be clear on the differences or similarities between a theory of commodity value and a theory of the value of money. The matter of the measure of value is of great significance in this connection, as well, for it has much to do with the index number problem. So far in the literature, nothing much has been done to look over these "check points" to Bailey's earlier theory. Bailey himself had declared that he was provoked to write in the first instance by the "unusual results" which Ricardo's theory had implied.<sup>2</sup> By similar reasoning, it is

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1 Money and its Vicissitudes in Value; as they affect national industry and pecuniary contracts: with a Postscript on Joint-Stock Banks (London: 1837).

2 Critical Dissertation, p. xxv.

only right to use the same technique against Bailey's own writings to determine whether his "unusual results" demand additional criticism.

The second chapter in Part II makes an evaluation of Bailey's role in the Banking-Currency School discussions of the thirties and forties of the nineteenth century. Interesting in its own right as a contribution to this controversy, Bailey's work is also of some significance in affording concrete illustration of what Bailey was prepared to urge in the field of governmental economic policy. The work on money naturally had to take up this problem, but in the banking field it emerged with greater clarity. Bailey's remarks on this heading were contained in a pamphlet, A Defence of Joint-Stock Banks and Country Issues (London: 1840). The argument there provides a useful introduction to the subject of the last of the chapters of Part II, where Bailey's pronouncements on "scope and method" are considered. His somewhat scattered writings obviously round out his viewpoints on governmental policy. They also pursue at rather greater length the psychological foundations of economic science, of which brief mention has been made above.

Part III is devoted wholly to a biography of Bailey. This seemed to be called for because the standard sources of encyclopedias and biographical dictionaries are necessarily spare and austere in their accounts. It is, therefore, difficult to derive from them any more intimate appraisal of the man, his character and personality, and the influences he exerted through his other writings and personal activities. It might have been better to have placed the biographical material first, in order to know the man before taking up his work. But the actual



quantity of biographical material involved made it too substantial a hurdle to be surmounted before coming to what is, after all, the central focus of the present inquiry, viz. the place of Samuel Bailey opposite the classical economists in the development of economic thought.

## CHAPTER II

### RICARDO'S THEORY OF DISTRIBUTION AND VALUE

It is a familiar, and perhaps unduly stressed, fact that Ricardo conceived his main problem as explaining the laws by which the "whole produce of the earth" was distributed among the three classes of landlords, laborers, and capitalists.<sup>1</sup> Ricardo believed that these laws were revealed in changes of population and agricultural productivity as the economy progressed through the course of time. Now from one point of view, Ricardo's attempt to formulate the well-known proportional distribution of the national produce among the three classes was a sort of index number problem. That is, it was an endeavour by him to discover whether or not the respective standards of living of the three classes had varied relatively to each other through the relevant period. Put in this light, it follows from Ricardo's objective that the measure of value with which he struggled so valiantly becomes merely the index by which these variations were to be revealed. Although expressing it this way may do some violence to Ricardo's own appreciation of his scheme of things, it does aid in piecing together the way in which his final structure was assembled.

#### 1.

In adopting the tripartite class basis of distribution Ricardo employed a notion which rather violently distorted commonsense beliefs as to what should be considered states of well-being in different time periods.

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<sup>1</sup> Ricardo, Principles, p. 5.

It will become clear, nevertheless, that at the expense of this distortion, Ricardo believed that he was enabled to make a coherent and systematic advance over that viewpoint taken by Adam Smith, which sought simply to ascertain variations in the quantity of material national output. He made this clear in his much-quoted remark to Malthus: "Political Economy you think is an enquiry into the nature and causes of wealth — I think it should rather be called an enquiry into the laws which determine the division of the produce of industry amongst the classes who concur in its formation."<sup>1</sup> These laws governing the distribution of the national produce among the three classes Ricardo first gave to the world in his pamphlet, An Essay on the Influence of a Low Price of Corn on the Profits of Stock (London: 1815.)<sup>2</sup> In this work Ricardo sought to provide the theoretical foundation for his contention that high corn prices, due to the passage of the proposed Corn Law of 1815,<sup>3</sup> would benefit the landlords at the expense of the farmer-capitalist class. Based on diminished returns to capital from land, his argument purported to demonstrate (1) that as the difficulty of obtaining agricultural produce increased, the landlord would obtain an increased proportion and an increased quantity of the total produce, while the farmer-capitalist, after a point, would

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1 Ricardo to Malthus, 9 October, 1820, VIII, p. 278.

2 Mr. Sraffa points out, however, that this pamphlet merely made public a theory of profits which Ricardo had already evolved two years previously in correspondence with Malthus. Cf. Ricardo's Works, IV, pp. 7-8. Cf. also, G. S. L. Tucker, "The Origin of Ricardo's Theory of Profits," Economica, XXI, (November, 1954), 320-33.

3 Mr. Sraffa, Ricardo's Works, IV, pp. 3-5, gives the relevant background to this discussion.

receive a diminished proportion and quantity; and (2) that the increased difficulty of procuring agricultural produce would raise the total wage bill facing any given farmer, with the result that the farmer's residue, after meeting these increased costs, would be diminished even more.<sup>1</sup>

If, then, the theory of the Essay on Profits can be taken as Ricardo's initial public attempt to resolve his "index number problem," his attempt to consider the "interests" or "prosperity" or "situation" of the relevant classes, as Ricardo himself had expressed it,<sup>2</sup> the next step is to consider the way in which he dealt with the problem of the index itself. Of course it would be wrong to imply that Ricardo was in any way in touch with Laspeyres, Paasche, base-dates, end-dates, weights, geometric or arithmetic means, or any of the other paraphernalia of modern index number constructions. But nevertheless, having already undertaken what was in effect an index number problem (albeit with an admittedly "peculiar" twist), it was inevitable that Ricardo should have been forced to devote some of his attention to the correlative problem of the index itself. He clearly had to consider the means or medium by which the prior and anterior calculations were to be made.

Now in the Essay on Profits Ricardo made all of his calculations in terms of corn quantity. That is, the way in which he chose to solve the distribution, or index number, problem as he conceived it, was to

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1 Ricardo, Essay on Profits, IV, pp. 18-19, 21, 22, 26, 35-36.

2 Ibid., pp. 20-21, 37.

consider whether or not in different periods the respective classes were better or worse off as regards the quantities of corn they received as classes. "As classes" meant, of course, the proportions in which the total produce was shared among the landlords, capitalists, and workers, and, as such, meant a somewhat unsettling departure from more customary views, which looked upon well-being as the number of bushels of corn any individual member of the three classes might actually receive. But for all that, Ricardo still held that it was important to be able to determine the manner in which the varying total produce of society was distributed among its three classes. And the reason why the absolute quantities received by each class were less important to him than the relative quantities, one class to another, was because only in the relative class sense did the keystone of his entire system emerge most clearly. This keystone, of course, was the profits of the manufacturing and commercial classes of the society. These profits appeared simply as the quantity of corn which the farmer retained after purchasing and replacing his fixed and circulating capital, and settling the rent based on the superior fertility of the land actually used over that last taken into cultivation.<sup>1</sup> However, it was on these profits, calculated as they were on what Mr. Sraffa has termed the "corn-ratio theory,"<sup>2</sup> that the overall wealth of the nation depended. For it was by means of the profits of

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1 Ibid., pp. 10-11, 13-16.

2 Ricardo's Works, I, p. xxxiii.

the commercial and manufacturing classes that Ricardo was able to relate his analysis of the proportionate shares of the national produce to the additional problem of what that national produce might eventually be.

Although Ricardo had derived his profits, or rate of profit, from his proportional calculations, their magnitude produced an effect on the size of the total national product itself. For, he claimed, it was from the capitalist's profits that additional accumulations of capital were derived. And the accumulation of capital constituted the encouragement and stimulation of productive industry.<sup>1</sup> To the extent that the proposed Corn Laws would restrict the importation of corn, however, capital would be forced to use increasingly unproductive lands, with the result that wages (in the proportional sense) would increase and profits decline. By detaining capital in an activity where its return was less than it would have been without the restriction, the national produce was less than it could have been; the only gainers from such an arrangement were the landlords.<sup>2</sup> On the other hand, profits and, correspondingly, capital accumulations, could be increased if the cost of obtaining national wealth was lowered. This could be achieved by using more productive land (i.e. lowering rents by retreating from the poorer lands), and by paying less for corn (i.e. by lowering wages) through importation of the cheaper foreign product.<sup>3</sup>

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1 Ricardo, Essay on Profits, IV, p. 37.

2 Ibid., pp. 32, 33.

3 Ibid., pp. 34-36.

## 2.

From what has been said thus far, it is evident that Ricardo's distribution problem or "index number problem," was solved by calculating the variations attending the "rise and fall of rent" on the basis of the ratio between the corn input and output. All of the magnitudes with which Ricardo concerned himself were reckoned in terms of this simple corn quantity; changes in those magnitudes derived from the law of rent which, in turn, followed from diminished returns of capital from land. Ricardo himself was convinced of the appeal of his theory, and midway through a rather complicated and involved discussion on profits had written to Malthus, "let me intreat [sic] you to give my simple doctrine fair consideration, and you must allow that it accounts for all the phenomena in an easy, natural manner."<sup>1</sup>

By the time Ricardo came to re-cast his argument in the Principles, however, the "simple doctrine" of the Essay on Profits had become clothed rather more elegantly. The problem of distribution (hence, the "index number problem" in the Ricardian conception) was still there, but a considerable degree of modification had been made regarding the means of

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<sup>1</sup> Ricardo to Malthus, 17 April, 1815, VI, p. 214. After showing Malthus the MS of the Essay on Profits in February, 1815, a prolonged and frequent correspondence had taken place on the problem of profits. In fact, except for one or two letters exchanged at the time Ricardo published his pamphlet, Proposals for an Economical and Secure Currency (London: 1816), in very few of the sixty-odd letters written between February, 1815, and August, 1817, when Malthus had read Ricardo's Principles, was there no discussion of the determination of profits.

calculation (i.e. the index.) And it seems clear that Malthus must be credited with a substantial part in having stimulated Ricardo to make this change. The manner in which this was brought about is interesting and important, in that it would seem to explain (1) the reason why Ricardo brought a theory of value into the theory of distribution which, as has been seen, was phrased originally in the Essay on Profits independently of any such value theory, and (2) the reason why this involved Ricardo in his deep struggle over a measure of value.

As early as August, 1813, the disagreement between Ricardo and Malthus over the determination of profits was visible.<sup>1</sup> Up until the publication of the Principles Ricardo had held that diminished returns to capital in agriculture determined the profits of the farmer-capitalist. These profits, in turn, determined the profits of other trades or manufactures.<sup>2</sup> As a consequence, it was agricultural profits which constituted the focal point in which the distributive shares were manifest. Diminished profits signalled the increase in national wealth, but at a decreasing rate, which would eventually bring about that stationary state in which population and wages were constant and the accumulation of capital was no longer

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1 Ricardo to Malthus, 10 August, 1813, VI, pp. 93-94; Ricardo to Malthus 17 August, 1813, VI, pp. 94-95. Ricardo summarized their differences in a letter to Trower somewhat later. "Nothing, I say, can increase Capital, but a really cheaper mode of obtaining food. A cheaper mode of obtaining food will undoubtedly increase profits says Mr. Malthus but there are many other circumstances which may also increase profits with an increase of Capital. The discovery of a new market where there will be a great demand for our manufacturing is one." Ricardo to Trower, 8 March, 1814, VI, pp. 104-5.

2 Cf. Sraffa, Ricardo's Works, I, p. xcvi.



possible, because no longer worthwhile.

Malthus, on the other hand, had objected to Ricardo's confining the determination of profits exclusively to a derivation from diminished returns in agriculture. His contention was that profits depended on the relation between the demand and supply of capital; where one or the other predominated, profits would rise or fall independently of variations in soil fertility à la Ricardo.<sup>1</sup> By the manner in which he chose to express his objection, however, Malthus in effect queried the legitimacy of the medium or index which Ricardo had used to solve his distribution problem. For example, Malthus had said,

If the nominal price of corn be doubled, and the nominal amount of capital employed, be not quite doubled which you seem to allow might be the case, instead of saying 'how is it possible to conceive that the rate of profits will not be diminished' I should say how is it possible to conceive that it should not be increased? In no case of production, is the produce exactly of the same nature as the capital advanced. Consequently we can never properly refer to the material rate of produce, independent of demand, and of the abundance or scarcity of capital. The more I reflect on the subject, the more firmly I feel convinced, that it is the state of capital, or the general profits of stock and interest of money, which determines the particular profit upon the land; and that it is not the particular profits or rate of produce upon the land which determines the general profits of stock and the interest of money.<sup>2</sup>

In the same vein a few months later, Malthus had insisted that "it is not the quantity of produce compared with the expense of production that determines profits, (which I think is your proposition) but the exchangeable value or money price of that produce, compared with the money expense

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1 Ricardo pointed out Malthus' viewpoint in the Essay on Profits, IV, pp. 13, n; 23-24, and in the letter to Trower, 8 March, 1814, VI, pp. 103-4.

2 Malthus to Ricardo, 5 August, 1814, VI, pp. 117-18.

of production."<sup>1</sup> And he had told Francis Horner that "the fault of Mr. Ricardo's table"<sup>2</sup> which is curious, is that the advances of the farmer instead of being calculated in corn, should be calculated either in the actual materials of which the capital consists, or in money which is the best representative of a variety of commodities. The view I have taken of the subject would greatly alter his conclusions."<sup>3</sup> Malthus saw Ricardo's "material rate of produce," therefore, as the questionable standard for demonstrating the theory.

For his own part, even before the Essay on Profits, Ricardo was obviously convinced that Malthus' insistence on money-price or money-value calculations was erroneous.

Individuals do not estimate their profits by the material production, but nations invariably do. If we had precisely the same amount of commodities of all descriptions in the year 1815 that we now have in 1814 as a nation we should be no richer, but if money had sunk in value they would be represented by a greater quantity of money, and individuals would be apt to think themselves richer.<sup>4</sup>

Ricardo understood, however, that unless he were able to disprove Malthus' contention that profits depended upon the relation between the money price of commodities and their money costs, his entire distribution theory as thus far conceived would crumble. And this for the simple reason that, on Malthus' viewpoint, profits and rent need not vary inversely.<sup>5</sup>

1 Malthus to Ricardo, 9 October, 1814, VI, pp. 140-41.

2 Cf. Ricardo, Essay on Profits, IV, p. 17.

3 Malthus to Horner, 14 March, 1815, VI, pp. 187-88.

4 Ricardo to Malthus, 11 August, 1814, VI, p. 121.

5 Cf. Malthus to Ricardo, 15 March, 1815, VI, pp. 190-91. Ricardo to Malthus, 17 March, 1815, VI, pp. 192-94. Malthus to Ricardo, 19 March, 1815, VI, pp. 194-96. Ricardo to Malthus, 21 March, 1815, VI, pp. 196-98. Malthus to Ricardo, 24 March, 1815, VI, pp. 199-201. Ricardo to Malthus, 27 March, 1815, VI, pp. 202-5.

However, Ricardo was not particularly moved by Malthus' arguments and remained convinced of the validity of his own theory.<sup>1</sup> And after telling James Mill that he and Malthus were not writing as frequently as before, but that they still continued to differ on rent, profit, and wages,<sup>2</sup> Ricardo several months later set about writing what came to be referred to as the "great work."<sup>3</sup>

Mr. Sraffa has remarked that in Ricardo's letters of October and November, 1815, the three headings of rent, profit, and wages were all present, although value was not mentioned at all.<sup>4</sup> It seems clear from what Ricardo had said in the letters to Trower and Mill referred to above, that he had not found it necessary to call upon a theory of value in order to put forward the "connected" principles of rent, profit, and wages which constituted his theory of distribution. However, as Ricardo dug deeper into his subject, a theory of value became more and more important to him. He began to appreciate that, in order to refute Malthus' objection that profits did not depend upon the increasing difficulty of obtaining agricultural produce, he had to give a clear demonstration that

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1 "Mr. Malthus and I continue to differ in our view of the principles of Rent, Profit and Wages. These principles are so linked and connected with everything belonging to the science of Political Economy that I consider the just view of them as of the first importance. It is on this subject, where my opinions differ from the great authority of Adam Smith, Malthus, etc. that I should wish to concentrate all the talent I possess, not only for the purpose of establishing what I think correct principles, but of drawing important deductions from them." Ricardo to Trower, 29 October, 1815, VI, pp. 315-16.

2 Ricardo to Mill, 24 October, 1815, VI, p. 314.

3 Mill to Ricardo, 22 December, 1815, VI, p. 338.

4 Ricardo's Works, I, p. xiv.

price or value variations did not destroy his distribution analysis in the manner Malthus had claimed. In February, 1816, for example, he told Malthus that

I have not thought much on our old subject, -- my difficulty is in so presenting it to the minds of others as to make them fall into the same chain of thinking as myself. -- If I could overcome the obstacles in the way of giving a clear insight into the origin and law of relative or exchangeable value I should have gained half the battle.--<sup>1</sup>

By autumn, however, he had made some progress. He remarked to Mill that "I have been beyond measure puzzled to find out the law of price. I found on a reference to figures that my former opinion could not be correct and I was full a fortnight pondering on my difficulty before I knew how to solve it."<sup>2</sup>

The turning point in Ricardo's search for a satisfactory account of price and value was, as Mr. Sraffa has pointed out,<sup>3</sup> in a letter to Mill at the end of 1815. Taken in the context of Malthus' opinion that profits depended on the relation between the money price of output and the money cost of input, it is possible to discover in the passage to be quoted a determination on Ricardo's part to demonstrate that an alteration in the value of money vis-à-vis all commodities could arise from but one cause, with the consequence that prices and costs and, therefore, profits, could not vary in the manner Malthus had claimed. This, in turn, provided the basis for the more general labor theory of value by which

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1 Ricardo to Malthus, 7 February, 1816, VI, p. 20.  
 2 Ricardo to Mill, 14 October, 1816, VII, pp. 83-84.  
 3 Ricardo's Works, I, p. xxxiv.

the distribution theory could be linked together. Ricardo had said to James Mill,

I know I shall soon be stopped by the word price, and then I must apply to you for advice and assistance. Before my readers can understand the proof I mean to offer, they must understand the theory of currency and price. They must know that the prices of commodities are affected in two ways one by the alteration in the relative value of money, which affects all commodities nearly at the same time, -- the other by an alteration in the value of the particular commodity, and which affects the value of no other thing, excepting it enter into its composition. -- This invariability of the value of the precious metals, but from particular causes relating to themselves only, such as supply and demand, is the sheet anchor on which all my propositions are built; for those who maintain that an alteration in the value of corn will alter the value of all other things, independently of its effects on the value of the raw materials of which they are made, do in fact deny this doctrine of the cause of the variation in the value of gold and silver.<sup>1</sup>

In this passage, which is obviously not among the most lucid that Ricardo ever wrote, it seems clear that, first, he desired to stress the fact that a change in prices following a change in the value of money would affect all commodities equally. The implicit conclusion could be drawn from this, however, that a rise in the prices of all commodities from, say, a decline in the value of money, would mean merely that a higher unit of account was used to calculate exchange relations between the commodities. The exchange relations, themselves, or relative values, would not have changed, however. This constancy of relative value among commodities would mean, in turn, that profits had not "really" altered; no commodity would be worth more of, or exchange for more of, any other;

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1 Ricardo to Mill, 30 December, 1815, VI, pp. 348-49.

all inputs and outputs simply would be calculated on the basis of a different unit of account. The net result, of course, was that if profits had not "really" altered, both the distribution and size of the national produce was unaffected by this change in the value of money.

The second point which appears to reside in the extract consists of two parts, only the first of which is fully visible in Ricardo's statement. That is, Ricardo had asserted that "those" (presumably, Adam Smith and Malthus) who claimed that a rise in the price of corn would raise the price of all other things, in fact admitted that such a rise did not raise the (commodity) price of the precious metals. In other words, they claimed that a rise in the price of corn would raise the price of most commodities by raising the wages part of their expenses of production; yet, in the production of the precious metals, they denied that this cause operated. Although Ricardo did not work out the entire explanation in the letter to Mill quoted above, it is plain that he understood the inconsistency involved. Later, in the Principles, for example, he pointed out in several places that a high value of corn and a low value of money were generally considered to be the same thing. He was adamant in asserting that they were not the same thing, however.<sup>1</sup>

A commodity can only permanently rise in price, either because a greater quantity of capital and labour must be employed to produce it, or because money has fallen in value; and, on the contrary, it can only fall in price, either because a less quantity of capital and labour may be employed to produce it, or because money has

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1 Cf. Ricardo, Principles, pp. 145, 315, 336.

risen in value. A variation arising from the latter of these alternatives, an altered value of money, is common at once to all commodities; but a variation arising from the former cause, is confined to the particular commodity requiring more or less labour in its production.<sup>1</sup>

And somewhat later, in the Notes on Malthus, he stated that

... I believe Mr. Malthus would call that a fall in the value of money which I call only a rise in the price of a commodity. Every rise in the price of corn he calls a fall in the value of money, altho' money should exchange for precisely the same quantity as before of every other commodity -- I should call it a rise in the price of corn, without the slightest variation in the value of money. Money I think only falls in value, when it will exchange for less of all things; not when it will exchange for less of one thing, or of two things, or of a dozen things. There is a marked difference, which Mr. Malthus's language has not provided for, between a rise in the value of a commodity, and a fall in the medium in which value is estimated.<sup>2</sup>

The basis for these judgements by Ricardo is to be found in the passage quoted from the letter to Mill, in which Ricardo claimed that it was an error to assert that increased wages raised prices and to identify this result with a fall in the value of money. Since it is clear that by a fall in the value of money Ricardo meant that circumstance in which money exchanged for less of all commodities, a rise in wages alone would affect all productions equally (including the production of the commodities gold or silver) and, thereby, would leave their exchange relations unaffected. In other words, a rise of wages would not affect the relative value of money or any other commodity.

The second part of Ricardo's conclusion that the distribution of

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1 Ibid., p. 117.

2 Ricardo, Notes on Malthus, II, p. 114.

the national produce was not affected by changes in the value of money, was that which led implicitly to the general labor theory of value. In the Essay on Profits he had given intimations of this theory, without, however, having felt the need to work it into the distribution analysis.<sup>1</sup> It is likely that he soon began to see how this theory of value could be used to refute the Smith-Malthus theory of profits which, if unchallenged, would have destroyed the entire theory of distribution he already had in hand. By April, 1816, he had apparently reached the point of orienting himself around the labor theory, for Malthus wrote to him at that time that, "on the subject of determining all prices by labour, and excluding capital from the operation of the great principle of supply and demand, I think you must have swerved a little from the right course."<sup>2</sup>

During the summer and autumn of 1816 Ricardo went through a series of intellectual contortions in attempting to arrive at a treatment of the problem of value suitable for presentation in the Principles.<sup>3</sup> While Mill apparently was the confidante in Ricardo's sufferings over the "law of relative or exchangeable value" during this interval, Ricardo was able at the same time to carry on a sort of running battle with Malthus over profits. The difference between the two men was still the same:

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1 Ricardo, Essay on Profits, IV, p. 19. "The exchangeable value of all commodities, rises as the difficulties of their production increase. If then new difficulties occur in the production of corn, from more labour being necessary, whilst no more labour is required to produce gold, silver, cloth, linen, etc. the exchangeable value of corn will necessarily rise, as compared with those things."

2 Malthus to Ricardo, 28 April, 1816, VII, p. 30.

3 Cf. Mr. Sraffa's Remarks, Ricardo's Works, I, pp. xiv-xviii.



whether, as Malthus insisted, "... the rate of the profits of stock depends mainly on the demand and supply of stock compared with the demand and supply of labour, and very little (directly) on the facility or difficulty of production, properly so called";<sup>1</sup> or, as Ricardo maintained, "profits depend on wages, wages, under common circumstances, on the price of food, and necessaries, and the price of food and necessaries on the fertility of the last cultivated land."<sup>2</sup> Having by this time formulated his invariable measure,<sup>3</sup> Ricardo was, accordingly, in a position to tell Malthus:

The difference between us is this. I say, that with every facility or difficulty of production, of the quantity of necessaries, that is to be divided between profits and wages, different proportions will be given to each, and that money will accurately show those proportions. You appear to me to think that profits do not depend on the division of the produce, and that money wages may as often rise with facility of production as fall.<sup>4</sup>

In arranging his exposition in the Principles itself Ricardo did not succeed in making this difference clear at the outset. And because of this the first chapter has been difficult to appraise in its true relevance to his over-all argument. Ricardo himself was aware, of course,

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1 Malthus to Ricardo, 6 August, 1816, VII, p. 52. The same point is made in the letters of 8 September, 1816, VII, pp. 69-70; 9 October, 1816, VII, p. 77.

2 Ricardo to Malthus, 11 October, 1816, VII, p. 78. The same point is made by Ricardo in the letters to Malthus of 9 August, 1816, VII, p. 57; 5 October, 1816, VII, p. 72; 14 October, 1816, VII, pp. 80-81.

3 Cf. Mill to Ricardo, 18 November, 1816, VII, p. 98, in which Mill approves of Ricardo's "measure of exchangeable value" as expressed in the MS draft of the Principles. In the first edition Ricardo had taken it that money is "... by the supposition of an invariable value, always requiring the same quantity of labour to produce it." Ricardo, Principles, p. 55.

4 Ricardo to Malthus, 14 October, 1816, VII, p. 81.

as he told Mill, that "my fault is that of brevity and it may sometimes be proper to repeat the idea in another form," and that, accordingly, "I shall not be careful to omit the repetition of the same thought, perhaps in various places."<sup>1</sup> Fortunately, for present purposes, he did make a "repetition" of this "thought" about the relationship between his theory of value and distribution, and Malthus' contrary view. Although it would have been much more helpful earlier on in his presentation, in Chapter VII, "On Foreign Trade," he put down a summarizing passage in which he declared:

It has been my endeavour carefully to distinguish between a low value of money, and a high value of corn, or any other commodity with which money may be compared. These have been generally considered as meaning the same thing; but it is evident, that when corn rises from five to ten shillings a bushel, it may be owing either to a fall in the value of money, or to a rise in the value of corn. Thus we have seen, that from the necessity of having recourse successively to land of a worse and worse quality, in order to feed an increasing population, corn must rise in relative value to other things. If therefore money continue permanently of the same value, corn will exchange for more of such money, that is to say, it will rise in price. The same rise in the price of corn will be produced by such improvement of machinery in manufactures, as shall enable us to manufacture commodities with peculiar advantages: for the influx of money will be the consequence; it will fall in value, and therefore exchange for less corn. But the effects resulting from a high price of corn when produced by the rise in the value of corn, and when caused by a fall in the value of money are totally different. In both cases the money price of wages will rise, but if it be in consequence of the fall in the value of money, not only wages and corn, but all other commodities will rise. If the manufacturer has more to pay for wages, he will receive more for his manufactured goods, and the rate of profits will remain unaffected. But when the rise in the price of corn is

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1 Ricardo to Mill, 8 September, 1816, VII, p. 66.

the effect of the difficulty of production, profits will fall; for the manufacturer will be obliged to pay more wages, and will not be enabled to remunerate himself by raising the price of his manufactured commodity.<sup>1</sup>

The refinement by Ricardo of the concept of "difficulty of production" into the principle that the quantity of labor expended regulated value or price took place, of course, in the first chapter. But what is pertinent to the present point under discussion, however, is to appreciate that this more "general" theory of value derived in large measure from Ricardo's desire to refute the Smith-Malthus viewpoint on profits. And this refutation, in turn, depended on his ability to make clear and beyond doubt the nature of what he had termed Adam Smith's (and, by implication, Malthus') "original error respecting value."<sup>2</sup> As McCulloch was able to express it a decade later:

The radical defect of the 'Wealth of Nations' consists in the erroneous doctrines Dr. Smith has advanced with respect to the invariableness of the value of corn, and the effect of fluctuations in the rate of wages on prices: These have prevented him from acquiring any clear and accurate notions respecting the nature and causes of rent, and the laws which govern the rate of profit; and have, in consequence, vitiated all that part of his work which treats of the distribution of wealth, and the principles of taxation.<sup>3</sup>

In the letter to Mill just referred to, Ricardo had cited as particular instances of Adam Smith's error his chapter on bounties<sup>4</sup> and his chapter on colonies.<sup>5</sup> Regarding the former, when Adam Smith had claimed

1 Ricardo, *Principles*, pp. 145-46.

2 Ricardo to Mill, 2 December, 1816, VII, p. 100.

3 A Discourse on the Rise, Progress, Peculiar Objects, and Importance, of Political Economy (2nd. edition. Edinburgh: 1825), p. 58.

4 *Wealth of Nations*, II, Book IV, Ch. V, pp. 7-24.

5 *Ibid.*, II, Book IV, Ch. VII, part III, pp. 91-140.

that "the money price of labour, and of everything that is the produce either of land or labour, must necessarily rise or fall in proportion to the money price of corn,"<sup>1</sup> Ricardo merely pointed out that "in considering a rise in the price of commodities as a necessary consequence of a rise in the price of corn, he reasons as though there were no other fund from which the increased charges could be paid. He has wholly neglected the consideration of profits, the diminution of which forms that fund, without raising the price of commodities." On Smith's theory, he added, any producer faced with a wage rise merely raised the price of his commodity; since all, therefore, were doing the same thing their goods "... would continue to bear the same value relatively to each other. Each of these trades could command the same quantity as before of the goods of others, which, since it is goods, and not money, which constitute wealth, is the only circumstance that could be of importance to them...." Accordingly, "profits could never really fall."<sup>2</sup> Regarding the second case, in which Adam Smith had charged that the monopoly of the colonial trade had permitted high profits throughout the mother country, thus raising prices and thus, in effect, injuring the trading possibilities of the mother country; Ricardo merely pointed out that Adam Smith originally had agreed to the dependence of prices on the respective quantities of labor required to obtain the commodities. "That quantity," he added, "will not be affected, whether profits be high or

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1 *Ibid.*, II, p. 12.

2 *Ricardo, Principles*, Chapter XXII, "Bounties on Exportation," p. 308.

low, or wages low or high. How then can prices be raised by high profits?"<sup>1</sup>

## 3.

In the effort of establishing the validity of his view that value depended upon the quantity of labor necessary for the production of "freely reproducible" commodities, it is well-known, of course, that Ricardo saw his task as demonstrating in opposition to Adam Smith (1) that the payment of rent did not affect the basic rule, and (2) that the accumulation of capital, or, what was the same thing, the payment of profits, likewise did not overthrow it.<sup>2</sup>

The former problem was doubtless the simpler of the two, for it involved, as Ricardo once told McCulloch, simply "getting rid of rent."<sup>3</sup>

1 Ibid., Chapter XXV, "On Colonial Trade," p. 346.

2 "It will be seen by the extract which I have made in page [13] from the 'Wealth of Nations,' that though Adam Smith fully recognized the principle, that the proportion between the quantities of labour necessary for acquiring different objects, is the only circumstance which can afford any rule for our exchanging them for one another, yet he limits its application to 'that early and rude state of society, which precedes both the accumulation of stock and the appropriation of land;' as if, when profits and rent were to be paid, they would have some influence on the relative value of commodities, independent of the mere quantity of labour that was necessary to their production.

"Adam Smith, however, has no where analyzed the effects of the accumulation of capital, and appropriation of land, on relative value. It is of importance, therefore, to determine how far the effects which are avowedly produced on the exchangeable value of commodities, by the comparative quantity of labour bestowed on their production, are modified or altered by the accumulation of capital and the payment of rent." Principles, pp. 22-23, n. This passage appeared in both the first and second editions, but for some inexplicable reason was suppressed by Ricardo in the third.

3 Ricardo to McCulloch, 13 June, 1820, VIII, p. 194.

He made the tacit assumption that agricultural land was non-transferable and, therefore, was without any competing uses which, by bidding the land away for employment in other directions, could constitute rent as an element in the cost, hence, price of agricultural produce.<sup>1</sup> Rent, therefore, became the payment for the greater productivity of certain portions of agricultural land compared with less productive portions. The farmer-capitalist, concerned with maximizing the returns from successive applications of capital, would be indifferent between a given return from less productive land and a more productive return on better land from which a rental payment was demanded by its owner. The pressure of population provided a continuing demand for produce obtainable only by cultivating successively inferior land, or superior land more intensively. From this it followed, of course, that "that corn which is produced by the greatest quantity of labour is the regulator of the price of corn; and rent does not and cannot enter in the least degree as a component part of its price."<sup>2</sup>

Regarding the latter problem of the effects of the accumulation of capital on Adam Smith's original rule, the middle sections of the first chapter testify that Ricardo ran into rather more difficulty than had been the case with rent. At the same time, it will become clear that Ricardo's struggles with capital were, so to speak, the rationale to a whole series of arguments regarding both an index number problem viewpoint

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1 Cf. D. H. Buchanan, "The Historical Approach to Rent and Price Theory," Readings in the Theory of Income Distribution, (Philadelphia: 1946), pp. 600, 619-20, 623-24.

2 Ricardo, Principles, p. 77.

and the issue of an appropriate index. Although it is fashionable to comment on the suggestiveness of Ricardo's statements on capital when viewed in the light of exchange value difficulties; yet, it is probably true to say that this standpoint did not assume an importance in his eyes comparable to the effect of the accumulation of capital, or profits, on the distribution problem with which he had begun. These two viewpoints were not clearly distinguished in Ricardo's own reasonings, but it seems clear that it was from the second that the more significant consequences for his argument derived.

When Ricardo first took up the matter of the influence of capital, it was in the course of his investigation into the determination of relative, or exchange, value. As a first step he had found that his basic rule was not disturbed by the fact that "immediate" labor was assisted by "accumulated" labor in the guise of capital. It was only necessary to discover the "aggregate sum" of labor involved, meaning both the labor immediately applied and the labor expended in the "formation" of capital, in order to find the exchange value.<sup>1</sup>

In his next step, having taken capital as reducible to accumulated labor cost, Ricardo had had to admit that "economy in the use of labour never fails to reduce the relative value of a commodity, whether the saving be in the labour necessary to the manufacture of the commodity itself, or in that necessary to the formation of the capital by the aid

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1 Ricardo, Principles, pp. 24-25.

of which it is produced."<sup>1</sup> This admission, however, led inescapably to the fact that capital might display varying durabilities. And this phenomenon involved a consequence which hitherto had not appeared, a "curious effect" on prices, as Ricardo had earlier told Mill.<sup>2</sup> The way in which this problem arose, and the way in which Ricardo resolved it, are important because, in a sense, they provided Ricardo with a bridge over the gap between relative or exchange value and (Ricardian) distribution.

In the middle sections of the chapter on value Ricardo set up various examples to demonstrate the effects attending commodities produced under different combinations of "fixed" or "durable" and "circulating" or "rapidly perishable" capital. The "curious effect" arose when Ricardo attempted to verify Adam Smith's conclusion that a rise of wages would raise prices and values. In the first edition the results of Ricardo's investigations are given a somewhat more striking demonstration than in the third edition. In the first place, when the proportions of fixed and circulating capital were the same for the relevant commodities, Ricardo showed that a rise of wages produced no alteration of exchange value. Inasmuch as all producers were affected equally by such a change in "general wages," none could urge the receipt of an increased amount of another's output in exchange for his own because of an alleged higher wage outlay.<sup>3</sup> However, when the equal capital structures condition was

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1 *Ibid.*, p. 26.

2 Ricardo to Mill, 14 October, 1816, VII, p. 82. Cf. Ricardo's Works, I, p. xxxv.

3 Ricardo, Principles, pp. 53-55, 1st. ed.



relaxed, an alteration on exchange value was produced by a change in wages. A wage rise involved the well-known result that a commodity produced by a larger proportion of circulating capital would rise in value relatively to a commodity produced by a larger proportion of fixed capital. Different degrees of durability of fixed capital gave the same result, since the less durable fixed capital tended to assume all of the characteristics of circulating capital.<sup>1</sup>

At first glance this general admission by Ricardo that wage alterations could change exchange value appeared to be on the same ground as Adam Smith's view that a rise of wages raised values. However, Ricardo was not to be forestalled on such a point as this. Indeed, in the first and second editions he phrased his examples in such a way as to bring about the result that a wage rise actually produced a decline in the prices of the commodities taken for illustration.<sup>2</sup> And this produced his emphatic statement that "these results are of such importance to the science of political economy, yet accord so little with some of its received doctrines, which maintain that every rise in wages is necessarily transferred to the price of commodities...."<sup>3</sup> Although the prices of both commodities selected fell because of the rise in wages, the price declines

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1 Ibid., pp. 56-63, 1st ed. Ricardo had inserted several passages in the second edition to answer an objection made by Torrens that the varying durability of fixed capital would affect the basic rule. Cf. Ricardo to McCulloch, 24 November, 1818, VII, p. 338, and Principles, pp. 61, n; 31, n.2; 53, n.1; and 58, n.1 and n.2.

2 Ricardo, Principles, pp. 56-58.

3 Ibid., p. 61.

were not proportional, with the result that one good rose, and one good fell, in exchange value.

Malthus was quick to point out that it was possible to produce a rise of prices from Ricardo's assumed rise of wages, merely by supposing a greater rapidity of turnover of the circulating capital. Hence, a rise of wages in this "... large class of commodities, where, from the absence of fixed capital and the rapidity of the returns of the circulating capital from a day to a year, the proportion which the value of the capital bears to the quantity of labour which it employs is very small,"<sup>1</sup> would bring it about that the prices of the commodities in question would rise. Ricardo readily enough admitted Malthus' contention in the Notes on Malthus<sup>2</sup> and in fact added it to the third edition of his Principles,<sup>3</sup> notwithstanding McCulloch's perturbation.<sup>4</sup>

It is now clear that Ricardo was not dismayed by this problem of price changes produced by wage variations. And this, for the reason that he conceived such price changes merely as symptoms of the possibility that capital might exhibit varying degrees of durability. As he told Mill, this possibility did not constitute a bouleversement of the original labor quantity rule. Referring to a criticism Torrens had made of his

1 T. R. Malthus, Principles of Political Economy (London: 1820), p. 93.

2 "I inadvertently omitted to consider the converse of my first proposition. Mr. Malthus is quite right in asserting that many commodities in which labour chiefly enters, and which can be quickly brought to market will rise, with a rise in the value of labour." Notes on Malthus, II, p. 64.

3 Ricardo, Principles, pp. 35, 43.

4 Cf. McCulloch to Ricardo, 22 January, 1821, VIII, pp. 339-40, and Ricardo's reply, Ricardo to McCulloch, 25 January, 1821, VIII, pp. 343-44.

own theory of value, Ricardo had argued:

The fact is that Torrens does not represent Smith's opinion fairly he makes it appear that Smith says that after capital accumulates and industrious people are set to work the quantity of labour employed is not the only circumstance that determines the value of commodities, and that I oppose this opinion. Now I want to show that I do not oppose this opinion in the way that he represents me to do so, but Adam Smith thought, that as in the early stages of society, all the produce of labour belonged to the labourer, and as after stock accumulated, a part went to profits, that accumulation, necessarily, without any regard to the different degrees of durability of capital, or any other circumstances whatever, raised the prices or exchangeable value of commodities, and consequently that their value was no longer regulated by the quantity of labour necessary to their production. In opposition to him, I maintain that it is not because of this division into profits and wages, — it is not because capital accumulates, that exchangeable value varies, but it is in all stages of society, owing only to 2 causes: one the more or less quantity of labour required, the other the greater or less durability of capital: — that the former is never superseded by the latter, but is only modified by it. But say my opposers, Torrens and Malthus, capital is always of unequal durability in different trades, and therefore of what practical use is your inquiry? Of none, I answer, if I pretended to shew that cloth should be at such a price, — shoes at such another — muslins at such another and so on — this I have never attempted to do, — but I contend it is of essential use to determine what the causes are which regulate exchangeable value, although they may be so complicated and intricate, that, practically, the knowledge may be very little useful.<sup>1</sup>

The import of this is, of course, that Ricardo did not want the figures of money price used to illustrate the difficulty attending differing degrees of capital durability to be taken as limiting the basic labor quantity rule. Since the variations in exchange value attending a wage change were completely random, Ricardo was not one to hesitate long in rejecting such a line of thought in favor of one apparently of greater

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<sup>1</sup> Ricardo to Mill, 28 December, 1818, VII, pp. 377-78.

usefulness. Thus, he proceeded to make his famous assumption that,

In estimating, then, the causes of the variations in the value of commodities, although it would be wrong wholly to omit the consideration of the effect produced by a rise or fall of labour, it would be equally incorrect to attach much importance to it; and consequently, in the subsequent parts of this work, although I shall occasionally refer to this cause of variation, I shall consider all the great variations which take place in the relative value of commodities to be produced by the greater or less quantity of labour which may be required from time to time to produce them.<sup>1</sup>

Now this was a supremely critical juncture for Ricardo, for with this assumption a whole series of advances were opened up for him. Conspicuously, he was able to get his discussion of the distribution problem away from some of the Smith-Malthus difficulties and back on the level of the Essay on Profits. In addition, he had equipped himself with the tools necessary to accomplish the task. In a thoroughly ingenious manner Ricardo saw a way of making a theory of value fit into his own distribution analysis.

Having shown in contradistinction to Adam Smith that the payment of rent did not affect exchange value, and that the accumulation of capital or payment of profits only introduced "modifications" through different degrees of capital durabilities permitting different effects to attend wage variations, Ricardo was left with a supposedly valid labor theory. If a commodity exchanged for more of another, it was due to a change in the producing labor and not, as in the Smith-Malthus view, to a change in the rent-wages-profits cost of production. But once this was

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<sup>1</sup> Ricardo, Principles, pp. 36-37.

established, it was possible to make the transition to the distributive level and to consider whether or not profits "really" did change in the relevant circumstances. Only one problem was involved in that transition, and that had been considerably reduced by the assumption about capital durabilities and the effects of wage changes. This one problem was, of course, that of the index or "invariable" measure of value by means of which the particular calculations could be made.

In the Essay on Profits the problem of a measure of value had not arisen, for the very simple reason that the distributive theory presented in the Essay had not been involved with a theory of value. The index there, as has already been observed, was simply the quantity of corn involved as an input and an output. In the first edition of the Principles, however, Ricardo's thought was that "if any one commodity could be found, which now and at all times required precisely the same quantity of labour to produce it, that commodity would be of unvarying value, and would be eminently useful as a standard by which the variations of other things might be measured."<sup>1</sup> That is, a standard was required in order to reveal by means of exchange calculations against it, in which, if any, commodities alterations had occurred in the respective causes of their exchange value. Since the causes had been reduced to one (with the familiar abstractions observed), this meant that it would be possible to ascertain in which commodities the quantity of labor expended in their production

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1 Ibid., p. 17, n.

had altered. In the first and second editions, the standard chosen to perform this function was obtained by "supposing money to be of invariable value; in other words, to be always the produce of the same quantity of unassisted labour."<sup>1</sup> Inasmuch as this commodity was involved in some difficulty because of the effects of wage variations opposite "unassisted labour,"<sup>2</sup> it was necessary for Ricardo to carry his discussion a bit further.

In the third edition of the Principles Ricardo added a new Section VI, "On an invariable measure of value," to the chapter on value. In it he sought to amplify his rather meagre remarks of the previous editions. His objective was still the same:

When commodities varied in relative value, it would be desirable to have the means of ascertaining which of them fell and which rose in real value, and this could be affected only by comparing them one after another with some invariable standard measure of value, which should itself be subject to none of the fluctuations to which other commodities are exposed.<sup>3</sup>

He agreed that it was impossible to find such a commodity free of the "fluctuations" to which others were subject, since there was none not susceptible to changes in the quantity of their producing labor, or to variations in their value arising from differences in capital structures or durabilities. Characteristically, however, Ricardo pressed on. While admitting that gold, like other commodities, was subject to the influences he had mentioned, he took it that a variation in its value due to a

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1 Ibid., p. 63.

2 Cf. Sraffa, Ricardo's Works, I, pp. xlii-xliv.

3 Ricardo, Principles, p. 43.

"variation in profits" was "comparatively slight"; the "most important effects" derived from changes in its producing labor. Hence, if changes in the producing labor of gold were assumed away, "... we shall probably possess as near an approximation to a standard measure of value as can be theoretically conceived."<sup>1</sup> This "invariable" money, therefore, could be used "for the purpose of more distinctly pointing out the causes of relative variations in the value of other things...."<sup>2</sup>

Having fashioned his tool in this manner, Ricardo then proceeded to use it to re-construct the distribution theory of the Essay on Profits on the foundation of the labor theory of value. To this rather important task, however, he devoted a scant two or three pages at the end of the chapter on value. In this underemphasis Ricardo was doubtless taking it that his contemporaries were quite familiar with the outlines of his distribution argument and that it was unnecessary for him to pass once more through the analysis by which the three classes varied, in his particular distribution sense, one against another. They all knew of his argument whereby the proportionate shares of the national produce received by the landlord and laboring classes would increase through the course of time, while that of the capitalist class would decline. Therefore, in order to express the argument in "value" terms, only a relatively small "adjustment" was required. Whereas in the Essay on Profits the different shares received by the respective classes had been simple

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1 Ibid., p. 45.

2 Ibid., p. 47.

proportionate quantities of the total produce, thereby laying himself open to Malthus' charges that the "material rate of produce" was an insufficient explanation of well-being as seen microcosmically through the rate of profits; now, however, Ricardo considered these shares as calculated on the basis of their "... real value, viz. by the quantity of labour and capital employed in producing them, and not by their nominal value either in coats, hats, money, or corn."<sup>1</sup> Regarding the distributive incomes, "it is not by the absolute quantity of produce obtained by either class, that we can correctly judge of the rate of profit, rent, and wages, but by the quantity of labour required to obtain that produce."<sup>2</sup> He was now able to talk about the "value" of the landlord's, the laborer's, or the capitalist's return. On the basis of his "invariable" money, if, for example, corn should rise in "value," this would mean that it was obtained by a greater expenditure of labor and exchanged for a greater amount of gold. In the ordinary course of things, population would increase; thus, "when land of an inferior quality is taken into cultivation, the exchangeable value of raw produce will rise, because more labour is required to produce it."<sup>3</sup> From this it followed, of course, that the landlord would obtain a larger proportion of the produce obtained on the lands he let out to the farmer-capitalist, and that this larger share of the produce would be at a higher value.<sup>4</sup> A larger proportion of the

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1 Ibid., p. 50.

2 Ibid., p. 49.

3 Ibid., p. 72.

4 Ibid., p. 83.



produce would also go to the purchase of the additional labor required to procure the increased quantities of produce; the individual laborer, however, would probably be no better off in the long run. Since he had declared that "wages are to be estimated by their real value ... and not by their nominal value either in coats, hats, money, or corn,"<sup>1</sup> the matter of how much an individual laborer received was not strictly an issue in (Ricardian) distribution analysis.<sup>2</sup> With rent and wages, therefore, absorbing the "value" of a greater proportion of the produce obtained, it automatically followed that the "value" of profits must have declined.<sup>3</sup>

The theory of profits, toward which the entire investigation had been directed, was almost the same as the earlier version in the Essay on Profits. In the Essay rents took an increasing proportion of the

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1 Ibid., p. 50.

2 Ricardo was inconsistent in his wage theory. In speaking about the proportionate shares, he considered wages merely a deduction from the total produce. Hence, wages were simply another real-value-of-a-share concept. In the chapter on wages, on the other hand, he took up the problem of how much an individual laborer might have, or expect to have. This was clearly a reference to the "nominal" wages he had expressly abjured at the end of the chapter on value. Cf. Ibid., pp. 97, 102.

3 "But when poor lands are taken into cultivation, or when more capital and labour are expended on the old land, with a less return of produce, the effect must be permanent. A greater proportion of that part of the produce which remains to be divided, after paying rent, between the owners of stock and the labourers, will be apportioned to the latter. Each man may, and probably will, have a less absolute quantity; but as more labourers are employed in proportion to the whole produce retained by the farmer, the value of a greater proportion of the whole produce will be absorbed by wages, and consequently the value of a smaller proportion will be devoted to profits. This will necessarily be rendered permanent by the laws of nature, which have limited the productive powers of land." Ibid., pp. 125-26.

increasing total product of the farmer's output. In the Principles, on the other hand, the determination of wages was given an explicit, rather than an implicit, role. Thus, in the later version, on the no-rent margin the independently established wages would "absorb" an increasing proportion of the "value" of the output, leaving a smaller residue. Profits in the Principles, therefore, were reckoned as the ratio of the "value" of the (no-rent) product-minus-wages to the "value" of the labor employed to obtain that profit.<sup>1</sup> In the Essay on Profits profits had been taken as the ratio of product-minus-rent to the total capital employed. The practical conclusion was the same in either case, whether there was a "double dichotomy" or not.<sup>2</sup> In the Principles Ricardo had injected a semblance of reality by means of the "invariable" money he had posited. This meant that the various inputs and outputs could be dealt with in such an "invariable" money frame of reference; high prices, then, would simply mean that a greater expenditure of labor had taken place and that "real values" had risen.

It is possible now to take a brief look back over Ricardo's struggles to sort out the index number problem and the problem of the index. It

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1 "Profits, it cannot be too often repeated, depend on wages; not on nominal, but real wages; not on the number of pounds that may be annually paid to the labourer, but on the number of days' work, necessary to obtain those pounds. Wages may therefore be precisely the same in two countries; they may bear too the same proportion to rent, and to the whole produce obtained from the land, although in one of those countries the labourer should receive ten shillings per week, and in the other twelve." Ibid., p. 143.

2 Cf. F. Knight, "The Ricardian Theory of Production and Distribution," Canadian Journal of Economics and Political Science, I (February - November, 1935), 176-77.

was shown that in the Essay on Profits, by focussing attention on the diminution of profits through the course of time, the variations of the proportional distribution of the total product among the three classes concurring in its production would reveal the manner in which the "well-being" of the classes would alter. These calculations were made, in general, in terms of the quantity of produce available for distribution. The whole arrangement was carried on for the most part independently of a theory of value. However, when Malthus had questioned Ricardo's theory of profits, thereby implicitly questioning Ricardo's theory of distribution, Ricardo had called in the theory of value. By this he hoped to bring the distributive variations once more into dependence on factors which would circumvent Malthus' damaging objections on the score of profits. It was out of this attempt to relate the theory of value to the theory of distribution<sup>1</sup> that Ricardo evolved the need for an index superior to the mere quantity-of-produce calculation of the Essay on

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1 Cf. J. M. Cassels, "A Re-interpretation of Ricardo on Value," Quarterly Journal of Economics, XLIX, (May, 1935), p. 518. Ricardo's "... famous first chapter on value was never intended as an exposition of any theory of value in the accepted sense of the term, but was written for the special chain of reasoning about the dynamics of distribution." T. W. Hutchison, "Some Questions about Ricardo," Economica, N.S. XIX, (November, 1952), p. 425. "However far the problem of value subsequently became the absorbing theoretical problem for Ricardo, the function of his opening chapter on Value in the Principles remained, as the book was planned, essentially preliminary and instrumental to his class distribution problem."

Profits.<sup>1</sup>

Once he had formulated the principles on which value depended, Ricardo then abstracted from them in order to obtain the so-called invariable measure. Any change in the price of any good, therefore, derived from a change in the quantity of labor necessary to produce it. On the economy-wide level of the distribution of the national "income" among the three classes, a rise in (money) rents reflected a rise in the amount of labor required to produce that proportion of the money value of the total produce received by the landlords. The same inference could be drawn concerning the shares received by the other classes. From this, Ricardo then thought he could infer, not that any class received a certain given quantity of the total produce as its income, as in the Essay on Profits; but instead that whatever the quantity received as a proportion of the total, that quantity would be obtained at a greater or less cost in terms of the quantity of labor necessary to produce it. The result was to look in the same general direction as the Essay on

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1 May not this -- to refute the Smith-Malthus view of profits and its consequences -- serve to explain why Ricardo struggled so hard to integrate the value, with the distribution, theory? May not this answer Mr. Checkland's question: "Why then did he [Ricardo] himself attach so much importance to the attempt to merge his two chains of reasoning, from factors and from goods?" Economic History Review, VI, (April, 1954), p. 323. Is it not clear that without the labor theory of value Ricardo's distribution theory would have crumbled weakly before the Smith-Malthus "nominal" theory of profits. His tenacity on the labor theory was indeed nothing more than his attempt to merge factors and goods, in order that the distributive core of his system hold together. The measure of value was merely the lubricating agent required to allay any frictional build-up between the two "chains" Mr. Checkland mentioned.

Profits, but to shift emphasis away from the simple proportional quantity of the total produce received by the respective classes. In the exposition of the Principles, attention came to be centered on the cost involved in obtaining the quantity of produce, regardless of what that quantity might be. In this way, Ricardo in effect introduced another step in his attempted solution of the index number problem. And, on balance, it would seem that he probably lost more than he gained by taking it.

#### h.

It was one of the consequences of having introduced the concept of the "real value" of the respective distributive shares, that Ricardo laid himself open to a considerable degree of misunderstanding regarding the meaning of the terms rents, profits, and wages. Conspicuously, Malthus had objected to Ricardo's "peculiarity in the use of his terms."<sup>1</sup> Specifically, he had protested that, notwithstanding a laborer might receive a large amount of the "necessaries and conveniences of life," Ricardo's theory required that such a circumstance be described as labor of low value.<sup>2</sup> The most forthright use by Ricardo of the "real value" of wages notion in the earlier, as the later, editions was, of course, the famous example at the end of the chapter on value.<sup>3</sup> The concept also ran through Chapter XX, "Value and Riches, Their Distinctive

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1 Malthus, Principles, pp. 212 ff.

2 Ibid., p. 214.

3 Ricardo, Principles, pp. 64-65, 50.

Properties,"<sup>1</sup> Ricardo added to the third edition several paragraphs which purported to reply to Malthus' charge of "unusual language."<sup>2</sup> But it now seems clear that this matter of satisfactory terminology was nothing but an inevitable symptom of the issue which had surrounded Ricardo's system from the Essay on Profits to the Principles. For by continuing to question the propriety of Ricardo's language, Malthus was simply pursuing the objections he had earlier begun against Ricardo's profit, hence distribution, theory. It was no accident, therefore, that wages arose as the point which Malthus endeavoured to criticize, and Ricardo to defend, first and most assiduously. Labor, or rather the "value" of labor, was the independently determined variable in Ricardo's "double dichotomy" distribution theory, and it was through the causes of changes in such wages that the meaningful variations appeared in profits.

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1 E.g. "Adam Smith says, 'that the difference between the real and the nominal price of commodities and labour, is not a matter of mere speculation, but may sometimes be of considerable use in practice.' I agree with him; but the real price of labour and commodities, is no more to be ascertained by their price in goods, Adam Smith's real measure, than by their price in gold and silver, his nominal measure. The labourer is only paid a really high price for his labour, when his wages will purchase the produce of a great deal of labour." Ricardo, Principles, pp. 274-75.

2 E.g. "If I have to hire a labourer for a week and instead of ten shillings I pay him eight, no variation having taken place in the value of money, the labourer can probably obtain more food and necessaries, with his eight shillings, than he before obtained for ten; but this is owing, not to a rise in the real value of his wages, as stated by Adam Smith, and more recently by Mr. Malthus, but to a fall in the value of the things on which his wages are expended, things perfectly distinct; and yet for calling this a fall in the real value of wages, I am told that I adopt new and unusual language, not reconcilable with the true principles of the science." Ibid., p. 19. Cf. also p. 47, n.

As Ricardo stressed at several places, it had been his "endeavour" to show "that the rate of profits can never be increased but by a fall in wages, and that there can be no permanent fall of wages but in consequence of a fall of the necessaries on which wages are expended,"<sup>1</sup> or that "... however abundant capital may become, there is no other adequate reason for a fall of profit but a rise of wages, and further it may be added, that the only adequate and permanent cause of the rise of wages is the increasing difficulty of providing food and necessaries for the increasing number of workmen."<sup>2</sup> Indeed, these relationships, and the truth of the doctrine they occasioned, Ricardo deemed "absolutely demonstrable."<sup>3</sup> It seems worthwhile, therefore, to consider at further length the way in which the dispute was developed in Malthus' Principles and Ricardo's replies in the Notes on Malthus.

Malthus' own argument of the Principles is too lengthy and involved to permit detailed summarization at this point. But it will be recalled that, following his chapter on the measures of value, in which he set up the much-ridiculed mean between quantities of corn and labor commanded,<sup>4</sup> Malthus had then brought his attention to bear upon Ricardo's treatment of rent. In general, his argument, like Ricardo's, was based on the fact that the varying fertility of land was responsible for the differential

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1 Ibid., p. 132.

2 Ibid., p. 296.

3 Ricardo to McCulloch, 13 June, 1820, VIII, pp. 194-95.

4 Malthus, Principles, pp. 51-135.

returns from which a rent could be extracted by the owner of the better lands.<sup>1</sup> Malthus then went on to show, however, that this differential return might be affected by more causes than that exclusive natural fertility which had formed the foundation of Ricardo's argument.<sup>2</sup> From this he inferred that it might be to the landlords' interests to attempt to increase the productivity differentials by diminishing the cost of agricultural produce. This would increase the spread between the cost and the price of such produce and would, therefore, provide the landowners with a greater opportunity for revenue or rent.<sup>3</sup> Accordingly, Malthus thought Ricardo was wrong in holding that the interests of the landowning class and society were generally opposed.<sup>4</sup> In addition, he thought Ricardo had erred in holding that rent payments were not a factor influencing the price of commodities. As he saw it, without this rental income the factor land would not have been forthcoming for productive service.<sup>5</sup>

Having by this argument reached the judgement that in the progress of society the landlords would generally improve their "positive wealth," although their "relative condition and influence in society" would probably decline in comparison with the capitalist class;<sup>6</sup> Malthus inevitably ran up against Ricardo's distribution theory and its rather different

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1 *Ibid.*, pp. 134 ff.

2 *Ibid.*, pp. 161 ff. Malthus' other causes were (1) varying quantities of capital, (2) changes in population, (3) improvements in agricultural productivity, and (4) changes in the demand for agricultural produce.

3 *Ibid.*, pp. 204-9.

4 *Ibid.*, pp. 149, 205.

5 *Ibid.*, pp. 86-105, 174, 183-91.

6 *Ibid.*, p. 199.



conclusions about the relative positions of the classes. Since Malthus had made his own exposition turn on more causes and influences than had Ricardo, and had reckoned it in terms of ordinary money outlays and incomes,<sup>1</sup> it was only natural that he should try to defend it against Ricardo's theory, which had been phrased in a different medium and which had reached different conclusions. It was to be observed, said Malthus, "... in reference to improvements in agriculture, that the mode in which Mr. Ricardo estimates the increase or decrease of rents is quite peculiar; and this peculiarity in the use of his terms tends to separate his conclusions still further from truth as enunciated in the accustomed language of political economy."<sup>2</sup> He then cited Ricardo's well-known example of the way in which the proportional shares of the total produce given to the respective classes would change, and went on to protest

... that if the application of Mr. Ricardo's invariable standard of value naturally leads to the use of such language, the sooner the standard is got rid of, the better, as in an inquiry into the nature and causes of the wealth of nations, it must necessarily occasion perpetual confusion and error. For what does it require us to say? We must say that the rents of the landlord have fallen and his interests have suffered, when he obtains as above three-fourths more of raw produce than before, and with that produce will shortly be able, according to Mr. Ricardo's own doctrine, to command three-fourths more labour. In applying this language to our own country, we must say that rents have fallen considerably during the last forty years, because, though rents have greatly increased in exchangeable value, — in the command of money, corn, labour, and manufactures, it appears, by the returns to the Board of Agriculture, that they are now only a fifth of the gross produce, whereas they were formerly a fourth or a third.<sup>3</sup>

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1 Ibid., pp. 361-2, n.

2 Ibid., p. 212.

3 Ibid., pp. 213-14.

Regarding the distributive share, wages, Malthus claimed that Ricardo's expressions left him completely in the dark. "It requires indeed a constant and laborious effort of mind to recollect at all times what is meant by high and low rents, and high or low wages."<sup>1</sup> Although it had been customary to hold that when a laborer received a large quantity of the "necessaries and conveniences of life," labor would be high in value; yet, on Ricardo's language nothing could be inferred from this fact regarding the "value" of labor. So far as he could see, Malthus thought that his distinction of the value of labor into the "nominal" or money, and "real" or "necessaries and conveniences" commanded, categories was inclusive. Ricardo's presentation, on the other hand, gave no help at all concerning the problems of the "condition of the labourer, the encouragement to population, and the value of money, the three great points which chiefly demand our attention."<sup>2</sup>

So far as profits were concerned, rather than deriving them in Ricardian fashion as a residue after rent and wages had been extracted, Malthus expanded on the theme he had adopted in the discussion preceding the publication of the first edition of Ricardo's Principles. Profits were regulated by two main causes: "1st. The difficulty or facility of production on the land, by which a greater or less proportion of the value of the whole produce is capable of supporting the labourers employed. And 2dly, The varying relation of the quantity of capital to the quantity

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1 Ibid., p. 214, n.

2 Ibid., p. 291.

of labour employed by it, by which more or less of the necessaries of life may go to each individual labourer."<sup>1</sup> Malthus insisted that Ricardo had dealt exclusively with the former of these two possible causes. He had been able to establish his law of declining profits only because he had neglected to take the second possible cause into account. Although it was true, Malthus agreed, that the second cause might operate in the same manner and direction as the first, it was also true that it could work in the reverse direction and might, in some cases, actually overcome the effects due to the first cause.<sup>2</sup> Moreover, the two causes could not be distinguished on the basis of time periods, for the latter cause might prove effective in surmounting the former "often for twenty or thirty or even 100 years together."<sup>3</sup> Ricardo's theory that "profits depend upon the quantity of labour required to provide necessaries for the labourer on that land, or with that capital which yields no rent"<sup>4</sup> was, therefore, unacceptable to Malthus. If "necessaries" meant subsistence wages, then Ricardo's statement that land of equal fertility yielded the same profits was untrue; the varying rate of capital accumulation and expenditure would bring about different rates of profits on those lands of equal fertility.<sup>5</sup> If "necessaries" meant, in Ricardo's theory, the "actual earnings of labour," the whole proposition was incomplete.

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1 Ibid., pp. 294-95.

2 Ibid., pp. 301-13.

3 Ibid., p. 313.

4 Ricardo, Principles, p. 126.

5 Malthus, Principles, pp. 309-10.

It is merely a truism to say that if the value of commodities be divided between labour and profits, the greater is the share taken by one, the less will be left for the other; or in other words, that profits fall as labour rises, or rise as labour falls. We can know little of the laws which determine profits, unless, in addition to the causes which increase the price of necessaries, we explain the causes which award a larger or a smaller share of these necessaries to each labourer. And here it is obvious that we must have recourse to the great principles of demand and supply, or to that very principle of competition brought forward by Adam Smith, which Mr. Ricardo expressly rejects, or at least considers of so temporary a nature as not to require attention in a general theory of profits.<sup>1</sup>

In this manner, then, Malthus succeeded in reaching the crux of the issue, viz. whether or not prices were independent of wage variations. Malthus saw with the utmost clarity that this was the problem to be settled between Ricardo and himself.

According to Mr. Ricardo, profits are regulated by wages, and wages by the quality of the last land taken into cultivation. This theory of profits depends entirely upon the circumstance of the mass of commodities remaining at the same price, while money continues of the same value, whatever may be the variations in the price of labour. This uniformity in the value of wages and profits taken together is indeed assumed by Mr. Ricardo in all his calculations, from one end of his work to the other; and if it were true, we should certainly have an accurate rule which would determine the rate of profits upon any given rise or fall of money wages. But if it be not true, the whole theory falls to the ground. We can infer nothing respecting the rate of profits from a rise of money wages, if commodities, instead of remaining of the same price, are very variously affected, some rising, some falling, and a very small number indeed remaining stationary.<sup>2</sup>

Since he had already shown that the possible capital structures and durabilities were so numerous as to ensure in almost all cases that wage

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1 Ibid., pp. 310-11.

2 Ibid., pp. 326-27.

changes would affect prices,<sup>1</sup> Malthus was willing to take it that the wages of labor were not a satisfactory determinant of the rate of profits.

Although the preceding account of Malthus' objections to some parts of Ricardo's theory reflects only a small portion of his prolix argument, enough has been given to understand the general drift of Malthus' criticism. He had insisted at the beginning of his deliberations that the "value" he was going to talk about was primarily "exchange value," notwithstanding his division of it into "nominal" and "real" categories.<sup>2</sup> On the basis of this Smithian distinction Malthus thought he could speak of the incomes of the respective factor classes as the amounts of money or commodities they received in exchange for their services. This, in turn, led him to question Ricardo's manner of expressing changes in these distributive incomes, not by the quantity of money or commodities received by the respective classes, but by the labor cost incurred in producing these incomes. From that point, it was merely a matter of looking at the distributive incomes in a different light from Ricardo and, obviously, arriving at different conclusions concerning them. Ricardo's "unusual language" and "unusual application of common terms"<sup>3</sup> attended his strange conclusions because he had somehow lost contact with that fundamental notion of exchange value which underlay the perception of national wealth.

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1 Ibid., pp. 85-118.

2 Ibid., pp. 51-63.

3 Ibid., pp. 214, n., 215.

Although a number of the Notes on Malthus were incorporated by Ricardo into the third edition,<sup>1</sup> it is known that the actual MS itself was considered unsuitable for publication.<sup>2</sup> McCulloch, in fact, thought that "the first economist of the age ought not to waste his time in writing a refutation of every error into which another economist may have fallen, but only to set him right on those great principles which affect the foundations of the science."<sup>3</sup> However, it is a considerable advantage for present purposes to have Ricardo's opinions on "every error" he thought Malthus had made. In particular, it is helpful to have Ricardo's defence of that "peculiar sense" in which he desired the distributive incomes to be treated. While, as has been seen above, the outlines of this treatment were presented in the Principles, as he sharpened them in a polemic they obtain a greater relevancy for immediate purposes.

Although Ricardo's notes on the various points in Malthus' work were not arranged in any systematic or logical manner, it is possible to find in them the two major arguments Ricardo was prepared to defend to the end. These were, of course, the medium or measure in which his subsequent variations were to be calculated, and, the form which the variations themselves were expected to take. Conceptually, there was

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1 Cf. Mr. Sraffa's Remarks, Ricardo's Works, I, pp. lv-lix.

2 Cf. Sraffa, Ricardo's Works, II, pp. x-xi.

3 McCulloch to Ricardo, 22 January, 1821, VIII, p. 340.

little, if any, difference from his position in the Principles. But expositively the views were put forward in much sharper relief. Indeed, as will appear presently, once the latter are in hand it becomes very clear how weak and inelegant the presentation in the Principles actually was.

In light of the incidence of Malthus' contention that profits, wages and rents were to be taken as the "necessaries themselves" which the capitalists, workers and landowners received, and that, therefore, the three "incomes" did not have to vary as Ricardo had postulated; it becomes clear that Ricardo was bound to object to the medium in which Malthus had reached these contrary conclusions. In fact, as Ricardo said several times, he found some difficulty in knowing exactly what medium Malthus was using at any particular time.<sup>1</sup> Where his criticisms of Malthus came into focus, however, was in his appraisal of Malthus' view of the distributive share variations and the way in which these changes affected the growth of national wealth. It will be recalled that Ricardo had assumed his money to be of invariable value. This, he thought, permitted him to infer that any subsequent variations in money prices were always due to causes producing an effect "from the side of commodities." Therefore, notwithstanding all calculations might be carried on in money terms, any price changes could derive only from changes in (Ricardian) real value or (labor) cost of production. However, Malthus had irritated

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<sup>1</sup> Ricardo, Notes on Malthus, II, pp. 65, 125, 190, 201, 206, 280, 323, 347, 404-5, 410-11.

Ricardo by failing to specify when he used money prices whether or not he had taken that money as of "unvarying" value. "It is impossible," Ricardo complained, "to deny any proposition which may be advanced respecting price, unless it be previously determined whether the person advancing it regards money at the time as stationary, or variable in value, and if variable in what degree and in what direction."<sup>1</sup> Concretely, this failure caused difficulty, as Ricardo had earlier expressed it, in distinguishing between a change in the price of corn due to a change in the value of money, or due to a change in the manner by which corn was obtained. The latter change, however, was the important one, for it gave the foundation to the laws of rents, profits and wages. In Malthus' presentation, on the other hand, the laws of rents, profits, and wages were not integrated, because the price or value variations on which they depended were not satisfactorily isolated.

It is curious to observe how Mr. Malthus explains the laws of rent, of profits, etc. without having recourse to his own measure of real value; — he contents himself with a medium which he condemns, and deems variable. If he says that during the changes he explains, the medium is varying, then the alteration in price may be owing to the variation in the medium, and his account of a rise of rent, and a fall of wages, is quite unsatisfactory. If he says that to illustrate his argument, he supposes the medium invariable, then he has done what he condemns in me, for I have only supposed that all the causes of variation in gold were removed, and that it was itself invariable.<sup>2</sup>

Or again,

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1 Ibid., p. 245.

2 Ibid., pp. 124-25.



I wish Mr. Malthus had kept to his own standard, and explained the principles of Political Economy by a reference to it. If corn rises from £ 4 -- to £ 5 pr. quarter he calls it a rise in the price of corn, if labour rises from 10 to 12/- pr. week he speaks of the rise in the price of labour, but he sometimes calls the same thing a fall in the real value of labour. True he would say the labourer gets more money but for that money he gets less corn. How am I to know when he talks of the high price of labour whether he means a high or a low real value?<sup>1</sup>

The second point to which much of Ricardo's reasoning on the Notes on Malthus was directed, was whether or not Malthus was correct in generalizing from his analysis of wage, profit and rent movements to effects on the national wealth. In passing on to this "aggregated" picture it was clear to Ricardo that the problem of evaluation or calculation once again cropped up.<sup>2</sup> Malthus wanted to "value" the national produce, so that he might be able to decide whether or not it could exchange for more or less labor. From this, he thought he could infer whether or not national wealth would increase or decline, inasmuch as a surplus of "value" over labor outlays could be used to put additional laborers to work.<sup>3</sup> Ricardo, on the other hand, saw in this formulation a complete abandonment of any determinant notions. First, it was simply Malthus'

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1 Ibid., p. 280.

2 As Malthus had put it in Chapter VII, "On the Immediate Causes of the Progress of Wealth," Principles, p. 426, "In general, an increase of produce and an increase of value go on together; and this is that natural and healthy state of things, which is most favourable to the progress of wealth. An increase in the quantity of produce depends chiefly upon the power of production, and an increase in the value of produce upon its distribution. Production and distribution are the two grand elements of wealth, which, combined in their due proportions, are capable of carrying the riches and population of the earth in no great length of time to the utmost limits of its possible resources...."

3 Malthus, Principles, pp. 443-44.

way of continuing his attack on the notion of Say's Law and, as Ricardo understood "... forms by far the most important topic of discussion in Mr. Malthus' work."<sup>1</sup> And, in order to carry out his comments on the influence of "effectual" or "adequate" demand on the growth of national wealth, Malthus had stressed that

a circulating medium is absolutely necessary to any considerable saving; and even the manufacturer would get on but slowly, if he were obliged to accumulate in kind all the wages of his workmen. We cannot therefore be surprized at his wanting money rather than other goods... The circulating medium bears so important a part in the distribution of wealth, and the encouragement of industry, that to set it aside in our reasonings may often lead us wrong.<sup>2</sup>

Now Ricardo was clearly not disposed to give up Say's Law.<sup>3</sup> More than that, however, he was not prepared to countenance Malthus' use of the deceptive variable medium on which such an abandonment depended.

It is of no importance in elucidating correct principles in what medium value is estimated, provided only that the medium itself is invariable. Money — corn, labour are all equally good. Mr. Malthus in using money appears to me frequently to mistake the variations of money itself, for the variations in the commodities of which he is speaking. An alteration in the value of money has no effect on the relative value of commodities, for it raises or sinks their price in the same proportion; but it is the alteration in the relative value of commodities, particularly of necessities, and luxuries, which produce the most important consequences in the view of the Political Economist.<sup>4</sup>

For example, Malthus thought that a decline in the money value of national capital would mean a decline in the number of workers employed, with

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1 Ricardo, Notes on Malthus, II, pp. 306-7.

2 Malthus, Principles, pp. 361-62, n.

3 Ricardo, Notes on Malthus, II, pp. 302-16.

4 Ibid., p. 396.

obvious effects on national wealth. On the contrary, Ricardo replied, "the power of employing labour does not depend upon the value of the capital, but depends specifically upon the annual quantity of produce which it will yield."<sup>1</sup> Or again, in answering Malthus' argument that the forcible detention of capital in agriculture might have given the nation higher returns, because of improvements to the land, than the same capital might have given the nation invested in commerce or manufactures;<sup>2</sup> Ricardo insisted, "here again the estimate is made of money profits, but I require that in both instances the money profits should be reduced into the power of commanding labour and commodities. I do not want to know what value we could have obtained in the two cases, but what riches we might have got, -- what means of happiness to the community!"<sup>3</sup> "A variation in the value of money," Ricardo admitted, "is of consequence to individuals, but is insignificant in its effect on the interests of a nation."<sup>4</sup>

All of Ricardo's objections to Malthus' statements of course turned on a suspicion of their conclusions which, in turn, derived from the variability of the medium (or, rather, media) which Malthus from time to time employed. It is easy to understand, therefore, why Ricardo bent himself to such efforts in the earlier portions of the Notes on Malthus to establish the invariability criterion for the measure of value, and why he

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1 Ibid., p. 352.

2 Cf. Malthus, Principles, pp. 220-22.

3 Ricardo, Notes on Malthus, II, p. 203.

4 Ibid., p. 295.

was so critical of Malthus' failure to do so.<sup>1</sup> Malthus had been able to reach different conclusions about the variations of rent, profits, and wages simply because the medium he had used was not invariable. On the "aggregated" level this seemed to negate many of Ricardo's propositions about the distributive share variations. Obviously Malthus could make things happen to the "aggregate" amount, or value, of the national produce which would have thrown Ricardo's determinant law of distribution to the four winds. With the problem put to him in this way, therefore, the reasons are clearly given for Ricardo's strenuous efforts to clarify and substantiate his two basic and interdependent notions about proportionate shares and invariability of the medium.

The lesser task was involved in the former. In a letter written to Malthus about the time he was completing the Notes on Malthus, Ricardo revealed that his belief in the proportionate share concept had become stronger. At the same time, he intimated some of the familiar difficulties attending Malthus' position.

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1 E.g. "Whatever commodity any man selects as a measure of real value, has no other title for adoption, but its being a less variable commodity than any other, and therefore if after a time another commodity possessing this quality in a superior degree be discovered, that ought to be the standard adopted.

"Whoever then proposes a measure of real value is bound to show that the commodity he selects is the least variable of any known.

"Does Mr. Malthus comply with this condition?

"In no respect whatever. He does not even acknowledge that invariability is the essential quality of a measure of real value, for he says a measure of real value implies a certain quantity of necessaries and conveniences of life, acknowledging that these necessaries and conveniences of life are as variable as any of the commodities whose value they are selected to measure." Ibid., pp. 30-31.

To say that real value as applied to wages implies the quantity of necessaries given to the labourer, at the same time that you agree that these necessaries are as variable as any thing else, appears to me a contradiction... No law can be laid down respecting quantity, but a tolerably correct one can be laid down respecting proportions. Every day I am more satisfied that the former inquiry is vain and delusive, and the latter only the true object of the science.<sup>1</sup>

The difficulty involved in laying down a law "respecting quantity" clearly has something to do with the measure or medium and its invariability, and will be taken up in a moment. Regarding the other issue of proportionate shares, Ricardo admitted in the Notes on Malthus that his "language about proportions may not have been so clear as it ought to have been."<sup>2</sup> He then proceeded to answer Malthus' objection that the distributive incomes should be thought of as the "portion" of the value of the produce, or the amount of "necessaries and conveniences" or "labour" which the individuals constituting a class might command.<sup>3</sup> Ricardo's point was that, regardless of the quantity of produce obtained in any interval, so long as it was the result of the same amount of labor, it was always of the same "value."

If this year the labourer shall have one third of the 180 quarters [produced], and next year shall have one third of the 170 quarters [then produced], I say his wages will be of the same value next year, as this, because the whole 170 quarters next year will be of the same value as the 180 quarters are this year, and consequently 1/2, a fourth, or a third of either of these quantities will be also of the same value... Whatever may be the quantity of corn obtained by the last capital employed on

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1 Ricardo to Malthus, 9 October, 1821, VIII, pp. 278-79.

2 Ricardo, Notes on Malthus, II, p. 196.

3 Malthus, Principles, pp. 61-62, 216.

the land, it will be of the same value, because it is the produce of the same quantity of labour. A larger proportion of this equal value must itself be a larger value.

My measure of value is quantity of labour.<sup>1</sup>

Hence, what was left after the extraction of rent was always of an equal "value" so long as the same amount of labour was required to produce it. The size of this remaining fund in physical quantity made no difference, as far as Ricardo was concerned, since it was always of the same value, i.e. "real value." Therefore, when Malthus had charged that the diminished return for an application of capital to land would leave a smaller fund for division into wages and profits, with the result that the labourers and capitalists both had absolutely less "necessaries" given to them;<sup>2</sup> Ricardo was able to answer:

True the loss of quantity is generally divided between the labourers and capitalists, but we are not talking of quantity, we are talking of value. Will the labourer have less value? If quantity and value be the same thing, and in raw produce they are, according to Mr. Malthus, he will; — but if with the reduction of quantity the value rises, it is certain that the labourer will have a smaller quantity, and a greater value — the farmer will have both a smaller quantity, and a smaller value.<sup>3</sup>

Here Ricardo was back at the point which had earlier arisen between Malthus and himself. For by contrasting "quantity" and "value" in the manner he did, he made quite clear his belief that Malthus' reasoning was simply founded on an unreliable law "respecting quantity," whereas his own theory he believed had passed beyond any such "nominal" calculations. Malthus, therefore, had displayed an unfounded consternation in

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1 Ricardo, Notes on Malthus, II, pp. 196-97.

2 Malthus, Principles, p. 154, n.

3 Ricardo, Notes on Malthus, II, p. 124.

protesting against the conclusions Ricardo himself had reached in his example about the proportionate shares of rent, profits, and wages.<sup>1</sup>

On the contrary,

Mr. Malthus has not read what I have said on this subject with his usual attention, or, in the first place he would not have said that my language 'requires us to say, that the rents of the landlord have fallen, and his interests have suffered, when he obtains as rent above three fourths more of raw produce than before.' If I estimated the riches of individuals, by the value of their incomes — there would be some foundation for the charge, but I have taken great pains to explain my views and to show that I think it quite consistent to say that the riches of a man have increased, viz. the quantity of conveniences and necessaries of life, which he can command, at the same time that the value of those riches have fallen.<sup>2</sup>

The "great pains" to which Ricardo referred evidently meant his Chapter XX, "Value and Riches, Their Distinctive Properties."<sup>3</sup> So that once it was established that the amount received as an income was not a "value," although it had a "value," the way was opened for a reiteration of his main proposition. "Whenever," he said, "the difficulty of production on the land is such that a greater proportion of the value of the whole

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1 Ricardo, Principles, pp. 49-50.

2 Ricardo, Notes on Malthus, II, pp. 192-93.

3 Ricardo, Principles, p. 273. "Value, then, essentially differs from riches, for value depends not on abundance, but on the difficulty or facility of production. The labour of a million of men in manufactures, will always produce the same value, but will not always produce the same riches. By the invention of machinery, by improvements in skill, by a better division of labour, or by the discovery of new markets, where more advantageous exchanges may be made, a million of men may produce double, or treble the amount of riches, of 'necessaries, conveniences, and amusements,' in one state of society, that they could produce in another, but they will not on that account add any thing to value; for every thing rises or falls in value, in proportion to the facility or difficulty of producing it, or, in other words, in proportion to the quantity of labour employed in its production."

produce is employed in supporting labour, I call wages high; for I measure value by these proportions."<sup>1</sup> And although the "portion" of the produce paid to the laborers might be smaller, the "proportion" of the whole produce they received would be greater because of the increased difficulty of production. The "value" of the later "whole produce" was the same as the earlier, since it was produced by the same quantity of labor. Therefore, by having a larger proportion of the quantity produced, whose "value" had not changed, the laborers would have a larger "value."

Inasmuch as Ricardo repeated this essential proposition elsewhere,<sup>2</sup> it seems clear enough that he took it as superior to any Smithian or Malthusian argument which endeavoured to reckon the distributive incomes on the basis of "riches" received. In other words, Ricardo was unable to sanction the purely "nominal" standard which attended the confusion between "riches" or "wealth" and "value." And this for the reason that "riches" or "wealth" were variable in their "value." "A given quantity of wealth cannot be a measure of real value unless it have itself always the same value. There is no wealth which may not vary in value... Wealth is estimated by its utility to afford enjoyment to man; value is determined by facility or difficulty of production. The distinction is marked, and the greatest confusion arises from speaking of them as the same."<sup>3</sup> For example, a country might incur increasing difficulty in obtaining its

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1 Ricardo, *Notes on Malthus*, II, p. 252.

2 *Ibid.*, pp. 138, 196-97, 258-59, 264-67.

3 *Ibid.*, p. 34.



corn, and this would occasion a "rise in value." "But this value would not add to the greatness or power of the country -- for the country would have been richer and greater if the new difficulty in producing corn had not occurred, and consequently if the prices had not risen."<sup>1</sup> When Adam Smith and Malthus, therefore, spoke of "real value" as being merely the "necessaries and conveniences of life" received by one or the other of the distributive classes, they had opened up a Pandora's box of deceptions from which it was impossible to know whether or not anything had "really" changed. As Ricardo had said so many times, both in the Principles and in the Notes on Malthus, neither of them had satisfactorily distinguished a change in the price of corn from a change in the value of money or a change in the difficulty of obtaining corn. The only way this distinction could be made satisfactorily was to isolate the causes of changes by use of an "invariable" medium. Neither commodities nor labor had been shown by Adam Smith or Malthus to be invariable; therefore, it was impossible to assign causes of changes in the price or value of corn. And if the causes of changes in the value of corn could not be separated, it was impossible to establish determinancy in the theory of distribution. Nothing could be laid down concerning mere "quantity." No interdependency could be established among the laws regulating rents, profits and wages.

The stress which Ricardo laid on the two notions of the invariable measure and real value in the Notes on Malthus reveals more clearly than

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1 Ibid., p. 18.

the Principles itself the way in which the distribution theory was tied together by the value theory. Possessed of an "invariable" measure, Ricardo believed changes in the money value of the different class shares would be brought about by nothing other than a change in the labor cause of the "value" of commodities. Hence, profits, calculated in the "invariable" money, fell through the course of time (barring occasional agricultural improvements, market price fluctuations, etc.) because the increased labor necessary to provide the subsistence of the laborer meant that "wages" absorbed an increased share of the total revenue on the no-rent land. A change in the independently determined share, wages, merely reflected a change in the prices of the commodities it consumed, and the changed prices of these latter items were produced only by a change in the quantity of labor required to obtain them. Malthus' view that an increased (exchange) value for an output vis-à-vis a constant or smaller (exchange) value of an input provided no real or certain conclusion, because Malthus had not satisfactorily shown whether these changed values were "real" or merely "nominal." Hence, Malthus' conclusions about the path of profits fluctuations were suspect. As Ricardo might have expressed it, Malthus not only failed to cut through what has been termed the "veil of money"; he also failed to make a satisfactory incision in what could be thought of as the "veil of commodities." Malthus' was a "nominal" theory, expressed in "hats, coats, or money," that is, in necessaries and conveniences. And from a reference to the mere quantities of these "riches," nothing could be inferred regarding the manner in which the three classes

had "really" altered their inter-relations. Malthus had confused "wealth" or "quantity" with "value"; accordingly, he was unable to say anything useful about the laws governing rents, profits and wages.

## CHAPTER III

### THE NATURE OF VALUE

By the time he came to write the Critical Dissertation Bailey suffered no illusions as to what had happened regarding the theory of value. The position was not materially different from that which a quarter of a century later John Stuart Mill portrayed with his memorable statement: "... there is nothing in the laws of value which remains [1848] for the present or any future writer to clear up; the theory of the subject is complete ...."<sup>1</sup> McCulloch had spoken of Ricardo's having raised the science of political economy to "perfection." DeQuincy had confidently asked his Phaedrus and Philebus to grant him his "... one principle [of value], with a few square feet of sea-shore to draw my diagrams upon, and I will undertake to deduce every other truth in the science."<sup>2</sup> And when the second edition of James Mill's book was reviewed in the Westminster, it was claimed that the work truly contained all of the "Elements" of the science, so that "everybody, henceforward, who denies the truth of any of the principles, is bound to refute the proposition as stated in this work...."<sup>3</sup>

If this was the general current of thought of the Ricardians, however, Bailey was not beguiled by it. "The science," he declared contrarily, "cannot yet be exhibited as a regular and perfect structure."<sup>4</sup>

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1 John Stuart Mill, Principles of Political Economy, ed. Ashley (London: 1920), p. 436.

2 DeQuincy, "Dialogue the First," op. cit., p. 55.

3 Westminster Review, II (October, 1824), 291.

4 Critical Dissertation, p. xii.

There was "too little circumspection" at the beginning of its investigations; the "groundwork" had not received that "minuteness and closeness of attention" it required. The result was that most writers "contented themselves with a short definition of the term value," followed this with a distinction of value into "several kinds," and then employed the term with "varying degrees of laxity." Without exception these writers had failed to examine the nature of the idea suggested by the term, and the result of this preliminary neglect had occasioned "differences of opinion" and "perplexities of thought" which could have been avoided.<sup>1</sup> In their fervor to spread the new gospel Ricardo's followers in particular had overlooked a defect in the reasoning processes of their leader. Although Ricardo possessed "remarkable logical powers," Bailey admitted, it was nonetheless true that he was less "gifted" with "analytical subtlety."<sup>2</sup>

Thus,

Starting from a given proposition, he would reason from it with admirable closeness, but he seems never to have been sent back, by the strangeness of the results at which he arrived, to a re-consideration of the principles from which he had set out, nor to have been roused to a suspicion of some lurking ambiguity in his terms. Hence, it might have been predicted, that he would commit oversights in his premises and assumptions, for which no subsequent severity of logic could compensate.<sup>3</sup>

In other words, Bailey saw the matter as an essentially methodological issue in which Ricardo had neglected to re-examine his initial assumptions when the conclusions proved paradoxical or unusual. Since Ricardo's disciples had taken over his assumptions unquestioned, the errors were

1 Ibid., pp. iv-v.

2 Ibid., p. xviii.

3 Ibid., pp. xxii-xxiii.

compounded; upon its very threshold the science was "disfigured" by "confusion and error."<sup>1</sup>

If this then was the state of the problem when Bailey directed his attention to it, it is clear that Bailey's endeavor to solve it involved returning to the initial postulates to make sure that they, at least, were free from error. To "begin at the beginning," to be certain that first steps were taken on secure foundations, to fix concepts and terms at the outset, then, were the initial tasks Bailey proposed for himself.

#### 1.

The first words of the first chapter of the Critical Dissertation are a reflection of the philosopher's approach which had produced four years earlier the Formation and Publication of Opinions.<sup>2</sup> "Value," declared Bailey, "in its ultimate sense, appears to mean the esteem in which any object is held. It denotes, strictly speaking, an effect produced on the mind...."<sup>3</sup> Although in this, as in other cases of cause and effect, of stimulus and feeling, it was common to attribute the cause to a quality of the external object itself, it was nevertheless necessary to understand that in the last analysis value was still a "mental affection." It was brought about by causes operating on the mind in regard to an object, and not by causes appearing to operate in or on the

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1 Ibid., pp. vii-viii.

2 Of. Chapter XII, infra., pp. 546-47.

3 Critical Dissertation, p. 1.

object or objects themselves alone.<sup>1</sup>

Inasmuch as a "simple feeling of esteem" did not seem to be the notion economists had in mind when they spoke of value, Bailey perceived that it was necessary for him to go further in his study. In doing so, he made some observations which were surely worthy of the predecessors of the utility analysis in England.

When we consider objects in themselves, without reference to each other; the emotion or pleasure or satisfaction, with which we regard their utility or beauty, can scarcely take the appellation of value. It is only when objects are considered as subjects of preference or exchange, that the specific feeling of value can arise. When they are so considered, our esteem for one object, or our wish to possess it, may be equal to, or greater or less than our esteem for another: it may, for instance, be doubly as great, or, in other words, we would give one of the former for two of the latter.<sup>2</sup>

The recent revival of the ordinalism-cardinalism debate might prompt one to question or praise Bailey's opinion that a person could estimate his esteem for one object "doubly as great" as for another.<sup>3</sup> Yet, if Bailey was unaware of the difficulties lurking in his "cardinalism," he

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1 Ibid., p. 16, n.

2 Ibid., pp. 2-3.

3 The discussion which has followed the publication of J. Von Neumann and O. Morgenstern, The Theory of Games (Princeton: 1944) is already well on its way toward encyclopedic proportions reminiscent of a similar debate several decades earlier. In any case, the more useful references, after Professor D. H. Robertson's Utility and all That (London: 1932), are L. Robbins, "Robertson on Utility and Scope," Economica, N.S. XX (May, 1954), 99-111, and D. Ellsberg, "Classic and Current Notions of 'Measurable Utility,'" Economic Journal, LXIV (September, 1954), 529-56.

partially redeemed his position by going on to make a more important distinction for his subsequent purposes.

So long as we regarded objects singly, we might feel a great admiration or fondness for them, but we could not express our emotions in any definite manner. Then, however, we regard two objects as subjects of choice or exchange, we appear to acquire the power of expressing our feelings with precision, we say, for instance that one A is, in our estimation, equal to two B. But this is not the expression of positive, but of relative esteem; or, more correctly, of the relation in which A and B stand to each other in our estimation. This relation can be denoted only by quantity. The value of A is expressed by the quantity of B for which it will exchange, and the value of B is in the same way expressed by the quantity of A. Hence the value of A may be termed the power which it possesses or confers of purchasing B, or commanding B in exchange. If, from any consideration, or any number of considerations, men esteem one A as highly as two B, and are willing to exchange the two commodities in that ratio, it may be correctly said, that A has the power of commanding two B, or that B has the power of commanding half A.<sup>1</sup>

From this view of the phenomenon of value as expressing with explicit precision the estimation in which two exchangeable objects stand in relation to one another in the minds of the individuals possessing them, Bailey then proceeded to examine more closely the consequences which attended this statement of the case. Using Lauderdale's dictum, "we cannot express value, or a variation of value, without a comparison of two commodities."<sup>2</sup> Bailey observed that it was essential to value that two objects should be brought into comparison. Value, he insisted, "... cannot be predicated of one

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<sup>1</sup> Critical Dissertation, pp. 3-4.

<sup>2</sup> James Millar (Lord Lauderdale), Inquiry into the Nature and Origin of Public Wealth (2nd. ed.; Edinburgh: 1818), p. 19 as quoted in Critical Dissertation, p. 4, n.



thing considered alone, and without reference to another thing. If the value of an object is its power of purchasing, there must be something to purchase. Value denotes consequently nothing positive or intrinsic, but merely the relation in which two objects stand to each other as exchangeable commodities."<sup>1</sup> Value was similar to distance. For, just as it was impossible to speak of distance positively, without reference to two points or places, so it was impossible to speak of value without referring to the two commodities or objects which constituted the comparison. "A thing cannot be valuable in itself without reference to another thing, any more than a thing can be distant in itself without reference to another thing."<sup>2</sup>

It is perhaps necessary to resist the temptation to read too much into Bailey's use of such expressions as "choice," "preference," "esteem," "estimation," all related to the "effect produced on the mind." Even though these terms are part of the currency of modern theory, it would be wrong to suggest that by his employment of them Bailey "saw" all of the things which Jevons, Walras, Menger, Wiesner, Pareto, or Hicks and Allen wrote into the history of doctrine. At the most, it is clear that he must be credited with having related value, as exchange value, to "estimations." In taking value as a "mental affection," therefore,

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1 *Ibid.*, pp. 4-5.

2 *Ibid.*, p. 5.

Bailey was on the right track and was certainly approaching the so-called "psychological" theories. Like Menger so many years later, for example, Bailey showed that he too understood that "... value does not exist outside the consciousness of men."<sup>1</sup> And it is not merely trite to add that this fact was not always appreciated, either before or after Bailey wrote.<sup>2</sup> Indeed, as will appear subsequently, there is good grounds for thinking that Bailey took this approach precisely because he did appreciate that those who had preceded him had failed to understand this fact; their conclusions were faulty because their first position was untenable. Moreover, it is probably not overstating the case to claim that this perception on Bailey's part is the main contribution to be found in the Critical Dissertation. While the Continent had been building up a utility tradition from Galiani and Condillac through Turgot and J. B. Say, most of the thinking in England had been along other lines. The discoveries of which Jevons was a part came as a definite shock, and only

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1 C. Menger, Principles of Economics, tr. and ed. J. Dingwell and B. F. Hoselitz, (Glencoe, Illinois: 1950), p. 121.

2 Cf. e.g. Edgeworth's remark: "If, with Jevons, we regard value as a mere ratio of exchange (Theory, Ch. iv), let us take care, with Jevons, to remember that 'there is a close connection' between value in this sense, and 'esteem' or 'final degree of utility' (loc. cit.). The relation between value in exchange and the other attribute of 'intrinsic value,' viz. cost of production, is not less likely to be lost sight of. The author of A Critical Dissertation on Value, S. Bailey, may be instanced as one who incurred these dangers when he maintained that value is nothing positive or intrinsic, but merely a relation in which two commodities stand to each other." F. Y. Edgeworth, "Intrinsic Value," Palgrave's Dictionary of Political Economy (London: 1926) II, 456.

many years later was the research stimulated which disclosed that England had had something of an underground utility tradition of its own in Lauderdale, Senior, Whately, Longfield, Lloyd, and Banfield. With the possible exception of Lauderdale, Bailey is certainly the first to appear upon the scene and to attempt to stem the tide flowing so strongly toward absolutist notions. How well Bailey understood his purposes in this particular will appear subsequently.

Bailey next pointed out that it was a consequence of what he had said about value being a relation, that the prices of the two goods, expressed as the respective quantity or quantities of the other good received in exchange, were reciprocals. This being true, it was evidently impossible that the value of one commodity could alter without the value of the other likewise altering. "It would be an absurdity to suppose, that the value of A to B could alter, and not the value of B to A; an absurdity of much the same kind as supposing, that the distance of the earth from the sun could be altered, while the distance of the sun from the earth remained as before."<sup>1</sup> From this apparent truism, however, Bailey went on to draw the important corollary that, whether the cause of a change in the relation of value appeared on the side of A or B, or both, made no difference (except, of course, in the obvious case where the cause exerted equally intense effect on both sides,

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1 Critical Dissertation, pp. 5-6.

thereby leaving the relation unchanged). The ultimate fact was that the relation had been altered, and the reciprocal prices, expressed as quantities of the other good, indicated the extent of that alteration.<sup>1</sup>

Although he had earlier protested that his conception of value as a relation precluded his treating value as an intrinsic quality, Bailey admitted that in speaking of the value of A as, say, equal to the value of B, an intrinsic or absolute quality seemed to be implied in each of the commodities. For unless such a quality existed, how was it possible to speak about an equality of values, or of adding or subtracting values? Now the source from which notions such as this derived, replied Bailey, was to be found in a failure to appreciate what was actually involved in the ordinary manner by which commodities were related to one another in exchange. What in truth occurred in exhibiting the esteem for commodities by their exchange relations, was that these relations were invariably ascertained, not directly, but indirectly through the medium of some third commodity. The normal, overt, explicit exchange relation, or exchange value, really encompassed two elements. These two elements were (1) the mutual relation of the objects themselves, and (2) the relations which the objects held to other objects. Properly, said Bailey,

... it is these latter which occasion the semblance of absolute value, because they seem independent of the former, which is the immediate object of our attention. Indeed, it is generally by

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1 Ibid., p. 6.

their relation to a third commodity, that we can at all ascertain the mutual relation of two commodities which we are desirous of comparing.<sup>1</sup>

In other words, if the relation of A to B in exchange is sought, the usual way to find it is to ascertain their respective relation to C, and from this to deduce their relation to each other. Thus, "... when we affirm that the value of A is equal to the value of B, we mean only that the ratio of A to C is equal to the ratio of B to C."<sup>2</sup> Therefore, although the mutual relation, or exchange value, of commodities was usually determined indirectly by means of their respective relations to a third commodity, the important matter was still the mutual relation which in fact represented the value of the commodities involved. And this relation, however "indirectly" obtained, was still the explicit expression of the esteem in which the two commodities were held. In speaking of an equality of values, therefore, the meaning was an equality of "esteems" or "estimations." And, as Bailey will stress even more forcefully in his criticism of Ricardo, because these notions are susceptible of variation from a large number of causes and forces and, at bottom, derive their existence from causes operating on the mind in respect of the particular commodities being compared, the notion of positive or absolute value is completely destroyed. "Positive esteem" could not be expressed with explicit quantitative precision any more

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1 Ibid., pp. 8-9.

2 Ibid., p. 9.

than "positive value;" "relative esteem," on the other hand, was value, and the respective quantities involved in the relation properly expressed that conception.

Before turning to Bailey's appraisal of the nature of value as considered by some of his predecessors and contemporaries, it is worthwhile to look at one matter which is of some importance in Bailey's position. While Bailey himself did not lay great stress on it at this point in his exposition, it nevertheless formed an essential part of his treatment of the nature of value and, consequently, became important in his analysis of the measure of value. It has been seen that Bailey has denied that value is anything "positive or intrinsic" in a commodity; he has denied that it is an "intrinsic or absolute quality" or a "general and independent property" of objects. Instead, according to him it is the esteem in which two or more commodities are held in an individual's mind when the two objects are viewed as subjects of "choice," "preference," or "exchange." This esteem is given quantitative precision by the respective amounts of the commodities in question which the individual would be willing to surrender or expend in order to obtain the other object or objects. As such, the overt relation described as value was derived from the respective esteems associated with the particular commodities. It is important to understand, however, that when Bailey had insisted that value was a relation and was, therefore, not an "intrinsic or absolute quality," that he had not contended that value was ipso facto not a quality of any sort. On the contrary, Bailey understood

that the value he was at pains to describe was indeed a quality, viz. the quality or "power" of inducing or satisfying purchase or exchange. That is to say, a commodity possessed this quality to the extent that it had the "power of purchasing other goods."

Now this quality, as Mr. Fraser has shown,<sup>1</sup> is what may be termed a "relational quality." Such a quality derives from the fact that an individual makes judgments or estimations about the satisfactions or pleasures to be obtained from possessing the object or objects under consideration. This comparison then establishes a set of relations among these objects, so that when one or another is judged it appears to possess the quality of being worth or commanding so much of the other, or other, commodities. In a sense, the emotion or feeling aroused is "reflected back" upon or "imputed" to the objects concerned. The relation thus comes to be described as the "power" or "quality" of the objects to command or purchase other objects in exchange. From what has been said, it is clear that Bailey understood this process by which objects evidently came to possess this quality. Two or more commodities were esteemed (for whatever reasons, it does not matter) in an individual's mind; from this a series of relations were established between or among the commodities; and finally, these relations appeared to assume an external existence through the exchanges by which the relevant esteems

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1 Fraser, op. cit., pp. 61 ff.

were satisfied. Bailey obviously gave no evidence of understanding the manner in which incremental satisfactions are balanced against one another. But he could hardly have stressed the overt exchange relation which depended on the mental estimations, without sensing (unconsciously, perhaps) that the individual concerned would surrender the less highly esteemed for the more. Exchangeability, or value, accordingly, was a "relational," and not an "independent" property of commodities. Value was the exchange relation in which commodities or objects stood to each other in an individual's mind. Bailey knew that it would be pointless and unmeaning to stop at this point and to insist that the relation remained exclusively an internal mental phenomenon. People might obviously "esteem" various commodities to great lengths, but unless some actual exchanges were made the "specific feeling" of value would remain just that -- a specific "feeling." Clearly, then, unless these "feelings" were made public, no quantitative laws could be established. Actual, physical transactions, on the other hand, gave precision to the "feelings" or "emotions." On this data the scientific laws of exchange could be drawn up, and no harm was done in identifying the exchange relation with a quality of the objects exchanged, provided it was recognized that the objects possessed this quality only by virtue of the fact that they were held in some degree of esteem in the minds of the individuals concerned with them.

Although Bailey was unable to work this discussion of esteem into the utility analysis it seemed to portend, he must be credited with



great perception in establishing the true nature of value. As will appear momentarily, it was because he understood this that he was able to go so far in his criticism of the argument adopted by Ricardo and the others. On his smaller scale, therefore, Bailey had taken up a position vis-à-vis the Ricardians analagous to that of Jevons and the Austrians opposite John Stuart Mill half a century later.

## 2.

Having proved to his satisfaction the propriety of adopting Adam Smith's definition, "... that the value of an object 'expresses the power of purchasing other goods, which the possession of that object conveys,'"<sup>1</sup> Bailey then proceeded to bring this concept to bear upon Ricardo's argument. His first step was to make sure that there was agreed ground between Ricardo and himself. Ricardo, he said, had accepted Adam Smith's definition of value as power of purchasing, and, indeed, in the very first proposition of the second and third editions

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1 Wealth of Nations, I, Book I, Ch. IV, p. 30, as quoted in Critical Dissertation, p. 4. Bailey also referred elsewhere, ibid., pp. 27, 233, to Adam Smith's definition of value as "power of purchasing." His high regard for Adam Smith, ibid., pp. xiv-xv, and his eagerness to get on with his analysis of Ricardo's discussion, evidently stimulated him to a certain degree of incaution regarding Smith. Although Smith was generally consistent in using the term value to denote power of purchasing (albeit with occasional "nominal" or "real" subcategories), he occasionally lapsed. Thus, the "value" in his statement that "equal quantities of labour, at all times and places, may be said to be of equal value to the labourer, Wealth of Nations, I, Book I, Ch. V, p. 33, could hardly be construed as "power of purchasing." Moreover, Bailey himself had admitted that Ricardo had quoted a passage from the Wealth of Nations, I, Book I, Ch. V, p. 32, which revealed a value different from power of purchasing. Cf. Critical Dissertation, p. 233.

of the Principles had defined the value of a commodity as "... the quantity of any other commodity for which it will exchange."<sup>1</sup> Thus far, at any rate, Bailey implied that he could accept Ricardo's first premise, since it was to all intents and purposes the same as his own.

Bailey's next step was to ascertain whether the consequences which Ricardo drew from this initial proposition were valid. He wasted little time in reaching an adverse judgement.

The relative nature of value has not, it appears to me, been distinctly seen or uniformly kept in view by our best writers on the subject. Mr. Ricardo, for instance, who agrees with Dr. Smith in his definition of value, asserts, that if any one commodity could be found, which now and at all times required precisely the same quantity of labour to produce it, that commodity would be of an unvarying value.<sup>2</sup> If value, however, denoted merely a relation, this proposition cannot be true. We may

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1 Critical Dissertation, pp. 9, 27-28. The passage from Ricardo's Principles referred to is that which forms the heading of Section I of the first chapter "On Value." Ricardo had stated: "The value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production, and not on the greater or less compensation which is paid for that labour." Principles, p. 11.

2 In a footnote, Bailey cited the second edition of Ricardo's Principles, p. 17, n, where Ricardo stated: "If any one commodity could be found, which now and at all times required precisely the same quantity of labour to produce it, that commodity would be of an unvarying value...." Bailey also referred to the third edition of the Principles, p. 275, where it was charged: "That commodity is alone Invariable, which at all times requires the same sacrifice of toil and labour to produce it." Although Ricardo had suppressed the former quotation in the revised third edition of the Principles, and had added a new Section IV to the chapter on value, Bailey insisted that these modifications still did not escape the strictures he had offered. Cf. Critical Dissertation, pp. 9-10, n.

ask, to what would this commodity bear an invariable value? What is the correlative? Would it bear the same value to all other commodities? It might do so, it is true, but certainly not in consequence of being produced by an unvarying quantity of labour: for while the labour, in this instance, remained a fixed quantity, yet if the labour in other commodities were increased or diminished, the relations of value between this one commodity and all others, would, on Mr. Ricardo's own principle be instantly altered.<sup>1</sup>

The remainder of Bailey's criticism of Ricardo on the nature of value consisted of an exploration of this theme. Thus, if Ricardo's definition of value as power of purchasing were adhered to, a commodity of unvarying value would be one whose power of purchasing other commodities remained fixed. But on Ricardo's subsequent assumption (which Bailey accepted for the sake of the illustration), that the quantity of labor determined the exchange value of a commodity, constancy in the quantity of labor necessary to produce one commodity could not of itself ensure constancy in its value or power of purchasing. If value were indeed relative, there was, as Bailey ever continued to stress, an inevitable correlative. It was always necessary to express value "in something," or "in relation to something."<sup>2</sup> To take the above example as a case in point: if the producing labor of one commodity remained constant, but the producing labor of another, or others, for which it exchanged altered; then, the relation which

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1 Critical Dissertation, pp. 9-10.

2 Ibid., p. 34.

constituted value would necessarily alter as well. Therefore, said Bailey:

My proposition is, that if the causes affecting any one commodity continued unaltered, this commodity would not be invariable in value, unless the causes affecting all commodities compared with it, continued unaltered.... What I assert is, that if all commodities were produced under exactly the same circumstances, as for instance, by labour alone, any commodity, which always required the same quantity of labour, could not be invariable in value, while every other commodity underwent alteration....<sup>1</sup>

Ricardo's position was as absurd as claiming the unvarying likeness of a portrait to its subject, because notwithstanding the latter might change in feature or physique, the former continued to retain its fixed and constant outlines. The truth of the matter was, on the contrary, that "the relation of value, as well as the resemblance between two objects, depends upon both, and changes with a change in either of them."<sup>2</sup>

If it may be taken then that Bailey had successfully pointed out the fallacy in Ricardo's reasoning, given the various assumptions Ricardo had made, the next step is to follow along with Bailey as he sought to discover why Ricardo should have reached such an untenable conclusion. In searching out the cause of the error, Bailey demonstrated that he was indeed the metaphysician or logician Thomas Chalmers had earlier sought.<sup>3</sup> For Ricardo's conclusions having appeared

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1 Ibid., pp. 20-21.

2 Ibid., pp. 18-19.

3 Cf. Chapter I, supra., p.8.

contradictory, it was evidently necessary to direct attention back again to the initial premises from which they had been deduced. Bailey recalled, therefore, that Ricardo had begun by defining value as power of purchasing. He had next claimed that if the conditions of production of one commodity remained unchanged, while those of other commodities altered, the first commodity would nevertheless remain constant in value. It was here, said Bailey, that the error had entered. It was obviously wrong to conclude that "... the value of A to B could be altered, and not the value of B to A...." This was as untrue as supposing "... that the distance of the sun from the earth could be increased or decreased, while the distance of the earth from the sun remained as before."<sup>1</sup> On the other hand, it was not impossible, Bailey agreed, that the value of one thing alter in relation to that of another, while the latter did not alter in relation to the first, if value were defined or conceived in the meantime as something other than exchange value or power of purchasing. Since there was no evidence to show that Ricardo was prepared to abandon either his first premises or his conclusions, it followed that he must have changed his conception of value somewhere along the line. Thus, Bailey went on to say:

An illustration of these remarks may be found in a passage of Mr. Ricardo's work, where he maintains in opposition to M. Say, that if, in consequence of increased facility in producing other

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1 Critical Dissertation, p. 12.

commodities, cloth should exchange for a double quantity of them, compared to what it did before, we ought to say that cloth retained its former value, and that the commodities, compared with it, had fallen to half their former value.<sup>1</sup> This language, however, would be evidently incorrect, unless the value of an object were something intrinsic, and independent of other commodities; but since value, as I have shown, is essentially relative, if any commodities had fallen in relation to cloth, cloth must have acquired additional value, or have risen in relation to those commodities.<sup>2</sup>

There is certainly in the English language no more forceful demonstration than this of Ricardo's dilemma.

Bailey saw readily enough why Ricardo had made an unannounced new assumption for his initial postulate on the nature of value. "... Mr. Ricardo appears to have reasoned, that because the quantity of labour (according to his doctrine) is the cause of value, if the cause in any one commodity remains the same, the effect must necessarily be the same."<sup>3</sup> From this it appeared that, if A and B altered in value,

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1 Bailey here attached a footnote giving the following extract from Ricardo's Principles, Chapter XX, "Value and Riches, Their Distinctive Properties," pp. 280-31. "According to M. Say, if the difficulty of producing cloth were to double, and consequently cloth was to exchange for double the quantity of the commodities for which it exchanged before, it would be doubled in value, to which I give my fullest assent; but if there were any peculiar facility in producing the commodities, and no increased difficulty in producing cloth, and cloth should in consequence exchange as before for double the quantity of commodities, M. Say would still say that cloth had doubled in value, whereas according to my view of the subject, he should say, that cloth retained its former value, and those particular commodities had fallen to half their former value." The italics in the above quotation are Bailey's, not Ricardo's.

2 Critical Dissertation, pp. 14-15.

3 Ibid., p. 18.

the truth intended to be conveyed by saying that B remains of the same value is, that the cause of the altered relation between A and B is in the former, and not in the latter; and to determine where the change originated is in fact the whole object of those who endeavour to show what commodities have remained stationary in value, and what have altered.<sup>1</sup>

This was most palpably true in the case of the author of the Templars' Dialogues, who, said Bailey, was even "... more explicit on this subject, and more unmeasured in his language than Mr. Ricardo himself."<sup>2</sup>

Thus, DeQuincy's "XYZ" asserted "... that there is no necessary connection at all, or of any kind, between the quantity commanded, and the value commanding," and, that "I presume, that in your use, and in everybody's use of the word value, a high value ought to purchase a high value, and that it will be very absurd if it should not. But as to purchasing a great quantity, that condition is surely not included in any man's idea of value."<sup>3</sup>

On the basis of these remarks it was not difficult for Bailey to reach his definitive conclusion. DeQuincy's two commodities of "high value" might obviously purchase one another, he admitted. But clearly the term "high" could not be used to denote their relation to one another; it could only express their relation to a third commodity or commodities. This being so, the "height" of this "value" could only be

1. Ibid., p. 12.

2. Ibid., p. 29.

3. "Dialogue the Fourth," op. cit., pp. 82, 91, as quoted in Critical Dissertation, p. 29. In DeQuincy's original, the words "direct or inverse" appear after the words, "or of any kind" in the first quotation.

expressed by quantity. These two commodities were "high" because a small quantity of them could command a large quantity of another commodity or other commodities. The value in question could not be expressed without a reference to quantity of commodities. DeQuincy, on the other hand, was able to maintain that quantity was not necessary "to any man's idea of value," simply because he had an "inaccurate apprehension of the true nature of value." Like Ricardo, he seemed to think that it was a "positive result produced by a definite quantity of labour." Thus,

if the quantity of labour necessary for the production of an object is always the same, the value according to them [i.e. Ricardo and DeQuincy] is always the same, however other objects may have varied; so that, in fact, the circumstances of its being produced by a certain quantity of labour constitutes its value, independently of any other circumstances. Whatever variations there might be in the quantities of other things which the object commanded, it would be still of the same value, because produced by the same labour.<sup>1</sup>

Ricardo and the others, therefore, completely overlooked, or forgot, the fact that, as a relation value "... cannot arise from causes affecting only one of the objects, but must proceed from two causes, or two sets of causes respectively operating on the objects between which the relation exists."<sup>2</sup>

It was this viewpoint which constituted Bailey's never-ending complaint against his contemporary Ricardians. It seemed to him that they persistently murmured the old phrase about value in exchange at the

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1 Critical Dissertation, pp. 29-31.

2 Ibid., p. 16.



outset of their works. But before their arguments were well under way they had begun speaking about a new and different notion of value. And it generally emerged that this value they mistakenly believed would remain fixed and unaltered so long as certain conditions about the production of commodities were fulfilled. In objecting to the direction their arguments was taking, it is clear that Bailey was in touch with the very deepest foundational concepts. It is clear, furthermore, that he understood the confusion of thought which the Ricardians failed to pick up. As will become evident shortly, it was because of this acute perceptiveness that Failey was able to go so far in showing the serious defects in so much of the then accepted theory.

### 3.

It was rather by association than by positive theoretical contribution that Malthus came under Bailey's theoretical guns. That is, the reasoning Bailey chose to consider was that which had appeared in Malthus' Measure of Value.<sup>1</sup> And it now seems clear that by the time Malthus came to write that pamphlet he was of a mind with Ricardo in seeking to formulate a measure for what he termed "natural or absolute value." This "natural or absolute value" was practically the same thing as Ricardo's "real value." Thus, so long as Malthus agreed with Ricardo about the feasibility of such a concept as absolute value, so long was

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1 T. R. Malthus, The Measure of Value (London: 1823.)

it easy for Bailey to apply his criticisms of the latter to the former.

It is true, of course, that Malthus had not always agreed with Ricardo on what constituted Ricardian "real value". It was pointed out in Chapter II<sup>1</sup> that Malthus initially had understood, and had protested against Ricardo's definition and use of the concept (Ricardian) real value. In his own Principles, therefore, Malthus had tried to answer Ricardo by taking real value to mean, with Adam Smith, the quantity of commodities and/or labor commanded by any other commodity in exchange. He thought he was successful in establishing a measure of his real value in his mean between the corn and labor commanded by a commodity. In the Measure of Value, on the other hand, Malthus had abandoned the search for a measure of the "real value in exchange" which he had begun in the Principles. In so doing, he had come into Ricardo's "real value" camp. Malthus' correspondence with Ricardo in the interval between the publication of his own Principles and the Measure of Value reveals the way in which his thoughts were turning.<sup>2</sup> So that in the Measure of Value he was prepared to take as a measure of value a commodity whose cost of

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1 Supra., pp. 52, 56.

2 Cf. e.g. "... I now incline more to that explanation of value which your views would indicate, but ... I am more than ever convinced that I am right in the approximating measure of it I have proposed." Malthus to Ricardo, 13 Sept., 1821, IX, pp. 64-65. In his next letter to Ricardo Malthus made it clear that "my approximation to you on the subject of value only consists in a greater disposition to reject commodities in general, as a measure, and refer only to those where the cost of production including profits seems to continue most nearly the same." Malthus to Ricardo, 25 Sept., 1821, IX, p. 79.

production was unvarying. His opening words of that pamphlet indicated that his objective was the same as Ricardo's, viz. to be able to point out in which, of any, commodities the causes of a change in exchange value had occurred. After distinguishing value into the familiar value in use, value in exchange categories, and noting that the latter was that with which political economy was concerned, Malthus observed that the power of commanding other objects in exchange

... may obviously arise either from causes affecting the object itself, or the commodity against which it is exchanged. In the one case, the value of the object itself may properly be said to be affected; in the other, only the value of the commodities which it purchases; and if we could suppose any object always to remain of the same value, the comparison of other commodities with this one would clearly show which had risen, which had fallen, and which had remained the same. The value of any commodity estimated in a measure of this kind, might with propriety be called its absolute or natural value; while the value of a commodity estimated in the others which were liable to variation, whether they were one or many, could only be considered as its nominal or relative value, that is, its value in relation to any particular commodity, or to commodities in general.<sup>1</sup>

The details of Malthus' measure of value will be taken up in a later chapter, but it is evident from what he had said in the passage immediately quoted, that he wanted his "absolute or natural value" to be taken in the same sense as Ricardo's "real value." He proved this in the sequel by contrasting his own measure, as "representing" the "natural value" of a commodity, or its "conditions of supply,"<sup>2</sup> with

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1 Malthus, Measure of Value, pp. 1-2.

2 Ibid., p. 18.

Ricardo's measure, which he charged did not properly represent those "conditions."<sup>1</sup> He was willing to argue with Ricardo about the actual composition of any particular measure. But he was one mind with Ricardo in accepting that a satisfactory law or explanation of the determination of value was the level of discourse on which they were proceeding.<sup>2</sup>

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1 *Ibid.*, p. 13.

2 The correspondence between Malthus and Ricardo from April, 1823, until August, 1823, was almost entirely devoted to this issue of the proper ingredients of an invariable measure of value. Ricardo, of course, stuck by his monistic labor cost position. Malthus argued for labor (wages) and profits (estimated in labor) as the necessary cost elements. Both men were agreed, however, that the measure they sought was one whose cost, whatever it was made of, should be constant. Malthus, for example, claimed that "... as soon as we are in possession of the knowledge of the circumstances which determine the value of commodities we are enabled to say what is necessary to give us an invariable measure of value. Now what can determine the natural and absolute value of commodities, but the natural and absolute conditions of their supply. Neither the advance of a certain quantity of corn nor even of a certain quantity of money will secure this supply unless they will command the requisite quantity of labour. Labour is the real advance in kind and profits may be correctly estimated upon the advances whatever they may be. Consequently it appears to me that the circumstances which determine the natural value of commodities must be the quantity of labour advanced, accumulated and immediate, with the profits upon such labour for the time that it has been employed; and if the quantity of labour so obtained be on an average the same as the quantity of labour which they will command, we are at once furnished with a ready measure of the circumstances which determine the value of commodities, or in other words an invariable measure of their value." Malthus to Ricardo, 25 August, 1823, IX, pp. 364-65.

Ricardo's position was that of the third edition of the Principles. He retained it throughout the correspondence with Malthus. In a letter to McCulloch during that interval he observed, "I agree with you that if you are to measure value you must measure it by the agency of some one commodity or other possessed of value, -- that is what Mr. Malthus and we all propose to do, and the only difference between us is respecting the circumstances which are to determine the value, -- the invariable value, of the commodity which we chuse for our measure. Is it not clear then that as soon as we are in possession of the knowledge of the circumstances which determine the value of commodities, we are enabled to say what is necessary to give us an invariable measure of value." Ricardo to McCulloch, 21 August, 1823, IX, p. 358. Ricardo made the same point to Trower, viz. that McCulloch "... does not appear to me to see that if we were in possession of the knowledge of the law which regulates the exchangeable value of commodities, we should be only one step from the discovery of a measure of absolute value." Ricardo to Trower, 31 August, 1823, IX, p. 377.

The number of times the phrase "natural and absolute value," or "absolute value," appears in the later letters on the measure of value testifies to the unanimity of objective both men held.<sup>1</sup> They were both agreed that they would be unable to push their respective theories very far without the notion of "natural" or "absolute" value. As Malthus expressed it to Ricardo,

If it [i.e. the labor commanded measure he then espoused] be vulnerable at all, it must be from weapons which apply equally to your system and mine, and which deny the existence of absolute value; but this would unquestionably confuse one of the most important distinctions in political economy, and would be taking up a position which after all appears to me to be by no means tenable."

In undertaking his criticisms of Malthus' treatment of the nature of value, Bailey prefaced his remarks with what is probably the masterpiece of critical understatement in English political economy. For in appraising the passage quoted above from the early pages of the Measure of Value Bailey coolly observed that "we have here invariable, absolute, natural, nominal and relative value...."<sup>3</sup> As might be expected, from this embarrassingly ambitious collection of terms which Malthus had marshalled together, Bailey selected that denoting absolute value and made it the object of his criticism.

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1 In one letter Malthus used the phrase "natural and absolute value" no less than eleven times. Cf. Malthus to Ricardo, 21 July, 1823, IX, pp. 306-11.

2 Malthus to Ricardo, 11 August, 1823, IX, pp. 340-41.

3 Critical Dissertation, p. 23.

... Throughout the whole of the passage, the notion of value as something intrinsic or absolute is apparent. Departing at once from his definition, he maintains, that the value of an object may be affected without affecting the value of the commodities for which it is exchanged; that is, that the power of A in commanding B in exchange may be altered, while the power of B in commanding A remains as before. Mr. Malthus has fallen into the same error, which we have already noticed in Mr. Ricardo; the error of supposing, that if a commodity continued the same in the circumstances of its production, it would retain the same value amidst the fluctuation of other commodities. The inconsistency of this with the definition of value, has already been sufficiently exposed; and as it is the basis of Mr. Malthus's notion of absolute value, that notion necessarily falls to the ground. The very term absolute value, implies the same sort of absurdity as absolute distance; while the invariable value of one object, amidst the fluctuations of all other things, is as self-contradictory a notion as the invariable resemblance of a picture, to the natural scenery from which it was taken, amidst all the vicissitudes of the seasons, the touches of time, and the encroachments of art.<sup>1</sup>

Bailey's strictures on Malthus' particular measure of value will be examined in greater detail in a later chapter. But it is worth noting here that he has appreciated fully that Malthus' attempt to formulate a measure of value was inextricably bound up with his concept of absolute value. In the same manner as Adam Smith, said Bailey, Malthus contended that the value of labor remained constant. But if, as again with Adam Smith, he had already declared that value meant exchange value, or power of purchasing, then he was evidently inconsistent. It was a logical impossibility to admit that labor at times received a greater or smaller quantity of commodities in exchange for its services, while postulating that its value did not change. Malthus could not elude the contradiction

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1 Ibid., pp. 23-24.

by insisting that in such cases it was not the value of labor which varied, but rather that it was the value of the money or commodities received by labor which had changed. Nor could he avoid it by arguing that the "causes appropriate" to the labor, or to the commodities given to it in exchange, could alter without affecting the relation of exchange existing between such labor and commodities. A contention such as this was transparently absurd. "As if produce or money could change in value relatively to labour, without labour changing in value relatively to produce or money."<sup>1</sup> Nothing but perplexity could obtain from such formulations as this. In fact, Bailey noted, it was doubtless a confusion of this sort which enabled Malthus at one point in his pamphlet to define value as "power of purchasing,"<sup>2</sup> and at another to assert that "... although money may increase in its power of purchasing, it does not necessarily increase in value."<sup>3</sup>

Ultimately, then, the situation was hopeless. "If Mr. Malthus thus abandons his own definition, what other will he put in its place?"<sup>4</sup> Bailey easily found an answer to his own query. He saw that it was absolute or positive value which lay behind Malthus' speculations. Malthus had claimed that the power of commanding objects in exchange "... may obviously arise either from the causes affecting the object itself, or the commodities against which it is exchanged."<sup>5</sup> Having already made

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1 Ibid., p. 25.

2 Measure of Value, p. 1.

3 Ibid., p. 62.

4 Critical Dissertation, pp. 25-26.

5 Measure of Value, p. 1, as quoted in Critical Dissertation, p. 21.

clear that the relative nature of value meant its strict derivation from "two causes, or two sets of causes," Bailey put his finger directly on Malthus' error. Malthus

... states two cases; in one, the power of purchasing, possessed by any object, is said to arise from causes affecting the object itself; in the other, its power of purchasing is said to arise from causes affecting the commodities against which it is exchanged. He then proceeds to observe, that in the first case 'the value of the object itself may properly be said to be affected;' <sup>1</sup> i.e. 'if the power of purchasing possessed by any object arises from causes affecting the object itself, the value of the object itself may properly be said to be affected.' This must be allowed to be a very unmeaning proposition.<sup>2</sup>

It was only because he believed in the notion of "absolute value" that Malthus could support this "unmeaning proposition." When Malthus supposed that one object would remain of the same "value" as long as the "causes affecting the object itself" remained constant, and when he held that comparisons of other objects with this "invariable" one would reveal alterations in the "absolute or natural value" of these other objects,<sup>3</sup> he was thinking of a value which was not relative. Having already shown that Ricardo had made the same conceptual error, the force of Bailey's observations against him was applicable to Malthus as well.

#### 4.

By this time Bailey could no longer put off a consideration of the then popular distinction between real and nominal value. In a certain

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1 Measure of Value, p. 1.

2 Critical Dissertation, p. 22, n.

3 Measure of Value, p. 2.



way it has already emerged that Ricardo's real value stood in some contrast to relative value. Malthus in his turn had a somewhat different name for it, but he also had a notion of non-relative value. In addition to this, however, Malthus had gone along with Adam Smith in establishing a distinction between real (meaning commodity) value and nominal (meaning money) value. Since he was faced with several different writers using similar terms, but denoting by them different concepts, it was evidently necessary to distill some of the muddied waters.

Hailey began his second chapter, "On Real and Nominal Value," with the observation that Adam Smith, Malthus, and Ricardo had all distinguished between real and nominal value or price. The two former, he said, described the money for which a commodity exchanged as its "nominal value." Adam Smith, he noted, took as "real value" the quantity of labor commanded by commodities in exchange. The "real value" of labor, however, Smith defined as the quantity of "necessaries and conveniences of life" given for that labor.<sup>1</sup> Malthus, he pointed out, described "real value" as the quantity of "necessaries and conveniences of life" which other commodities had the power of commanding.<sup>2</sup> Ricardo's distinction, on the other hand, was that nominal value was expressed by the quantity of other commodities an object would command in exchange, while real value was the labor and

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1 Cf. Wealth of Nations, I, Book I, Ch. V., pp. 32-48.

2 Malthus, Principles, pp. 56-60.

capital (with reservations) expended in the production of commodities.<sup>1</sup> Most of Pailey's commentary was directed against the use which Ricardo made of the distinction.

Having already proved in his earlier chapter that value was simply a relation between two or more exchangeable commodities, expressed in terms of quantity, Pailey could easily protest that such a conception of value could not accommodate a distinction into the two kinds popularly argued.

After a disquisition on the nature of value in the preceding chapter, the distinction of it in this way, into two kinds, must appear to be merely arbitrary, and incapable of being turned to any use. What information is conveyed, or what advance in argument is effected by telling us, that value estimated in one way is real, but in another nominal? The value of any commodity denoting its relation in exchange to some other commodity, we may speak of it as money-value, corn-value, cloth-value, according to the commodity with which it is compared; and hence there are a thousand different kinds of value, as many kinds of value as there are commodities in existence, and all are equally real and equally nominal. We gain nothing in perspicuity or precision by the use of these latter terms, but, on the contrary, they entail upon us a heavy encumbrance of vagueness and ambiguity and unproductive discussion.<sup>2</sup>

As an example of such "vagueness and ambiguity" which the terms "nominal" and "real" had occasioned, Pailey chose DeQuincy's Templars' Dialogues once again. There, following Ricardo, DeQuincy, in the person of the intrepid "XYZ," appeared

... entirely to lose sight of the relative nature of value, and, as I have remarked in the preceding chapter, to consider it as

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1 Critical Dissertation, pp. 37-38.

2 Critical Dissertation, pp. 38-39.

something positive and absolute; so that if there were only two commodities in the world, and they should both from some circumstances or other come to be produced by double the usual quantity of labour, they would both rise in real value, although their relation to each other would be undisturbed. According to this doctrine, every thing might at once become more valuable, by requiring at once more labour for its production, a position utterly at variance with the truth, that value denotes the relation in which commodities stand to each other as articles of exchange. Real value, in a word, is on this theory considered as being the independent result of labour; and consequently, if under any circumstances the quantity of labour is increased, the real value is increased. Hence, the paradox, 'that it is possible for A continually to increase in value — in real value observe — and yet command a continually decreasing quantity of B;' and this though they were the only commodities in existence.<sup>1</sup>

It was obvious to Bailey that the adjective "real" in Ricardo's theory had completely destroyed the relativity of value, and, thereby, had brought about the paradox and contradiction that a thing might alter in "real" value without altering in its exchange relation to other things. Since this position was so striking, Pailey subjected it to additional scrutiny.

In taking up Ricardo's formulation and employment of the doctrine of real value, Pailey made the justifiable lament that it had been introduced by Ricardo in a "somewhat obscure and indirect manner."<sup>2</sup>

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1 Critical Dissertation, pp. 40-41. DeQuincy, in "Dialogue the Fourth," "On the use and abuse of two celebrated distinctions in the theory of value," op. cit., pp. 80-81, had said: "That man may rest assured that his vocation in this world is not logical who feels disposed (after a few minutes' consideration) to question the following proposition — viz. That it is very possible for A continually to increase in value — in real value, observe — and yet command a continually decreasing quantity of B; in short, that A may acquire a thousand times higher value, and yet exchange for ten thousand times less of B."

2 Critical Dissertation, p. 233.

Commenting first on Ricardo's failure at the outset to define the concept clearly and explicitly, notwithstanding it was present in all of his "speculations," Bailey then proceeded to dig out its significance. The first time Ricardo had mentioned the notion, he said, was in a quotation from the Wealth of Nations.<sup>1</sup> Although Bailey saw that Ricardo had used the epithet "real" in regard to the value of wages,<sup>2</sup> it was not until quite a few pages further on that the actual concept denoted by the expression was used. Thus, commented Bailey,

At page 43 he [Ricardo] says, "When two commodities varied in relative value, it would be desirable to have some means of ascertaining which of them fell and which rose in real value."<sup>3</sup> This appears to be the first passage in which relative value and real value are fairly placed in contrast; and we gather from it, that the value, which he calls real, is not of a relative nature. We subsequently come to the passage quoted in the text,<sup>4</sup> wherein he uses the phrase real value as synonymous with the quantity of labour and capital employed in producing a commodity: whence it follows that the real value of an object has no relation to the quantity of any other object which it will command, but solely to the cost of production, or rather it is the cost of production itself. If the cost of production is

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1 "The real price of every thing, 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 it can save to himself, and which it can impose on other people." Wealth of Nations, I, Book I, Ch. V, p. 32 as quoted in Critical Dissertation, p. 233. Bailey italicized the words "real price" and "really worth," which were not italicized in Adam Smith's original passage, or in the extract from it in Ricardo's Principles, pp. 12-13.

2 Critical Dissertation, p. 234. The passage was Ricardo's defense against Adam Smith's and Malthus' terminology. Cf. Principles, p. 19.

3 Ricardo did not italicize these words. The passage referred to is from Section VI, "On an invariable measure of value, in Ricardo's first chapter, Principles, p. 43.

4 Bailey had extracted from Ricardo's book the passage: "Wages are to be estimated in their real value, namely, by the quantity of labour and capital employed in producing them, and not by their nominal value, either in coats, hats, money, or corn." Principles, p. 50, as quoted in Critical Dissertation, p. 30.

always the same, the real value is always the same.<sup>1</sup>

As a logician Bailey recognized that Ricardo had a legitimate right to use the expression "real value" in any manner he chose, subject only to the requirement of consistency. In the present case, however, he felt bound to object that Ricardo had abused the privilege. Ricardo, he insisted, had already defined the basic concept "value," as "power of purchasing." He had violated the requirement of consistency, on the contrary, by affixing the modifying adjective. For by so doing he had in fact transferred "value" to a different class of concepts altogether.

If he had a right to use the term in any sense he pleased, he had no right to destroy the essence of his own definition by an epithet annexed to the term defined. His definition of the term, as power of purchasing, makes it essentially relative to something to be purchased, and it is annihilating his own meaning to transmute value, by the force of an epithet, into something in which no relation of this kind is implied.<sup>2</sup>

It was evident, then, that "... real value, in Mr. Ricardo's sense, is not value in relation to any commodity whatever: consequently it does not mean power of purchasing, and Mr. Ricardo has used the word value, when coupled with the epithet real, in an acceptation which excludes the whole of his definition."<sup>3</sup>

It will be seen immediately that Bailey has successfully proved Ricardo's logic at fault. But there is beyond this an issue of perhaps

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1 Critical Dissertation, p. 234.

2 Ibid., p. 235.

3 Ibid., p. 237.

even greater importance. And that is: whether or not there was any worthwhile significance or merit to be attached to Ricardo's conceptions. For even if the logic were impeccable, if the conceptual notions on which it depended were untrue and incorrect, the argument as a whole would not be worth much. By the same token, the logic might be defective, but there might be something in the concepts. Now it has already been seen in Chapter II<sup>1</sup> that Ricardo believed there was great force in the concept "real value," (meaning labor and capital cost of production) since changes in that "value" were conceived to explain (with certain simplifying assumptions) the movements of the critical variables in his system. It was also made clear that Ricardo had attempted to convince Malthus of the coherence of his system by stressing the manner by which the real value notion permitted the assignation of causes of variations in exchange value. Indeed, the fact that at that time at any rate, Malthus' position was supported by a merely "nominal" basis, whether in "coats, hats, money, or corn," was the express reason Ricardo offered for the superiority of his own theory. DeQuincy's presentation of the issue is relevant and conclusive. For, he had said,

no man has ever denied that A by doubling its own value will command a double quantity of all things which have been stationary in value. Of things in that predicament it is self-evident that A will command a double quantity. But the question is whether universally, from doubling its value, A will command a double quantity; and, inversely, whether universally, from the command of a double quantity it is

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1 Supra., pp. 46-48, 67-74.

lawful to infer a double value. This is asserted by Adam Smith, and is essential to the distinction of nominal and real value; this is peremptorily denied by us. We offer to produce cases in which from double value it shall not be lawful to infer double quantity. We offer to produce cases in which from double quantity it shall not be lawful to infer double value. And thence we argue that, until the value is discovered in some other way, it will be impossible to discover whether it be high or low from any consideration of the quantity commanded; and, again, with respect to quantity commanded, that, until known in some other way, it shall never be known from any consideration of the value commanding. This is what we say.

He then added,

when I am told by Adam Smith that the money which I can obtain for my hat expresses only its nominal value, but that the labour which I can obtain for it expresses its real value -- I reply that the quantity of labour is no more any expression of the real value than the quantity of corn; both are equally fallacious expressions, because equally equivocal.<sup>1</sup>

The "equivocation" in question was most handsomely demonstrated in the case of Malthus, DeQuincy thought. In taking up Malthus' proposal to discover some "estimate of a kind which may be denominated real value in exchange, implying the quantity of the necessaries and conveniences of life which those wages, incomes, or commodities will enable the possessor of them to command,"<sup>3</sup> DeQuincy claimed that

in this passage, over and above the radical error about real value, there is also apparent that confusion which has misled so many writers between value and wealth, -- a confusion which Mr. Ricardo first detected and cleared up. That we shall not be able to determine from mere money wages whether the labourers were 'starving or living in great plenty' is certain: and that we shall be able to

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1 "Dialogue the Fourth," op. cit., p. 86.

2 Ibid., p. 87.

3 Malthus, Principles, p. 59.

determine this as soon as we know the quantity of necessaries, etc., which those wages commanded, is equally certain; for, in fact, the one knowledge is identical with the other, and but another way of expressing it; we must, of course, learn that the labourer lived in plenty, if we should learn that his wages give him a great deal of bread, milk, venison, salt, honey, etc. And, as there could never have been any doubt whether we should learn this from what Mr. Malthus terms the real value, Mr. Malthus may be assured that there never can have been any dispute raised on that point. The true dispute is whether after having learned that the labourer lived in American plenty, we shall have at all approximated to the appreciation of his wages as to real value: this is the question; and it is plain that we shall not. What matters it that his wages give him a great deal of corn, until we know whether corn bore a high or a low value? A great deal of corn at a high value implies wages of a high value; but a great deal of corn at a low value is very consistent with wages at a low value. Money wages, it is said, leave us quite in the dark as to real value. Doubtless; nor are we at all the less in the dark for knowing the corn wages, the milk wages, the grouse wages, etc. Given the value of corn, given the value of milk, given the value of grouse, we shall know whether a great quantity of those articles implies a high value, or is compatible with a low value in the wages which commanded them; but, until that is given, it has been already shown that quantity alone is an equivocal test, 1 being equally capable of co-existing with high wages or low wages.

In other words, in the Ricardian system, any calculations on the basis of quantity were suspect. Only on the level of "real value" or labor and capital cost of production were the significant variables properly understood. Any other unit of calculation was merely "nominal."

Now given Ricardo's more or less tacit assumptions of perfect competition, constant costs, mobility of factors, divisibility of factors, perfect knowledge, long-run time period, and so on, such a cost of production theory as he had proposed was not too wide of the truth. Under

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1 "Dialogue the Fourth," op. cit., pp. 90-91.



these assumptions, "real value," preferably termed "cost of production," might be taken as determining the rate at which commodities would exchange. But, unfortunately, this was not all Ricardo, or his successors, did with his notion. And it is surely to Bailey's credit that, if he did not see his way completely through all of the issues involved, he at least made a start suggestive enough to deserve a careful consideration.

## 5.

At first sight it might seem that in refusing to support the real, nominal value distinction (whether of the Smith-Malthus, or Ricardian variety), Bailey had destroyed two useful and convenient conceptual categories. Upon further reflection, however, his argument will be found to be substantially correct. And this is due to the fact that his first notion of the nature of value was true and valid, so that it carried him unimpeded through the heavy underbrush which had grown up around his contemporaries.

It may be observed at the outset that, having made the real, nominal value distinction, there is even today a tendency to suggest that the former is somehow better, more genuine, and less unreliable than the latter. This implication, unfortunately, disguises the fact that for economic thought both "real" and "nominal" considerations are meaningful. This problem is, of course, far too complex and vast to be admitted for treatment here. But it may be noted briefly, that the whole problem of hoarding in modern monetary theory discloses that the divisional lines

between "real" (i.e. commodity) and "nominal" (i.e. money) incomes or values are, at best, weak and untrustworthy.<sup>1</sup> It is true, of course, that as Professor Robbins has aptly noted, "only the miser, the psychological monstrosity, desires an infinite accumulation of money."<sup>2</sup> But it is equally true, that only a "psychological monstrosity" desires an infinite accumulation of any good, commodity, or service. Money, like goods and services, is only a means to an end. And although this remark has been made by probably every writer from Aristotle on down, in their zeal to point out the erroneous ways of the money-mad "psychological monstrosities" many writers have failed to see that both money and goods or services are equally real and equally nominal. It surely would be difficult to contend on the one hand that money was somehow not "real" to a businessman ensnared in a period of falling prices, while insisting on the other that sugar was "real" to a housewife who, say, anticipated a shortage of it in the future. The real, nominal distinction is simply not one of substance, but is, rather, a device by which one phenomenon may be viewpoint from different perspectives. It is wrong to suggest that there is any necessary or fundamental preeminence of the one over the other.

Now one of the places at which Bailey's denial of the real, nominal distinction comes to bear is in the matter of the index number problem,

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1 Cf. Fraser, op. cit., pp. 339-40.

2 Robbins, Nature and Significance, p. 31.

and the problem of index numbers. This is obviously more germane to the measure of value difficulties which are to be examined separately in another chapter. But for the moment, it can be seen that Bailey's insistence on relative as the true nature of value necessarily threw out as pointless most of the struggle for the invariable measure of value. It achieved nothing to put value into two contradictory categories, and to assume that one of these remained fixed and invariant. To discover an object invariable in its real value, for example, would not convey any particular advantage, for a person would still not be any better or more usefully informed about economically meaningful variations.<sup>1</sup>

DeQuincy to the contrary, it was important and meaningful to know something about the money-, commodity-, or service-value of an income, however received. DeQuincy to the contrary, the knowledge of the labor cost, or "real value" of his income was probably the least important consideration to an economizing individual. Consistently with Bailey's statement of the nature of value as "esteem" or "estimation," it follows that economizing individuals see the value of their incomes as what they can

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1 "To pass over the inconsistency already exposed, of supposing a commodity to remain of the same value, and to take it as implying constancy in the circumstances of its production, it is evident, that, at an assigned period, the value of any commodity A, in this invariable commodity which we may term X, would have no more right to the appellation of real value than the value of A in any other commodity. Assume another period, and the same remark would be applicable: If commodities had varied in the circumstances of their production, the change in their value to A would show such a variation, but still their value in X would not be absolute value, in Mr. Malthus' sense, any more than their value in B, C, or D." Critical Dissertation, pp. 237-38.

get in exchange for them. Valuations, therefore, are made by such individuals between all the goods, the services, and the money which enter into their economic plans. As Bailey had said, if it were necessary to specify, then there would transpire "money-value, corn-value, cloth-value"; there would be as many kinds of value as commodities in existence. But these values would all be equally real and equally nominal, because they were all fundamentally relative in their nature.

Bailey's doctrine of the causes of value will be dealt with separately in another chapter. But within the present context, his denial of the real, nominal distinction vis-à-vis Ricardo had important implications for the place of costs in the Ricardian system. As has been seen, Bailey had insisted that value derived from "two causes, or two sets of causes respectively operating on the objects between which the relation [of value] exists."<sup>1</sup> With his subject viewed in this light, Torrens' dictum that "exchangeable value is determined not by the absolute, but by the relative cost of production"<sup>2</sup> was acceptable, but for reasons which Torrens himself had not wholly understood. If value were in fact a relation, then the causes bringing the relation into existence, or affecting it thereafter, were necessarily relative. Bailey had stressed the subjective element in these causes, the "mental affection," the "esteem," so that "... all

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1 Critical Dissertation, p. 16.

2 R. Torrens, An Essay on the Production of Wealth (London: 1821), p. 57, as quoted in Critical Dissertation, p. 32.

causes of value being, in reality, circumstances affecting the mind," it followed that "it might be more correct to speak of the causes operating on the mind with regard to an object, than of the causes operating on the object itself."<sup>1</sup> In this way Bailey hit upon the correct notion of "relative" regarding causes of value, and in so doing approximated to Wicksteed's more accurate presentation above three quarters of a century later.<sup>2</sup> Bailey, admittedly, had no conception of the margin. But he clearly understood that the causes of value were "relative," and that "relative" was subjective and personal.

It is well-established, on the other hand, that the Ricardians did not look at the "causes" of value in this subjectively "relative" manner. By failing to do so they gave a momentum to the science in a completely different direction and, of course, provoked Jevons' famous utterance about the car of economic science having been shunted onto the wrong line.<sup>3</sup> In developing that portion of Adam Smith's theory which employed the labor

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1 Critical Dissertation, p. 16, n.

2 "... If A is said to have something in relative excess which B has in relative defect, this does not mean that A has more of it or is less keenly desirous of it relatively to B. That may or may not be the case. What the phrase means is that the marginal significance of this thing to A relatively to the other exchangeable things he possesses is lower than in the case of B. 'Relative' means relatively to the other possessions or alternatives in the estimate of the same man, not relatively to the same possessions or alternatives in the estimate of another man."

P. H. Wicksteed, The Common Sense of Political Economy, ed. L. Robbins (London: 1945), I, 215-16.

3 W. S. Jevons, The Theory of Political Economy, (3d. ed.; London: 1888), p.1 (Preface).

cost analysis, Ricardo and his followers tended not to consider the quantity of labor which one individual might devote to the procuring of several different commodities and deriving from this their "relative" or "comparative" causes of exchange value. On the contrary, instead of making such comparisons or alternatives, they sought to discover the quantities of labor which different individuals devoted to the acquisition of different commodities. Thus, for Ricardo "relative" value was determined by the objective, external "relative" or "comparative" quantities of labor which the hunter and the fisherman, the manufacturer, the mine operator, or the farmer applied, or hired to be applied, to the production of their respective products. In the assumption that labor could be taken as an objective, discrete quantum it was believed that unsatisfactory inter-personal comparisons of utility or disutility were avoided.<sup>1</sup>

If the employment by Ricardo of objective labor seemed to avoid some difficulties of inter-personal comparisons of utility, it did not avoid the realm of discourse only within which such objective comparisons were

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1 Cf. Ricardo's statements: "I like the distinction which Adam Smith makes between value in use and value in exchange. According to that opinion utility is not the measure of value." Notes on Bentham, III, p. 28h. Or, "If we say that value should be measured by the enjoyments which the exchange of the commodity can procure for its owner, we are still as much at a loss as ever to estimate value, because two persons may derive very different degrees of enjoyment from the possession of the same commodity." Proposals for an Economical and Secure Currency (London: 1816), IV, p. 61. Or, "Utility then is not the measure of exchangeable value...." Principles, p. 11. Or, "One set of necessaries and conveniences admits of no comparison with another set; value in use cannot be measured by any known standard; it is differently estimated by different persons." Ibid., p. h29.

actually made. Thus, it was for this very reason that notwithstanding in Marshall, for example, real costs were eventually conceived as subjective, psychological "sacrifices," they were still actually aggregated and compared in a manner analagous to Ricardo's aggregation and comparison of objective labor quantity. Marshall bent over backwards in the second chapter of Book I<sup>1</sup> to insist that pleasures, pains, or satisfactions to different individuals could not be compared. But he then went on to say that no great harm would be done in comparing such feelings if sufficiently large groups could be dealt with to smother the "personal peculiarities of individuals." This should not deceive any one. Even if Marshall's money were taken as he desired, viz. as an indirect measure of motive or effort; still, that measure was at bottom related to invalid interpersonal comparisons. Comparing "expences of production" was in the same conceptual class of operations as comparing "real costs of production."<sup>2</sup> And these

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1 A. Marshall, Principles of Economics (8th. ed.; London: 1820), 1949 reprint, pp. 12-19.

2 "When we speak of ratio between an effort and an abstinence, or even between two diverse efforts, we assume, ipso facto, an artificial mode of measuring them in terms of some common unit, and refer to the ratio between their measures. The pure science of Ethics halts for lack of a system of measurement of efforts, sacrifices, desires, etc., for her wide purposes. But the pure science of Political Economy has found a system that will serve her narrower ends. This discovery, rather than any particular proposition, is the great fact of the pure science.... A point of view was conquered for us by Adam Smith, from which a commodity is regarded as the embodiment of measureable efforts and sacrifices.... Proceeding from its new point of view, Political Economy has analyzed the efforts and sacrifices that are required for the production of a commodity for a given market at a given time; she has found a measure for them in their cost to the person who will purchase them, and then enunciated her central truth." A. Marshall, "Mr. Mill's Theory of Value," Memorials of Alfred Marshall, ed. A. C. Pigou, (London: 1925), p. 126.

comparisons were between the efforts and sacrifices, expressed in their money measures, which different individuals underwent in that productive activity which dominated Marshall's whole outlook.<sup>1</sup> Since these Marshallian real costs (expressed in their money measures) were not "relative" disutilities (in the Wicksteedian sense of "relative" noted above), but were instead "absolute" disutilities (in the sense that they were produced by a "pain" of exertion or unhappiness, rather than by a choice between "relative" alternatives); they were involved in all of the objections which have become the currency of the critical expositors.<sup>2</sup> And it seems evident when all of this development is understood, that Bailey's determination to look at economic phenomena through the mind of the economizing individual inexorably forced upon him the correct notion of "relative." With few exceptions, this notion was missing with dreary regularity from much of English political economy for a large portion of the nineteenth century.

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1 "It is not true therefore that 'the Theory of Consumption is the scientific basis of economics.' (Jevons, *op. cit.*, p. 41. Jevons actually said: "... the scientific basis of Economics is in the theory of consumption....") For much that is of chief interest in the science of wants, is borrowed from the science of efforts and activities. These two supplement one another; neither is complete without the other. But if either, more than the other, may claim to be the interpreter of the history of man, whether on the economic side or any other, it is the science of activities and not that of wants...." *Principles*, p. 76.

2 Cf. F. Knight, *Risk, Uncertainty, and Profits* (London: 1948), LSE reprint, pp. 51 ff. Fraser, *op. cit.*, pp. 92 ff. G. Stigler, *Production and Distribution Theories* (New York: 1946), pp. 62-66, 110-12, 231. J. Hicks, *Value and Capital* (2nd. ed.; Oxford: 1946), pp. 17-18.



It will be clear, at all events, that there was more than enough in Bailey's viewpoint to demolish what was an important element in Ricardo's theory, viz. that cost once embodied in a commodity could be considered "comparable" and "relative" in an objective, external sense, and that, therefore, cost could be considered as positive and absolute. Ricardo's device of reducing the causes of exchange value to the objective labor quantity required for the production of commodities did, it is true, provide him with a basis for "comparisons" of such causes. But it is important not to forget that this reduction to a single, objective fact was much more vital to his value theory as dominated by his peculiar distribution theory, than for value theory as an analytical problem in its own right. This, indeed, is what brought it about that Ricardo was less interested in investigating particular exchange ratios, than in changes in those ratios. Because, therefore, "comparative" came less to signify individual comparisons between labor costs of producing two contemporary commodities, and to signify more the changes through time which might occur in those costs, objective labor quantity came to represent positive or absolute value. As has been pointed out,<sup>1</sup> Ricardo was undisturbed when it was objected to him that it failed to make sense to speak of the relative or exchange value of the distributive shares of wages, rents, and profits. He was not stopped by this line of objection because he was not

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1 Chapter II, supra., pp. 56-57, 68-69.

looking at the distributive shares in a relative value sense at all. Bailey clearly understood this, and in a later chapter will use it to effect in objecting to Ricardo's theory of wages.<sup>1</sup>

Bailey had certainly seized the fact that Ricardo's real and Malthus' absolute value were non-relative in any meaningful or useful economic sense. He saw that those notions were a controversion of the concept and definition of value with which they had begun their deliberations. If they had kept the relative nature of value, and the reasons for its existence, continually before them, he had said, they would have been forced by the weight of logic to avoid the unhappy conception of value as independent, positive, or absolute. Because they failed to do this, they tried to make antagonistic ideas run together in the same harness. It might have been predicted that they would become entangled in their own lines.

Because Bailey's demonstration of the essential contradiction between the two concepts of value was not taken up and fully appreciated by his contemporaries, the notion of absolute or positive value remained in economic thought in England in some form until its successful expurgation by the thoroughgoing marginal analysis. This is not to claim for Bailey that he had fully succeeded in the cleansing operation required. Indeed, as will appear in subsequent chapters, he was unequal to, and did not

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1 Chapter VI, infra., pp. 230-58.

wholly perceive, the full implication of what was involved. But with all that, it is still necessary to observe that Bailey saw that the adoption of two kinds of value by Ricardo and the others could only end in confusion and obscurity. Because Ricardo and his heirs were permitted to substantiate their distinction of value into two kinds, the doors were opened to a proliferation of the concept.<sup>1</sup> There is great doubt that divisions such as this ever succeeded in conquering as much economic ground as Bailey took with his single weapon of exchange or relative value, nothing more or less.

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<sup>1</sup> Cf. as an extreme example, C. M. Walsh, The Four Kinds of Economic Value (Cambridge [USA]: 1926).

## CHAPTER IV

### THE MEASURES OF VALUE

It has been recognized for some time that Bailey's general argument contained within it the elements of successful first steps into index number theory. Karl Bode, for example, found that anyone who read the Critical Dissertation was "... assured against the danger of diverging from the strictly relative and plural character of exchange value -- a danger which is always present owing to the leanings of modern thought toward qualitative and monistic conceptions -- and he will then be in a position to embark upon such work as the positive construction of a theory of Index Numbers."<sup>1</sup> Professor Robbins likewise thought that index number theory could have avoided some of its pitfalls if Bailey's "main proposition" had been regarded more seriously.<sup>2</sup>

Once Bailey left his base camp of relative value, however, the judgements about his succeeding excursions were not so kind. Bode could see nothing in Bailey's measure of value theory which was helpful in the index number application to measurement of the value of money.<sup>3</sup> Somewhat earlier C. M. Walsh had charged that Bailey contradicted himself by denying the measureability of value through the course of time in the Critical Dissertation, only to take up the "measure" problem of changes in the value of money in a later work.<sup>4</sup> It is of some importance,

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1 Bode, op. cit., p. 343.

2 Robbins, Nature and Significance, p. 60, n. 1.

3 Bode, op. cit., p. 343.

4 C. M. Walsh, The Fundamental Problem in Monetary Science (New York 1903), p. 152.

therefore, to discover exactly what Bailey's argument involved and to decide between the alleged virtues and sins in the measure theory he constructed.

Like so many parts of the Critical Dissertation, Bailey's measure theory derived in large part from his reaction to "received opinion." As might be expected, most of his remarks were directed against Ricardo and Malthus, since they held such a substantial share of the published field on the measure discussion. The structure of Bailey's argument on the measure of value, therefore, was similar to that on the nature of value. For just as in the latter case he had been able to achieve his critical success by seizing the essence of the notions held by his contemporaries and by setting his own superior concept against them, so with the measure of value. It will appear that the soundness of Bailey's evaluations followed directly from his ability to go straight to the heart of the measure problem and thus to avoid the confusions and distractions which had so beset those preceding him. In Chapter III it has been established that Bailey had enjoyed almost a complete triumph on the problem of the nature of value. He had surmounted the sometimes confused and empty absolutist proposition maintained by Ricardo and Malthus by adhering strictly to his original relative value conception. It will be no surprise, then, to learn that this same foundation was more than strong enough to support his exertions under the present heading.

1.

In order to appreciate fully the merit of Bailey's argument on the

measure of value it is necessary to make a few observations about the present status of the theory of measurement. Until fairly recently it has been customary for economists to dismiss the basic problem of measurement with a reference to the logicians, wherein "intensive" was distinguished from "extensive" measurement.<sup>1</sup> The latter type proceeded by assigning similar numbers to objects displaying equal amounts of a particular quality, such as perhaps weight, length, area, etc. Any two such bodies so designated could be combined or added in order to equal a third body, which would in its turn be assigned the number representing the sum of the two numbers given to the two original bodies. In this way, a scale could be constructed on the basis of the so-called additive property, suggesting that the results of the actual physical operation of adding (or subtracting, multiplying, or dividing) quantities of the quality in question were confirmed in the results of ordinary arithmetic. The additive feature thus appeared to be "fundamental" to the process of measurement, probably because historically the first measurements were of the order of putting things together in a pile, setting equal weights upon a balance, or establishing equalities in lengths. By contrast with this procedure, however, intensive measurement assigned numbers to items displaying different degrees of some quality, such as hardness, loudness, sweetness, intelligence, etc. On this basis a scale would be set up on which the different objects would occupy higher or

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<sup>1</sup> M. R. Cohen and E. Nagel, An Introduction to Logic and Scientific Method (New York: 1934), pp. 289-90.

lower places as they had more or less of the quality involved. Intensive measurement, therefore, merely ranked or ordered the objects in relation to others of the same conceptual class. The assignation of numbers to these objects did not, however, serve to determine in any quantitative sense either the degrees of differences between or among the objects, or the amount of the quality being "measured."

So much is, of course, sufficiently familiar. But if economists came eventually to accept that their basic data, i.e. utilities, pleasures, satisfactions, preferences, and whatnot, were essentially intensive qualities to be "measured" only on an ordinal or preferential scale, it was not easy for them wholly to give up the conviction that there was something better about the way things were done with the extensive qualities handled by the physicist. The ability to add together objects manifesting these qualities, physically to check them against the results of simple arithmetic or vice versa, made it appear that there was some kind of scientific virtue associated with these extensive qualities which the intensive ones lacked. Thus, Professor Schumpeter could insist that "measureability" requires "(1) that it be possible to define a unit [of quantity]; (2) that it be possible to define addition operationally, i.e. so that it can be actually carried out."<sup>1</sup> From which it followed, of course, that utility or satisfaction was a "non-measureable quantity."<sup>2</sup>

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1 History of Economic Analysis, p. 1062, n. 1.

2 Cf. L. vonMises, The Theory of Money and Credit, tr. H. E. Patson, (New Haven: 1953), pp. 39, 47, 189, 419, for a similar viewpoint.

When the Theory of Games and Economic Behavior<sup>1</sup> announced that numerical measurement of utilities was possible, it seemed that economic science had attained a new status by acquisition of the much-desired additivity feature. Subsequent backing and filling have more or less made it clear, however, that this kind of measurement was not involved, notwithstanding the argument seemed to be the same as that of the "extensive" or "fundamental" type.<sup>2</sup> The question of just what kind of measurement is involved is fortunately in the process of being settled. And if the mathematics and technical language are somewhat frightening at the moment, there is reasonable expectation that in due time the subject will be presented in a form more or less palatable to even the most "literary."<sup>3</sup> What all of this means in the present context, however, is that only now is it being realized that the term "measurement" has been by no means agreed ground among economists. And recognition of this fact has tended to clear the air and to encourage exploitation of gains opened up by techniques which earlier would not have been sanctioned as "measurement."<sup>4</sup>

From the present perspective this development may be seen as a (probably unconscious) reflection of certain activities which had been taking place in nearby fields. In 1932 a Committee was appointed by the

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1 Neumann and Morgenster, op. cit., pp. 15-29.

2 Cf. Ellsberg, "Classic and Current Notions of 'Measureable Utility,'" op. cit., pp. 528-56.

3 Cf. A. A. Alchain, "The Meaning of Utility Measurement," American Economic Review, XLIX (March, 1953), 27-50.

4 Cf. R. H. Strots, "Cardinal Utility," American Economic Review, Papers and Proceedings, XLIII (May, 1953), 384-97.



British Association for the Advancement of Science for the purpose of considering whether it was possible to achieve a "quantitative estimate of sensory events." This Committee, representing the Mathematical and Physical Sciences (Section A) and Psychology (Section J), deliberated for seven years, and, in 1939, published its final report. It revealed that the nineteen members of the Committee had been unable to agree on whether or not scales of measurement in physics could find their counterparts in psychological investigations. Some members held that it was possible to establish a relation between physically measurable (in the additive sense) stimulants and a psychological response and that, therefore, it was possible to deal with sensation quantitatively.<sup>1</sup> Others argued that a false analogy had been drawn between physical measurement of a series of stimuli and the quantification of sensations; that it did not follow that because sensations could be ordered in a series, they could be measured.<sup>2</sup> An intermediate group claimed that it was possible to construct a scale of sensation intensities, but that such a scale did not depend upon the existence of physically additive magnitudes and that, accordingly, different scales of measurement were required in the different physical and psychological applications.<sup>3</sup> The report of the Committee concluded that "... no practicable amount of discussion would enable them to express an agreed opinion concerning these views." With some

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1 "Quantitative Estimates of Sensory Events," The Advancement of Science, I (January, 1940), 332-33.

2 Ibid., p. 334.

3 Ibid., p. 334.

discrimination it noted, however, that "the word measurement does not appear in the Committee's terms of reference, but has figured largely in the Committee's discussion. Had a definition of measurement been found that gave satisfaction to all its members the task of the Committee might have been less recalcitrant...."<sup>1</sup> Since the end of the Second World War, however, a discussion has proceeded in fields represented by the Committee of the British Association, the results of which seem to have established exactly what is meant by "measurement."<sup>2</sup> A variety of scales have been constructed to deal with the different phenomena involved and they have been freed from the constriction of the now relatively unimportant or infrequently used "fundamental," "additive" scale.<sup>3</sup> It has been recognized that

... in the social sciences, the methods [of measurement] which have been devised cannot be judged by the criteria applicable in physics because the problems are different from those of physics and the solutions also have been of a different nature. If numerical methods of description can be applied which aid in describing and predicting human behavior, then it is absurd to object to their use on the basis of a failure to satisfy a set of conditions designed for a different context.<sup>4</sup>

Now economists in the avante-garde of the current ordinalism-cardinalism debate seem to be in touch with this fact. They seem to

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1 Ibid., p. 33h.

2 Cf. S. S. Stevens, "Mathematics, Measurement, and Psychophysics," Handbook of Experimental Psychology, ed. S. S. Stevens, (New York: 1951), pp. 25-30.

3 Cf. G. Bergmann and K. W. Spence, "The Logic of Psychophysical Measurement," Readings in the Philosophy of Science, eds. H. Feigl and M. Scriven, (New York: 1953), pp. 103-19.

4 A. L. Comroy, "An Operational Approach to some Problems in Psychological Measurement," Psychological Review, 57 (July, 1950), 222.

indicate their awareness that there is nothing sacrosanct about any particular scale of measurement or measuring technique; they seem to realize that it is rather the rules governing the assignation of numbers in economic investigations which define the kind of measurement, hence measuring scale, involved. Thus, it is recognized that there are a variety of rules and a variety of measures which do not — and need not — necessarily have elementary physical or natural science counterparts. If the economists have been reluctant to involve themselves in the behaviouristic mazes of a few decades ago, they have nevertheless come to concern themselves with the things the psychologists and psychophysicists describe as "just noticeable differences," "equal appearing intervals," "fractionation judgements," and so on.<sup>1</sup> And these expressions simply denote the scalar techniques which have been developed by the psychophysicists to deal with their problems. It is worth stressing again, however, that in the construction of these scales of measurement it was agreed that no scale among the several was more or less "fundamental" than any other, or that it, or its results, necessarily suffered because the behaviour involved was or was not arithmetically verifiable.

All of this will undoubtedly seem a long way from Samuel Bailey, 1825, the Critical Dissertation, Ricardo and the others. In what is to follow, however, certain revealing parallels will appear between the

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<sup>1</sup> Cf. F. Knight, "Realism and Relevance in the Theory of Demand," Journal of Political Economy, LII (December, 1944), 304-5. J. Hicks, "Robbins on Robertson on Utility," Economica, N.S. XXI (May, 1954), 154-57.

position Bailey took on the process of measurement vis-à-vis his contemporaries, and the current developments which appear to have freed economic measuring from the somewhat simple (and, therefore, misunderstood) physical analogies. Specifically, it is possible to note in the position which Bailey took on the matter of measurement a definite "psychological" influence. So that just as today advances in the basic theory of measuring techniques have been achieved because, in effect, economists have come closer to the things the psychologists and psychophysicists were doing in the theory of measurement; so with Bailey. In his time he was able to advance the appreciation of measuring technique because, in a real sense, he came closer to the then equivalent of a psychologist-psychophysicist than any of the reigning economists.

Although Bailey's own psychological theories were not as developed at the time of the Critical Dissertation as they subsequently were to become, it is clear that investigation of mental phenomena had already interested him. The Formation and Publication of Opinions early revealed this,<sup>1</sup> and his high praise in the Preface of the Critical Dissertation for Thomas Brown's success in his study of "intellectual operations" and the "impalpable phenomena of thought and feeling" likewise indicated Bailey's interest in psychology.<sup>2</sup> Beyond this, like any Benthamite who was worth his salt, Bailey understood that it was impossible to carry the creed very far without a good knowledge of the operations of the

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1 Cf. Chapter I, supra., pp. 9-10; Chapter XII, infra., pp. 546-58.

2 Critical Dissertation, pp. xix-xx.

human mind. Indeed, his earliest and most striking success among the Philosophical Radicals was achieved by him precisely because he had shown that it was impossible to regulate the inner workings of the human mind on the basis of more explicit material evidence or testimony.<sup>1</sup>

When it is recalled that Bailey's achievement in expurgating real value from economic theory had likewise depended on his making value essentially "esteem" or "estimation," it is easy to see that he had merely exploited a condition which he had opened up elsewhere with his incipient "psychology." In the present context, however, this means that having used "psychology" to destroy "received opinion" on value as an independent, absolute notion, he would similarly be able to use "psychology" to eradicate the measures of value based on this unsatisfactory "received opinion." In other words, to the extent that Bailey had formulated the nature of value correctly, a correct measure of value should follow from it.

## 2.

On a first appraisal, several features of Bailey's measure theory stand out clearly. First of all, he was completely in touch with the fact that the nature of the measure of value was dictated by the nature of value itself. He was able to show that those writers whom he criticized had been misled by their invalid notion of value, and had,

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1 Cf. Chapter XII, infra., pp. 553-56.

accordingly, employed inept analogies for their measures of value. He proved this error by showing that the "measurement" applications Ricardo, Malthus and the others sought were actually better achieved in a different way by a different device. He confirmed that to the extent the others clung to their measure theory they were merely attempting to rationalize their erroneous monistic, absolutist conception of value.

In Chapter III<sup>1</sup> it was observed that Bailey had understood that value consisted of the esteem in which commodities were held, and that this esteem was expressed by the mutual exchange relation established between any two commodities. Generally, however, this exchange ratio could only be determined by discovering the respective exchange ratios subsisting between the two commodities and some mutual third commodity. From these data, then, it would be possible to calculate the exact exchange relation between the two relevant commodities — a relation, be it noted, which would express the respective esteems in which the commodities were held by the economic subject. Bailey was consistent, therefore, in bringing the nature of value, expressed in this way, into his argument about the measure of value. For if value were commonly expressed by ascertaining the two commodities' respective exchange ratios in a third commodity, it necessarily followed that the third commodity became the measure of value.

... All we can understand by a measure of value, is some commodity which would serve as a medium to ascertain the relation subsisting

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1 Supra., pp. 77-80.

between two other commodities, that we had no means of bringing into direct comparison. Thus, if I wished to know the relation in exchange between corn and cloth, and there happened to be no instance of direct barter of one of these commodities for the other, I could acquire the desired information only by ascertaining their relations to a third commodity. Supposing this commodity to be money, if a yard of cloth were worth 10s., and a bushel of corn 5s., I should learn immediately that a yard of cloth was worth two bushels of corn, and would have an equal power of commanding all other things in exchange, silver in this instance being the commodity employed as a measure.<sup>1</sup>

Bailey evinced not the least doubt about the nature of his measure of value, and made no further argument about it beyond a few brief statements of the fact.<sup>2</sup> On the other hand, he did understand that it was necessary for him to make clear what the measure of value was not. And it is this which sets him apart from his contemporaries and brings him provocatively up to date.

Although it had been taken for granted, said Bailey, that value was measured in the same way as length or weight, upon close scrutiny it appeared that the parallel was unwisely chosen. Measuring length meant ascertaining the ratio which one object bore to another. "We measure the longitudinal extension of a piece of timber, for example, by a foot-rule; that is, we find how often the length of the latter is contained in the former; and this is effected by the actual application of the rule to the timber. It is a physical operation...."<sup>3</sup> In the case of value, however, there was nothing which resembled such a definite physical act.

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1 Critical Dissertation, pp. 97-98.

2 Ibid., pp. 102, 104, 112, 117, 120, 152, 252-53.

3 Ibid., p. 95.

In inferring the mutual relation of value between two commodities from their respective relations to a third commodity, there was nothing analogous to physical measurement. No new fact was discovered by a "physical operation"; rather, it was a "calculation from certain data, a mere question in arithmetic."<sup>1</sup> It was easy, Bailey agreed, to fall into the error of thinking that such an "arithmetical" calculation was the same thing as determining the comparative lengths of two pieces of timber which could not be brought together, by applying a ruler first to one and then to the other piece. He expressly took the pains to point out, however, that in order for value to be measured it was necessary that the commodities involved have their relations given to some third "medium of comparison." As soon as the relations to the third commodity were known, the value would be known. In the case of "measurement" by rule, on the other hand, the measurement took place in the actual application of the rule itself. Any judgements of relative lengths occurred only after the determination of the extensional quality, the "measurement" strictly so-called, had been performed.<sup>2</sup> What this meant, practically, was that "measuring" value was something completely different from measuring length or weight, and that no advance in economic science was possible by trying to fit the former into the Procrustian bed of the latter. A measuring technique established for physical science need not be appropriate for a social science.

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1 Ibid., p. 96.

2 Ibid., p. 97.



Having shown the invalidity of the analogy between dimensional and value measurement, Bailey then took up a corollary of this alleged analogy, viz. that a commodity should possess invariable value in order to qualify as a satisfactory measure of value. This belief, he said, had passed unquestioned from one author to another under the conviction that the need for invariability of a measure in the dimensional sphere implied a similar restriction in the case of value. Of course, in strict logic Bailey was not required to take up this subsidiary matter, for he had already demolished the reputed analogy between extensional and value measurement. But he understood that the issue of invariability had become so deeply imbedded in speculations on the measure of value that his argument would not command sufficient attention and assent unless this idol of invariability were destroyed.

In measuring the length of an object, or of two objects in order to establish their comparative lengths, Bailey acknowledged that the third object or unit chosen as the measure had to be invariant in its own length during the interval or period of measurement. Or, if the measure itself varied during the period of its application to the relevant objects, the degree of such variation had to be known. Without these restrictions, he agreed, it would be impossible to formulate any significant ratios between the quality of the measure and the things to be measured. Invariability of the measuring device (or variations of it in known degrees), in other words, served to establish that a common denomination existed by which the results of the respective and separate "measurements"

could be compared.<sup>1</sup>

When attention was transferred to the case of measuring value, Bailey saw that it was likely that the need to express the mutual relations of value through the common denominator of some third commodity probably appeared as the same thing as the need to express the comparative lengths of objects in some common and invariable dimensional unit of measurement. He was entirely clear, however, that the two cases were not the same. The mere existence or coincidence of a common third factor or unit in both the dimensional and value cases should not, he insisted, obscure the fundamental differences in the respective processes of measurement. The function of the common unit of measurement in the case of length was clear enough. But, he went on to say,

... in the case of value, we obtain this common expression without that physical operation here described [in the case of length]. We learn the values of two commodities in relation to the third, not from the application of an instrument, first to one commodity and then to the other, but from intercourse with mankind, or from the inspection of documents in which they are registered. We equally obtain a common expression, but we obtain it by different means. But invariableness in the length of a measure of space, as above described, is a circumstance belonging to the means employed to obtain a common expression of length; and as the means of obtaining a common expression of value are totally different, as in fact the common expression is necessarily implied in the supposition of using any commodity as a medium of comparison, there is nothing in the latter case in which invariableness of any kind, or in any sense can be employed. In the one case there is an instrument employed in a physical operation, and it is for the purpose of rendering this instrument capable of performing its function, that invariableness is indispensably necessary: in the other case there is no instrument so employed, and therefore there is no invariableness wanted: in the former case invariableness in the instrument

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1 Ibid., pp. 105-8.

(under the modification which it is needless to repeat) is essential to the attainment of the common term; in the latter, the common term being given, there is nothing in which invariableness can have place, or of which it can be predicated.<sup>1</sup>

It was absurd then, to seek invariability in a measure of value.

Suppose A to be the commodity selected as a measure, and that it is invariable in value to B. I have here got an invariable value, but in what way am I to use it in regard to other things? When I have an invariable space, or an unvarying distance between two points, I can apply it mediately or immediately to all other spaces or distances within my reach, and ascertain their respective ratios in it, but the invariable relation of value between A and B can tell me nothing of the mutual value of C and D; or, to vary the language, the power which A has to command B, can tell me nothing of that which C has to command D. I do not in any sense measure the relation of value between two commodities, by that existing between two other commodities. Invariable value, therefore, can be of no service. The only meaning to be attached to the phrase measuring value, the only operation implied in it, is, as we have seen, that comparison of the values of two objects which we are enabled to make by their separate relations to a third, or, in other words, by having these values expressed in a common term of denomination. But the capability of expressing the values of commodities has nothing to do with the constancy of their values, either to each other or to the medium employed; neither has the capability of comparing these expressions of value any thing to do with it. Whether A is worth 4B or 6B, and whether C is worth 8B or 12B, are circumstances which make no difference in the power of expressing the value of A and C in B, and certainly no difference in the power of comparing the value of A and C when expressed.<sup>2</sup>

Although Bailey himself did not put it this way, it seems clear enough, from the present perspective, that the reason he was able to speak so strongly on this distinction between value and dimensional measurement was because he had already taken value as ultimately a "mental affection." The price-quantity data compiled in records and documents

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1 Ibid., pp. 108-9.

2 Ibid., pp. 103-5.

might be material, physical facts, but they only resulted from the movements of the basic mental or estimative operations. In the last analysis, therefore, measuring value amounted to a mental comparison of exchangeable commodities through the medium of some third commodity. This was clearly not on the same plane of concepts as using an instrument to establish degrees of an extensional quality. Realization of the degrees of the value quality followed, or rather was identical with, the mental experience of calculating relative esteems. The establishment of value, or the calculation of exchange ratios, therefore, was not a "new fact" derived from other separate and independent facts; rather, it was part of the interdependent complex resting basically on internal feelings. Thus, no "physical operation" was necessary in order to reveal the quality of value, because the system of exchange ratios had already been settled metaphysically. In other words, the term "measurement" did not necessarily mean the same thing in its economic, as in its physical, application.

When it is recalled that Bailey already had one foot in the psychologist's camp, it is easy to see why he, of all people, should have been willing and able to break away from the "slight analogies with which economists had generally contented themselves in dealing with the matter of a measure of value."<sup>1</sup> It is not intended to suggest that Bailey was on top of the matters which was mentioned in the first section of the

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1 Ibid., p. 102.

present chapter. But there must have been some reason for his breaking out of the accepted patterns of his time. And the most plausible explanation seems to reside in his psychologist's disposition.<sup>1</sup> In his period Bailey could protest against constricting value measurement in a physical framework, just as it is possible today to deal with psychological or psychophysical magnitudes outside the construct of traditional or simplified, "fundamental," additive measurement. Within his frame of reference Bailey understood that nothing was achieved by pursuing an invariable measure of value, because value was a concept in which invariability was meaningless and could result in no significant advances. This is analogous to the appreciation today of the fact that utility or satisfaction is a non-additive quality and that, therefore, to manipulate invariable "util" units is a waste of time.

## 3.

The next step in Bailey's argument was perhaps the most important of all. For it brought him in effect to the threshold of the index number problem and, at the same time, provided him with a platform from which to discharge his criticisms of the measure theories espoused by his contemporaries. It was generally maintained, he said,

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<sup>1</sup> The remarkable figure in all of this, in passing, is surely James Mill. As a psychologist he was probably streets ahead of Bailey. Cf. Chapter XII, *infra.*, p. 580. Why this did not raise him from his almost mechanical economic doctrines is difficult to explain.

... that money or any other commodity is a good measure of the value of commodities, only at the same time, because it is liable to vary: while to perform this function correctly, there should be a commodity the value of which did not vary from one age to another; as to measure the lengths of objects at different periods, there must be an object of invariable length.<sup>1</sup>

Having previously demonstrated exactly what was involved in value and dimensional measurement, it was not difficult for Pailey to dispose of this argument. It was agreed on all parts, he said, that invariability was a requirement in a satisfactory process of physical measurement. In the case of value, on the other hand, the only requirement was that the commodities concerned be related to some mutual third commodity. And this reduction to a "common denomination" was easily done, or rather, was already done. The price-quantity data of commodities obviously revealed their respective values in relation to money and, therefore, revealed their value relations to one another. "If money, therefore, is a good medium of comparison at one time," he concluded, "it is at all times."<sup>2</sup>

It would doubtless be objected to this viewpoint, he went on to point out, that money might serve adequately as a measure of value or medium of comparison between several commodities at given, discrete intervals, but that this would not by itself ensure that money could serve

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1 Critical Dissertation, p. 111. In a footnote to this observation, Pailey cited as evidence the following passage from the Wealth of Nations, I, Book I, Ch. 5, p. 39. "'At the same time and place, money is the exact measure of the real exchangeable value of all commodities. It is so, however, at the same time and place only.'"

2 Ibid., p. 112.

as a satisfactory measure of value between commodities at different times. This objection was misconceived, he claimed, for it was based on the assumption that a relation of value could exist between commodities at different times, just as a relation of value could obtain between commodities at the same time. The truth of the matter was, however, that no relation of value existed between commodities at different periods.

It is a direct inference from the explanation of value in the preceding chapters, as denoting a relation between two commodities, a relation incapable of existing when there is only one commodity, that it cannot exist between a commodity at one period and the same commodity at another period. We cannot ascertain the relation of cloth at one time to cloth at another, as we can ascertain the relation of cloth to corn in the present day.<sup>1</sup>

In the nature of the case, "... if no relation [of value] exists there can be no measurement of it. It is, in truth, only the value of commodities at the same time that can be measured."<sup>2</sup> Merely because objects in different periods could be compared or measured as to length was no reason to assume that the value of commodities similarly situated could be "measured" in the same manner. The "uninterrupted transmission" of some given object obviously permitted intertemporal measurements of length. "But this circumstance can evidently have no existence in the measurement of value, which is the ascertainment of a relation between contemporary commodities, and not between objects at different periods."<sup>3</sup>

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1 Ibid., p. 71.

2 Ibid., p. 113.

3 Ibid., pp. 113-14.

Having said this much in his iconoclastic view, it is an important mark in Bailey's favor that he realized that mere denial of the measurement of value between commodities at different periods did not mean that all inter-temporal discussions about value were invalidated. With a perception far in advance of his time and, therefore, very close to the index number problem, he took especial care to explain exactly what was involved in inter-temporal, or inter-spacial, discussions.

The only thing to be done, with regard to different periods, is to compare the relation of value subsisting between any two commodities, A and B, at one period, with the relation subsisting between them at another; or, in other words, the quantity of A which purchased B at the former time, with the quantity of A which purchased B at the latter. This is evidently a simple comparison, in which neither A nor B performs the function of a measure, or medium, in any possible interpretation of the term. That office has in all likelihood been already discharged in ascertaining the relative quantities of A and B at each period; and if, as is probable, these quantities have been ascertained by means of the prices of the commodities, money has been the medium of comparison. But after these quantities have been ascertained, there can be no place whatever in the subsequent comparison for any medium, no conceivable function for it to perform.<sup>1</sup>

Comparisons of the money prices of a commodity in different periods, he continued, were not the same thing as comparisons between the money prices of different commodities at the same points of time. In the latter case, the thing accomplished was an inference from money prices to the purchasing power of the commodities over each other, or other commodities. Money obviously was the measure of value or medium of exchange. In the former case, however, the facts furnished were simply the money

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1 Ibid., pp. 115-16.



prices of the commodity at the different periods. From these facts no inference analogous to that in the other case could be made; no deduction between the value of the commodity in the first and the second period could be reached, because no relation of value existed; no inference from the facts could permit the determination of the power of purchasing of one commodity over different commodities in the other period. To make such an inference would be an attempt, in effect, to ascertain the quantities of a single commodity which would exchange for other quantities of the same commodity in different periods.<sup>1</sup> And this, he concluded, was "obviously absurd."

We cannot ascertain the relation of cloth at one time to cloth at another, as we ascertain the relation of cloth to corn in the present day. All that we can do is to compare the relation in which cloth stood at each period to some other commodity. When we say, that an article in a former age was of a certain value, we mean, that it exchanged for a certain quantity of some other commodity... Value is a relation between contemporary commodities, because only such admit of being exchanged for each other; and if we compare the value of a commodity at one time with its value at another, it is only a comparison of the relation in which it stood at these different times to some other commodity.<sup>2</sup>

Therefore, money as a measure of value was simply the "medium of comparison" between commodities at the same time. Consequently, the contention that money was not a satisfactory measure of the value of commodities at different times was

... either false or amounts to nothing. If it means that money is not equally a good measure of contemporary commodities at any

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1 Ibid., pp. 116-17.

2 Ibid., pp. 71-72.

period, it is directly opposite to the truth; if it means that it is not a good medium of comparison between commodities at different periods, it asserts the incapability of performing a function in a case where there is no function for it to perform.<sup>1</sup>

It is important to be clear on what Bailey has done here, for it would seem that his position has not always been understood. Bailey had not sought to deny that inter-temporal comparisons of value are desirable and important; on the contrary, he endeavoured to make quite plain exactly what is involved in such comparisons. What an inter-temporal comparison of value did not mean, he had asserted, was that a given portion of some commodity would have exchanged for in the past, or would exchange for in the future, a given amount of that same commodity at that past or future period.

If a commodity A in the year 100 was worth 2B, and in 1800 was worth  $\frac{1}{2}$ B, we should say that A had doubled its value to B. But this, which is the only kind of comparison we can institute, would not give us any relation between A and B in each of those years. It is impossible for a direct relation of value to exist between A in 100 and A in 1800... It will at once be seen how absurd it would be to talk of the power of A in the year 100, to command in exchange the same commodity in 1800.<sup>2</sup>

In Bailey's terminology, the only things that can be made inter-temporally are "comparisons." And "comparisons" transpire between value relations established in discrete periods.

Now although it may be said with Professor Robbins that "it is possible to exchange goods now for goods in the future, and we can conceive

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1 Ibid., pp. 115-16.

2 Ibid., p. 73.

an equilibrium direction of price changes through time";<sup>1</sup> yet, what this really means is that from an evaluation of the importance of one thing compared to another thing or things, in different periods, an inference is made that the one thing is worth so many of itself or other things in another period. That is, two of A may be considered as equivalent to certain other things for which it might exchange in period 1, and one of A might be considered as equivalent to these "same" other things in period 2; and from this, it may be inferred that two of A in period 1 are worth one of A, or the other things one of A would have exchanged for, in period 2. But this inference is possible only because an actual or contemplated exchange of A for other things in the given periods actually did, or might take place. It is important to understand that the essential fact consists in the exchanges (whether actual or "psychic") made or contemplated in the separate, discrete periods. For by itself, the statement that, say, two pounds now are considered to be equivalent to one pound at some time in the future, is meaningless. On the other hand, it is correct and significant to say that two pounds now compared with the things they might now purchase, are, or might be, equivalent to one pound in the future compared with the things it might then purchase. Bailey understood with the utmost clarity what was meaningful in this "comparison" connection. "We cannot say, that a pair of stockings in James the First's reign would exchange for six pair in our own day;

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1 Robbins, Nature and Significance, p. 62.

and we therefore cannot say, that a pair in James the First's reign was equal in value to six pair now, without reference to some other article."<sup>1</sup>

The proviso is important and Bailey was surely in touch with economic realities in insisting upon it. Moreover, the immediate urge to deny him, by noting that things in the future can be discounted to the present in order to establish an equivalence between them at the different periods of time, may be suppressed. For the discount is only applied in order to compensate for a time, or a liquidity, preference. And the "preference" obviously means nothing more than an attempt to reckon what the commodity or money can be used for in the instant, as compared with the future period. It is the difference in the anticipations of the relation between the commodity or money in each of the intervals which gives rise to the discount or premium. In other words, it is the value relation, or expected relation, between the commodity or money and other things in the relevant periods which keys off the entire calculation. No one would ever accept an agio or discount if there were no prospect of establishing value relations between the commodity or money and other things at the future date.

In light of what has been said, it is difficult to agree with either C. M. Walsh<sup>2</sup>

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1 Ibid., p. 72. Italics not in original.

2 Bailey "... denies that the 'value' of a thing can be compared with itself at different periods, or that there can be measurement of 'value' through the course of time." Walsh, Fundamental Problem, p. 152.

or Karl Bode<sup>1</sup> in their judgements on Bailey. From what has been said above, it should be clear that Bailey never denied that inter-temporal comparisons of value could take place, although both Walsh and Bode seem to maintain the contrary. Admittedly, Bailey did not entirely understand subjective evaluations; as a result, he was unable to formulate a coherent theory of prospective value relations through time.<sup>2</sup> But he did understand that it was the prices of commodities in different periods which made it possible to derive the quantitative exchange relationships existing between or among commodities in those respective periods. He understood that it was these quantitative relations which were meaningful for economic conduct. He realized that from them, indeed, it was possible to make inter-temporal comparisons of value, given that "value" meant "exchange value," as he had specified. Bailey's inter-temporal comparisons were of the order of so much of A for so much of B in period 1, compared with so much of A for so much of B in period 2. Thus, inter-temporally Bailey spoke of comparisons; intra-temporally, however, he spoke of "measures." Because both Walsh and Bode had a different notion of "value" in mind and, therefore, a different notion

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1 Bailey "... was quite correct in his statement: 'We cannot say a pair of stockings in James the First's reign would exchange for six pair in our own day: and we therefore cannot say, that a pair in James the First's reign was equal in value to six pair now, without reference to some other article'; but only because the time-extension of economic plans, particularly those connected with credit, does not cover centuries. On the other hand, in all cases where the periods in question fall within the scope of one plan, intertemporal comparison of value is not only possible but is essential to the rationality of the plan." Bode, op. cit., p. 344.

2 Robbins, Nature and Significance, p. 60, n.1.

of a "measure" appropriate to it; they condemned Bailey out of hand for not "measuring" the kind of "value" they envisaged. In doing so, however, they failed to see or credit that Bailey's "comparisons" of value really were significant aspects of his argument, standing side-by-side with his theory of the measure of value.

#### 4.

Having observed in the two preceding sections the manner by which Bailey had presented his own argument on the measure of value, it will be possible in the present section to consider the way in which he applied his theory against Ricardo's position. In Bailey's view a measure of value signified nothing more than a medium of comparison, or a common denominator, by which the exchange relations of two or more commodities could be deduced from their respective relations to that common medium. Inter-temporal comparisons of value resulted from the application of this measure of value function to different periods. In using the measure of value inter-temporally it was possible to make comparisons of the relations of value between commodities as they were exchanged for one another in different periods, but nothing could be inferred regarding any single commodity in comparison to itself exclusively in the respective periods. In a word, inter-temporal comparisons of value were entirely possible, but an exchange of one commodity for itself between two periods was certainly not possible; an attempt to make it so was nothing more than an attempt to make value into something other than exchange value. It is

Bailey's acute perception of this fact which constitutes the main lesson of the present section.

In Chapter II,<sup>1</sup> it was established that Ricardo had sought an invariable measure of value. By using it he hoped to be able to discover when and where the causes of a change in exchange value had occurred. He had come up with gold as a commodity less subject to causal changes in its own "value" and, therefore, as best suited to indicate the occasion of alterations in the causes of the value of other commodities. On this basis he believed that he could reckon the variations in value on which his distributive theory could be worked out. When Bailey took up the matter of Ricardo's measure of value, he was quick to perceive that the allegedly invariable gold measure involved "contradictory conditions." First, if value were purely relative, it was physically impossible to discover any object which remained unaffected when any of the causes of value altered. Beyond that, to assume that a commodity was invariable in value in order that it ascertain variations in the value of other things, was absurd; any single commodity invariable in value would necessarily mean that all commodities were invariable in value and, therefore, there would be no variations to ascertain.<sup>2</sup> The demand for invariability in a measure of value, Bailey emphasized once again, was based on the false analogy with length; the truth was that

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1 Supra., pp. 50-52.

2 Critical Dissertation, pp. 119-20.

"... fluctuations in value are not ascertained by any measure, but by historical evidence..." and "... a measure of value can signify nothing but a medium of comparison for contemporary commodities...."<sup>1</sup> Now if Ricardo were genuinely interested in obtaining a measure of value, Bailey added, there was no particular assistance to be gained in supposing his money to be produced by a constant amount of labor.

Silver, even if invariable in its producing labour, will tell us nothing of the value of other commodities. Their relations in value to silver, or their prices, must be ascertained in the usual way, and when ascertained, we shall certainly know the values of commodities in relation to each other; but in all this there is no assistance derived from the circumstance of the producing labour of silver being a constant quantity.<sup>2</sup>

Moreover, silver produced by a constant quantity of labor would not be of any particular help in ascertaining fluctuations in value, for a change in the exchange relations between commodities and silver would equally follow, or be revealed by, silver produced by varying quantities of labor.<sup>3</sup> The only inference to be drawn from a changed exchange relation between commodities and silver produced by a constant quantity of labor, was that the cause of the changed relation necessarily appeared in the former. And it was this, of course, which was Ricardo's objective after all.

A commodity, therefore, under these conditions, produced by an invariable quantity of labour, would enable us to ascertain, not the fluctuations in value between two or more commodities

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1 Ibid., p. 120.

2 Ibid., p. 122.

3 Ibid., p. 123.



(for these are facts to be gathered from appropriate evidence), but the fluctuations in the quantity of labour which produced them: and in truth, if we examine what is the particular advantage which Mr. Ricardo himself supposes we should be able to derive from the possession of such a commodity, we shall find it to be in reality that which is here described, the power of ascertaining, not the variations in value, but the variations in the producing labour of commodities.<sup>1</sup>

In support of this judgement Bailey was able to cite the passage from Section three of Ricardo's first chapter, in which money produced by a constant quantity of labor permitted the assignation of changes in the quantity of producing labor of the familiar salmon and deer.<sup>2</sup> This passage, declared Bailey, accurately described what a commodity produced by a constant quantity of labor would be able to ascertain. Ricardo, he said,

... does not tell us that such a commodity would enable us to ascertain the value of fish or game, or their variation in value, but this variation being given, that it would enable us to infer how much of it was to be attributed to a change in the labour required to obtain the salmon, and how much to a change in that required to obtain the deer.<sup>3</sup>

Bailey perhaps expressed himself somewhat too strongly in insisting that Ricardo "... has in truth confounded two perfectly distinct ideas, namely, measuring the value of commodities, and, ascertaining in which commodity, and in what degree, the causes of value have varied."<sup>4</sup> For from what has been said elsewhere<sup>5</sup> Ricardo probably would have denied

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1 Ibid., p. 124.

2 Ricardo, Principles, pp. 27-28, as quoted in Critical Dissertation, pp. 125-26.

3 Ibid., pp. 126-7.

4 Ibid., p. 122.

5 Cf. Chapter II, supra., pp. 45-48, 72-74. Chapter III, supra., pp. 91-94.

"confounding" the "two perfectly distinct ideas." He would doubtless have admitted that he was primarily interested in ascertaining the causes of variations in exchange value and that most of his attention was centered on that problem. But with all that, Bailey was still correct in calling attention to Ricardo's error in describing the so-called invariable commodity a "measure of value," particularly since Ricardo had agreed at the outset to take value as exchange value.<sup>1</sup> Ricardo's commodity was a measure of "value." But by this time, as Bailey had proved, "value" had become something else.

Bailey understood that when Ricardo had tried to construct a measure of value on the basis of constancy in the quantity of its producing labor, he had really drawn up a new conception of "value" as it appeared in the phrase "measure of value." That is, when Ricardo had attempted to derive the relation of value between two commodities from the respective quantities of their producing labor, the notion was clearly exchange value.<sup>2</sup> But when he spoke about a commodity produced by an invariable quantity of labor, he was concerned with something different from relative or exchange value. Indeed, Bailey insisted, the presence of "invariability" was almost certain testimony that Ricardo's "real value" had entered the discussion.

On reviewing this subject from first to last, it appears to me, that nearly the whole of the vagueness, confusion, and perplexity in which it has been involved, may be traced to an

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1 Cf. Chapter III, supra., pp. 89-90.

2 Ricardo, Principles, pp. 12-13.

unconscious vacillation between two distinct ideas. There are evidently two senses in which the term measuring value is employed, and it is the unconscious passing and repassing from one to the other, which has been the source of the mischief: one of these senses, and the only proper sense, is, ascertaining the mutual value of two commodities by their separate relations to a third; the other is, ascertaining, when two commodities have varied in value, in which of them the variation has originated. The transition from one of these ideas to the other is, I think, perceptible in the doctrine examined in the text, that money is a good measure of value for commodities at the same time, but not for commodities at different times. In the first part of this proposition, the term measure is used in the former sense, and it is meant to assert, that the value of commodities to each other is shown by their prices, or values in money. In the latter part of the proposition, a transition is made to the second meaning, and it is intended to say, that the value of a commodity in money at different periods does not show whether there has been any alteration in the circumstances of its production; whether any variation in its price has originated with it, or with the money in which its value is expressed... It is probably the latter construction of the term measure, under which invariableness has been so generally supposed requisite. But this, as is shown in the course of the present chapter, would not be invariableness of value, but invariableness of cost, or invariableness in the circumstances of production; and what would be measured by it would be that cost, or those circumstances, and not value.<sup>1</sup>

Moreover, it was possible to detect in Ricardo's exposition an additional "vacillation." Ricardo, he said, sometimes referred to a commodity produced by a constant quantity of labor as a measure of value, and sometimes to labor itself as a measure. When the former notion was employed, Ricardo wanted to "indicate the variations in the cost of production, or producing labour of other commodities"; when the latter was used, however, he desired to make clear that "when the quantities of labour respectively required to produce commodities are known, their values in relation to

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1 Critical Dissertation, pp. 248-50.

each other are thereby determined."<sup>1</sup>

Although Bailey weakened his argument slightly by not stating definitely that Ricardo's invariable measure of value was directed exclusively toward Ricardo's "real value," this, in effect, was what his entire criticism amounted to. He had shown beyond doubt that "real value" in Ricardo's argument was identical with cost of production.<sup>2</sup> Therefore, to the extent that Ricardo's invariable measure of value was called upon to make extant variations in (labor) cost of production of commodities, the invariable measure was part and parcel of Ricardo's notion of real value.

... Although Mr. Ricardo is professedly speaking of a commodity produced by invariable labour, in the character of a measure of value, he is in reality, without being conscious of the difference, altogether occupied with the consideration of that commodity as capable of indicating variations in the producing labour of other commodities. Instead of a measure of value, such a commodity as he describes would be a measure of labour, or a medium of ascertaining the varying quantities of labour which commodities required to produce them.<sup>3</sup>

Thus, "... the real object which he contemplated in a measure of value was to ascertain by it the charges which commodities might undergo in regard to the quantity of labour required to produce them."<sup>4</sup> And in this, concluded Bailey, Ricardo was followed by "economists in general," whether they were aware of it or not.<sup>5</sup>

If the analysis of the inception and growth of Ricardo's measure or

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1 Ibid., pp. 254-55.

2 Cf. Chapter III, supra., pp. 106-108.

3 Critical Dissertation, pp. 127-28.

4 Ibid., p. 176, n.

5 Ibid., p. 127, n.

index theory given in Chapter II<sup>1</sup> is at all correct, it is apparent that thus far Bailey has met with almost complete success in demonstrating the motivations behind Ricardo's measure argument. It has been seen that Ricardo sought to evade the Smith-Malthus theory, in which profits might never "really" fall, by constructing a theory of "value" which could so relate the distributive shares that a variation in profits (as defined by Ricardo) could be traced to one main cause -- viz., the quantity of labor necessary to procure the subsistence of the laborers. It was expressly in order to isolate the movements and variations of this cause that Ricardo struggled so intently with his so-called invariable measure of value. Armed with this measure (plus a few tacit assumptions about time periods, proportions of fixed to circulating capital, etc.) Ricardo thought he could then show that when a change in relative value had occurred it could be attributed to one cause only. From this demonstration, he then thought he could go on to infer the effects on the distributive shares received by the three social classes, particularly the capitalist class. In this way, a general progression of the economy through the course of time could be plotted, free from any of the allegedly "disruptive" influences which Malthus' profit theory would have occasioned. In setting up this analysis, Ricardo most certainly did what Bailey said he did: an alteration in relative value(s) having occurred, Ricardo needed to discover the cause which had brought such an alteration

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1 Supra., pp. 43-52.

about. Indeed, unless he were able to do so he would be unable to substantiate his judgement about the Smith-Malthus variations being inconclusively "nominal."

That Bailey was able to direct a revealing light toward the equivocal foundations of Ricardo's argument, as hidden in the haze and obscurity of the Principles, is a mark of true perception and critical acumen. It would be misleading to suggest, of course, that Bailey himself appreciated all of the possible ramifications and consequences of what he had done. Considering the thousands of pages that have been written in critical commentary on Ricardo, it is hardly to be expected that a mere 250-odd page octavo volume could have opened up all of the avenues leading from Ricardo's impressive structures. But this admission cannot controvert the fact that by wise employment of logic and adherence to his fundamental proposition, Bailey was able to lay bare the serious ambiguity with which Ricardo had set out. Bailey's appraisal of Ricardo's theory of a measure of value revealed which side of the ambiguity Ricardo had selected as the more important for his over-all argument. For, in a sense, it was by disclosing Ricardo's inconsistency on the measure of value that Bailey was finally able to pry loose from its encumbering environs Ricardo's basic concept of real value. Once this was exposed, it was easy, of course, for subsequent and greater economists than Bailey to bring down the edifice Ricardo had built upon real value and to replace it by a superior structure founded on the utility analysis. But before this could be done, however, real value had to go. And Bailey, above all,

was the one who contributed most to helping it on its way. He gave definitive proof to the logical inconsistency between relative and real value; he understood what none before him had perceived, viz., that once invariability had been admitted with the measure of value, relative value had been replaced by a different concept. He demonstrated that if in fact a measure of value were invariable, there would be no variations in value for it to ascertain, because it would always exchange for the same quantities of other things. He showed that if invariability were still deemed desirable or necessary, it meant that the invariability was to be applied to something other than value, — other than exchange value, that is. And in most cases, therefore, invariability meant invariability of cost of production or real value. How important this conclusion is will appear in the following section.

## 5.

It was characteristic of him that, having demonstrated an ambiguity in Ricardo's argument concerning the nature of value, and having shown that in the way he used his measure of value Ricardo confirmed the existence of that ambiguity, Bailey should seek to show why Ricardo thought he was justified in his presentation. In other words, Bailey saw the need to come to grips once more with Ricardo's real value, albeit this time under the provocation of the measure of value theory.

Bailey had already established that a measure of value was a "medium of comparison." Any commodity or money would serve as a measure of value

in any period or place, and to suppose invariability in the value of the measure was to raise self-contradictory conditions. Inter-temporal and inter-spacial comparisons of value could be made with no difficulty, merely by consulting available "records" or "evidence." But there was nothing required to "measure" the value of commodities in different times or places because no relation of value existed between such commodities. When Ricardo drew up his "invariable" commodity to "measure" the variations in value between different times or places, he committed an error in changing his conception of value from that with which he had begun.

Thus,

When Mr. Ricardo tells us, that a commodity always produced by the same labour is of invariable value ... by the epithet invariable he clearly means, that its value at one time will be precisely the same as its value at another, not in relation to other commodities, for he supposes all other commodities to vary, but in relation to itself. He distinctly states, that if equal quantities of gold could always be obtained by equal quantities of labour, the value of gold 'would be invariable, and it would be eminently well calculated to measure the varying value of all other things,<sup>1</sup> whence it follows, that this invariableness must be intended to be affirmed of the value of gold compared with itself<sup>2</sup>, and not of any relation between gold and some other commodity.<sup>2</sup>

Now Bailey had had no trouble in showing that Ricardo had believed a commodity would remain invariable in its value if it continued to be produced by the same quantity of labor, or that Ricardo took value to be some positive, independent result of the application of a definite quantity of labor.<sup>3</sup> Therefore, it followed that to the extent Ricardo

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1 This extract is from Ricardo's Principles, p. 87. The italics are Bailey's.

2 Critical Dissertation, pp. 74-75.

3 Op. Chapter III, supra., p. 108.



persisted in his claim for an invariable measure, (1) he was seeking to expose variations in real, not exchange, value, and (2) he was trying to compare this real value of a commodity at different times or places. DeQuincy was one with him in this as well,

The following passage from the Templar's Dialogues on Political Economy, is a conspicuous example of the error in question. 'I wish to know,' he [i.e. DeQuincy] says, 'whether a day's labour at the time of the English Revolution bore the same value as a hundred years after, at the time of the French Revolution, and if not the same value, whether a higher or lower. For this purpose, if I believe that there is any commodity immutable in value, I shall naturally compare a day's labour with that commodity at each period. Some for instance have imagined that corn is of invariable value, and supposing me to adopt so false a notion, I should merely have to inquire what quantity determined the relations of value between labour at the two periods.'<sup>1</sup>

To which Bailey well replied:

It scarcely needs pointing out, after the explanation I have given, that no relation of value could exist between labour at these two periods: the only point to be ascertained would be, whether the same or a different relation existed at both periods, between corn and labour, and this would be equally well ascertained, without supposing the condition of corn being immutable in value. This very supposition implies, either that the fact which it is wished to ascertain is already ascertained, or, that the value of corn at one period may be compared with the value of corn at another period, with no reference to any other commodity in the world.<sup>2</sup>

It is perhaps unfortunate that Bailey did not express himself rather more carefully and pointedly on this matter, for his conclusion was important and needed to be fixed as securely as possible in the minds of his readers. From what he had demonstrated, it was obvious that none of

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<sup>1</sup> DeQuincy, "Dialogue the Fifth," op. cit., p. 95, as quoted in Critical Dissertation, pp. 76-77.

<sup>2</sup> Critical Dissertation, p. 77.

Ricardo's or DeQuincy's conclusions were valid if the "value" they spoke about meant exchange or relative value. Such a position would have implied "the contradiction involved in affirming the stationary or invariable value of any object amidst the variations of other things...."<sup>1</sup>

But, as Bailey's argument had also implied, their views might have been supported in logic, if not in truth, provided the "value" they had in mind was something other than exchange or relative value. Now if Bailey had been willing to prefix the adjectives "real," or "positive," or "absolute" before his use of the term "value" in the critical passages quoted immediately above, he would have shown very clearly that the objective Ricardo and DeQuincy had in mind was to compare, not exchange value, but that intrinsic quality derived from labor expenditure.

Ricardo and DeQuincy obviously believed that it was possible to compare such a quality at one period with the same quality at another period, provided only that the quality itself remained in the same conceptual class. Now Bailey himself had had no difficulty in showing that Ricardo and DeQuincy had derived the quality "real value" from the fact of a commodity's having been the "independent result of labour" applied for a certain length of time.<sup>2</sup> Therefore, if Ricardo and DeQuincy believed that "real value" or "absolute and natural value" formed an independent quality of the commodities being compared, then the inter-temporal

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1 Ibid., p. 16.

2 Ibid., p. 41.

investigations they proposed could have been made and their "measures" would have fulfilled the function for which they had been designed. Furthermore, if such comparisons of "value," as an independent property, were valid, then they would have been justified in drawing their analogies between the "measurement" of such "values" and ordinary physical measurement. The determination of changes in "real" or "absolute" value would have been in the same class of operations as ascertaining changes in the dimensions of physical objects.

If all of these consequences were possible under the assumptions, it is evident that, at bottom, they depend exclusively on whether or not the conception of value as an independent property of objects was sound. Although Bailey obviously believed that he had adequately disposed of the notion of real or absolute value,<sup>1</sup> it seems clear that he could have sharpened his point if he had admitted that Ricardo had formulated a theory of measuring which was satisfactory provided "value" were understood as Ricardo apparently wished. It then would have been necessary for him only to point out the fallacy of value as an absolute or positive conception, in order to pull the props from beneath the over-all measure constructions. Of course, Bailey's argument amounted to this destruction. But his general conclusions would have drawn greater attention if, instead

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1 "As to real value, the last chapter (II) has shown that it is a nonentity." *Ibid.*, p. 58, n. And, "should Mr. Ricardo, or rather should any of his followers, shelter himself under the notion of real value, and thus escape the absurdity here charged upon him (of supposing invariability amid variations), it would only be taking refuge in another absurdity equally great." *Ibid.*, p. 119, n.

of relying so heavily on the fact that Ricardo's measure theory reached contradictory conclusions when value was taken as his (Bailey's) relative or exchange value, he had agreed that Ricardo's theory appeared to make sense if value was taken as Ricardo himself conceived it. This admission would have focussed attention on the very foundation of the Ricardian argument and would, in turn, have emphasized the notion of real or absolute value which underlay the respective positions he had adopted. There is little doubt that Bailey was aware of the conceptual differences between his argument and that of Ricardo's. But it is also clear that by his method of stressing the fact that Ricardo's conclusions could not possibly be true on his own definitions, he appeared to many of his readers to be quibbling about terms, and not about fundamental conceptions. Had he but re-constructed the theory of Ricardo in its own right, showing how it depended so desperately on real or absolute value, he would have made the contrast between Ricardo and himself more striking and vivid. From what has been adduced thus far the contrast was obviously present in the Critical Dissertation, but as later chapters will show, it did not achieve much success in unsettling the Ricardians.

## 6.

Although Bailey believed that the observations he had made mainly on Ricardo's measure of value would be generally applicable, he did devote a "cursory notice" to Malthus' rehabilitation of Adam Smith's measure theory in the Measure of Value. Malthus considered that the labor which

a commodity would command was a satisfactory measure of that commodity's value. In conformity with received opinion, Malthus then held that this labor had to be invariable in its value in order to function satisfactorily as a measure of value. Bailey demolished this point in his usual way, by pointing out that if the labor in question were truly invariable in value, it would always exchange for the same quantity of other things; as such, it could not indicate the variations in the value of other things, since such variations had been assumed away in the first premise.<sup>1</sup> This reductio followed if Malthus were concerned to compare the exchange or relative value of commodities at different periods of time. Lest Malthus had put forward his measure as a "medium of comparison" in the Bailey sense, it was worth considering, he thought, just how efficacious quantity of labor really was in such a case. If Malthus wanted to discover the mutual value, say, of corn and cloth in any given period, all that was necessary was to find their respective prices from appropriate records. Once these prices were known, the relation of value between the two commodities would appear from the simple arithmetical calculation. However, this technique appeared to use as a medium money, which Malthus had rejected as unstable. Therefore, in order to employ Malthus' labor commanded measure, it would be necessary to discover the respective values of corn and cloth in labor, from which their value to each other could be inferred. Since it was unlikely that corn and cloth would be

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1 Critical Dissertation, pp. 139-40.

valued directly in labor, it would probably be necessary to find the money price of labor, or wages, and from this to deduce the relations of corn to labor and cloth to labor. Then, it would be possible to find the value of corn in cloth and vice versa. It was obvious from this, Bailey concluded, that establishing the value of corn and cloth in labor was "perfectly superfluous" for ascertaining their mutual value, inasmuch as such an exchange relation would have emerged immediately from the knowledge of their respective money prices.<sup>1</sup>

Malthus' disingenuous table, purporting to demonstrate the invariable value of the medium or measure he had selected, came in for some of Bailey's criticism as well. In following through the table, which he described as "one of the most curious productions in the whole range of political economy,"<sup>2</sup> Bailey merely observed that

... Mr. Malthus sets out from the premises, that 120 quarters of corn are given as wages to 10 men, and, after journeying through two columns of figures, he arrives at the conclusion, that the said 120 quarters are worth the labour for which they are given. In the same manner he goes through all the other cases, and as whatever quantity of corn is given to 10 men as their wages must be equal to that for which it is exchanged, that is, to the labour of 10 men, he constantly succeeds in alighting at the point from which he set out.<sup>3</sup>

The futility of reasoning that "because the wages of ten men are always of the same value, estimated in labour, therefore the labour for which they are exchanged must be of invariable value,"<sup>4</sup> was too apparent. And

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1 Ibid., p. 142.

2 Ibid., p. 142.

3 Ibid., p. 144.

4 Ibid., p. 145.

Bailey did not deem it necessary to explore once again the possibility that the "value" Malthus was comparing through the course of time was something other than exchange value, inasmuch as he had already exposed the absurdity and confusion surrounding that notion.<sup>1</sup>

One other aspect of Bailey's criticism of Malthus' measure of value deserves mention, for in taking it up Bailey in effect forced himself to return to the arena of the index number problem. In this Bailey was back at the point he had earlier made against Ricardo, viz. that in speaking of value it was necessary to deal with "definite portions" of the objects related or exchanged. "An alteration in the mutual value of two articles," he repeated, "means, that the quantities in which they are exchanged for each other are altered: a definite quantity of one is exchanged for a greater or smaller portion of the other than before."<sup>2</sup> In the Measure of Value Malthus had been able to reach his empty conclusions because he took "wages" to be a commodity derived in their own right from the aggregation of the individual commodities composing such "wages."

... It is just the same kind of futility to call wages invariable in value, because though variable in quantity they command the same portion of labour, as to call the sum given for a hat, of invariable value, because, although sometimes more and sometimes less, it always purchases the hat. In speaking of the rise and fall in the value of commodities, we have nothing to do with aggregate quantities which really vary in amount, and have no identity but in name; our business is with definite portions: and the precise reason why the labour in one case, and the hat

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1 Cf. Chapter III, supra., p. 101.

2 Critical Dissertation, p. 146.

in the other, are not of invariable value, i.e., that the quantities of corn and money given for them have varied, although these quantities under every variation continue to be designated by the terms 'wages' and 'sum.'<sup>1</sup>

Bailey's judgement was, of course, a direct corollary of his insistence that value was nothing more than the quantitative exchange relations existing between commodities. The effect of Malthus' viewpoint was to depart from determinate notions by using the same terms to denote subsequently changed conditions. Once again, however, Bailey probably failed to exploit an opportunity fully by not stressing the point that Malthus really had mixed together in one discussion the (exchange) value of labor, or wages, and the (absolute, natural, or positive) value of wages, or the labor cost of producing subsistence. It was the latter, of course, which Malthus believed remained invariable in its "value," because the labor (i.e. wages and profits) cost of obtaining different quantities of corn appeared to remain constant. Hence, the "value" of wages seemed constant no matter how much or little corn the laborer actually received.<sup>2</sup>

On the other hand, Bailey did draw an additional and important consequence from his "definite portions" criticism of Malthus' "identity but in name." And this, taken in the light of his appreciation of inter-temporal comparisons of value, reveals once again how close he was to suggestive index number criticism. One of the objects economists had

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1 Ibid., pp. 146-47.

2 Malthus, Measure of Value, pp. 26, 30-32.



proposed for themselves in seeking the invariable measure of value, said Bailey, was "... to determine the efficiency of revenues, salaries, and wages of different classes of people at different periods, in what conditions such revenues enabled them to live, or what power it enabled them to wield. This it is supposed, would be accomplished, did we possess some object of immutable value."<sup>1</sup> He cited Malthus as one such economist who wanted to go behind statements of mere money income in order to discover the "real" condition of people in different periods of time.<sup>2</sup> In appraising this proposed measure, Bailey again was completely at home with his basic and fundamental concepts, and he saw that the objective in view was founded on a "gross misconception of the nature of value." In truth,

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1 Critical Dissertation, p. 133.

2 "If we are told that the wages of day-labour in a particular country are, at the present time, fourpence a day; or that the revenue of a particular sovereign, 700 or 800 years ago, was 400,000 l. a year; these statements of nominal value convey no sort of information respecting the condition of the lower classes of people, in the one case, or the resources of the sovereign, in the other. Without further knowledge on the subject, we should be quite at a loss to say, whether the labourers in the country mentioned were starving, or living in great plenty; whether the king in question might be considered as having a very inadequate revenue, or whether the sum mentioned was so great as to be incredible.

"It is quite obvious that in cases of this kind, and they are of constant recurrence, the value of wages, incomes, or commodities estimated in the precious metals, will be of little use to us alone. What we want further is some estimate of the kind which may be denominated real value in exchange, implying the quantity of the necessaries and conveniences of life which those wages, incomes, or commodities will enable the possessor of them to command." Malthus, Principles, pp. 59-60, as quoted in Critical Dissertation, pp. 133-35.

The same objective, of discovering a satisfactory "estimate and comparison of wages, salaries and revenues in all countries and at all periods," was present in the Measure of Value, p. 2.

a knowledge of value meant nothing more than a knowledge of certain exchange relations obtaining between commodities.

From the relation of corn and money nothing can be inferred as to the relation of corn and labour, or of money and labour. If, proceeding a step further, we learn from the proper records the relation also of labour and money, then we can deduce the relation of labour to corn; but we should not be able to make any inference to any other object.<sup>1</sup>

Additional steps, therefore, could only be taken by consulting the "proper records." What this implied for the problem of determining the "efficiency" of incomes or revenues, however, was

... that if we wish to ascertain the state of comfort or luxury in which any class of people lived at any assigned period, there is no possible method of affecting the object, but ascertaining from the proper documents the amount of their incomes, and then, particular by particular, the relation which these incomes bore to commodities. If the incomes are stated in corn, or silver, nothing can be inferred from the statement, as to their power over other things. Supposing the income to be a certain amount of money, then the inquirer must find records of the prices of those articles to which his curiosity is directed, and a simple calculation will teach him the power of the income to command them.

If he wishes, for example, to ascertain the condition of the labouring class at any given period, he must first find the rate of wages, or, in other words, the mutual relation of labour and money. This is one step in the investigation, but it will not of itself throw any light on the food, clothing, and comfort, which the labourers are able to procure; and he must therefore search in the proper registers for the prices of such commodities as constitute these necessaries and conveniences. He can ascertain nothing but what is shown by the historical documents which he consults. When he has found the price of labour, the price of corn, of cloth, of hats, of stockings, of fuel, of house-room, he will be able to tell how much of each of these commodities a week's or a year's labour could command: in other words, the condition of the labouring class of society in these respects will become manifest.

But these are all separate particulars, to be separately

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1 Critical Dissertation, p. 135.

ascertained: "one will not disclose another; each must be individually established by independent evidence. There can be no commodity, by a reference to which the power of a given income over any or all other commodities may be shown."<sup>1</sup>

It would be overstating the case for Bailey to claim that in this passage he had given all of the necessary and sufficient conditions demanded of empirical researchers in their investigations. But it must surely be agreed that it would be difficult to find sounder or more useful advice to anyone who was about to undertake inter-temporal comparisons. Yet it is not difficult to find instances in which the message Bailey gave was overlooked or forgotten in the century and a half which followed its publication. And anyone who has expressed the belief, or undertaken an investigation under the conviction that, say "a dollar or a pound today is only worth fifty cents or ten shillings" has, in fact, overlooked or forgotten it. Inter-temporal comparisons of value were fruitful and important to Bailey, as his care and effort in making clear their real nature implicitly testify. If he gave the expression "measure of value" to a process other than such inter-temporal comparisons, that is not to say that he was indifferent to the importance of the latter. As was invariably true of him, he tried always to establish a consistent nomenclature and terminology. He hoped, thereby, to do away with much of the confusion which had been raised by those writers who used the same terms or expressions to denote different things or processes. Bailey was on top of his subject in confining his "measure of value" to the

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1 Ibid., pp. 136-37.

medial function and, as well, in pointing out that those authors who had invariability in mind must, necessarily, have transferred their attention to a kind of value different from relative or exchange value to be "measured." This judgement was true of Ricardo and Malthus and, for that matter, of more modern economists. Marshall's "stable money," procured, as Edgeworth said, "by a certain amount of effort and sacrifice,"<sup>1</sup> was in the same class of conceptions as Malthus' "invariable" measure and Ricardo's "invariable" commodity. The objective before it was the same as the earlier writers had had, viz. to discover whether things had become more or less difficult to obtain and to infer from that fact whether people were "better" or "worse" off. While Bailey did not in any sense understand the index number intricacies of weights, of Laspeyres or Paasche, of price or volume indices; he nevertheless did understand that economic reality lay in determining "particular by particular" the relations between commodities and incomes; he understood that reality did not attend "invariable" things and that the "efficiency" of incomes was not revealed by any reference to such "invariables." If one wanted to pursue "measures" of cost or sacrifice variations, he admitted that such might be a "useful inquiry."<sup>2</sup> But it was not a pursuit of a measure of value. Nor could a physical analogy of measurement make it one. Because "value" to Bailey meant a "mental affection," the only meaningful phenomena were

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1 Marshall, Memorials, p. 68.

2 Critical Dissertation, p. 127, n.

revealed on the level of exchange or relative "esteem." Thus, there was only one significant and worthwhile kind of value and only one satisfactory measure appropriate to it. And whether the "measurement" of such value occurred at one time or separate times, the process still was determined by the nature of that value itself. Bailey never expressed himself in this way, of course, but what his message came to, in effect, was simply that mixing physics and "psychology" indiscriminately could not produce significant conclusions in a field of inquiry whose boundaries were given mainly by the latter discipline.

## CHAPTER V

### BAILEY'S JUDGEMENTS CONFIRMED

Although its presence here may seem to intrude slightly on the flow of Bailey's own exposition, it is worthwhile to devote some attention to a confirmation of Bailey's judgements on the nature of real and absolute value in Ricardo's and Malthus' arguments and the manner in which their measures of value derive from those notions. It has been seen that, without the advantage of the Notes on Malthus or of any of the explanatory correspondence and conversation which passed between Ricardo and his friends, Bailey had been able to place in the clearest possible light the conceptual contradictions which existed between real and relative value. He had been able to show that the search for the measure of value was merely part of that fundamental confusion. Mainly by a careful scrutiny of the various steps in their respective arguments, Bailey in effect had forced the others to make an explicit, definitive declaration on this matter of real versus relative value, and to reveal to the world in such a declaration the tremendous amount of misdirected effort that had gone into the measure of value problem. In Ricardo's case Bailey had been forced to make his plea on the unsatisfactory and contradictory exposition of the Principles which, as even Marshall has observed, left so much to be desired in the matter of definitional and logical sophistication.<sup>1</sup> In material which has subsequently come to light, however, it is now possible to take Ricardo further on the problem of real value than he,

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<sup>1</sup> Marshall, Principles, Appendix I, "Ricardo's Theory of Value," p. 670.

himself, took his readers in the Principles. Since the concept and its alleged validity is of fundamental importance to a very large part of Bailey's criticism, there will be an obvious benefit in moving a bit further along in order to discover what Ricardo's own statement of his explicit and ultimate viewpoint actually was. This discovery, in turn, will serve to certify both the truth and stature of Bailey's indictment.

In Malthus's case, the matter is somewhat less difficult, although no less important. If Malthus was not altogether clear on what he was about, he did manage to get most of his thoughts published. Thus, there is not quite the same need to scour through the more obscure places in order to find a confirmation of Bailey's appraisal. In addition, as will be made clear in Chapter VIII,<sup>1</sup> Malthus himself took the opportunity of replying to Bailey, and this makes it unnecessary here to do more than compare his position once again with Ricardo's.

### 1.

In Chapter II, above, the hypothesis was advanced that Ricardo had seen his way past Malthus's objections on the matter of profits, by formulating an index around which he conceived the other factors of his distributive system to revolve. By analyzing the movements of the index itself, Ricardo had then sought to solve the index number problem as it presented itself to him.<sup>2</sup> Ricardo, in his turn, had had to answer

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1 Infra., pp. 339-55.

2 Cf. Chapter II, supra., pp. 23 ff.

Malthus' charges of "unusual language" respecting the concept of real value which lay at the center of his system. His actual reply, however, was less an argued defense of the validity of the doctrine of real value itself, than a reiteration of the manner in which he had employed it throughout his general system.<sup>1</sup> It appeared that, up to this point at any rate, Ricardo had been able to take it more or less for granted that his colleagues would grant him the validity of the real value concept in order that he be permitted to get on with the remainder of his systematic argument. However, except for his somewhat unsatisfactory defense of the real value notion in the Notes on Malthus, the first time that Ricardo really was called upon to defend the notion en nue was in a correspondence with his friend Hutches Trower after the publication of the third edition of the Principles in May, 1821. As Mr. Sraffa has noted, Ricardo's correspondence with Trower was generally an attempt to explain economic doctrine to a "comparative layman."<sup>2</sup> It is of some importance in the present context, therefore, because the great pains which Ricardo took to make certain that his meaning was clear to his friend, expose clearly the reasoning which lay behind the concepts tacitly assumed in the Principles.

Late in November of 1820 Ricardo had written to Trower, mentioning that he had completed his work on the Notes on Malthus.<sup>3</sup> In his reply

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1 Cf. Chapter II, supra., pp. 61-74.

2 Ricardo's Works, VI, p. xiv.

3 Ricardo to Trower, 26 November, 1820, VIII, pp. 304-5.



Trower had asked to see them in order to make some comparisons with an abstract of Malthus' Principles on which he was working.<sup>1</sup> Therefore, after McCulloch and Malthus had finished with the Notes, they came into Trower's hands. When he had finished reading them, Trower told Ricardo that he thought his Principles had been vindicated successfully in the face of Malthus' charges. There was one matter, however, on which he believed there was some obscurity. Malthus, he said,

... is incessantly puzzling and perplexing himself with undefined notions of value. Not that I can entirely agree with you in your definition of exchangeable value -- no doubt the labor expended upon a commodity is the measure by which the accuracy of its exchangeable value, is ascertained, and eventually regulated; but I confess I think, that the labor, which a commodity can command is what actually constitutes its exchangeable value.

The term value is employed to designate the relative value of Commodities; which is necessary to be ascertained in exchanging them for each other. It refers to exchangeable and not to positive value. It is intended to express how much of one thing is worth, or can procure, so much of another thing. If there were no exchange of commodities they would have no value. They would, of course, retain their use; but they could not be said to possess value; which implies the worth of one thing estimated in some other things. There are no means of estimating what is the value of Commodities in use. If they had no use they would possess no value, because they would not pass in exchange, and because therefore there would not be any thing with which they could be compared. I submit therefore, that the only proper use of the term value is in exchange. And value in exchange will signify the relative or comparative value of two commodities, which are exchanged for each other. If so, I doubt whether the term exchangeable value can be applied to signify the quantity of labor necessary to acquire or produce a commodity; but the quantity of labor that commodity can command when exchanged: The quantity of labor necessary to acquire or produce a commodity is the expense of acquiring it, and is very properly termed its cost, but this cost may be very different from, and is rarely exactly the same as, the value it can command in exchange. It is nevertheless

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1 Trower to Ricardo, 11 December, 1820, VIII, pp. 231-32.

the central point to which exchangeable value is constantly gravitating and from which any violent aberrations are neither frequent nor lasting.<sup>1</sup>

It will be evident from this extract that Trower had put the issue squarely to Ricardo: whether Ricardo's employment of the term value did not obscure, rather than distinguish, the difference between labor cost and exchange value. It is clear that, in posing such a question, Trower called upon Ricardo to explain at some length exactly what he had meant by the term value as it had been used in the Principles. In his reply to Trower's letter, therefore, Ricardo observed:

I am not surprised that you should not agree with me in my definition of exchangeable value, but when you say that 'the labour expended upon a commodity is the measure by which the accuracy of its exchangeable value is ascertained and constantly regulated' you admit all I contend for. I do not, I think, say that the labour expended on a commodity is a measure of its exchangeable value, but of its positive value. I then add that exchangeable value is regulated by positive value, and therefore is regulated by the quantity of labour expended.

You say if there were no exchanges of commodities they could have no value, and I agree with you, if you mean exchangeable value, but if I am obliged to devote one month's labour to make me a coat, and only one week's labour to make a hat, although I should never exchange either of them, the coat would be worth four times the value of the hat; and if a robber were to break into my house and take part of my property, I would rather that he took 3 hats than one coat. It is in the early stages of society, when few exchanges are made, that the value of commodities is most peculiarly estimated by the quantity of labour necessary to produce them, as stated by Adam Smith.<sup>2</sup>

In the first paragraph quoted above, Ricardo has broken down his measure argument into two steps. In the more important first step, by

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1 Trower to Ricardo, 24 June, 1821, VIII, pp. 393-94.

2 Ricardo to Trower, 4 July, 1821, IX, pp. 1-2.

assuming away the difficulties mentioned in the sixth section of the chapter on value,<sup>1</sup> and discussed at length in correspondence between himself, McCulloch, and Malthus from 1821 until his death, Ricardo had supposed himself possessed of a labor quantity "measure." This measure was to be taken as the representative of what he has here termed "positive" value, but which is equivalent to his "real," or "absolute," value of other places.<sup>2</sup> Once, therefore, quantity of labor had been established as the representative of "positive" value, Ricardo believed he could pass on to the second step. At that point the additional assumption of a so-called commodity of invariable "positive" value permitted him to make explicit the variations of his distributive system outlined earlier.

In the second paragraph, however, Ricardo's near-statement of an alternative cost doctrine, based on the sacrifice real-cost conception of the Marshallian genre, is less striking than the consequences he drew from it. The ease with which he could agree with Trower in denying the existence of exchange value if no actual or physical exchanges occurred, and yet could fail to see that expressing a preference for the loss of three hats instead of one coat was just as effective an exchange as a literal or physical one, — these things could not appear as contradictions in Ricardo's mind simply because it seemed to make sense to him that things

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1 *Principles*, pp. 43-47.

2 Cf. e.g. *Notes on Malthus*, II, pp. 32-33, 35. Ricardo to Malthus, 28 May, 1823, IX, pp. 298-300. "Absolute and Exchangeable Value," IV, pp. 399 ff.

should be "worth" something so long as labor had been expended in obtaining them. In other words, with exchange or relative value out of the picture, a kind of value denoted "positive" or "absolute" or "real" would still be retained. It was, he thought, even more necessary to analyze this other kind of value, because it gave rise to, and preceded in importance exchange value. This other kind of value was that which in fact underlay all of the inconclusive and "nominal" exchanges ready to the eye, but mute as far as disclosing the causes which might have brought those exchanges about in the first place. In the sequel, therefore, Ricardo could complain with apparent justification that Trower's exclusive concern with exchange value deprived him of a means to analyzing this other very important kind of value.

I confess I do not rightly understand what meaning you attach to the words 'exchangeable value,' when you say that 'the labour which a commodity can command is what actually constitutes its exchangeable value.' A yard of superfine cloth we will suppose can command a month's labour of one man, but in the course of a year, from some cause, it commands only a fortnight's labour of one man, you are bound to say this whether the cloth he produced with a great deal less labour in consequence of the discovery of improved machinery, or the food and some of the other necessaries of the labourer be produced with so much difficulty that wages rise and therefore labour rises as compared with cloth and many other things... I cannot approve of your saying that cloth has fallen in exchangeable value merely because it will exchange for less labour, no more than I can approve of the same terms being applied to the fact of its exchanging for less salt, or for less sugar. Surely such use of the words exchangeable value tends to perplex and mislead. Labour rising in value is one thing, commodities falling in value is another, but once admit your language and these 2 different things are confounded. It would be quite accurate to say in both cases that cloth had fallen in exchangeable value estimated in labour, as it would be to say it had fallen in value estimated in salt if such should be the fact but then the medium by which you measure exchangeable value is named and you

only express a fact --- this is very different however from saying that cloth has fallen in exchangeable value without mentioning the medium in which its alteration in value is specifically confined.<sup>1</sup>

In Ricardo's opinion, then, exchange or relative value language "only expressed a fact," and failed to give any indication of the reason for which a change in exchange value might have occurred. This reason was presumably something more than the mere expression of "a fact."

In the subsequent exchange Trower accepted Ricardo's principle that it was real value which underlay and determined exchange value. He continued to insist, however, that Ricardo's manner of expression invited confusion. Specifically, he charged that in Ricardo's terminology the difference between cost, (or "the labor expended upon a commodity") and exchangeable value, (or "the amount of labor, or of other commodities, which that commodity can command") was obscured. On this point, therefore, Trower thought that Malthus had had the better of the issue.<sup>2</sup>

Ricardo agreed that the fault doubtless lay in his manner of expressing his doctrine. He refused to give up the notion itself, however, and insisted that if he used "... the word value without prefixing the word exchangeable to it" he could speak of something altering in its value

1 Ricardo to Trower, 4 July, 1821, IX, pp. 2-3.

2 Trower to Ricardo, 22 July, 1821, IX, p. 30. Cf. Malthus, Principles, p. 61. "We have the power indeed arbitrarily to call the labour which has been employed upon a commodity its real value; but in so doing we use words in a different sense from that in which they are customarily used; we confound at once the very important distinction between cost and value; and render it almost impossible to explain, with clearness, the main stimulus to the production of wealth, which, in fact, depends upon this distinction."

without at the same time implying that it exchanged in the same direction for more or less of other things.<sup>1</sup> Beyond that, he expressed the conviction that the ideas he had in mind were satisfactorily distinguished by prefixing "real" and "exchangeable" to value.<sup>2</sup>

Now on the face of it, it is difficult not to agree that Trower appeared to have the better of these points. There is little doubt that the two ideas in question would have been more clearly distinguished by the terms "cost" and "exchangeable value," rather than by Ricardo's "real value" and "exchangeable value." Ricardo's Principles itself is sufficient testimony that, regardless of his good intentions of the letters to Trower, he frequently forgot, or neglected, to include the necessary prefixes. This, of course, invited the ambiguities and perplexities which Hailey and Malthus had noticed. But if this is true, it naturally leads to the question: why should Ricardo have been reluctant to use terminology which had so much to commend it? There seem to be two possible explanations for his behaviour.

First, and probably of less (which is not to say, insignificant) importance, Ricardo had run into some misunderstanding over the term "cost." During the course of his exchange of letters with Trower, for example, he had remarked that "cost is an ambiguous word and sometimes includes the profit of stock, and sometimes excludes it."<sup>3</sup>

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1 Ricardo to Trower, 22 August, 1821, IX, p. 38.

2 Ricardo to Trower, 4 October, 1821, IX, p. 87.

3 Ricardo to Trower, 4 July, 1821, IX, p. 4.

Now it seems likely that this observation was related to Malthus' well-known objection in his Principles, that Ricardo's definition of real value obscured the distinction between cost and value. Ricardo's replies to Malthus' charge show that the obscurity of which Malthus had complained was due to Malthus' failure to apprehend correctly what Ricardo meant to denote by the term "cost."<sup>1</sup> On the other hand, when Ricardo incorporated the substance of the remarks in the Notes on Malthus in the much-quoted note of the third edition of his Principles,<sup>2</sup> it can be seen that he was

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1 "Mr. Malthus accuses me of confounding the very important distinction between cost and value. If by cost, Mr. Malthus means the wages paid for labour, I do not confound cost and value, because I do not say that a commodity the labour on which cost a £ 1,000, will therefore sell for £ 1,000; it may sell for £ 1,000, £ 1,200, or £ 1,500, -- but I say it will sell for the same as another commodity the labour on which also cost £ 1,000; that is to say, that commodities will be valuable in proportion to the quantity of labour expended on them. If by cost Mr. Malthus means cost of production, he must include profits, as well as labour; he must mean what Adam Smith calls natural price, which is synonymous with value.

"A commodity is at its natural value, when it repays by its price, all the expences that have been bestowed, from first to last to produce it and bring it to market. If then my expression conveys the same meaning as cost of production, it is nearly what I wish it to do.

"The real value of a commodity I think means the same thing as its cost of production...." Notes on Malthus, II, pp. 34-35. Ricardo repeated at several other places in the Notes on Malthus his assertion that he wished cost of production to mean the labor (i.e. wages) and profits involved in bringing a commodity to market. Cf. Ibid., pp. 42-45, 78-79, 100-101.

2 "Mr. Malthus appears to think that it is a part of my doctrine, that the cost and value of a thing should be the same; -- it is, if he means by cost, 'cost of production' including profits. In the above passage, this is what he does not mean, and therefore he has not clearly understood me." Ricardo, Principles, p. 47.

not merely clarifying what he meant by "cost"; of probably greater significance, he was showing what he meant by "value." And the result of the latter demonstration was to permit him to remain composed and unruffled when cost and value were stigmatized as the same thing by Malthus and Trower. This, however, suggests the second possible reason Ricardo may have preferred to contrast "real value" (i.e. natural price, natural value, absolute value, positive value, etc.) and "exchangeable value," rather than "cost" and "exchangeable value."

Unprefixed (or, real) value was, Ricardo had said in the Notes on Malthus<sup>1</sup> the same thing as labor, (i.e. wages) and profits. It was, moreover, as he had also said in the Notes,<sup>2</sup> equivalent to what Adam Smith had termed "natural price," but with the rent taken out.<sup>3</sup> Now although, as Bailey had observed,<sup>4</sup> the literal expression "real value" was not very much in evidence in Ricardo's Principles, the concept Ricardo intended it to denote (i.e. Adam Smith's "natural price" minus rent) could be found at numerous points.<sup>5</sup> It was stated above that Ricardo had had some fault to find with Adam Smith regarding the actual determinants of value.<sup>6</sup> On the other hand, he had had nothing but praise for

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1 Notes on Malthus, II, p. 35.

2 Ibid., pp. 34-35.

3 Ibid., pp. 44-45.

4 Chapter III, supra., pp. 106-7; Chapter VII, infra., pp. 282-90.

5 The most obvious place is, of course, Ricardo's Principles, Chapter LV, "On Natural and Market Price," pp. 88-92. It is to be found also in the early portions of Chapter V, "On Wages," pp. 93-97; in Chapter XXII, "Counties on Exportation and Prohibition of Importation," pp. 301-13; in Chapter XXVIII, "On the Comparative Value of Gold, Corn, and Labour, in Rich and Poor Countries," pp. 273-75; in Chapter XXX, "On the Influence on Demand and Supply on Prices," pp. 382-83; and in Chapter XXXII, "Mr. Malthus' Opinions on Rent," pp. 404-17.

6 Chapter II, supra., pp. 34-36.



the way in which Adam Smith had demonstrated that temporary aberrations of market, from natural, price were ironed out in the long run, leaving the latter as the ultimate "regulator" of price.<sup>1</sup>

Now the reason why Ricardo was willing to accept Adam Smith's doctrine of natural price so readily is because he saw, or thought he saw, in it a resolution of the contradiction between what Wieser has described with great perception as a "philosophical" and an "empirical" explanation of value.<sup>2</sup> By showing that rent was price determined and that interest (i.e. Ricardian profits) varied more or less in the same ratio as the quantity of labor necessary for the production of commodities, Ricardo

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1 E.g. "Dr. Smith...has so ably supported the doctrine of the natural price of commodities ultimately regulating their market price...." Principles, p. 375. "It is then the desire, which every capitalist has, of diverting his funds from a less to a more profitable employment, that prevents the market price of commodities from continuing for any length of time either much above, or much below their natural price. It is this competition which so adjusts the exchangeable value of commodities, that after paying the wages for the labour necessary to their production, and all other expenses required to put the capital employed in its original state of efficiency, the remaining value or overplus will in each trade be in proportion to the value of the capital employed.

"In the 7th Chap. of the Wealth of Nations, all that concerns this question is most ably treated. Having fully acknowledged the temporary effects which, in particular employments of capital, may be produced on the prices of commodities, as well as on the wages of labour, and the profits of stock, by accidental causes, without influencing the general price of commodities, wages, or profits, since these effects are equally operative in all stages of society, we will leave them entirely out of our consideration, whilst we are treating of the laws which regulate natural prices, natural wages and natural profits, effects totally independent of these accidental causes. In speaking then of the exchangeable value of commodities or the power of purchasing possessed by any one commodity, I mean always that power which it would possess, if not disturbed by any temporary or accidental cause, and which is its natural price." Ibid., pp. 91-92.

2 F. V. Wieser, Natural Value, ed. W. Smart; trans. C. A. Malloch, (New York: 1930), pp. xxvii-xxix.

thought he had demonstrated that Adam Smith's "empirical" account of value<sup>1</sup> was essentially the same as Adam Smith's "philosophical" account.<sup>2</sup> That is to say, in Ricardo's language, "nominal value" was related to its anterior or superior "real value."<sup>3</sup> Yet, the only place at which this identity between "philosophical" and "empirical," or "real" and "nominal" value occurred was in that long run state of affairs which Ricardo credited Adam Smith with having "so ably supported." This explains why Ricardo desired that short run, temporary, market deviations of an even more transient "empirical" or "nominal" sort be put out of the way. He would then be left with "... what should be thought of as the characteristic attribute of value; what it is we ascribe to some things and deny to others that, to all appearances, are entirely the same; what it is of which we ascribe a great deal to certain things and very little to other things which, measured by outside standards, seem infinitely superior."<sup>4</sup>

If Ricardo did not declare explicitly in his Principles that he desired Adam Smith's phrase "natural price" to be taken as equivalent to his own "real value," it is clear from the correspondence with Trower considered above, that he meant the two expressions to denote the same concept. But if this is true, it goes some way to explain why Ricardo

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1 I.e. the theory mainly of Chapter VI, "Of the Component Parts of the Price of Commodities, Wealth of Nations I, Book I, pp. 49-56.

2 I.e. the labor theory of the first part of Chapter V, "Of the Real and Nominal Price of Commodities, or of their price in Labour, and their price in Money," Ibid., pp. 32-40.

3 Principles, p. 51.

4 Wieser, op. cit., p. xxvii.

preferred to use "natural price" as denoting the concept, rather than Trower's or Malthus' "cost." "Natural price," once Adam Smith's spurious "empirical" accretions had been disposed of, conveyed that idea of an equilibrium of sacrifices which the mere term "cost" or "cost of production" failed to do. Ricardo saw great merit in Adam Smith's description of the way things "gravitated" toward the final equilibrium state of "natural prices." The expressions "cost" or "cost of production" simply did not carry with them this idea of things as the pure embodiment of sacrifices, of labor, of their "philosophical" and "real" essence. These expressions, on the contrary, suggested merely "nominal" calculations.

## 2.

In the correspondence with Trower Ricardo had made some headway toward an explicit formulation of the place of "philosophical" or "real" value in his general argument. Now, however, by the publication of the hitherto unknown final paper on value<sup>1</sup> it is possible to see the way in which Ricardo intended to complete this explicit statement. This revelation is important, of course, as giving a more thorough understanding of Ricardo's system. But in the present context it is all the more remarkable, for it bears out the judgement Bailey had made while under the handicap of having available only Ricardo's inchoate expressions of the

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1 "Absolute and Exchangeable Value," IV, pp. 361-412. Mr. Sraffa, IV, pp. 358-60, gives the detailed background of this paper.

Principles. While much of the final paper was devoted to the particular problem of the measure of value, it is possible to see it as a partial reaction to the conception of value put forward by Torrens in his Essay on the Production of Wealth. Since Torrens' outlook in certain respects resembled Trower's and, as has been seen, Bailey's, it is possible to reason by analogy and to infer how Ricardo would have reacted to Bailey's criticisms.

Torrens' argument in the Essay was a rather more elegant discussion of the proposition he had enunciated in the Edinburgh Magazine, viz. "... that the products obtained by the employment of equal capitals will be equal in value...."<sup>1</sup> In the Preface to the Essay Torrens had observed that Ricardo had pushed Adam Smith's labor determinant of value to fuller applications in all periods of society. He thought, however, that Ricardo's expression "labour expended upon production" was imprecise; it failed to indicate whether the "labour" in question was "immediate" or "accumulated." Accordingly, he went on to assert that in his book he had given for the first time "... the correct solution of these fundamental questions, and has shown, that it is neither the immediate labour, nor the sum of the immediate and accumulated labour, but solely accumulated labour expended on production, which determines the quantity of one article which shall be exchanged against a given quantity of another."<sup>2</sup>

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1 "Strictures on Mr. Ricardo's Doctrine Respecting Exchangeable Value," Edinburgh Magazine, III (October, 1818), 336.

2 Torrens, Essay on the Production of Wealth, pp. vi-vii.

This "accumulated labour" Torrens designated simply as the capital expended in production.

So far as the nature of value were concerned, Torrens seems to have confined himself to Lauderdale. After discussing the relationship between value and wealth, he declared that

when we say that any article of utility possesses exchangeable value, the expression is figurative, and, in its precise and real import, does not predicate any quality, or attribute, as inhering in this article; but merely implies, that there are two persons able and willing to give other articles of utility instead of it. The phrase, exchangeable value, has a reference to the power and inclinations of those persons who possess articles of utility, and not to any thing actually belonging and essential to those articles themselves. Exchangeable value, therefore, depending on the will and the ability to give one thing for another, is an accident, a casual circumstance, which sometimes is, and sometimes is not found to exist in connexion with those articles which supply our wants, and gratify our desires. Defining wealth to consist in exchangeable value, is the same thing as defining it to consist, not in any qualities or forms belonging to material subjects, but in the motives and volitions of moral agents.<sup>1</sup>

It is to be remembered, moreover, that the term exchangeable value, does not even under the particular circumstances in which one commodity is given for another, stand for any property or quality actually inhering in, or belonging to the articles of wealth.<sup>2</sup>

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1 Ibid., pp. 10-11.

2 Ibid., p. 16. Lauderdale, in the Inquiry into the Nature and Origin of Public Wealth, had said, p. 12, "The term Value, whatever might have been its original sense, as it is used in common language, does not express a quality inherent in any commodity. There is nothing which possesses a real, intrinsic, or invariable value. The possession of no quality, however important to the welfare of man, can confer value...." And, p. 21, "Thus we may perceive, that the existence of value is perfectly independent of any inherent characteristic in the commodity itself; that there is no such thing as intrinsic value; and that the alterations in the degrees of value are not dependent upon any change of quality, but always on some change of proportion betwixt the quantity and the demand for a commodity; -- a sure proof of which is, that we cannot express value, or a variation of value, without a comparison of two commodities...."

These quotations make sufficiently clear the affinity between Torrens and Bailey and explain why Bailey felt justified in citing the author of the Essay on the Production of Wealth as displaying sound views on the nature of value. Cf. Critical Dissertation, pp. 32-33.

With this concept of value having been made clear, Torrens then went on to consider those causes which brought it about. As is well-known, he argued that the exchange value of commodities was determined by the respective quantities of capital necessary for their production. Along Smithian equilibrating lines, he held that if the products of two manufacturers employing equal capitals did not exchange one for one, the manufacturer whose product exchanged for less of the other's would cease production of his own, and commence production of the other good. This process would equalize returns all around to the point where commodities again exchanged one for one (or some equivalent multiple thereof), given equal capitals.<sup>1</sup> The exceptions to this theory were roughly the same as those Ricardo had allowed for his labor quantity theory; viz. different periods of investment of equal capitals would occasion value differences, short run demand and supply fluctuations would cause deviations from the long run tendency, and monopoly pricing would not correspond to the equal capitals rule.<sup>2</sup>

At this point, with value defined as exchange or relative value, and with the capital expended in production the determinant of this value of commodities, Torrens' next step was to consider the problem of the measure of value. From his definition of value and its determination, it evidently

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1 Torrens, Essay on the Production of Wealth, pp. 25-40.

2 Ibid., pp. 41-42.

followed that price or value<sup>1</sup>

... cannot admit of any accurate standard. A standard by reference to which we may ascertain the fluctuations in the exchangeable powers of other things, must itself possess an exchangeable value fixed and unalterable. But there is nothing in existence which possesses such a quality. Nothing possesses invariable cost of production and even if something did, its exchangeable value would still change as other things for which it exchanged varied.

.....  
 If the cost of producing gold remained the same, while the cost of producing all other things should be doubled, then would gold have a less power of purchasing all other things than before; or, in other words, its exchangeable value would be precisely the same in effect, as if the cost of producing all other things remained unaltered, while that of producing gold had been reduced one half. In the very term, exchangeable value, a relative, and not an absolute quantity is implied. If gold should have a greater or less power of purchasing all other things, then all other things would have a greater or less [sic] power of purchasing gold. It is impossible to increase the exchangeable value of one set of commodities, without at the same time diminishing the exchangeable power of the other set of commodities with which the first set is compared.<sup>2</sup>

It appeared, therefore, that

to bestow upon any article an invariable exchangeable value, and thus qualify it to be a standard for measuring the exchangeable value of other things, it would be necessary that the cost of its production should not only remain the same, but that it should at all times bear the same proportion to the cost of producing commodities in general.<sup>3</sup>

Accordingly, neither the labor cost or labor commanded standards served as accurate measures of value, because "nothing can be an accurate

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1 Torrens had earlier declared: "The term, exchangeable value, expresses the power of purchasing with respect to commodities in general: — the term, price, denotes the same power with respect to some particular commodity, the quantity of which is given... Exchangeable value may rise while price falls, or fall while price rises." *Ibid.*, p. 48.

2 *Ibid.*, pp. 56-57.

3 *Ibid.*, p. 58.

measure of value, except that which itself possesses an invariable value."<sup>1</sup>

Since nothing could fulfill these conditions, it was evident, in conclusion,

... not only that there is no actual and real standard, but that exchangeable value being always relative, and an increase or diminution in the power of purchasing possessed by one set of commodities, necessarily implying a corresponding diminution of the same power in some other quarter, we cannot, without involving ourselves in contradiction and absurdity, conceive the possibility of an abstract or ideal standard. As every marketable commodity which exists, or which can be supposed to exist, is perpetually varying in its power of effecting purchases, it is as impossible to discover a measure or standard of exchangeable value, as it would be to obtain a measure of length, or of weight, if every thing in nature were undergoing incessant change in its dimensions and specific gravity.<sup>2</sup>

Citing with approval Lauderdale's observation that the search for an invariable measure of value was as hopeless as the search for the philosopher's stone,<sup>3</sup> Torrens concluded that "all we can do is to ascertain the circumstances which cause a given quantity of one thing to be offered

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1 *Ibid.*, pp. 58-59.

2 *Ibid.*, pp. 64-65.

3 Lauderdale had insisted that proper ideas as to the nature and cause of value "... do not, however, appear to have been so clearly understood as to destroy the idea of any thing possessing a real and fixed value, so as to qualify it to form a measure of value. After this philosopher's stone many have been in search; and not a few, distinguished for their knowledge and their talents, have imagined that in Labour they had discovered what constituted a real measure of value." Inquiry, pp. 22-23. But, "to those who understand any thing of the nature of value or on what its variations depend, the existence of a perfect measure of value must at once appear impossible: for as nothing can be a real measure of length and quantity, which is subject to variations in its own dimensions, so nothing can be a real measure of the value of other commodities, which is constantly varying in its own value. But as there is nothing which is not subject to variations, both in its quantity and in the demand for it, there can be nothing which is not subject to alteration in value." Ibid., p. 27.



and received for a given quantity of another."<sup>1</sup>

Torrens' Essay was published in July, 1821, but it appears that Ricardo did not devote much, or any, time to it until a few months prior to his death. In August of 1821 he told Mill that Torrens had not yet fulfilled his promise to send him a copy of the Essay, so that at that time he had not yet read it.<sup>2</sup> When Ricardo moved up to London from Gatcomb Park in early 1822 it was to take up a multitude of Parliamentary activities, from which he only obtained release in his Continental tour during the summer of that year. Therefore, it was not until the spring of 1823, under the provocation of the publication of Malthus' Measure of Value, that Ricardo took up Torrens' theory seriously. It seems likely that he had encountered Torrens' views at the meetings of the Political Economy Club, for he told Trower that when McCulloch visited the club during the summer of 1823 he had become convinced, as the other members had been "long convinced," that progress was limited "by the contrary ideas which men attach to the word value."<sup>3</sup> He added that everyone seemed to have his own idea of a proper measure of value, Torrens included, and that it seemed impossible to understand one another until some common

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1 Torrens, Essay on the Production of Wealth, p. 65.

2 Ricardo to Mill, 28 August, 1821, IX, p. 46.

3 Ricardo to Trower, 24 July, 1823, IX, p. 312.

agreement was reached on the nature of value and its measure.<sup>1</sup> Although Ricardo's remark that Torrens had his own idea of a measure of value does not definitely establish that by this time he had read the entire Essay on the Production of Wealth, it does seem to suggest that he had become more or less familiar with Torrens' viewpoints. The whole problem of value was definitely "in the air" at this time, and only a week before Ricardo had returned from the Continent Torrens had written an editorial in his newspaper, The Traveller, in which he noted that the Political Economy Club was to discuss the question: "What are the circumstances which determine the value of commodities?"<sup>2</sup> In the same editorial Torrens had summarized the respective theories of Ricardo, James Mill, McCulloch, Malthus and Tooke, and had presented again the main points of his own position.<sup>3</sup>

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1 Ibid., pp. 312-13. Ricardo, Malthus, McCulloch, Torrens, James Mill, Senior, Tooke, and Warburton all attended the meeting of 2 June, 1823 to which Ricardo had referred. The Club had for discussion the questions: "1. Granting that Profits depend upon the proportion of the whole produce which goes to Labour; what is it that determines the proportion which goes to Labour? 2. Does the depreciation of the Currency in a state afford an encouragement to industry, or cause an increase of production? 3. What is the effect likely to be produced in the condition of the English Labourers by the competition of Irish Labourers? 4. Can there be an increase of Riches without an increase of Value?" Political Economy Club Minutes, VI, p. 59.

2 John Stuart Mill, Two Letters on the measure of value, contributed to the Traveller (London) in December, 1822. ed. J. H. Hollander (Baltimore: 1936), p. 9. The question was not in fact discussed until the meeting of 7 April, 1823, however, when Ricardo, Malthus, James Mill, Senior, Tooke, George Grote, and Torrens attended. Cf. Political Economy Club Minutes, VI, pp. 52-53, 57-58.

3 Cf. J. S. Mill, Two Letters, p. 10.

If Torrens' hope that the discussion would lead to a settlement of the question of value was not realized, it seems clear that one result was a final attempt by Ricardo to settle his own thinking. And if Ricardo was not particularly sanguine about a solution,<sup>1</sup> it is possible, nevertheless, to see in his remarks, particularly on Torrens, a positive confirmation of the judgement Bailey had earlier reached on the place and function of real value in Ricardo's system. At the same time, it will become even more evident that the concept of real value was present in Ricardo's argument as the result of a far more conscious design than Bailey had been willing to credit.

A large part of Ricardo's final paper on value was taken up with the well-known differences between himself and Malthus over the measure of value. As such, Ricardo's remarks did not differ in substance from those he had made in the Notes on Malthus, or in the later correspondence with Malthus. The main question was still whether his labor cost, or Malthus' labor commanded, measure could or would remain less "variable" through the course of time, due attention having been paid to the "modifications" of differing capital structures and periods of investment. Ricardo remained convinced that the conditions of production of his measure conformed rather closely with those of the greatest number of other commodities to be "measured"; as such, it was less of an "extreme" than Malthus' measure

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1 Cf. Ricardo to Trower, 24 July, 1823, IX, p. 313. "As for myself I mean also to turn my thoughts to the subject [of value], but I fear I cannot arrive at any sounder conclusions than the acknowledgedly imperfect ones which I have already published."

and, accordingly, was freer of variations in its exchange value due to wage changes.<sup>1</sup>

So much was well-travelled ground for Ricardo. In Torrens' case, however, the problem was somewhat different and, in a sense, more demanding because more fundamental to Ricardo's position. Torrens, it has appeared, had denied the existence of any kind of value beyond relative or exchange value. It had followed from this that, because commodities were always changing in their conditions of production and, necessarily, in their relative value, nothing could serve as an invariable measure. Trower, it will be recalled, had begun on a somewhat similar note, but had retreated (with reservations on terminology) when Ricardo had insisted that "real value" was to be taken as underlying exchange or relative value and that a measure, therefore, was required in order to discover any changes which might take place in that real value.

It is understandable, then, that Ricardo should have chosen to refute Torrens by demonstrating that he appeared to be unaware of a kind of value different from relative value. For even if Torrens were correct in contending that an invariable measure of exchange value was mis-conceived, because all things were ever varying in their cost of production; it did not necessarily follow that real value could not be invariable in its essential quality, or that a measure for it could not be conceived to exist. Although Ricardo began his commentary on Torrens by a reference

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1 Cf. Ricardo to McCulloch, 25 January, 1821, VIII, pp. 343-44. "Absolute and Exchangeable Value," IV, pp. 371-73, 405.

to exchange or relative value strictly so-called, by calling on the invariability condition in the same paragraph, he indicated that he was not to be confined to exchange value exclusively.<sup>1</sup> Thus, in regard to Torrens specifically, said Ricardo,

Col. Torrens does not scruple to confound two things which ought to be kept quite distinct -- if a piece of cloth will exchange for less money than formerly he would say that cloth had fallen in value but he would also say that money had risen in value because it would exchange for more cloth. This language may be correct as he uses it to express only exchangeable value but in Political Economy we want something more we desire to know whether it be owing to some new facility in manufacturing cloth that its diminished power in commanding money is owing, or whether it be owing to some new difficulty in producing money. To me it appears a contradiction to say a thing had increased in natural value while it continues to be produced under precisely the same circumstances as before. It is a contradiction too according to the theory of Col. Torrens himself for he says that commodities are valuable in proportion to the quantity of capital employed on their production. If less capital then be required to produce cloth, cloth will fall in value -- in this we all agree but would it not be wrong while the same quantity of capital was required to produce money to say that money had risen in value. It has risen in value compared with cloth he will say. It is undoubtedly of a higher relative value than cloth but how it can be said to have risen in value because another commodity had fallen in value does not appear clear to me nor can it be warranted but by an abuse of language.<sup>2</sup>

It is evident from this that Ricardo could not have denied that money rose in value because cloth fell in value, unless he had in mind a conception of value different from exchange value. That he did have such

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1 "By many it is contended that the sole way of ascertaining value is by estimating the commodity whose value we wish to ascertain in the mass of commodities -- that if at one time it will exchange for more of these than it did at another we may justly say that it has risen in value and vice versa. Now the objection to this is that it assumes invariability in the value of the mass of commodities, for as has been already observed nothing can be a proper measure of value which is not itself exempted from all variations." "Absolute and Exchangeable Value, IV, p. 374.

2 Ibid., pp. 374-75.

a different kind of value in mind, a "natural value" which reflected the ease or difficulty of producing a commodity, is testified by his second sentence in the paragraph just quoted. This "natural value" was obviously the "something more" than mere, inconclusive exchange value.

It was a corollary of Torrens' failure to provide a so-called invariable measure, Ricardo went on to say, that Torrens was unable to show whether, and in what places, the causes of changes in exchange value had occurred. Hence, Torrens had failed to make clear whether such changes were "real," or merely "nominal." It was agreed by all, Ricardo admitted, that Torrens' theory, that equal capitals employed for equal times would produce commodities of equal exchange value, was correct as far as it went. But the difficulty in this view of things lay in determining what Torrens meant by equal capitals. And the only solution to this problem Ricardo could see was to invoke the concept of real value. Torrens, said Ricardo, would discover the equality between different capitals

... by comparing them with a third commodity which will accurately determine their relative value -- he is quite correct but suppose now something occurs to alter the value of the clothiers capital as compared with the sugar bakers the means are undoubtedly easy of ascertaining what the alteration is in the relative value of these two capitals but what I want to know is in which the alteration has taken place and here Col. Torrens' rule fails me. I can only know that their relative value has altered but I have no measure by which I can tell whether the capital of the one has fallen or the capital of the other has risen. A yard of cloth may be worth 5 loaves of sugar. The difficulty of producing cloth and sugar may be increased two fold, or it may be doubly easy to produce them both, in neither of these cases will the relative value of these two commodities alter, a yard of cloth will be still worth 5 loaves of sugar, and because their relative value has not altered Col. Torrens would lead you to infer that their real value has not altered -- I say their real value has certainly altered,

in one case they have both, the yard of cloth and the 5 loaves of sugar, become less valuable, in the other they have both become more valuable. If Col. Torrens says that he also says they are altered in real value I ask by what rule he estimates the alteration — if he says by comparing them with a third or fourth commodity I ask him for his proof that they have not altered in value for it can not be too often repeated that nothing can be a measure of value which is not itself invariable. If he says that this third or fourth commodity are invariable then he has found out an invariable measure of values and then I ask him for his proof of its invariability. But instead of making any such claim he says expressly there is no measure of absolute value and all we can know any thing about is relative value.<sup>1</sup>

Ricardo's disturbance with the inconclusive relative value approach is obvious from the above passage. The incompleteness of Torrens' theory was revealed to him, he thought, in the fact that it provided no way of isolating the causes of changes in exchange value. On the other hand, by invoking a conception of value different from relative value, it was possible to get around Torrens' difficulties.

In page 49 Col. Torrens says the exchangeable value of cottons would fall one half if they could only purchase half the former quantity of commodities altho' they might at the same time exchange for double the former quantity of wine, corn, labour, or money.<sup>2</sup> But suppose that their exchangeable value rose relative to as many commodities as it fell relatively to others we should not then say its exchangeable value had fallen. I suppose Col. Torrens would say their exchangeable value had both risen and fallen, according to the goods with which he compared them. But if I asked him whether their value, leaving out the word exchangeable, had altered, he would be puzzled for an answer. Now with respect to the correctness of Col. Torrens' definition of

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1 Ibid., pp. 393-94.

2 Torrens had said: "If cotton would purchase only half the former quantity of commodities in general, while it purchased twice the quantity of some particular commodity, such as corn, or wine, or labour, or money, — then its exchangeable value would have sunk one half, while its price, as expressed in corn, or wine, or labour, or money, became double." Essay on the Production of Wealth, p. 48.

exchangeable value no one questions it, no one who has preceded him in these enquiries who has not nearly said the same thing on the subject as he has himself, but there are writers deeply impressed with the importance of possessing an absolute measure of value to which all things may be referred, and the question is not whether an accurate measure of this description can be obtained, but whether any thing approximating to it can be suggested.<sup>1</sup>

Fortunately, for present purposes, Ricardo went on to consider at greater length the nature of this value, "leaving out the word exchangeable." After noting that "by exchangeable value is meant the power which a commodity has of commanding any given quantity of another commodity, without reference whatever to its absolute value," and that "any commodity having value will measure exchangeable value...."<sup>2</sup> he stated in a portion of a draft of the final paper:

If an ounce of gold from commanding two yards of cloth came to command 3 yards of cloth it would alter in relative or exchangeable value to cloth but we should be ignorant whether gold had risen in absolute value or cloth had fallen in absolute value. Suppose lead to be a measure of absolute value, and that when an ounce of gold exchanged for two yards of cloth it was of the same value as 2 cwt of lead and that when it was worth 3 yards of cloth it was worth also 3 cwt of lead then cloth would not have varied in absolute value, but gold would have risen 50 pct. If on the contrary the ounce of gold continued of the same value as 2 cwt of lead then when it exchanged for 3 yards of cloth cloth would have risen 50 pct. in absolute value and gold would not have varied. The question is can we obtain such a measure of absolute value and what are the criteria by which we are to satisfy ourselves that we have obtained.<sup>3</sup>

Ricardo's problem still was to discover the criteria by which it would be possible to isolate variations of absolute value through the

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1 Ibid., pp. 395-96.

2 Ibid., p. 398.

3 Ibid., p. 399, n.



course of time. He rejected a measure of value at one time as a satisfactory measure for different times,<sup>1</sup> and thereby confirmed Bailey's judgment that those who found unsuitable for different periods of time a measure of value which had been suitable for the same time and place, had really moved between two conceptions of value. He then contended,

But if I want to know whether cloth be of a greater absolute value now than at a former period I can know nothing of this fact, unless I can compare it to a commodity which I am sure has itself not varied during the time for which the comparison is to be made... I may be asked what I mean by the word value, and by what criterion I would judge whether a commodity had or had not changed its value. I answer, I know no other criterion of a thing being dear or cheap but by the sacrifices of labour made to obtain it. Every thing is originally purchased by labour — nothing that has value can be produced without it, and therefore if a commodity such as cloth required the labour of ten men for a year to produce it at one time, and only requires the labour of five for the same time to produce at another it will be twice as cheap. Or if the labour of ten men should be still required to produce the same quantity of cloth but for 6 months instead of twelve cloth would fall in value.

That the greater or less quantity of labour worked up in commodities can be the only cause of their alteration in value is completely made out as soon as we are agreed that all commodities are the produce of labour and would have no value but for the labour expended upon them.<sup>2</sup>

In considering whether or not commodities were "dear or cheap" on the basis of the "sacrifices of labour made to obtain" them, it is apparent that Ricardo had reverted to that "philosophical" explanation of value found in the Wealth of Nations.<sup>3</sup> Now this labour "sacrifice" may have been the "criterion" by which Ricardo believed he could ascertain the

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1 Ibid., p. 396.

2 Ibid., pp. 396-97.

3 Wealth of Nations, I, Book I, Chapter V, p. 35. "At all times and places that is dear which is difficult to come at, or which it costs much labour to acquire; and that cheap which is to be had easily, or with very little labour."

variations in "value" relevant to his inquiries, but that "sacrifice" was equally the essence of value for him, inasmuch as without it no commodity could have value. He made this point with perhaps even greater force at another place in the final paper. It will not be surprising that it appears in the course of a rejection of a measure of value at one time and place in favor of one allegedly suited to distant times and places — a rejection, be it noted, which Bailey had correctly insisted was founded on two different (and contradictory) conceptions of value.

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

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

8. Have we no standard in nature by which we can ascertain the uniformity in the value of a measure? It is asserted that we have, and that labour is that standard. The average strength of 1000 or 10,000 men it is said is nearly the same at all times. A commodity produced in a given time by the labour of 100 men is double the value of a commodity produced by the labour of 50 men in the same time. All then we have to do it is said to ascertain whether the value of a commodity be now of the same value as a commodity produced 20 years ago is to find out what quantity of labour for the same length of time was necessary to produce the commodity 20 years ago and what quantity is necessary to produce it now. If the labour of 80 men was required for a year then and the labour of 100 men is required now we may confidently pronounce that the commodity has risen 25 pct. ---

9. Having discovered this standard we are in possession of an

uniform measure of value as well as an uniform measure of length; for suppose 1000 yards of cloth or 100 ounces of gold to be the produce of the labour of 80 men we have only to estimate the value of the commodity we wish to measure at distant periods by cloth or gold, and we shall ascertain what variations have taken place in its value, and if we have any doubt whether our measure itself has varied in value there is an easy method of correcting it by ascertaining whether the same quantity of labour neither more nor less is necessary to produce the measure, and making a correction or allowance accordingly.<sup>1</sup>

## 3.

It is not necessary to labor further in the task of ferreting out Ricardo's remarks on the subject of real, natural, absolute, or positive value. Enough has been adduced from his treatment of the objections by Trower, Torrens and Malthus to establish that Bailey's judgement about the non-relative nature of this real value was entirely correct. Enough has been presented to show that Bailey was right in insisting that most of Ricardo's measure of value discussion was simply one aspect of his real value concept and that the only reason Ricardo needed, or thought he needed, an invariable measure of value was because he had in mind a "value" different from exchange value. The implications of this are manifold, but it was, or could have been, a consequence of a strict adherence to the original definition of value as exchange value, that certain of the more unsatisfactory inter-temporal comparisons could have been avoided. As Chapter II has shown, Ricardo's theory of value was an essential and integral part of his distribution theory, in that it appeared

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1 Ibid., pp. 381-82.

to avoid most of the difficulties associated with the "nominal" and inconclusive Smith-Malthus theory. In the same way, Ricardo's index or measure of value was inexorably intermixed with that theory of value. Now as a first approximation, where only one time and place were under consideration, and where, accordingly, value was taken as relative value, Ricardo's labor theory of relative value was simply a variation of the later Smithian cost of production theory. Things exchanged according to the quantity of labor their respective productions had cost, labor qualities, varying time periods of production, and differing capital structures having been assumed, rather than explained, away. But when the problem of distribution came to dominate the picture, the need to undertake investigations in different times and/or places involved errors if the exclusive exchange or relative value viewpoint were employed. As Ricardo saw it, to speak about the relative value of the distributive shares meant that these shares might vary in value from variations in the cost of production of both the items given and the items received; it meant that in two or more periods or places, two sets of costs of production might produce variations. In Ricardo's mind, the result of this rather loose state of affairs was to admit that variations could always be attributed to something else, to some other cause -- were in fact inconclusively "nominal." He believed that his own theory of value avoided the emptiness of the purely relative theory by showing in what consisted the essence of value and, therefore, the real causes of the variations in the value, the real value, of the distributive shares. Thus, for

Ricardo, the question of relative or exchange value in the same time or place might be in varying degrees useful, but one only became "deeply impressed" with the problem when attention was shifted to the question of different periods and places. And there it was that one called upon a form of value both superior and anterior to mere relative value. This "real" value was that alone which would isolate those distributive variations which Ricardo believed so important. And it was for this "real" value that Ricardo's particular index was constructed.

When it is appreciated that much of the exploration of the real value concept in Ricardo's thinking appeared after the third edition of the Principles had been published, Bailey's achievement becomes all the more remarkable. He displayed truly great perspicuity in seeing the way in which Ricardo's approach had pushed him further and further toward real or absolute value. The later materials uncovered serve to establish that this was the way Ricardo was going, of course. But with no help whatsoever from any such outside sources as these, Bailey had been able to dig out of the Principles the fundamental contradiction on which it all rested.

## 4.

Inasmuch as Malthus, unlike Ricardo, had an opportunity of answering Bailey's criticisms directly,<sup>1</sup> it will not be necessary here to go to great

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1 Cf. Chapter VIII, infra., pp. 339-55.

lengths to show what was in his mind as a confirmation of Bailey's judgements. It has been seen that Bailey was able to penetrate through Malthus' rather broadsided approach in the Measure of Value, and to demonstrate the notion of absolute value which formed such an important part of Malthus' reasoning. In his more or less overt replies to Bailey<sup>1</sup> it will become clear that Malthus endeavoured to push the absolute value concept even further in an attempt to avoid some of the ambiguities Bailey had noticed. But for the moment it is possible to reach a sort of half-way confirmation of Bailey's appraisal of Malthus. This appears in one of two papers which Malthus read in 1827 before the Royal Society of Literature entitled, "On the Measure of the Conditions necessary to the Supply of Commodities" and "On the Meaning which is most usually and most correctly attached to the term, Value of Commodities."<sup>2</sup> For present purposes, the second of these two papers is the more important. For, as Professor Bonar has pointed out, it may be taken in part as an "indirect proof" of the position adopted earlier in the Measure of Value.<sup>3</sup> Thus, declared Malthus,

On a former occasion I endeavoured to show, that the quantity of common labour which a commodity will ordinarily command, represents and measures the ordinary conditions of its supply, or the

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<sup>1</sup> T. R. Malthus, Definitions in Political Economy, preceded by an inquiry into the rules which ought to guide Political Economists in the definition and use of their terms; with remarks on the deviation from these rules in their writings (London: 1827).

<sup>2</sup> Transactions of the Royal Society of Literature (London: 1829), Vol. I, Part I, pp. 171 ff. Part II, pp. 74 ff.

<sup>3</sup> J. Bonar, Malthus and His Work (London: 1885), p. 264.

natural and necessary cost of its production. It is now my object to show, that when the value of a commodity is mentioned without mentioning at the same time the article or articles in which it is to be estimated, it is generally understood to refer, and can only refer correctly, to the conditions of its supply, or the natural and necessary costs of its production.<sup>1</sup>

This statement, which is strikingly similar to Ricardo's observations to Trower and Torrens about omitting the prefix "exchangeable" when value was under consideration, indicates that Malthus was thinking of his "absolute and natural value" of the Measure of Value. This value responded to causes peculiar to itself and was, therefore, to be distinguished from mere exchange value, which was affected by other external causes.

... We never consider the value of one commodity as affected by the causes which may operate upon another. If iron and broadcloth have remained for a few years at the same prices, we call them steady in their value during that period, without the most distant idea of this steadiness having been affected by the changes to which in the same period hops and cotton had been subjected.<sup>2</sup>

The whole emphasis, obviously, lay on cost or cost variations in different time periods. "... When we speak of the value of a commodity, we almost exclusively refer to the circumstances which affect its plenty or scarcity, to the conditions of the supply of the commodity itself."<sup>3</sup>

This domination of his thinking by the cost considerations shows clearly how far toward Ricardo Malthus had travelled by this time.

As might be expected, once he had made it clear that a commodity's

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1 Malthus, "On the Meaning which is most usually and most correctly attached to the term, Value of Commodities," op. cit., I, Part II, p. 74.

2 Ibid., p. 76.

3 Ibid., p. 77.

steadiness in value meant steadiness in cost, or in the "conditions of its supply," Malthus' measure theory followed closely. It is worth quoting the expression of it in order to see how intimately the two concepts were tied.

But though neither labour, nor any other object, or set of objects, can be an accurate measure of the power of any commodity to purchase an average of the whole mass, yet the ordinary quantity of labour which a commodity will command in any country, as it represents the quantity of labour necessary to its production with the addition of profits, will measure correctly the natural and necessary conditions to its supply in that country. But it has appeared, that it is to the natural and necessary conditions of the supply of commodities in any place or country that we refer, when we speak of their natural and ordinary value. Consequently, the ordinary quantity of labour which the precious metals will command in any country, is the measure of their natural and ordinary value in that country.<sup>1</sup>

It is unnecessary to go further in establishing the validity of Bailey's judgement on Malthus. The notion of absolute value, which Bailey had seen so clearly in Malthus' earlier writings, has emerged even more forcefully in this paper. Beyond that, as Bailey had also pointed out, Malthus was clearly one with Ricardo in believing that "value" would remain the same if cost remained the same. Since this could be true only if value meant something other than exchange value, Malthus, like Ricardo, had ipso facto changed his ground. It has been shown that both Ricardo and Malthus became increasingly attracted to the non-relative value viewpoint. Although this fact itself is remarkable for the bias it gave to economic thinking, it is certainly no more so than the fact, as Professor Schumpeter has pointed out, that Bailey's was a "peak performance" in seizing upon it and its inherent deficiencies.<sup>2</sup>

1 Ibid., pp. 80-81.

2 Schumpeter, History of Economic Analysis, p. 599.



## CHAPTER VI

### BAILY AND THE CAUSES OF VALUE.

In certain respects the subject matter of the present chapter has been anticipated in the three chapters immediately preceding. By insisting on the relative nature of value, and by insisting on Ricardo's failure to apprehend this fact as exemplified in his doctrine of real value, it has been seen that Bailey had questioned a theory which sought to ascertain fluctuations in the former by means of changes in the latter. Indeed, the final judgement that Bailey had been able to make on Ricardo's measure theory was that it was designed not to measure exchange value, but to ascertain whether or not, and where, changes had taken place in Ricardian real value. This "value" was not really value at all, Bailey had said; on the contrary, it was nothing more than cost of production. Investigations into alterations in the cost of production he had admitted might be a "useful inquiry." But they were not to be confused with a measure of value, which was on an entirely different level of discourse. An inability to perceive this had brought Ricardo into contradictory and inconsistent positions. The source of the confusion, however, was at bottom to be traced to Ricardo's notion of real value.

Having thus demonstrated the manner in which Ricardo's theory inexorably led toward cost of production as the underlying determinant of his system of reckoning, it was natural that Bailey should next propose to consider the extent to which Ricardo's argument correctly explained the determination of value, i.e. exchange value. This meant, of course,

a consideration by Bailey of the legitimacy of Ricardo's (or his followers') distillation into labor quantity the cause for which commodities would exchange. This, in turn, necessitated a positive statement by Bailey of his own explanation of the causes determining the ratio in which commodities would exchange. In conformity with the pattern adopted in the preceding chapters, Bailey's position in its own right will be analyzed, after which it will be possible to take up his appreciation of the positions held by Ricardo and his disciples.

## 1.

In undertaking to formulate a theory of value, Bailey was mindful of the standpoint he had adopted at the outset of his first chapter. That is, although as a first approximation value might be considered a quality of external objects in, what he elsewhere suggested might be termed their "exchange relations",<sup>1</sup> still, he stressed that ultimately it was the effect produced on the mind when objects were considered as items of choice or exchange. Given this basic conception, however, it followed that this value, "this feeling or state of mind may be the result of a variety of circumstances connected with exchangeable commodities, and an inquiry into the causes of value is, in reality, an inquiry into those external circumstances, which operate so steadily upon the minds of men, in the interchange of the necessaries, comforts, and conveniences of life, as to be the subjects of inference and calculation."<sup>2</sup>

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1 Critical Dissertation, p. 240.

2 Ibid., p. 180.

It is clear enough, that, having reached this point, with very little urging Bailey could have travelled some way along the road which Senior, Longfield, and Lloyd were later to prepare in advance of the more thoroughgoing utility analysis. Of course, Bailey did not turn this conclusively subjective way. Therefore, it is necessary to consider exactly what he had in mind in speaking of those "external circumstances" which, so long as they are "steady in their operation" may be "equally regarded as causes of value," regardless of whether they "... act directly on the mind, as considerations immediately influencing its views, or they may operate indirectly, by only causing certain uniform considerations to be presented to it."<sup>1</sup>

As a preliminary to his investigation, Bailey drew attention once again to the point he had made earlier, and insisted that although the causes operating on the mind were strictly the causes of value, he would employ the common mode of identifying these "mental states" with a quality of the external objects which had excited them. Thus, rather than continually referring to causes operating on the mind, he claimed the indulgence of speaking of the causes operating on the commodity or commodities concerned.<sup>2</sup> As a second preliminary reminder, he stressed that it was a corollary of his treatment of the nature of value that the phenomenon only existed as a result of two sets of causes affecting the commodities (or the minds of the relevant individuals) constituting the

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1 Ibid., pp. 180-81.

2 Ibid., pp. 1-2, 103.

value relation. Although in the investigation to follow he declared that he would for convenience deal with these causes separately, it was nevertheless to be remembered that the relation of value was dependent for its existence on the two sets of causes. The fact that the relation might be altered by an alteration of one (or one set) of these causes was not to obscure the more fundamental fact that the relation itself still derived from both (or both sets).<sup>1</sup> Stressing this point may seem unduly academic (i.e. if "academic" is understood, as seems its popular destiny, as equivalent to "worthless"). On the other hand, in this "duality" of causes as expressed by Bailey is to be found a realistic approach to the problem of cost which, because they were inclined to overlook it in their positive formulations, led the Ricardians into some of their more violent pitfalls and cul-de-sacs. It was no accident that Bailey employed the expression "causes of value" in the full title of the Critical Dissertation. For it will appear that this was a deliberate, conscious effort by him to restore the commonsense realities of the case in opposition to the monism of the Ricardians.

In order to discuss the "causes which determine the quantities in which commodities are exchanged for each other"<sup>2</sup> Bailey resorted to the proper scientific procedure of careful classification. He divided commodities into three categories on the basis of what seems to be essentially market forms or entry conditions. The three classes, he said, were:

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1 Ibid., pp. 183-84.

2 Ibid., p. 184.

1. Commodities which are monopolized, or protected from competition by natural or adventitious circumstances.
2. Commodities, in the production of which some persons possess greater facilities than the rest of the community, and which therefore the competition of the latter cannot increase, except at a greater cost.
3. Commodities, in the production of which competition operates without restraint.<sup>1</sup>

Since the causes of the value of commodities in the respective classes were ostensibly different, Bailey then proceeded to examine the particular causes.

The first category, which he termed "monopolies," was distinguished into two kinds: "... those in which there is only one interest concerned, and those in which there are separate interests."<sup>2</sup> As evidence of the first kind of monopoly Bailey cited Ricardo's remark that commodities were at a monopoly price when their quantity could not be increased by any device.<sup>3</sup> In this situation, "... the competition is wholly on one side — amongst the buyers."<sup>4</sup> Bailey's statement of the second kind of monopoly contains the germs of duopoly-oligopoly conditions.

The second kind of monopoly differs from the first in the obvious circumstance that there may be a competition amongst the sellers as well as amongst the buyers. Where there is only one interest concerned in the monopoly, it may be to the advantage of the party to withhold his article from the market in times of dull demand, or even to destroy a part of it to enhance the value of the remainder; a policy which is said to have been pursued by the Dutch in the spice trade. But when a monopoly is in the hands of different individuals, with separate interests, such a line of

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1 Critical Dissertation, p. 185.

2 Ibid., pp. 185-86.

3 Ricardo, Principles, p. 249, as quoted in Critical Dissertation, p. 186.

4 Critical Dissertation, p. 186.

policy is impracticable: for although it might be to the advantage of the whole body if the quantity of the monopolised article were proportionately reduced to each holder, yet as, by the supposition, there is no combination of interest, every individual finds it beneficial to dispose of all that he possesses. To destroy any part of it, would be to injure himself for the benefit of his brother monopolists. While on the one hand he is fenced in by an exclusive privilege or possession from the competition of the public, he is on the other hand compelled by his own interest to bring to market the whole of his supply, and is obliged by the same principle to produce the greatest supply in his power, so long as the average price pays him a higher profit than the ordinary employment of capital.<sup>1</sup>

The "interest" of the respective duopolists-oligopolists to which Bailey had referred appears to be some sort of profit maximus, and his relating this return to the alternative rate of interest (or as it was usually designated, "profits") seems to suggest the proper awareness of alternative cost considerations. There is no evidence to show, however, that Bailey understood any of the real intricacies of monopoly or oligopoly pricing behaviour. In the pure monopoly case he ignored the influence of the firm's cost function completely. And although there was a hint of it in the duopoly-oligopoly passage, there was nothing to suggest an appreciation of the much more complicated problem raised "when a monopoly is in the hands of different individuals, with separate interests." Beyond his understanding that the "second kind of monopoly" could be produced by entry barriers of a temporal sort,<sup>2</sup> however, Bailey's main

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1 Ibid., pp. 187-88.

2 "It deserves to be remarked, that all commodities, which require any considerable period of time for their production, are liable to be occasionally forced into the class of articles owing their value to this second kind of monopoly, by a sudden alteration in the relative state of supply and demand." Ibid., p. 188. Corn and labor, he thought, were good examples of commodities whose value was occasionally determined on the basis of such a "temporary monopoly." Ibid., pp. 189-90.

contribution on this heading was in separating the pure monopoly conditions from the duopoly-oligopoly ones. If his actual pricing analysis was not worth very much, at least having established the above categories was an advance in the right direction.

Regarding those commodities produced under the second type of entry conditions, i.e. those commodities which could be "... increased by industry and competition, but only at a greater cost....",<sup>1</sup> Bailey was rather more obscure than he had been in his monopoly analysis. Like most writers at this time he had no perception of a demand curve and the relevance of its shape and position for the particular market form he had in mind. He hinted at an industry whose supply curve was rising, although there was no indication that he understood the firm cost functions on which such an industry curve was based. At any rate, with entry free up to the limit experienced by a high cost producer, a low cost producer would realize "extraordinary" profits. He would in fact be a monopolist.

When a commodity is of a kind which admits of being increased by industry and competition, but only at a greater cost, the possessor of the cheaper means of producing it has evidently a monopoly to a certain extent, and the value of the commodity will depend on the principles already explained, until it reach such a height as will afford the ordinary profit to those who produce it at a greater expense.<sup>2</sup>

Corn, he thought, was an example ("raw produce in general, metals, coals," were others) of such a commodity being produced under increasing cost conditions. The existence of higher cost producers who were drawn into

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1 Ibid., p. 193.

2 Ibid., p. 193.

the industry set a limit beyond which the value of the commodity could not rise.<sup>1</sup> This higher cost was not to be taken as the positive cause of such value, however.

It is a cause of its being no higher, not the cause of it being so high. A perforation in the side of a vessel, at any distance from the bottom, would effectually prevent its being filled to a greater height with water, but it could be no cause of the water attaining that height. At the utmost it could be considered as only a joint cause of the result.<sup>2</sup>

Bailey's "joint cause" was obviously akin to Marshall's famous scissors<sup>3</sup> and the pricing policy he had in mind was nearly the same as that associated with the earlier duopoly-oligopoly market form. The only difference appears to lie in the fact that here Bailey made explicit the increasing cost conditions; in the earlier case he did not take up the nature of the cost functions at all.

Bailey's third category of goods, "... those which can be increased by industry, and on which competition acts without restraint....",<sup>4</sup> fell into the familiar Ricardian case of competition with constant costs. Economists were agreed, he said, that commodities in this category, whose value "owes nothing to monopoly," were determined in their exchange relations by their respective "costs of production."<sup>5</sup> Recalling once again the fact that the causes which determined these relations were the considerations which acted on peoples' minds with "certainty and precision,

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1 Ibid., p. 194.

2 Ibid., p. 195.

3 Marshall, Principles, p. 290.

4 Critical Dissertation, p. 198.

5 Ibid., pp. 198-99.



in the interchange of commodities," it appeared that "no man, who bestows his time and attention on the production of a commodity, will continue to produce it for the purpose of exchanging it against another commodity, which he knows costs less to produce than his own: and, on the other hand, every producer will be willing to sell as large a quantity of his commodity as he can dispose of at the same price as his fellow producers."<sup>1</sup>

It is apparent that Bailey here confused two analytically distinct cases. The first half of his proposition was clearly not a legitimate member of that class of commodities "on which competition acts without restraint." Indeed, it was a clear case of bilateral monopoly. There is no evidence, either here or in his discussion of the "second kind of monopoly" above, that Bailey understood the indeterminacy problems of such a market form. Beyond this erroneous classification, however, Bailey went on into further error in contending that the high cost producer refused to exchange his product for that of the low cost producer because he knew the latter's costs were lower. Per se, knowledge of this sort has nothing to do with determining the rate at which exchanges will eventually occur. The high cost producer would receive, for example, more than one of the low cost producer's products in exchange for one of his own, simply because the latter, within the time available to him, would have produced more of his particular commodity. The low cost producer, therefore, would have been willing to part with more of his goods

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1 Ibid., pp. 199-200.

in order to obtain one of the high cost producer's goods. Each producer's cost function might exert some influence on the rate at which he was willing to part with a portion of his product, through determining the amounts and rates of accrual of the stocks held each time an exchange was made. But the considerations of subjective evaluation, bargaining power, reaction conjectures, etc., ad infinitum, are sufficiently numerous and varied to render mere knowledge of a rival's cost function unimportant, even assuming it could be obtained.<sup>1</sup> The cost functions might set some sort of "lower bargaining limits" and, therefore, might enter as partial determinants, as he had seen earlier.<sup>2</sup> But it is clear that all of this leaves unsaid the probably more involved, and certainly more important, problem of what the respective demand functions for the two bargainers might be. Bailey displayed no perception of this difficulty.

The second half of Bailey's statement applies correctly to the class of commodities he had delimited. The implicit principle is, of course, that competition occurs over the long run by means of output; an infinitely

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1 Cf. Marshall, Principles, Appendix F, "Barter," pp. 652-54.

2 "Suppose two persons, A and B, of whom the former has linen, which he wishes to exchange for woollen cloth, and the latter has woollen cloth, which he wishes to exchange for linen. The matter would be abundantly plain, if besides knowing what his own article cost him, each had a knowledge of the producing cost of the article to be received in exchange. But it is likely enough that they do not possess this latter knowledge, and in this case the defect will be supplied by the competition of the producers, which is itself governed by the cost of production; and thus, although the two parties to the bargain may not be guided by a knowledge of what each article has cost to produce it, they are determined by considerations, of which the cost of production is the real origin." Critical Dissertation, pp. 181-82.

elastic sales curve is taken as a parameter. In this state of affairs, cost of production obviously determined value, as Bailey insisted. He went on to point out, however, that if the "best economists" were agreed that this was the determining factor, they were by no means in accord regarding what should be included in that cost of production. Some (presumably Ricardo and his interpreters) argued that quantity of labor constituted cost; others, (probably Torrens) thought that capital did.<sup>1</sup> Bailey's solution of the problem is unique, in that, on the one hand, he reverts to a sort of "empirical" explanation of value which, as Wieser pointed out<sup>2</sup> was one characteristic of Smithian, in contradistinction to Ricardian "philosophical," theory. On the other hand, Bailey's argument comes to the threshold of a somewhat different "philosophical" theory and which derives essentially from Bailey's "mental states" outlook of the nature of value.

His first step was to look at the "state of the facts." "The facts," he found were these.

If a man exchanges an article which he has produced by a day's labour, for another article, also the produce of a day's labour, it is plain that the cost of production is the labour bestowed. If another man expends £ 100 in producing a quantity of cloth, that is, in the purchase of materials as well as in the wages of labour, and exchanges it for another quantity of linen which has cost his neighbour £ 100, the cost of production is the capital employed. Cost of production may be, therefore, either a quantity of labour or a quantity of capital. What the labourer produces without capital, costs him his labour; what the capitalist produces costs him his capital.<sup>3</sup>

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1 Ibid., p. 200.

2 Wieser, Natural Value, pp. xxvii-xxviii.

3 Critical Dissertation, pp. 200-201.

This appeared to be the "simplest view" of the "facts." He anticipated, however, that the labor quantity theorists would undoubtedly object that the quantity of capital could be reduced to the quantity of labor required to produce it, that labor could be taken as the cost of producing capital, and, therefore, that labor would be the final cause of value, its ultimate cost of production. Bailey's rejoinder, on a first view, appeared to be simpliste in the extreme. But on subsequent scrutiny it will be found to have enabled him to advance some way beyond the labor quantity purists.

The way in which Bailey refuted the attempt to resolve capital into previously expended labor is instructive. It shows that his insinuations on the "mental affection" remarks of the early pages of the Critical Dissertation were not to be taken as isolated observations. For, he continued,

it must be recollected, however, that we are inquiring into the circumstances which determine men to give a certain quantity of one commodity for a certain quantity of another; and what really acts upon the minds of two capitalists in exchanging their respective goods, is not the labour which in a thousand different ways has been expended upon the articles constituting the capital employed, but the amount of capital they have parted with, in order to obtain the commodity produced. So that granting for the present that the value of capital may be resolved (to use the common language on this subject) into a previous quantity of labour, it would still be a correct statement of facts to say, that the cost of production consists in the quantity of capital expended; or to lay aside the term cost of production altogether, that the amount of capital expended is the cause which determines the value of the commodity produced.<sup>1</sup>

His concluding remark on this portion of his argument -- "there can be

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1 Ibid., pp. 201-2.

nothing absurd in assigning one thing as the proximate cause of an effect, merely because it is possible that another may be assigned as its remote cause,"<sup>1</sup> — would leave an uneasy feeling were it not for the fact that Bailey himself moved on to look at more "remote" causes.

First, the expenditures of labor or capital were the principal costs of production from which value was stated to arise. Without further amplification, this would seem to place Bailey in the ranks of the simple, mechanical, money cost of production theorists. However, even this interpretation cannot stand as the final one, for Bailey found it necessary to add to what he had already said a statement regarding other "causes" of value. It is noteworthy that these other causes are, almost without exception, "mental affections."

The amount of capital is thus the chief, but by no means the sole cause of value. Other circumstances which have a regular influence, cannot with any propriety be excluded. The discredit, the danger, the disagreeableness of any method of employing capital, all tend, as well as pecuniary expenditure, to enhance the value of the product. The time, too, which a commodity requires before it can be brought to market, is another circumstance affecting value, and frequently to a considerable extent. It would be an extraordinary phenomenon, indeed, if, in the interchange of commodities, the minds of men should be influenced by one exclusive consideration: if, imbued as they are with feelings of shame, and fear, and impatience, and others not necessary to enumerate, these passions should leave no regular traces of their operation in the daily business of production and exchange.<sup>2</sup>

It is probably true, of course, that Ricardo, James Mill, and McCulloch would have agreed that these other "causes" were present.

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1 Ibid., p. 204.

2 Ibid., pp. 206-7.

But it is also likely that they would have considered them too devious and various in their operation to form any basis for scientific economic calculation. This was certainly Ricardo's well-known attitudes toward many of Malthus' methodological objections,<sup>1</sup> and unquestionably provoked Malthus' later complaint that the doctrine of value of the "new school of political economy" failed to take account of, or admit, the numerous acknowledged exceptions.<sup>2</sup> From what has been observed of Bailey, it is clear that he was disposed to admit "mental affections" equally with labor or capital costs in the regularity of their operation. The former, as well as the latter, afforded a scientific foundation from which inferences could be made. Bailey was fully convinced on the legitimacy of this viewpoint and, as will be shown later, argued that it was really the basis of the science of political economy.<sup>3</sup> It is obviously too much to claim that Bailey's remarks regarding the subjective evaluations of the "discredit," the "danger," and the "disagreeableness" of employing capital were worked up into a coherent and systematic exposition. But he was heading in the right direction. Otherwise, he never could have asserted in a truly remarkable passage that,

The time necessary to produce a commodity may, equally with the requisite quantity of labour, be a consideration which influences the mind in the interchange of useful or agreeable articles. We generally prefer a present pleasure or enjoyment to a distant one, not superior to it in other respects. We are willing, even at some sacrifice of property, to possess ourselves of what would

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1 Cf. Bowley, Nassau Senior, pp. 31-34.

2 Quarterly Review, LX (January, 1824), pp. 307-20.

3 Cf. Chapter XI, infra., pp. 497 ff.

otherwise require time to procure it, without waiting during the operation; as of what would require labour, without personally bestowing the labour. If any article were offered to us, not otherwise attainable, except after the expiration of a year, we should be willing to give something to enter upon present enjoyment. On the part of the capitalist who produces and prepares these articles, the time required for the purpose is evidently a consideration which acts upon his mind. If the article is wine, he knows that the quality is improved by keeping; he is aware that the same excellence cannot be imparted to any wine, without the employment of capital for an equal period; and that people will be found to give him the usual compensation rather than employ their own capitals in producing a similar result. Thus time is really a consideration which may influence both buyers and sellers; nor is it necessary here to enter into any metaphysical inquiry into its nature in order to prove its effects.<sup>1</sup>

Some aspects of this observation will obviously have to be taken up again in considering Baileys's capital element in distribution theory. But, within the present context, his ability to keep the causes of value close to phenomena which "influence," or "act" upon, the mind indicates a departure from the somewhat strained and unrealistic confines of Ricardo's successors. At any rate, there surely never was a critic of the Ricardian interpolators who was on stronger ground than Bailey, when he completely demolished James Mill's proposition that the increased value which time gave to wine could be considered as the result of an expenditure of labor.<sup>2</sup>

Now if any one proposition can be affirmed without dispute it is this, that a fact can be correctly considered as having taken place only when it really has taken place. In the instance adduced, no human being, by the terms of the supposition, has approached the wine, or spent upon it a moment or a single motion

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1. Critical Dissertation, pp. 218-19.

2. Mill, Elements, 2nd edition, p. 97.

of his muscles. As therefore no labour has been really exercised in any way relating to the wine, a tenth more labour cannot be correctly considered as having been expended upon it, unless that can be truly regarded as having occurred which never happened.<sup>1</sup>

Still in the realm of mental phenomena, Bailey found another cause of value. As might be expected, it was one which Ricardo, following Adam Smith, had been disposed to assume out of his calculations. In Bailey's view, however, it was one which had to be brought back into the science if precision and reality were to be preserved. James Mill, McCulloch, and DeQuincy, said Bailey, were all agreed that, putting aside fluctuations of market value, the value of commodities depended in the last analysis on the quantity of labor expended in their production.<sup>2</sup> However, Bailey wanted to know, what had happened to the qualitative differences in labor which all had so readily compressed into a standard scale of estimation?<sup>3</sup> Were Mill, McCulloch and DeQuincy justified in accepting their leader's statement that these differences in labor did not modify or destroy the operation of the basic labor quantity rule?

In order to prove his point it was only necessary, said Bailey, to show (1) that there were cases in which commodities had been produced by equal quantities of labor and yet sold at different prices, and (2) that commodities once equal in value, without any change in the quantity

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1 Critical Dissertation, pp. 219-20. Bailey was impressed with this proof of the fallacy, for he cited it some years later as an example of the way in which facts hostile to a general law were transmuted by some "verbal legerdemain" to support the law. Cf. S. Bailey, The Theory of Reasoning (London: 1851), pp. 171-72.

2 Critical Dissertation, pp. 207-8.

3 Cf. Ricardo, Principles, pp. 20-21.



of their producing labor, no longer exchanged in the same ratio.<sup>1</sup> So far as the first case was concerned, it was clear, he said, that

Every one at all acquainted with manufactures must know, that there are in the same, as well as in different occupations, various degrees of skill and rapidity of execution amongst artizans, various kinds and gradations of talent and acquirement, which enable some of them to earn double the money obtained by their less fortunate compeers in the same time. There are also circumstances of insalubrity, or disagreeableness, or danger, which affect the pecuniary recompense. The value of the articles produced by these various classes of workmen, and under these various circumstances, bears no proportion to the mere quantity of labor expended. It is no answer to this to say, with Mr. Ricardo, 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;'<sup>2</sup> or with Mr. Mill, that 'in estimating equal quantity of labour, an allowance would, of course, be included for different degrees of hardness and skill.'<sup>3</sup> Instances of this kind entirely destroy the integrity of the rule. Differences of skill is a circumstance which practically affects value, as well as difference in quantity of labour, and therefore the latter cannot with any propriety, be said to be the sole cause of value.<sup>4</sup>

... It must be altogether incorrect to designate quantity of labour the sole cause, when quality of labour is so steady in its effects. This cause of value is, in fact, on precisely the same footing as any other. A variation in it, small or great, would occasion a variation in the value of the article on which the labour was employed; and however inconsiderable its effects may be, they cannot be consistently either denied or overlooked.<sup>5</sup>

The way in which Bailey worked this viewpoint into his theory of wages and then used the results thus obtained to make another attack on a different argument in Ricardo's theory, will be taken up momentarily. But it deserves notice here that, once again Bailey has gone back to basic

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1 Critical Dissertation, p. 209.

2 Ricardo, Principles, p. 20.

3 Mill, Elements, 1st ed., p. 72.

4 Critical Dissertation, pp. 209-11.

5 Ibid., p. 213.

mental considerations, to "insalubrity," to "danger," and to "disagreeableness" in finding a cause of value. When these were added to inherent differences in skill and ability, he was clearly correct in claiming that an important cause of value had been overlooked, or that the general rule had not been satisfactorily qualified.

Regarding the second way in which Ricardo's principle could be proved inadequate, Bailey merely called upon Ricardo's admission that a change in wages would cause a change in value if the capital structures of the respective commodities were dissimilar.<sup>1</sup> He would not deny that Ricardo or his followers had admitted this cause of a variation in value, and, therefore, had sanctioned a modification of the general rule.<sup>2</sup> But he did say that, "... if they allow it, why persist in calling the quantity of labour the sole determining principle of value? Why attempt to give the science an air of simplicity which it does not possess."<sup>3</sup> The presence of different capital structures, and presumably different time periods, of course tended to substantiate Bailey's earlier conclusion that it was probably a closer description of the facts to say that commodities exchanged according to the amount of capital expended upon them. And capital, he had said, was often employed by a capitalist during a period of time in order to raise the value of the commodity being produced. As will be seen subsequently, Bailey failed to improve on the time aspect

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1 Cf. Ricardo, Principles, pp. 36-37.

2 Critical Dissertation, pp. 215-16.

3 Ibid., pp. 216-17.

of Ricardo's own capital theory, except in the single instance of insisting that time somehow operated on the capitalist's mind.

On the basis of these several concepts, then, is to be found the main outline of Bailey's theory of value. The determinants of value were, he had pointed out, as various as the "mental affections," and could, therefore, be ascribed to labor cost, to time, to monopoly or scarcity, to disagreeableness, and so on. These were all causes of value, and changes of them were causes of changes of value. Ricardo had more or less reduced these determinants to two, viz. labor time and capital, and and then tried to isolate one of them as the independent variable, leaving the other as constant. Bailey understood that his general position would probably be likened to Torrens' and that Ricardo's successors would probably object to him that it was possible to go one stage further and dispose of the constant itself. But an objection of this nature was unfounded, he concluded.

Hence for these economists, who object to the doctrine of the value of commodities being chiefly determined by the quantity of capital expended in their production, that it does not satisfy the whole of the inquiry, since they want to know what has determined the value of the capital, the answer is easy. The value of the capital was probably determined by the value of preceding capital, which was in its turn determined by preceding capital in the same manner. Does any one ask, what determined the value of the first of these capitals, trace them as far back as we will? I answer, perhaps monopoly, perhaps the quantity of labour, or perhaps the value of labour; or possibly some combination of these.<sup>1</sup>

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1 Critical Dissertation, pp. 224-25.

## 2.

In passing from Bailey's general theory of value to the more particular aspects of it as seen in his handling of the problem of distribution, it will be convenient to take up his examination of the distributive shares one by one. After this, then, all of Bailey's forces can be observed in their final onslaught against Ricardo's particular interpretation of the value-distribution problem.

Bailey's remarks on the subject of rent were relatively brief and, with one exception, were not characterized by anything of great merit. He argued that rent appeared as a phenomenon only in the case of commodities which could be "increased by industry and competition, but only at a greater cost...." Thus, rent existed in that second class of commodities he had enumerated.<sup>1</sup> The owner of a more fertile farm or mine evidently possessed a monopoly. It was a monopoly, however, the limits of whose possible price rise was set by the existence of other lands or mines of inferior fertility. This, of course, was stressed merely in order to distinguish the pricing principle from that of pure monopoly where, he had pointed out, the price rise was not limited by anything other than the demand for the commodity. In the present case, however, it was clear that

it is simply out of this monopoly-value that rent arises. Rent proceeds, in fact, from the extraordinary profit which is obtained

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1 Critical Dissertation, pp. 193-94.

by the possession of an instrument of production, protected up to a certain point from competition. If the owner of this instrument, instead of using it himself, lets it out to another, he receives from him this surplus of profit under the denomination of rent.<sup>1</sup>

The general analysis here was obviously that of the Malthus-Ricardo genre. Bailey understood that, in the monopoly viewpoint, rent was price determined; "... rent is a consequence of the extraordinary value of a monopolized commodity, and it cannot therefore be one of the causes of its value."<sup>2</sup> However, he did not fully appreciate the price-determined, price-determining difficulty, which probably explains why he was content to dismiss the question of whether or not rent was a component part of price or value as "... at best vague and indefinite, and ought to be banished from a science, which owes half its difficulties to the laxity and ambiguity of language."<sup>3</sup>

Only one feature of Bailey's argument warrants separate notice. As will appear in greater detail when he takes up the problem of wages, Bailey was among the first to make a satisfactory start toward a generalization of the rent concept. In the argument which has been re-cast above, it is clear that he had already put himself in the most favorable position to undertake such a generalization. For by use of the careful expression "instrument of production" it is obvious that he did not want his rent analysis to be confined exclusively to land. Since Ricardo and

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1 Ibid., pp. 195-96.

2 Ibid., p. 197.

3 Ibid., p. 198.

Malthus had never associated the payment of rent with anything other than land or mines, it may be presumed that Bailey would not have used the expression "instrument of production" unless he had already determined to give the rent concept a wider application than it had received hitherto. He was wrong, admittedly, in criticizing Ricardo for attributing the existence of rent exclusively to differences in soil fertility.<sup>1</sup> But in drawing attention to the notion of "scarcity" rent,<sup>2</sup> Bailey was holding himself to the line which would permit him to make the generalization of the rent concept as easy as possible. The importance of "monopoly" or "scarcity" in pulling some of Ricardo's theory to pieces was never

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1 Critical Dissertation, p. 196. Ricardo, of course, understood that the theory of rent did not require the existence of soils of inferior fertility, since the application of capital "intensively" to soil of equal fertility would produce the same result. Cf. Ricardo, Principles, pp. 71, 72, 80, 112-13, n. Notes on Malthus, II, p. 170. Doubtless, Ricardo's unfortunate phrase "original and indestructible powers," Principles, p. 69, misled Bailey, as it has misled so many others.

2 "In this view of the subject, the extraordinary profit might exist, although the land in cultivation were all of the same quality; nay, must exist before inferior land was cultivated; for it could be only in consequence of extraordinary gains obtained by the monopolizers of the best land, that capital and labour would be expended on soils of a subordinate order. Rent, therefore, might exist, while all the land under cultivation was of equal fertility. Perhaps it might not exist under these circumstances during any long period, but its existence at all would prove that it was the effect of monopoly, an extraordinary profit, and not the consequence of the cultivation of inferior soils." Critical Dissertation, p. 196.

Dr. Bowley has agreed to Bailey's priority in generalizing the rent concept to wages some few years before Senior's attempt to do so. Nassau Senior, p. 131, n. However, she neglected to point out that Bailey had preceded Lloyd, Longfield, and Senior, Ibid., p. 127, by at least ten years in demonstrating the possibility of a pure scarcity rent entirely beyond the more or less accepted confines of the differential analysis.

underestimated by Bailey. And, as will appear momentarily, he attributed much of the poor quality of the Ricardian analysis to a failure to take sufficient cognizance of it in the theory of value. This, indeed, explains why Bailey was so careful to set monopoly considerations aside in a special category in his treatment of the determination of value.

### 3.

In attempting to sort out Bailey's ideas on wages it will be convenient, first, to consider his own treatment of the nature and determination of wages, after which to see how he applied these concepts to the Ricardian system.

In many respects it is a pity that the elegance of his strictures on the nature of Ricardo's value has tended to forestall closer investigation of Bailey's handling of the problem of wages. For if it is true that Bailey clearly exposed the Ricardian error of considering value as positive or absolute, which at bottom was simply a rationalization of the labor theory of value; then it is equally true that, consistent with the reasoning by which he had made this original error apparent, Bailey likewise dealt with the wages problem in a manner which should have driven the Ricardians to avoid that unrealistic approach which so disfigured distribution theory. In his chapter expressly devoted to the problem of wages Bailey defined the value of labor in the same terms as he had defined the value of commodities generally in his first chapter.

Unless we change the meaning of value in the case of labour from that which it bears when applied to any thing else, the value

of labour must signify the power of commanding other things in exchange. The term in reference to labour, as in all other cases, denotes a relation, and the relation, in this instance, must be between labour and commodities. Labour, therefore, is high in value when it commands a large, and low when it commands a small quantity of commodities; and when labour is said to rise or fall in value, the expression implies, that a definite portion of it, a day's labour for example, exchanges for a larger or a smaller quantity of commodities than before. This is obviously the only interpretation of which the terms rise and fall of labour admit, consistently with the definition of value.<sup>1</sup>

"Wages," Bailey added, signified the same thing as the value of labour or, in other words, the relation of exchange between a commodity, or commodities, and a definite portion of labor; in the term wages, however, the commodity obviously implied was money.<sup>2</sup>

From this statement, which Bailey repeated at various other places throughout the book,<sup>3</sup> several points warrant notice. First, in accordance with the normal practice, Bailey took labor as a commodity which, like all other commodities, possessed a relation of value. The second point, which Bailey had insisted on before<sup>4</sup> in his measure theory and which really derived from the first definition of value, was that the value of labor had to be reckoned on the basis of a "definite portion" of labor. The way in which Bailey used this second point opposite the Ricardian analysis will be considered subsequently, but it should be observed here that, by starting outright from the viewpoint of wages as the value of a unit of labor, Bailey focussed attention on the fact that the

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1 Critical Dissertation, pp. 46-47.

2 Ibid., p. 47.

3 Ibid., pp. 52, 140.

4 Cf. Chapter IV, supra., pp. 140-45, 163-70.



problem of wages was really a problem of value. And this, surely, was in vivid contrast with the Ricardian belief that the problem of distribution was not considered a problem of value at all.<sup>1</sup>

Given, then, that wages, or the value of labor, meant for Pailey merely the amount of money or commodities received by a "definite portion" of labor, the next problem was for him to develop the determinants of the value of labor. His first step in this direction derived from Ricardo's famous illustration at the end of Section VII of the chapter on value in the Principles, where Ricardo had argued that the distributive shares were to be estimated by the percentage of a given total they received, rather than by particular "absolute" amounts.<sup>2</sup> These latter "absolute" calculations, it was shown in an earlier chapter,<sup>3</sup> Ricardo had rejected because they were of the inconclusive "nominal" variety used by Adam Smith and Malthus. As DeQuincy had phrased Ricardo's position: "... when I am told

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1 Cf. Knight, "The Ricardian Theory of Production and Distribution," op. cit., p. 6. Bowley, Nassau Senior, pp. 166, 177-78.

In a letter, Ricardo to McCulloch, 13 June, 1820, VIII, p. 194, Ricardo made the much-quoted claim that his conception of the distributive problem as the proportional sharing of the "whole produce" among landlords, laborers, and capitalists, was not "essentially connected with the doctrine of value." Ricardo's statement was true, of course, because in it he meant exchange value when referring to the "doctrine of value." At the same time, it should also be clear that without his labor theory of value Ricardo could not have isolated the variables necessary for expounding his peculiar distribution theory. However necessary the labor theory was for this purpose, (which is to say, however necessary it was to explain the value of the distributive shares in Ricardo's "peculiar sense" of the term "value,") it was not used to explain the distributive incomes as the relative or exchange values of productive factors.

2 Ricardo, Principles, pp. 49-50.

3 Chapter II, supra., pp. 47-48.

by Adam Smith that the money which I can obtain for my hat expresses only its nominal value, but that the labour which I can obtain for it expresses its real value — I reply that the quantity of labour is no more an expression of the real value than the quantity of money; both are equally fallacious, because equally equivocal."<sup>1</sup> Bailey, however, saw clearly what had been done.

It has been already stated that when labour is said to rise or fall in value, the expression implies, that a definite portion of it exchanges for a larger or smaller quantity of some commodity or commodities than it did before. This however is not the view taken by Mr. Ricardo of the value of labour; for he enters into various details to show, that although the labourer might receive more commodities in exchange for his labour, yet the value of his labour, notwithstanding, might have fallen.<sup>2</sup>

Bailey then quoted several paragraphs from the end of Ricardo's first chapter in which the well-known example of proportionate shares was set forth.

In criticizing this portion of Ricardo's argument, Bailey resorted to his usual approach. That is, he returned to his initial definitions and assumptions and considered how well or ill the conclusions adduced followed from them. In the present case, as might be expected, his judgement was adverse.

The error, however, which it belongs to the purpose of the present chapter to point out, is a departure from his own definition of value. Instead of regarding labour as rising or falling according as it commands a greater or smaller quantity of the commodities exchanged for it, which is a direct corollary from the definition of value as the power of purchasing or commanding other

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1 "Dialogue the Fourth," op. cit., p. 87.

2 Critical Dissertation, p. 52.

objects in exchange, he represents it as rising or falling only when a larger or smaller proportion of the commodity produced goes to the labourer. As value, when applied to labour, denotes its relation to other things, that value must vary, not only from causes which affect labour, but from causes which affect the commodities received in exchange for it. To take Mr. Ricardo's own case in the preceding extract. He says, that if by improvements in machinery and agriculture, the whole produce of the country were doubled, while the quantity of labour employed continued the same, and if before this increase of produce, of every hundred hats, coats, and quarters of corn, the labourer received 25, and after the increase only 22, then wages would have fallen, although the labourer actually received 44, where he before received only 25. But if by a fall of wages is meant a fall in the value of labour; if, further, by value we mean the power of commanding other things in exchange, and if the degrees of that power are in proportion to the quantity commanded, then it is evident, that so far from wages falling they would have risen, inasmuch as a definite portion of labour would command in exchange an increased quantity of hats, coats, and corn.<sup>1</sup>

The nature of this objection, of course, was by no means new to Ricardo; Malthus had made practically the same criticism some time before.<sup>2</sup> But Malthus had not been able to place his objection in so sharp and incisive a form, and, in the last analysis, Ricardo's insistence on the doctrine of the "real value" of the distributive shares (and not their "absolute" amounts) had worn him down. Bailey, on the other hand, was too fully prepared to cling to the original definition and, as the above quotation shows, was not to be beguiled from it by a confused or deliberate transfer to a different conception of value.

Bailey admitted, with Ricardo, that a change in the proportion of the product assigned to the laborer might be one cause of a variation in

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1 Ibid., pp. 56-57.

2 Cf. Chapter II, supra., pp. 24-25.

wages, or the value of labor, because it was evident that if, from a fixed quantity, a greater proportion were deducted, a smaller quantity or proportion would remain. But such a cause of a wage variation depended wholly on the assumption that the original quantity remained fixed. Bailey took particular pains to stress, however, that "Mr. Ricardo's error, it deserves to be repeated, lies in considering this change in the proportion to be the only cause of a change, or rather the only case of change in the value of labour."<sup>1</sup>

Ricardo's theory of wages, as a proportionate share, necessarily implied the inverse variation of wages and profits. However, when wages were defined as the value of labor and recognized as the quantity of commodity or commodities given in exchange for that labor, it was clear, Bailey went on to argue, that the proportionality viewpoint could not apply equally to wages and profits. It was only necessary to understand that, if a rise in wages meant a greater quantity of produce received by the laborer in exchange for his labor, then the Ricardian position was invalid; wages and profits need not vary inversely. This was made clear in the example of so-called proportionate shares Ricardo had given. In that example, the value of labor had increased from 25 to 44 hats, coats, and quarters of corn, while profits, as the percentage return on the outlay of wages and rent, had also risen. Such a situation as Ricardo had imagined was entirely unrealistic, regardless of the unusual meaning

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1 Critical Dissertation, p. 58.

Ricardo had given to the value of labor.

... Wages, or the value of labour, and profits may both rise together, because the value of labour does not entirely depend on the proportion of the whole produce, which is given to the labourers in exchange for their labour, but also on the productiveness of labour; because, in fact, a rise of profits and a rise in labour are essentially distinct in their nature, the one signifying an increase of proportion, the other an increase in the quantity which a definite portion of labour will command.<sup>1</sup>

Bailey's treatment of profits may be deferred for the moment. But from what he has said, it is evident that he thought the value of labor could change for two reasons. First, if the amount of product remained constant on the implicit no-rent margin, a change in profits would mean an inverse change in wages, and vice versa, whatever the respective cause. This was virtually the normal Ricardian case, with the assumption of constant product added. Secondly, however, a change in the amount of product, or, in other words, in the productivity of labor, might cause a change in the amount of commodity received by the laborer. In this second case, a change in productivity could obviously mean a change in wages in either direction. Profits, likewise, might move in the same direction as wages, or inversely. The point to be made from the second case, however, was that, upon any change in the productive power of labor, the new product might be divided in any manner, depending on the particular circumstances. Since this division was evidently au hasard, it was clear that it was wrong to lay claim to a determinant outcome as Ricardo had

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1 Ibid., pp. 63-64.

done. His formulation, therefore, was simply one among many possibilities.

Should it be objected to the doctrine of profits and the value of labour rising at the same time, that as the commodity produced is the only source whence the capitalist and the labourer can obtain their remuneration, it necessarily follows that what one gains the other loses, the reply is obvious. So long as the product continues the same, this is undeniably true; but it is equally tenable, that if the product be doubled the portion of both may be increased, although the proportion of one is lessened and that of the other augmented. Now it is an increase in the portion of the product assigned to the labourer which constitutes a rise in the value of his labour; but it is an increase in the proportion assigned to the capitalist which constitutes a rise in his profits; whence it clearly follows, that there is nothing inconsistent in the supposition of a simultaneous rise in both.<sup>1</sup>

It is to be regretted, of course, that Bailey did not pursue to greater lengths this matter of the effects of productivity on the value of labor. It is clear that he had many, if not most, of the ingredients necessary for the productivity analysis of wages. By his "definite portion" of labor viewpoint, he had escaped the "lump-sum" concept of distribution. He was, thus, at least on the way toward the factor unit approach by which the theory of distribution is most consistently related to a theory of value.

At the same time, Bailey's "definite portion" outlook enabled him to break down the tripartite (social) factor-class argument of Ricardo's own distribution theory. For having already distinguished commodities into various classes according to market forms, one of which was commodities "monopolized, or protected from competition by natural or adventitious circumstances," Bailey went on to insist that

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1 Ibid., p. 70.

labour must be considered as falling under this class of exchangeable commodities, and as being determined in value by the same causes which operate on articles monopolized in the second method here described. If a man employ his capital in production, he must purchase labour, and the demand for labourers will therefore be in proportion to the capital destined for this purpose. But there are only a certain number of labourers in existence; these cannot for the time be either purposely increased or diminished, and they consequently possess a monopoly of their peculiar commodity. The greater the demand, therefore, for their labour, the higher it will rise, exactly as other monopolized commodities in the same circumstances.<sup>1</sup>

This statement is, of course, wage fund doctrine of the simplest sort. The only thing which saves it from complete banality is the cognizance Bailey took of the time difficulties in adjustment of the supply of labor. By placing labor in the class of commodities, protected from competition by "natural or adventitious circumstances," Bailey gave the impression, at least, that there was no necessity to look toward that long run state of affairs envisaged by Ricardo where "subsistence" (which is not to say "starvation") wages obtained. Indeed, if labor were the monopoly Bailey claimed, it was ipso facto prevented from ever falling to its "cost of production" in a way analogous to commodities in whose production "competition operates without restraint." Bailey did not spin this reasoning out to any length, but it is known that he refused to go along with Malthusian population theory,<sup>2</sup> and this

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1 *Ibid.*, pp. 190-91.

2 Malthus' theory, he said, "... shows what a long train of unsound inferences may be consequent on the precipitate formation of a general law from an insufficient collection of facts...." The Theory of Reasoning, p. 177. Much earlier Bailey had read a paper on Malthus' theory to a local literary society. At that time also he had queried the Malthusian doctrine. Cf. Chapter XII, infra., p. 566.

may have disposed him to consider labor as being generally a monopolized commodity.<sup>1</sup> He also understood that there were other difficulties of supply adjustment which might produce monopoly values for labor. "Subordinate monopolies" for labor existed. So that, "in trades, which require application for a greater or smaller period before they are learned, the workmen are evidently protected from immediate competition; and should there be an increase in the demand for their work, their labour would rise in value, and remain enhanced till more artizans possessed of their peculiar skill had been formed."<sup>2</sup> Although there is a slight hint here of wages being something of a premium for the greater productivity or skill of more "capitalistic" methods of producing or preparing laborers, it would be stretching credence to violent lengths to argue very strongly in Bailey's behalf for such a theory. It is more likely that the statement should be subsumed under the familiar natural- and market-price of labor analysis, with perhaps less emphasis on the former than was customary.<sup>3</sup>

It if appears from what has been said that Bailey's treatment was extremely suggestive, if incomplete, there is still one final contribution he had to make which must be credited. This was his well-known attempt to generalize the rent concept to wages.

The extraordinary profit out of which rent arises, is analogous to the extraordinary remuneration which an artisan of more

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1 Critical Dissertation, p. 191.

2 Ibid., p. 192.

3 Ibid., p. 186.



than common dexterity obtains beyond the wages given to workmen of ordinary skill. In so far as competition cannot reach them, the owner of the rich soil and the possessor of the extraordinary skill obtain a monopoly price. In the one case this monopoly is bounded by the existence of inferior soils, in the other of inferior degrees of dexterity.<sup>1</sup>

It is to Bailey's credit that he drew the analogy here strictly in terms of rent or "monopoly price," and left what was quasi-rent, or "temporary monopoly" alone. This, of course, implied that he recognized that the price or value differences visible in the former case were strictly due to skill or fertility differentials of a long-run duration; in the "temporary monopoly" price instances these price or value differences might disappear when sufficient time was available to affect the supply. Beyond this, moreover, Bailey had seen that the true rent concept did not depend exclusively on the differential notion, but rather on the more fundamental concept of scarcity or monopoly. It deserves to be emphasized, therefore, that these "monopoly" or "scarcity" factors, which Bailey claimed Ricardo had so frequently overlooked,<sup>2</sup> subsequently served as the basis for the familiar Cairnsian notion of non-competing groups. To the extent that these latter notions involved a more realistic theory of factor distribution, Bailey must be credited with having at least pointed in the proper direction, particularly in the case of labor.

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1 Ibid., pp. 196-97.

2 Ibid., p. 229.

As the absence of any useful treatment of the (capital) demand for labor in his wages argument will suggest, Bailey's capital theory could hardly be characterized as a significant advance. With one exception, this judgement seems to be the most that can be said for him in the treatment of interest or "profits." This single exception derived, of course, from Bailey's willingness to admit time as an influence on value and, therefore, on productivity. It has been seen that Bailey had objected against Ricardo's disciples that the wine example demonstrated the presence of the time factor in the determination of value. Now in the way he had introduced this objection, it seems evident that Bailey understood that there was some kind of functional relationship between the length of time capital was employed and the value of the product concerned. He had pointed out that the "time required" to produce an article was a "consideration" which acted on the mind of the capitalist involved. And, he had insisted that such a capitalist had to receive the "usual compensation" from others who were unwilling to undertake such an investment for a similar period of time.<sup>1</sup> He also saw that "mental affections" would probably have some effect on capital supply, and he was quite clear that it was erroneous to try to reduce capital to accumulated labor.<sup>2</sup>

But if these observations seem to place Bailey in the vanguard of

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1 Ibid., pp. 218-19.

2 Ibid., pp. 221, 224-25.

English anticipators of the abstinence theory of capital,<sup>1</sup> it is nevertheless abundantly clear that Bailey was not up to the task of working his remarks into any kind of coherent and systematic explanation of the return to capital. In fact, it is remarkable as well as disappointing, that he should have seen on the one hand the apparent need to remunerate the services of the capitalist for the time period during which his resources were employed, while on the other hand he should have failed so dismally to incorporate this viewpoint into his specific treatment of the problem of "profits." The depth of his failure is even more depressing when it is appraised in the light of the solid groundwork he had laid in treating wages.

If it is necessary to give one single explanation for Bailey's failure to do more with "profits" than he did, it is probably to be attributed to the fact that his outlook was dominated by that portion of Ricardo's theory which dealt with the proportionate sharing out of the whole produce. Bailey apparently accepted the fact that "profits" were best seen and explained by the ratio of return to outlay. This is the simplest businessman's interpretation and, of course, fits directly into the proportionate shares viewpoint. But it is clear that this approach also tends to obscure the relationship between the services of capital and its productivity.

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1 Cf. F. Y. Edgeworth, Papers Relating to Political Economy (London: 1892) III, 30, where it was claimed that Bailey was one with Senior in attributing the value of capital to abstinence. Professor Seligman, "On Some Neglected British Economists," op. cit., p. 354, made the same point and Dr. Bowley, Nassau Senior, p. 144, n., admitted that a claim for priority might be made for Bailey.

Which is to say, the proportionate viewpoint makes it difficult to see how the value of the productive service is derived. This "produce-less-deductions" concept, in which "profits" become the residue after wages had been paid to laborers on no-rent land, fails to emphasize the superior productivity of time-consuming methods; instead, the productivity emphasis tends to go on the labor factor. When the conventional assumptions of the accounting period are made, the productivity of the service of capital is to all intents and purposes lost from view.

It has been seen that Bailey had many of the proper and satisfactory initial conceptions to carry him through to a valid conclusion to the capital problem. He had stressed the relative nature of value; he had treated the return to the services performed by labor as strictly a problem in valuation; he had admitted significant psychological considerations, as the influence of time, scarcity, disagreeableness, and so on. Yet, in the case of capital, beyond a reference to the "abstinence" notions already pointed out,<sup>1</sup> the need to treat the return to capital as a problem in value, (relative value, that is, as Bailey would doubtless have said) did not occur to him. Thus,

a rise or fall of profits is sometimes spoke of as analogous to a rise or fall [sic] of labour or of wages. But profits cannot be regarded as analogous to wages. Labour is an exchangeable thing, or one which commands other things in exchange; but the term profits denotes only a share or proportion of commodities, not an article which can be exchanged against other articles. When we ask whether wages have risen, we mean, whether a definite portion of labour

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1 Supra., pp. 220-22.

exchanges for a greater quantity of other things than before; but when we ask whether profits have risen, we do not mean whether a definite portion of some article called profits will exchange for a greater quantity of other things than before, but whether the gain of the capitalist bears a higher ratio to the capital employed.<sup>1</sup>

This passage is evidence enough to show that Bailey was straying far afield in his absentmindedness. He clearly was not going to consider the return to capital as an exchange for its services, although he recognized that this way of looking at things had given him a satisfactory wage analysis wherein a "definite portion" of labor would exchange for a "quantity" of "other things." Thus, capital and labor were not to be placed on the same footing as regarded the nature and determination of their respective values. In fact, Bailey could not even get his analogy straight. When wages altered this meant a change in the quantities of "other things" for which a "definite portion" of labor exchanged, but when profits altered he did not consider whether a "definite article" of "capital" exchanged for more of "other things" which would have been the correct analogy. Instead, he took the pointless pains to deny that an analogy existed between a "definite portion" of labor and a "definite portion" of "some article called profits."

In this manner, Bailey made it impossible to ask himself the question: why should a unit of the productive service of capital exchange for more or less of other things? Therefore, the only thing left for him

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1 Critical Dissertation, pp. 62-63.

to do was to undertake a somewhat sterile consideration of the relationship Ricardo had sought to establish between the proportionate shares of the laborer and capitalist. He had already proved that an increase of labor productivity could change the quantity of other articles which a "definite portion" of labor might receive, and, therefore, that wages and profits might vary in a manner different from Ricardo's theory.<sup>1</sup>

Thus the only thing left for him to do was to take up the implications of such results on proportional profit variations. It was immediately clear, he said, that if labor productivity increased, so that more of the total product remained to be divided between the laborers and capitalist; then, both parties might receive more. In such a case as this, he said, "... while the value of labour, in relation to hats, coats, and corn, is evidently increased, that is, while a definite portion of labour exchanges for a larger quantity of those articles, the proportion assigned to the capitalist, or the rate of profits, is also augmented."<sup>2</sup>

For, it was "... an increase in the portion of the product assigned to the labourer which constitutes a rise in the value of his labour; but it is an increase in the proportion assigned to the capitalist which constitutes a rise in his profits; when it clearly follows, that there is nothing inconsistent in the simultaneous rise in both."<sup>3</sup> And again, "... a rise of profits and a rise in labour are essentially distinct in their

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1 Supra., pp. 230-37.

2 Critical Dissertation, pp. 66-67.

3 Ibid., p. 70.

nature, the one signifying an increase of proportion, the other an increase in the quantity which a definite portion of labour will command."<sup>1</sup>

It is clear, therefore, that Bailey was not to be weaned from his conviction that profits constituted the "proportion" of the total product received by the capitalist. As such, he never gave himself the opportunity of investigating the value of a unit of capital. The idea seems to have occurred to him that someone might be a bit uneasy with his argument, for he acknowledged at the end of the chapter on profits that "it may be asked, whether not only the proportion is raised, but the value of the same proportion? If the capitalist, for instance, receives 100 hats, coats and quarters of corn at the latter period for every 50 at the former, would not the value of his profits have risen, although the proportion were left undisturbed?"<sup>2</sup> It is unnecessary, however, to take up his response to this hypothetical objection. For by the phrase "value of profits" he had brought himself to a position where practically anything he said would be wrong. It would have been as though he had attempted to deal with the "value of wages," having already defined wages as the value of labor. Indeed, it is remarkable that he should have been able to urge so passionately the relative nature of value in which "definite portions" or quantities were concerned,<sup>3</sup> and yet, should have failed to

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1 Ibid., p. 64.

2 Ibid., p. 67.

3 "... I cannot too strongly recommend the student of political economy never to let the word value pass before him without putting the question, 'value in what?' or, 'in relation to what?' The value of a commodity must be its value in something and whenever the term is used with any definite meaning, that something may be assigned. If it cannot be assigned, the reader may rest assured that the author, whoever he be, is writing without any determinate ideas." Critical Dissertation, p. 35.

see that "profits" were by no means a "definite portion" of some "commodity." Now Bailey, of all people, should have argued so strenuously that wages were simply the value of labor, and yet should have missed the fact that "profits" were simply the value of capital, is one of the most disappointing features in the entire Critical Dissertation.

## 5.

With so much of Bailey's theory considered in its own right, it is now possible to turn with him in making certain conclusions from it regarding Ricardo's theory of value. Two things seem to stand out in what has been said thus far. First, it is clear that, in his theory of value proper, Bailey sought to take account of the greatest possible number of factors producing an effect on the minds of the parties concerned in an economic exchange. This did not mean, however, that Bailey's numerous factors were nothing but a mere listing of possibly relevant matters. Although he did not pass into the psychology of the economic subject, he did insist that the "mental affections" were the result of persistent influences on which it was possible to base inferences. This was his way of proving that there was a "scientific" "inductive" foundation for economic inferences and deductions, and that the regularities observed and employed did not necessarily have to be confined to supposedly objective and external phenomena.<sup>1</sup> Viewing his problem in this "psychological" light, it is clear that Bailey was not so hesitant to recognize a

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1 Cf. Chapter XI, infra., pp. 497 ff.



wider range of influences on value, nor to feel that by doing so he was abandoning the discipline to some sort of economic anarchy.

The second feature which has emerged with worthwhile significance from Bailey's theory has been his analysis of wages. Indeed, almost alone among the distributive factors was its return considered as a problem of value. And Bailey had shown beyond question that it was his own conception of value, to which he had clung so consistently, that had guided him in dealing with the value of labor.

Now it was from these two main standpoints that Bailey criticized the Ricardian structure. He of course placed emphasis on most of the admitted exceptions to the simple labor quantity rule. He charged that Ricardo was wrong in holding that commodities other than those "on which competition operates without restraint" were an insignificant portion of the mass of commodities. He had shown, he thought, that monopoly considerations were an important influence on value, and that the number of commodities thus affected was not small, but considerable. At the same time, he was clear that Ricardo had failed to look beyond his own nose in the case of commodities owing their value to these "monopoly" or "scarcity" influences. For having admitted the theory of rent, which was due at bottom to "scarcity," Ricardo should have seen that the same principle held in numerous other cases as well.<sup>1</sup>

Regarding commodities produced under the conditions of "freest

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1 Critical Dissertation, p. 229.

competition," Bailey agreed that an alteration in the producing labor of one of the commodities would alter their exchange value, provided the other's producing labor remained constant or, at any rate, did not vary in such a way as to overcome the first movement. But this case of the quantity of producing labor variations was only one among a variety of causes which could produce comparable effects.<sup>1</sup> Although he acknowledged that Ricardo had admitted the influence of time in the form of differing capital structures and durabilities, Bailey still claimed that Ricardo's successors were not so magnanimous.

On a review of the subject it appears, that economists attempt too much. They wish to resolve all the causes of value into one, and thus reduce the science to a simplicity of which it will not admit. They overlook the variety of considerations operating on the mind in the interchange of commodities. These considerations are causes of value, and the attempt to proportion the quantities in which commodities are exchanged for each other to the degree in which one of these considerations exists, must be vain and ineffectual. All in reality that can be accomplished on this subject is to ascertain the various causes of value; and when this is done, we may always infer, from an increase or diminution of any of them, an increase or diminution of the effect.<sup>2</sup>

So far as the value of labor analysis in Ricardo's system was concerned, Bailey's strictures were not necessarily further reaching than the several objections which have just been noticed. But in the labor case Bailey, in a sense, had his subject under the microscope. Having provided himself with a crystal clear lens, he was fully prepared to explore every minute portion of the matter. It is the intensiveness of

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1 Ibid., p. 230.

2 Ibid., pp. 231-32.

Bailey's commentary on the value of labor problem that so persistently commands attention.

Dr. Howley has pointed out that, deriving from Adam Smith's use of the labor theory of value for simple (i.e. non-capitalistic) productive conditions, the question of valuing a unit of labor was avoided during the first quarter of the nineteenth century. Under the simple conditions envisioned, the wage or reward received by the laborer depended directly on his physical productivity, with the resultant tendency to consider labor as a whole, rather than as an individual factor unit. With more complex productive conditions, wages still depended to some extent on physical productivity, although their actual determination was thought to be better explained by the so-called "produce-less-deductions" theory. Under these latter conditions, however, the problem of wages still continued to be looked on as deriving from the product of labor as a whole, rather than related to a unit of labor.<sup>1</sup> In addition, because the labor theory of value brought it about that labor was taken as the cause and source of exchange value, attention was directed more toward the "labor" value of the commodity produced, than to the value of labor itself. Where wages were concerned in the subsequent Ricardian distributive argument — which they were not, be it noted, in Ricardo's Chapter V, "On Wages" — they were treated as some physical quantum which possessed a "value" because of the labor and capital expended in producing them, and not as an

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1 Howley, Nassau Senior, pp. 168-69, 177.

inconclusive "nominal" quantity of money or commodities which the laborer might receive in exchange for his services at any particular time. Now it was against this formulation that Bailey objected, claiming that it was inconsistent and contradictory with the theory of value Ricardo had previously set down. Moreover, as will appear, Bailey pointed out how and why Ricardo had committed this error. This achievement, which must surely stand on the same level as Bailey's perception of the inconsistent duality of Ricardo's notion of value, because it derived directly from that perception, has passed generally unnoticed in the literature.

As was so often the case with him, in order to make his point as clear and revealing as possible Bailey went first to Ricardo's definitions. Recalling that value meant exchange value, and, by implication, that Ricardo had agreed to this definition in his very first proposition,<sup>1</sup> Bailey pointed out that the concept of exchange value was applicable to the commodity labor equally with other commodities. The "value of labour," or "wages" signified the "power of commanding other things in exchange," and denoted a "relation" in the same way that the value of commodities signified their exchange relations with other commodities.<sup>2</sup> If, therefore, wages were to be considered as members of the "value" class of concepts, it followed from what Bailey had proved earlier, that the alleged distinction between "real and nominal" value was equally invalid when applied to wages as to any other form of exchange value.

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1 Cf. Chapter III, supra., pp. 88-89.

2 Critical Dissertation, pp. 46-47.

It was obvious, Bailey continued, that if wages were in the same class of concepts as the "value of labour," as Ricardo's definitions at the outset had implied; then something was amiss in his subsequent argument. For Ricardo, he observed,

... talks of the 'labour and capital employed in producing wages,' and of 'the real value of wages,'<sup>1</sup> in which instances it is impossible to substitute the term value of labour instead of wages, as might be done if the two terms were used as synonymous and equivalent. We could not speak with propriety of 'the labour and capital employed in producing the value of labour,' or of 'the real value of the value of labour.'<sup>2</sup>

Now Bailey understood that the impossibility of considering the "value of labour" and "wages" as equivalent had never troubled Ricardo, for the simple reason that Ricardo by this time was looking at "wages" from a completely different and contradictory standpoint. Moreover, Bailey saw that the contradiction involved was analogous to that in which Ricardo previously had transferred his conception from exchange value to real, positive, or absolute value. This was the familiar Ricardian error of overlooking the fact that value was a relation and depended on two causes, or two sets of causes. Ricardo's doctrine of real value, in fact, derived from an apprehension of but one cause. Bailey saw that, if Ricardo were to be consistent with himself in employing his notion of real value, he would end up in a position of absurdity. For if the real value of a commodity was, as Ricardo had claimed, the labor and capital involved in

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1 This refers to Ricardo's Principles, p. 50, where Ricardo had said: "Wages are to be estimated by their real value, viz. by the quantity of labour and capital employed in producing them."

2 Critical Dissertation, pp. 47-48.

its production; then by parallel reasoning, the real value of labor should have been the labor and capital involved in its production. The way in which Ricardo handled this problem was not lost to Bailey. The manner in which he criticized him for it<sup>1</sup> merely reflected Bailey's conviction of the soundness of his own fundamental definitions and concepts. Moreover, Bailey's standpoint also attested to his belief that, if its bases were sound, the theory erected on it would not fail in so critical an application. Ricardo, he insisted,

... ingeniously enough avoids a difficulty, which, on a first view, threatens to encumber his doctrine, that value depends on the quantity of labour employed in production. If this principle is rigidly adhered to, it follows, that the value of labour depends on the quantity of labour employed in producing it — which is evidently absurd. By a dexterous turn, therefore, Mr. Ricardo makes the value of labour depend on the quantity of labour required to produce wages, or, to give him the benefit of his own language, he maintains that the value of labour is to be estimated by the quantity of labour required to produce wages, by which he means, the quantity of labour required to produce the money or commodities given to the labourers. This is similar to saying, that the value of cloth is to be estimated, not by the quantity of labour bestowed on its production, but by the quantity of labour bestowed on the production of the silver, for which the cloth is exchanged.<sup>2</sup>

In other words, when Ricardo had had exchange value under view, he had held that the exchange value of two commodities would be in proportion to the respective quantities of labor employed in their production. In this case there were strictly two causes for the exchange relation, i.e. the respective quantities of labor. But, as Bailey had so cogently

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<sup>1</sup> Marx, Theories of Surplus Value, p. 302, has been the only one to draw much attention to Bailey's strictures on this matter.

<sup>2</sup> Critical Dissertation, pp. 50-51.

remarked, Ricardo tended to drop the "correlative" by the way, and to consider the value of a commodity as depending exclusively on the quantity of labor employed on it alone, thereby making value something positive or absolute. This, in effect, took the notion of value out of the class of conceptions with which Ricardo had begun. By a parallel argument, the value of labor should have depended on the quantity of labor necessary to produce the labor itself and on the quantity of labor necessary to produce the commodity or commodities exchanged for it. This would fulfill the dual causes of the first Ricardian position. In transferring to the real value viewpoint, however, where value appeared as an absolute, Ricardo went not to the former of the dual causes, (i.e. the quantity of labor necessary to produce labor), but rather, to the latter. Thus, as Bailey pointed out, he made the real value of labor depend upon the quantity of labor necessary to produce wages.

In an earlier chapter<sup>1</sup> the method by which Ricardo had sought to make his wages-profits fund reflect only changes in the "real value" of the respective shares was discussed. It was observed there that Ricardo had called upon this formulation mainly in order to avoid reckoning in what he thought of as merely "nominal" terms. For, under the "nominal" theories of Adam Smith and Malthus, he had found it impossible to ascertain whether changes in the exchange relations between commodities had been brought about by "real" changes in one or the other commodity. In a money economy,

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1 Chapter II, supra., pp. 36-49, 67-71.

this meant that it might be impossible to assign changes in the value of money and, therefore, to know whether price variations were "real" or not. The need to avoid this difficulty had brought about the familiar "invariable" Ricardian medium, which allegedly threw all variations in price onto causes appearing as changes in the cost of producing commodities, instead of changes in the cost of obtaining the money used as the medium. On the distributive level, this same assumption had thrown all changes in the value of the respective wage or profit shares onto changes in the cost of producing one or the other of them. On the surface, this appeared as two similar positions, but at bottom they were essentially different. In the first, Ricardo had sought to point out the reasons why a commodity might rise or fall in price or value, and these reasons had appeared to derive from changes in productive cost. As Ricardo said, changes in real value would produce changes in relative value. Now in the distributive argument, changes in the "real value of wages" (to put it in Ricardian phraseology) might bring about a change in the quantity of the commodity or commodities given to the laborer in exchange for his services. But such a quantity (or changes in such a quantity) as this was an unreliable "nominal" calculation and was classed by Ricardo as mere abundance of commodities or riches.<sup>1</sup>

Now Ricardo's position had not escaped Bailey when it was a question of the "value" of commodities. With equal perception, Ricardo's movements

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1 Cf. Chapter II, supra., pp. 70-72.



on the distributive level were called in question by Bailey. It was obvious that, with a fixed quantity of a commodity produced by labor, a greater proportion of that fixed quantity received by the laborer would mean that the exchange value of the laborer had risen, as had the "real" value of those wages. But with a varying quantity of commodity produced by labor, Ricardo had held that, notwithstanding the laborer might receive a larger quantity, if that larger quantity were the produce of a smaller quantity of labor, the value of labor should be said to have fallen.<sup>1</sup> In this latter case, however, the "value" of labor was patently real, and not exchange, value. Thus, continued Bailey,

Mr. Ricardo's inference is a legitimate deduction from his premises, if we conceded certain postulates. Grant him the kind of value called real, which has no relation to the quantity of commodities commanded, but solely to the quantity of producing labour, and it inevitably follows, that there could be no alteration in the real value of labour, but from an alteration in the proportion of the product which went to the labourer. Neither, if money were always produced by a uniform quantity of labour, could there be any other alteration in the money-value of labour. But to say in this case, that although the labourer obtained a larger quantity of hats, coats, and corn, yet if he obtained less money, the value of his labour would have fallen, is altogether nugatory. Money-value has no greater claim to the general term 'value,' than any other kind of value; and the simple state of the case would be, that labour had risen in value in relation to hats, coats, and corn, and fallen in relation to money.<sup>2</sup>

Ricardo's position involved the conclusion that wages might be of a high value, although the laborer received little in exchange for his labour

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1 Ricardo, Principles, pp. 49-50.

2 Critical Dissertation, p. 58, n.

and was almost starving.<sup>1</sup> Something obviously was wrong with a theory which reached such a paradoxical and contradictory deduction as this.<sup>2</sup> Bailey knew that its source lay in the notion of "real value." Once this conception was conceded as a preliminary, the other results followed automatically.<sup>3</sup> "Real value" in the wages argument, therefore, occasioned the same kind of inconsistency that it had in the simple commodity treatment.

It is also necessary to appreciate that Bailey's criticism drew even greater strength for having seen that Ricardo's distributive wage theory was bound up with his "remarkable tissue of errors" in the chapter on value and riches. For the implication of Ricardo's argument in that chapter was to deny the force of productivity on value considerations.<sup>4</sup> And this amounted to denying any kind of relationship between productivity and wages or the value of labor. Now it has been seen that Bailey had glimpsed the connection between changes in productivity and changes in

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1 "Wages are at a high real value, when it requires much labour to produce wages; and at a low real value, when it requires little labour to produce wages: and it is perfectly consistent with the high real value — that the labourer should be almost starving; and perfectly consistent with the low real value — that the labourer should be living in great ease and comfort." DeQuincy, "Dialogue the Fourth," op. cit., p. 91, as quoted in Critical Dissertation, p. 60.

2 Critical Dissertation, pp. 60-61.

3 Ibid., p. 281.

4 Ricardo "... speaks of value as the positive result of labour: whence it follows, that the same quantity of labour must always produce the same value, however much its productive powers may have increased. Riches, therefore, may be indefinitely multiplied, while no more labour is employed; but the value of the riches, under this condition, remains invariably the same." Ibid., p. 163.

the value of labor. He had done so only because he had clung consistently to the relative nature of value premised at the outset. That Ricardo's argument had failed to do so was implicit disproof of the labor theory as he had used it. When it is understood that Bailey had reached these conclusions within his "definite portions" approach to the value of labor, it is clear that an early and effective breakaway from the sterile "proportionate shares" theory had been made. The effect was to steer the theory of wages back to a problem of unit valuation from which Ricardo's "real value" concept had taken it. And this was an early and halting step in England toward the integration of distribution theory with a correct theory of value.

## CHAPTER VII

### SAMUEL BAILEY AND THE WESTMINSTER REVIEW

Almost twenty years after he had published the Critical Dissertation Samuel Bailey had occasion to recall that he had been "much abused" for the "free commentary" he had made on some of Ricardo's doctrines at a time when Ricardo's fame was at its height.<sup>1</sup> The source of this abuse seems clearly to have been the Westminster Review. For six months after the Critical Dissertation had been given to the public it was reviewed in the Westminster<sup>2</sup> by someone as yet unknown.<sup>3</sup> The actual article itself had the distinction of diatribe, for it provoked the resolute McCulloch to comment on its "uncalled for asperity,"<sup>4</sup> and even drew from the generally unsympathetic Marx the observation that "however narrow his own views may have been, yet, that he [Bailey] laid his finger on some serious defects in the Ricardian Theory, is proved by the animosity with which he was attacked by Ricardo's followers. See the Westminster Review for example."<sup>5</sup> Col. T. Perronet Thompson thought that some of

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1 Essays on the Pursuit of Truth, (2d ed.; London: 1844), "Note G," pp. 271-72.

2 "ART. VIII. A Critical Dissertation on the Nature, Measures, and Causes of Value; chiefly in reference to the writings of Mr. Ricardo and his followers. By the Author of Essays on the Formation and Publication of Opinions, etc. etc. R. Hunter. London, 1826," Westminster Review, V, (January, 1826), 157-72. The publication date of the Critical Dissertation was obviously misprinted and should have read "1825."

The Gentleman's Magazine XCV, Part II, (1825), Supplement, pp. 618-19, praised Bailey as a "good shot" who had caused "much havoc" among the "best game" in Ricardo's "preserve." But the review was generally shallow and failed to appreciate the real implications of Bailey's work.

3 Appendix "A" infra., pp. 685ff offers a suggestion as to the authorship of the Westminster article.

4 The Literature of Political Economy, p. 33.

5 Capital. A Critique of Political Economy, trs. A. Moore and E. Aveling (Chicago: 1909), I, 72, n2.

Bailey's comments in his later Essays on the Pursuit of Truth, On the Progress of Knowledge, And on the Fundamental Principle of All Evidence and Expectation (London: 1829) were due to his having sometime suffered from the "petulance of criticism."<sup>1</sup>

But if it seems clear enough that the "asperity" and "petulance" of the Westminster article had not been lost to those whose business it was to read it, it must still be remembered that McCulloch, for example, had said nothing about the truth or validity of the article, notwithstanding its vindictiveness. Indeed, he continued to retain his belief that Bailey had not succeeded in shaking Ricardo's foundations.<sup>2</sup> James Mill, as the other of Ricardo's "two and only two genuine disciples,"<sup>3</sup> was already convinced of the orthodoxy of Ricardo's theory.<sup>4</sup> And McCulloch, likewise, thought that the "first economist of the age" should not be concerned to answer every attack and criticism against him.<sup>5</sup> In the absence, therefore, of any denial of the Westminster article by any of the Ricardians, and, indeed, in the face of a strong presumption that it was written by one of them, it may be taken as a representative militiaman in the Ricardian

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1 Westminster Review, XI, (July, 1829), 487. Cf. Appendix "C" infra., pp. 708-12.

2 Literature of Political Economy, p. 33.

3 Cf. Mill to McCulloch, 19 September, 1823, IX, p. 391.

4 Ricardo to Trower, 14 January, 1821, VIII, p. 333. "Your opinion, I perceive, is in favour of publishing them [i.e. the Notes on Malthus] as an appendix to the new edition of my 'Principles of Political Economy.' That was the form in which I at first had an idea of giving them to the public, but I was strongly dissuaded from it by Mill, who thought I ought by all means to avoid giving too controversial a character to my book, and indeed he advises me not to notice any of the attacks which have been made upon me...."

5 McCulloch to Ricardo, 22 January, 1821, VIII, p. 340.

stronghold three years after Ricardo's death. This is not, however, to be taken as claiming that Ricardo himself would have affixed his imprimatur to the article, had he been alive. Indeed, as will appear in the telling, Ricardo would probably have been the last to sanction certain of its propositions, about the substance of which he is known to have had grave doubts. But in appraising the development of economic thought, it is useful to see the manner by which Ricardo's disciples undertook their exegeses and, thereby, in Wieser's words, turned a great thought into a childish error by refusing to depart from the opinions of their first teacher.<sup>1</sup> Such a lesson is not less important today for its having occurred one hundred and twenty-five years ago.

From what has been said in the chapters immediately preceding, it is surely evident, McCulloch notwithstanding, that Bailey had in truth appreciated the Ricardian theory of value and had succeeded in shaking its foundations. It has been seen that, starting from a conception of value as purely and essentially relative, Bailey questioned the construction and employment of a measure of value designed to fit a conception of value which was not relative. This query not only exposed the error of the practical measure itself, but even more significantly it revealed the contradiction involved in attempting to place relative and real, positive or absolute, value in the same conceptual class. In the face of this predicament, Bailey had argued that the rejection of the real value notion

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1 Wieser, Natural Value, p. 202.

alone would release the argument from the unstable horns of the dilemma on which it was based. As a final step, even granting him for the moment the notion of real or positive value, Bailey had shown that Ricardo's employment of it left unsaid or unexplained certain phenomena which were required if the theory was to fit the facts. Throughout his entire exposition, however, Bailey had never ceased to stress the place and function of real value in Ricardo's argument. It was real value which in effect had destroyed the validity of Ricardo's first proposition; it was real value which had brought Ricardo's measure of value into existence; it was real value which had enabled Ricardo to make his confusing inferences on distribution, notably in the case of wages.

The Westminster Review article itself was a somewhat awkwardly produced affair, in which the author's plan apparently was to consider Bailey's work chapter-by-chapter. In the event, however, approximately eight pages of the review were devoted to Bailey's first chapter, "On the Nature of Value"; the next nine chapters of the Critical Dissertation were generally dismissed with a paragraph or so of commentary; and Bailey's final chapter, "On the Causes of Value," received about five pages of the critic's attention. There is no way of knowing for certain the reason for this arrangement, of course. But it seems likely that the writer conceived that in his first and last chapters Bailey had made his most damaging strictures, and that somewhere in Ricardo's or his successors' works could be found arguments by which most successfully to refute them. Because he appreciated, no doubt, that most of Bailey's other judgements

against Ricardo and his followers derived from this first confusion, it was natural for him to devote so much of his article to this aspect of Bailey's book. As has been shown earlier, a large measure of the success of Bailey's attack consisted in substantiating the relativity of value as against Ricardo's ambivalence; the critic, therefore, was wise enough to see that his own task was easiest accomplished by trying to prove that Ricardo had not meant what Bailey had said he had.

Bailey presented his reply to the Westminster article in a small pamphlet entitled A Letter to a Political Economist; Occasioned by an article in the Westminster Review on the Subject of Value. By the Author of the Critical Dissertation on Value therein reviewed (London: 1826).<sup>1</sup>

The pamphlet was not distinguished by the fact that Bailey incorporated in it any doctrine new or different from that of the Critical Dissertation. But beyond certain occasional displays of controlled ascerbity, which evidently were Bailey's attempt to fight fire with fire, the Letter to a Political Economist did manage to focus attention more directly on the existence of the real value concept in Ricardo's argument. In recounting Bailey's efforts along these lines, therefore, the critical weight of Bailey's earlier work is brought to bear upon that portion of Ricardo's system least able to support it.

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<sup>1</sup> The final page of the text was dated August 30, 1826. However, in the "Advertisement" Bailey stated the circumstances prevented its publication immediately and dated these remarks November 17, 1826. The pamphlet was actually published in December, 1826, price: 4 s. English Catalog of Books (London: 1914), p. 339.



In light of the chapter-by-chapter method adopted by the Westminster critic, the best way of treating the dispute between him and Bailey seems to be to consider the critic's specific objections, and then to relate Bailey's replies to them. Although this procedure will obviously destroy the over-all organic sense of the Westminster article and the Letter to a Political Economist, it will nevertheless place Bailey as strictly face-to-face with his accuser as it is possible to bring him.

## 1.

In directing his attention to Bailey's first chapter the critic indicated in his first paragraph the line of defense he was determined to establish. He contended that Bailey's charges turned more on the verbal propriety of Ricardo's expressions, than upon the substance of Ricardo's ideas. Thus, Bailey's first chapter was

... logomachy, simply and purely. It makes profession, or rather ostentation and parade, of being a controversy with Mr. Ricardo. But it contains not an assertion to which, as far as ideas are concerned, Mr. Ricardo would not have assented; it contains, not indeed, as far as such ideas are concerned, an assertion which is not implied in the propositions which Mr. Ricardo has put forth. It is a criticism of some of Mr. Ricardo's forms of expression, and the dissatisfied critic will presently find that his own expressions stand in need of quite as much indulgence.<sup>1</sup>

The critic then went on to say that Ricardo had attempted to introduce "more precision" into the language of the science by using the term value in "two senses." This, he added, had always been recognized by Ricardo's

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1 "A Critical Dissertation," op. cit., p. 157.

followers, as well as his opponents. He alleged that if Ricardo had undertaken "further innovations in language" than he had, he would have made his book even "more embarrassing to the learner than it is." Since Ricardo had recognized that he could not dispense altogether with the old meaning of the term value, while nevertheless needing a new, it was only incumbent upon him to make the "context" always indicate the precise meaning he had in mind. Ricardo, said the critic, had managed to do this with "extraordinary vigilance and success." Inasmuch as Ricardo had accomplished all of this, and inasmuch as Bailey had not shown that Ricardo had failed to keep his various ideas distinguished, writing the Critical Dissertation seemed to the critic "... to employ ability to very little purpose."<sup>1</sup>

As might be expected, Bailey took a rather dim view of this argument, and noted, with a touch of irony, that "in the midst of the dry discussions of Political Economy, a touch of the imagination is like an oasis in the desert. I have never met with a purer fancy-piece than the whole of the representation."<sup>2</sup> He expressed doubt that Ricardo would feel disposed to accept credit for the "speciousness of the defense set up in his behalf...." The critic's position was an "intellectual see-saw" by which it was wholly impossible to damage Ricardo's reputation. For if any objections were made to Ricardo on the basis of one use of the term value,

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1 Ibid., pp. 158-59.

2 Letter to a Political Economist, pp. 23-24.

it was only necessary for the critic to claim that Ricardo had never intended that meaning at all; thus, the stricture would be inapplicable. According to the critic's manner of reckoning, it appeared, said Bailey, that "the objections [against Ricardo] are good if the term is taken in one sense, but neither he nor any one else ever dreamed of taking it in that sense, and therefore the objections are pure logomachy, fighting with shadows, conclusions which no one ever disputed, instances of mere ostentation and parade of controversy."<sup>1</sup> Since the basis of the critic's position was that Ricardo had always distinguished two senses of value, had always made his context indicate these senses clearly, and had been successful in having his supporters, as well as his opponents, mark this distinction; Bailey proposed to show:

1. That the use of the word value in two meanings by Mr. Ricardo has not been always remarked by his supporters and opponents.
2. That Mr. Ricardo did not avowedly use the word in a double sense, but on the contrary professedly used it in one sense only.
3. That Mr. Ricardo did not keep the two meanings distinct and make the context clearly indicate in which of the two meanings the word should be received, and this for the simple reason that he was unconscious of employing it in more than one.
4. That Mr. Ricardo did not consider himself as employing the word value in any new, peculiar, and technical sense, and therefore could never entertain the ingenious design here imputed to him of giving more precision to the language of political economy by the profound expedient of using the same term sometimes in one sense and sometimes in another.
5. That Mr. Ricardo's employment of the term value in what the reviewer styles a new, peculiar, and technical sense, or in other words Mr. Ricardo's unconscious departure from his own definitions, had not even the merit of originality, as a similar definition of the term is to be observed in the economists who preceded him.<sup>2</sup>

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1 *Ibid.*, pp. 24-25.

2 *Ibid.*, pp. 28-30.

This is an unmistakably clear statement of what Bailey proposed to do, and it is also clear that in the process Bailey would leave no avenue unexplored in seeking to expose Ricardo's conception (s) of value. While some of Bailey's researches will necessarily re-trace ground which had already been covered in the Critical Dissertation, it is nonetheless worthwhile to consider them in order to evaluate how well Bailey's second thoughts on Ricardo stand up.

## 2.

On turning to the proof of the first of his five propositions, "... that the employment of the word [value] in two senses by Mr. Ricardo has always been remarked by both his supporters and opponents," Bailey directed his attention against McCulloch and James Mill. In the case of McCulloch's article on political economy in the Supplement of the Encyclopedia Britannica<sup>1</sup> Bailey found that McCulloch had distinguished merely the two familiar senses of value in use and value in exchange. McCulloch's was an elementary work, "professing to explain the most recent doctrines of the science," and it seemed to Bailey that it was a necessary place for readers to be informed of all possible ways in which the term value was to be taken.<sup>2</sup> Since he could not discover any "third sense" of the word

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1 Vol. VI, Part I. (Edinburgh: 1824). All references to this article are to the reprint Outlines of Political Economy. Being a republication of the article upon that subject contained in the Edinburgh Supplement to the Encyclopedia Britannica. Together with Notes Explanatory and Critical and a Summary of the Science. By Rev. John M'Vickar. (New York: 1825).

2 Letter to a Political Economist, pp. 32-35.

value in McCulloch's work, Bailey concluded that one at least of Ricardo's "followers" had failed to employ the distinction the Westminster critic claimed was so much of common currency.<sup>1</sup> Bailey admitted that when McCulloch had republished the Eritannica article in separate form as the Principles of Political Economy, with a sketch of the Rise and Progress of the Science (Edinburgh: 1825), he had explained for the first time "... that the term value is used in two senses, one having reference to the power of purchasing, and the other to the quantity of producing labour."<sup>2</sup> But from this first appearance of the exchange value, real value distinction Bailey drew the inference that it had been made in consequence of McCulloch's having read the Critical Dissertation, where Ricardo's "double meaning" had first been exposed.<sup>3</sup>

In this judgement it would seem that Bailey is, or may be, only partly correct. It is possible, of course, that McCulloch may have made the exchange value, real value distinction verbally explicit because of Bailey's charges in the Critical Dissertation. But Bailey probably went too far

1 Ibid., p. 34.

2 Ibid., p. 35. Bailey's reference is evidently to McCulloch's Principles, p. 211, where it is stated: "The value of a commodity may be considered in a double point of view; either, 1st, in relation to the power or capacity which it possesses of exchanging for, or purchasing, certain quantities of labour, or of other commodities obtainable only by means of labour; or, 2nd, in relation to the quantity of labour that has been expended in its appropriation or production, or that would be required for that purpose at the period when the investigation is made. Value, considered in the first point of view, may be denominated exchangeable or relative value. Value, considered in the second point of view, may be denominated real value." Earlier, pp. 2-3, McCulloch had made the familiar value in use, value in exchange distinction.

3 Letter to a Political Economist, pp. 35-36.

in assuming that McCulloch had been entirely unaware of Ricardo's "peculiar technical sense" until he had seen it in Bailey's book. This may have been one of the penalties which Bailey had to pay for living in Sheffield, away from the conversational circle in London where these problems were so freely discussed. But, at any rate, in his earliest appraisal of Ricardo's work McCulloch had stated that when the quantity of labor required for the production of commodities increased, "... their exchangeable value would remain unaltered, while their real price would however be augmented."<sup>1</sup> The term "real price" was slightly different from the "real value" Bailey had been dealing with, but its meaning was identical with the later expression, as Ricardo clearly understood.<sup>2</sup> It is true, of course, that Bailey need not necessarily have known that McCulloch was the author of the Edinburgh article. But even if it had not occurred to him to compare passages from it with virtually identical parts of the Britannica article or McCulloch's later Principles, he still could hardly have avoided admitting that the author of the review was a decided "supporter" of Ricardo's Principles.<sup>3</sup> And this was all that was required to invalidate the substance of Bailey's first charge.

Beyond this, however, and, to be sure, outside any possible knowledge Bailey could have had, it is possible to verify that the concept of

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1 Edinburgh Review, XXX (June, 1818), p. 68.

2 Cf. Ricardo to Trower, 18 September, 1813, VII, p. 297.

3 Cf. e.g., Malthus to Ricardo, 16 August, 1818, VII, p. 278. "I congratulate you most sincerely on your success in the Edinburgh Review, I think I hardly ever met with an article in that journal, which so utterly approved of the views of the work under consideration."

Ricardian real value had been common ground between Ricardo and McCulloch. For one thing, McCulloch had read the Notes on Malthus after Ricardo had finished them in late 1820.<sup>1</sup> As has been shown above,<sup>2</sup> the concept, as well as the expression, real value was in considerable evidence in the Notes. Thus, it is unlikely that McCulloch could have continued long in ignorance of it. Indeed, in one of his letters to Ricardo accompanying the return of the MS of the Notes, McCulloch had raised the point that a portion of Ricardo's exposition was obscure because it failed to make clear whether a certain change had occurred in "relative value" or in "real value" or "absolute value."<sup>3</sup> Furthermore, McCulloch had visited London in May and June of 1823 and had taken part in the discussions on the measure of value following the publication of Malthus' Measure of Value in April.<sup>4</sup> After McCulloch returned to Edinburgh, Ricardo kept him posted on what he called the "pours and contres of Malthus' doctrine" by sending him a recent exchange between Malthus and himself on the measure of value.<sup>5</sup> In Malthus' letter<sup>6</sup> which Ricardo had enclosed, the phrase and concept "natural and absolute value" was frequently used as describing the objective for which Malthus conceived his own measure particularly suited. Ricardo's reply to this letter of Malthus', which he also enclosed, did not employ the exact phrase "real value," but the concept was clearly

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1 Ricardo's Works, II, pp. ix-xi.

2 Chapter II, supra., pp. 61-74.

3 McCulloch to Ricardo, 22 January, 1821, VIII, pp. 339-40.

4 Ricardo's Works, IV, pp. 358-59.

5 Ricardo to McCulloch, 8 August, 1823, IX, p. 330.

6 Malthus to Ricardo, 21 July, 1823, IX, pp. 306-11.

present.<sup>1</sup> And if McCulloch was unable to agree that it was possible to discover a "real and invariable standard of value,"<sup>2</sup> he nevertheless took Ricardo's reply to Malthus' argument as "... one of the most acute and able articles that has ever come from your pen."<sup>3</sup> In doing so he necessarily embraced the real value concept.

To repeat, there was no way Bailey could have been expected to know that the matter of real value had been a subject of discussion and correspondence between Ricardo and one of his "followers." But from what has been said, it seems indisputable that McCulloch was aware of the notion. Ricardo's "double meaning" may never have formalized itself in McCulloch's expositions. But it would have been impossible for him to have embraced Ricardo's system so completely without having the distinction crop up somewhere. In the Critical Dissertation Bailey had had almost no difficulty in showing that Ricardo's doctrine of proportional wages had rested on the notion of real value.<sup>4</sup> It was careless of him, therefore, not to make the same deduction with McCulloch's argument on the same point.<sup>5</sup>

If it seems true, then, that Bailey was rather too sanguine in holding that McCulloch had been unaware of Ricardo's "double meaning" until it had been pointed out to him in the Critical Dissertation, it is still

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1 Ricardo to Malthus, 3 August, 1823, IX, pp. 23h-35.

2 McCulloch to Ricardo, 11 August, 1823, IX, p. 3hh.

3 *Ibid.*, p. 3h2.

4 Chapter VI, *supra.*, pp. 232-35, 252-5h.

5 Cf. McCulloch, Outlines of Political Economy, pp. 133-3h, 1h0, 1h9.



possible to credit him with a greater validity for his claim that it was not until the Critical Dissertation appeared had McCulloch made the "double meaning" explicit and expressly defined. The Critical Dissertation had been published in June, 1825.<sup>1</sup> But McCulloch's expansion of the Britannica article was not published as the Principles of Political Economy until December, 1825.<sup>2</sup> This interval certainly would have provided McCulloch with an opportunity to incorporate the expression "real value" into the later work. Moreover, McCulloch could have had good reason for doing this, feeling that it would give to Ricardo's argument a clarity of expression, which Bailey had shown to be absent. It would, thereby, bring out more vividly the validity of Ricardo's conceptions, which he thought Bailey had not properly understood.<sup>3</sup>

In the case of James Mill, Bailey himself had acknowledged that in the sections on exchange value in the Elements the familiar "value in exchange" had given way to the "peculiar technical" sense the Westminster

1 English Catalogus of Books (London: 1914), p. 166.

2 Ibid., p. 358.

3 Cf. McCulloch's remark, Principles, p. 220. "A and B have been produced by certain quantities of labour; but more labour is now required to produce A, and a still greater quantity to produce B; under these circumstances, A must obviously have increased in real value, or in the estimation of its producers, for it has cost them a greater sacrifice of toil and trouble; but as A has not increased so fast in real value as B, it is plain it will now exchange for, or purchase a less quantity of B. It is difficult to conceive how the author of the Dissertation should not have perceived this distinction; but if he had perceived it, he would certainly have spared not a few of the remarks he has made on the statements advanced by Mr. Ricardo...."

reviewer had found in Ricardo's exposition.<sup>1</sup> But, he claimed, Mill gave no indication of having deliberately undertaken the distinction, nor of having "remarked" the "two senses" in which value was to be understood. Bailey, therefore, inferred that Mill had not perceived and understood Ricardo's "double sense," contrary to the critic's claim. Moreover, Bailey added, it was not until the third edition of the Elements,<sup>2</sup> published after the Critical Dissertation that Mill made an explicit declaration that value was to be understood in two distinct senses, in addition to the rejected "value in use." As in the case of McCulloch, Bailey reasoned that Mill had overtly employed the real value notion in consequence of having seen and understood its import in the Critical Dissertation.

When James Mill was in the midst of writing the first edition of the Elements, Ricardo had written to McCulloch that Mill intended "... to steer clear if possible of the difficult word value...."<sup>3</sup> When he read over the first edition of the Elements, Ricardo told Trower that it was a book in which "... all the good doctrines are advocated."<sup>4</sup> While this may not be taken as indicating Ricardo's express approval of the real value concept, Ricardo still told Mill that "I have, as a friend ought to do, diligently looked out for faults [in the Elements], and have

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1 Letter to a Political Economist, p. 3h. In the Critical Dissertation Bailey had referred exclusively to the second edition of the Elements of Political Economy (2nd. ed.; London: 1824). Cf. Critical Dissertation, pp. 171, 202, 205, 207, 217, 219, 246.

2 (London: 1826.)

3 Ricardo to McCulloch, 17 January, 1821, VIII, p. 337.

4 Ricardo to Trower, 11 December, 1821, IX, p. 122.

scarcely been able to discover any."<sup>1</sup> As to Mill's sections dealing with value, Ricardo noted only that Mill would probably suffer the same objections to the simple labor quantity rule and measure of value which he, himself, had experienced.<sup>2</sup> Since he had not protested to the contrary, it would seem that Ricardo was satisfied that the concept, if not the precise expression, of real value, was present in Mill's exposition.

As for his part, Mill wrote to Ricardo shortly before the latter's death, that "I am more and more satisfied that your account of the matter [of the measure of value], which both McCulloch and myself have adopted, is the true exposition; and that it wants nothing but to be somewhat better expressed than any of us has yet done it, to satisfy everybody, except Malthus and Torrens."<sup>3</sup> The "account" Mill referred to was, in all probability, Ricardo's argument of the Principles, the Notes on Malthus, and the various discussions of the measure of value during the spring of 1823. And it is difficult to believe that Mill had not perceived the real value notion before 1825. Although it is not known exactly when Mill read the Notes on Malthus, his handwriting on the MS shows that he had seen them.<sup>4</sup> In addition, Ricardo's final paper on value came into Mill's possession, probably not long after Ricardo's death.<sup>5</sup> The notion of real or absolute value was certainly present in that paper. Beyond

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1 Ricardo to Mill, 18 December, 1821, IX, p. 125.

2 Ricardo's "Notes" on Mill's Elements, IX, p. 127.

3 Mill to Ricardo, 6 August, 1823, IX, p. 33h.

4 Ricardo's Works, II, pp. xi-xii.

5 Ibid., IV, p. 359.

this, in 1822 John Stuart Mill and Torrens had exchanged letters in Torrens' newspaper on the subject of value. In one of his letters Mill had referred to his father's Elements (erroneously, it seems) as never using the term "value" in any meaning but "exchange value." He had contrasted this position with Ricardo's, in which, he said, "value" was equated with "productive cost."<sup>1</sup> Since James Mill had instigated his son to undertake the defense against Torrens,<sup>2</sup> he doubtless must have approved of its contents. At the same time, he could have believed that to present these intricacies to the public in his Elements would have subverted the purpose of his "School Book of Political Economy" designed to "... teach the science easily and effectively."<sup>3</sup>

It would seem, then, that Bailey was wrong in claiming that McCulloch and Mill had given no evidence of being aware of Ricardo's "double sense" of the word value. Value, as "real value," was in effect as much a part of their arguments as it had been of Ricardo's. Where Bailey was probably correct, on the other hand, was in claiming that, up until 1825 at any rate, neither McCulloch nor Mill had specifically and explicitly "remarked" the "peculiar technical sense" the Westminster critic had attributed to Ricardo's followers. Ricardo's other "follower," DeQuincy, of course, had declared that "Mr. Ricardo sternly insists on the true sense of the word value, and (what is still more unusual to most men) insists on using

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1 Mill, Two Letters, p. 15.

2 John Stuart Mill, Autobiography (London: 1873), pp. 87-88.

3 Cf. Mill to Ricardo, 28 December, 1820, VIII, p. 327.

it but in one sense."<sup>1</sup> Bailey naturally thought that DeQuincy's position bolstered his own refutation of the Westminster writer's argument,<sup>2</sup> although the Templars' Dialogue relied heavily on the real value concept as he had elsewhere shown.<sup>3</sup>

If Bailey has succeeded in substantiating only part of his first position, it is clear also that he rather let down his own side by failing to refer to any of Ricardo's "opponents" who might have "remarked" the distinction in question. This was a glaring omission on Bailey's part, and one for which it is difficult to find any excuse. Had he looked, for example, at the first section of the second chapter of Malthus' Principles, he would have found there a definite statement as to the three sorts of value. In addition, he would have discovered a protest by Malthus against Ricardo's employment of the expression "real value" to signify the quantity of labor employed in the production of a commodity.<sup>4</sup> Also, at the end of the same chapter, Malthus had observed that when Ricardo used the term value "alone," he evidently meant cost, and not exchange value.<sup>5</sup> In his chapter on rent Malthus repeated his objections to Ricardo's "peculiarity in the use of his terms," particularly as regarded the "real value" of Ricardo's three distributive shares.<sup>6</sup> Now Bailey himself was

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1 DeQuincy, "Preliminary Dialogue," op. cit., p. 49.

2 Letter to a Political Economist, p. 36.

3 Cf. Chapter III, supra., pp. 105-6.

4 Malthus, Principles, pp. 51-63.

5 Ibid., p. 132.

6 Ibid., pp. 211-17. Cf. Chapter II, supra., pp. 56-60.

certainly acquainted with Malthus' Principles, and he had more than once referred to it in respect of Malthus' conception of value and its measure.<sup>1</sup> But in the instant case he neglected completely to mention that an "opponent" of Ricardo's, in the person of Malthus, had explicitly "remarked" the "double sense" of the word value (value in use having been assumed away). There is no apparent explanation for Bailey's refusal to credit Malthus on this point, unless he was apprehensive that by doing so it would appear that Malthus had stolen some of the polemical thunder of the Critical Dissertation.

There is one other case which stands as a circumstantial indictment of Bailey's reticence to notice another of Ricardo's "opponents." For in the anonymous pamphlet, Observations on Certain Verbal Disputes in Political Economy, particularly relating to Value, and to Demand and Supply (London: 1821), it was pointed out that Ricardo had used the term value in several senses.<sup>2</sup> First, DeQuincy had expressly referred to the

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1 Critical Dissertation, pp. 37-38, 133-35, 244-45.

2 Professor Viner has privately advanced the hypothesis that Bailey actually wrote this pamphlet. Letter of 11 March, 1954. Mr. Sraffa, Ricardo's Works, IX, p. 27, n. has noted that Marx also pointed out the similarity between this pamphlet and Bailey's Critical Dissertation.

While agreeing that the author of the Observations and Bailey were close on certain doctrinal issues, the present writer judges that the complete dissimilarities of style make it unlikely that Bailey wrote the earlier work. As has been pointed out, in 1821 Bailey had already published the Formation and Publication of Opinions, in which his lucid phraseology was already manifest. The Observations consisted of some 84 pages, uninterrupted by section, chapter, or part heading. Bailey was certainly ahead of such a casual style as this.

Observations pamphlet in his Templars' Dialogues.<sup>1</sup> Bailey had particularly acknowledged that it was the "extravagant consequences" to which DeQuincy had pushed Ricardo's doctrines which had provoked him to undertake the Critical Dissertation.<sup>2</sup> Therefore, it is most unlikely that he would have neglected to follow up this lead and to consider how Ricardo's doctrines had struck the author of the Observations pamphlet. Moreover, the publisher of the pamphlet was Bailey's own publisher.<sup>3</sup> When it is realized that much of the content of the Observations appeared in an expanded and improved form in Bailey's Critical Dissertation, it is difficult not to infer that Bailey had read the earlier pamphlet. He would have found it difficult to justify his claim that no "opponent" of Ricardo's had seen the "double meaning" of value if someone had confronted him with the passage: "That Mr. Ricardo has departed from his original use of the term value, and has made of it something absolute, instead of relative, is still more evident in his chapter, entitled 'Value and Riches, their distinctive Properties.'"<sup>4</sup> Or again,

Value, or valeur in French, is not only used absolutely instead of relatively as a quality of things, but is even used by some writers abstracted from any thing, and spoken of in the same terms as you would speak of a commodity, and a measureable commodity... The definition of the value of a thing, in M. Say's epitome, is, the quantity of other things it will exchange for. Then, what does value, not saying the value of a thing, mean?<sup>5</sup>

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1 DeQuincy, "Preliminary Dialogue," op. cit., p. 49. This passage was originally written in the London Magazine (April, 1824), p. 344, almost a year before the Critical Dissertation was published.

2 Critical Dissertation, p. xxv.

3 Viz. R. Hunter, St. Paul's Churchyard.

4 Observations, pp. 15-16.

5 Ibid., p. 57.

There is, of course, an even more famous "opponent" of Ricardo's to whom Bailey should have made reference on the "double sense" of Ricardo's value. Bailey himself had pointed out that Ricardo's real value concept had underlay his chapter on value and riches and that the concept had formed the substance of Ricardo's charges against J. B. Say.<sup>1</sup> Since Bailey had obviously read Say's work<sup>2</sup> and was certainly aware of Say's differences with Ricardo, it is surprising that he did not look further into their disagreement. Had he done so he would undoubtedly have come across Say's observations on measure theory, with their direct bearing on Ricardo's concept of value. For example,

A yard or a foot is a real measure of length; it always presents to the mind the idea of the self-same degree of length. No matter in what part of the world a man may be, he is quite sure, that a man of six feet high in one place is as tall as a man of six feet high in another... But when I am told, that a camel is at Cairo worth 50 sequins, that is to say, about 2500 grammes of silver, or 500 fr. in coin, I can form no precise notion of the value of the camel; because, although I may have every reason to believe, that 500 fr. are worth less at Paris than at Cairo, I cannot tell what may be the difference of value.

The utmost, therefore, that can be done is, merely to estimate or reckon the relative value of commodities; in other words, to declare, that at a given time and place, one commodity is worth more or less than another; their positive value it is impossible to determine. A house may be said to be worth 20,000 fr.; but what idea does that sum present to the mind? The idea of whatever equivalent I can purchase with it; which is, in fact, as much as to say, the idea of value equivalent to the house, and not of value of any fixed degree of intensity, or independent of comparison between one commodity and another.

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1 Cf. Chapter III, *supra.*, pp. 92-93. Critical Dissertation, pp. 9-10, 27-28, 253-54. Letter to a Political Economist, pp. 48-51.

2 J. B. Say, A Treatise on Political Economy, trans. Prinsep (4th ed.; London: 1821). Cf. Critical Dissertation, pp. 241, 244.



When two objects of unequal value are both compared to different portions of one specific product, still it is a mere estimate of relative value... It is true, that, when both are compared to a production capable of separation into equal portions, as money is, a more accurate idea can be formed of the relative value of one to the other; for the mind has no difficulty in conceiving the relation of two integers to one, or 20,000 to 10,000. But any attempt to form an abstract notion of the value of one of these integers must be abortive.<sup>1</sup>

The unmistakable reference in this passage to the real or absolute value concept might have suggested to Bailey the usefulness of looking up Say's notes in the French translation of Ricardo's Principles.<sup>2</sup> For example, Say objected to Ricardo's having apparently resolved the causes of elements of value into simple labor cost

M. Ricardo me semble à tort ne considérer ici qu'un des éléments de la valeur des choses, c'est-à-dire le travail, ou, pour parler plus exactement, l'étendue des sacrifices qu'il faut faire pour les produire. Il néglige le premier élément, le véritable fondement de la valeur, l'utilité. C'est utilité qui occasionne la demande qu'on fait d'une chose. D'un autre côté, le sacrifice qu'il faut faire pour qu'elle soit produite, en d'autres mots, ses frais de production font sa rareté, bornent la quantité de cette chose qui s'offre à l'échange... Ce ne sont donc pas les frais de production seuls, ce que M. Ricardo, d'après Smith, appelle le prix naturel d'une chose, qui règle sa valeur échangeable, son prix courant, si l'on exprime cette valeur en monnaie. Lorsque les frais de production augmentent, pour que la valeur échangeable augmentât aussi, il faudrait que le rapport de l'offre et de la demande restât le même... La valeur échangeable ne peut donc pas monter comme les frais de production.<sup>3</sup>

A bit further on, Say observed in respect to Ricardo's desire to be

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1 Say, A Treatise on Political Economy, pp. 299-400.

2 Published originally in Paris: 1819. References to follow are to Oeuvres Complètes de David Ricardo, trs. M. Constancio and A. Fonteyraud, (Paris: 1847).

3 Ibid., pp. 8-9, n. This passage was in reference to Ricardo's statement, "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 commodity on which it is exercised, as every diminution must lower it." Principles, p. 13.

taken as referring to long-run "natural price" when he used the expression "exchangeable value,"<sup>1</sup> "La distinction entre le prix naturel et le prix courant que M. Ricardo admet après Smith, paraît être tout à fait chimérique. Il n'ya que des prix courants en économie politique." This was true because the prices of products depended on the prices of the productive factors, whose prices, in turn, were determined on the familiar principles of demand and supply. Accordingly, "Il en résulte, pour chaque genre, un quantité d'offres et de demandes qui règle la valeur courante, le prix courant de tous ces différents services. Il n'y a point là de prix naturel, de taux commun et fixe, parce qu'il n'y a rien de fixe dans ce qui tient aux valeurs. Ce n'est pas un prix qu le taux auquel une chose ne se vend pas; et si elle se vend à ce taux, ce taux devient son prix courant."<sup>2</sup> And, in a note on Ricardo's chapter "Value and Riches," Say made it quite clear that the absolutist notions in Ricardo's exposition disturbed him.

La valeur est une qualité inhérente à certaines choses; mais c'est une qualité qui, bien que très-réelle, est essentiellement variable, comme la chaleur. Il n'y a point de valeur absolue, de même qu'il n'y a point de chaleur absolue; mais on peut comparer la valeur d'une chose avec la valeur d'une autre, de même qu'on peut dire qu'une eau ou l'on plonge le thermomètre, et qui le fait monter à quarante degrés, a autant de chaleur apparente que tout autre liquide qui fait monter le thermomètre au même degré.

.....  
 La valeur ne peut être mesurée que par la valeur. Si l'on entreprenait de mesurer la valeur des choses par une autre de leurs propriétés, ce serait comme si l'on voulait mesurer leur poids par leur forme ou par leur couleur ...<sup>3</sup>

1 Principles, p. 92.

2 Ibid., p. 66, n.

3 Ibid., pp. 248-49, n.

Admittedly, Say added to the above his erroneous conviction that invariability was an essential prerequisite for a measure of value through the course of time. But it is nevertheless clear that he could hardly have made these remarks unless he had understood that Ricardo's real value meant value in an absolute sense. This is made even clearer when it is appreciated that the passage quoted immediately above was affixed to the passage in Ricardo's book which said, "That commodity is alone invariable which at all times requires the same sacrifice of toil and labour to produce it."<sup>1</sup>

## 3.

On proceeding to examine his second point, "... that Mr. Ricardo himself avowedly used the word in two senses, and was of course perfectly aware of both," Bailey repeated the substance of his argument of the first and second chapters of the Critical Dissertation.<sup>2</sup> He stressed that nowhere in Ricardo's work was it possible to find an explicit statement of the "double sense" attributed to him by the Westminster reviewer. Bailey did not deny that Ricardo had conceived a double meaning for the term; he simply protested that Ricardo had not included such a conception in his express preliminary definitions.<sup>3</sup> Since in none of his subsequent chapter or division headings, nor in the subsequent parts of his book,

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1 Principles, p. 275.

2 Cf. Chapter III, *supra*., pp. 88-96, 103-112.

3 Letter to a Political Economist, pp. 39-40.

had Ricardo made the explicit avowal Bailey demanded, he concluded that Ricardo had been conscious of dealing only with that exchange value which he had defined in the heading to the first section of the first chapter of the Principles.<sup>1</sup>

On this point, Bailey was obviously correct in claiming that Ricardo had not made an explicit avowal of the real value concept at the outset of his chapter on value. But if Ricardo had not been up to making the precise declaration Bailey would have liked, that was hardly reason for him to jump to the conclusion that Ricardo used the term value in a new sense "unconsciously and without design."<sup>2</sup> Indeed, it is surprising that Bailey should have reached this judgement, after the patience and care he had exercised in showing how the real value concept had appeared in Ricardo's argument.<sup>3</sup> It is now known that the real value concept was present in Ricardo's argument as the result of a deliberate attempt to put it there.<sup>4</sup> And although this judgement has been reached on the basis of information not available at the time to Bailey, it is difficult to believe that Bailey had really put much careful thought behind his conclusion. Having shown that the real value concept was somewhat untidily scattered around Ricardo's Principles, one would have thought that Bailey would have scoured every possible hiding place in an effort to expose it. In addition to the passage on the real value of wages at the end of the

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1 Ibid., pp. 40-41.

2 Ibid., p. 41.

3 Cf. Chapter III, supra., pp. 105-8.

4 Cf. Chapter V, supra., pp. 176 ff.

chapter on value in the Principles, from which Bailey had inferred the equivalence of real value and cost of production,<sup>1</sup> and in addition also to the similar conclusion he had reached on the basis of Ricardo's arguments in his chapter on value and riches,<sup>2</sup> there were at least three other places where Ricardo had equated real value with cost of production. One of these was in a footnote at the end of the new Section VI of Chapter I in the third edition of the Principles.<sup>3</sup> Another place where Ricardo established this meaning for the expression was in his Chapter XXXII, "Mr. Malthus's Opinions on Rent," where he stated that "By allowing the free importation of corn, or by improvements in agriculture, raw produce would fall; but the price of no other commodity would be affected, except in proportion to the fall in the real value, or cost of production, of the raw produce, which entered into its composition."<sup>4</sup> And, in Chapter XXVII, "On Currency and Banks," Ricardo stated, "In another part of this work, I have endeavoured to show that the real value of a commodity is regulated, not by the accidental advantages which may be enjoyed by some

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1 Critical Dissertation, pp. 38, 234.

2 Ibid., pp. 157-58, 253-54.

3 Ricardo, Principles, p. 47, n. Ricardo quoted from Malthus' Principles, p. 61, "We have the power indeed arbitrarily to call the labour which has been employed upon a commodity its real value, but in so doing we use words in a different sense from that in which they are customarily used; we confound at once the very important distinction between cost and value...." He replied to Malthus' charge by pointing out that, having omitted profits from (labor) cost, Malthus had failed to understand his doctrine correctly. Ricardo's quarrel with Malthus, therefore, was over what should be included in Ricardian cost of production. Since Malthus had used the expression "real value" to signify cost of production, Ricardo had tacitly acknowledged that value was to be taken in that sense.

4 Principles, p. 417.

of its producers, but by the real difficulties encountered by that producer who is least favoured."<sup>1</sup>

It is, of course, immaterial whether Ricardo reached his real value notion deliberately or unconsciously. For all of the judgements Bailey made preserve their validity regardless of how Ricardo came by the conception. But it seems clear that if he had been prepared to dig more intensively into this matter and thereby to reach the conclusion that the real value notion was a deliberate action on Ricardo's part, Bailey could have strengthened and sharpened the whole point of his criticism. In a sense, by his willingness to credit real value to an "unconscious" action by Ricardo, Bailey simply made an unnecessary concession.

#### 4.

As to the third point, that "... if Mr. Ricardo did not make any avowal of using the word in two senses, it might still be true that he was conscious of so using it, and that he always indicated by the context in which sense he wished it to be received." This, it will be appreciated, follows closely on the matter taken up in the previous point, in that it forces Bailey to search once again through Ricardo's Principles in an effort to expose those instances in which Ricardo used the real value concept, albeit without overt avowal. This section, in fact, is really the theoretical core of the Letter to a Political Economist. For

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1 Ibid., p. 363.

in it Bailey not only cited three cases in which Ricardo's context failed to make clear the two senses of value claimed for him by the Westminster writer, but also he went on to amplify the remarks of the Critical Dissertation demonstrating that the two senses were mutually contradictory. And, it is unnecessary to insist at greater length that it was Bailey's perception of the inconsistency between real and relative value that struck at the very heart of the Ricardian system. This perception, be it noted in passing, was far superior to Bailey's objections to Ricardo's use of language and manner of expression.

The first place in which Bailey found that Ricardo's context had failed to make the two senses of value clear was in the first section of Ricardo's chapter on value. In the passage in question Ricardo had criticized Adam Smith for departing from his original explanation of value.<sup>1</sup> Since this passage occurred, said Bailey, in that section the title of which defined value as power of purchasing, it was clear that Ricardo was confusing his readers. For when this original definition was substituted in the passage cited, the result was that Ricardo had to charge Adam Smith wrong for claiming that a thing became more valuable or

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<sup>1</sup> Principles, pp. 13-14. "Adam Smith, who so accurately defined the original source of exchangeable value, and who was bound in consistency to maintain, that all things became more or less valuable in proportion as more or less labour was bestowed on their production, has himself erected another standard measure of value, and speaks of things being more or less valuable in proportion as they will exchange for more or less of this standard measure. Sometimes he speaks of corn, at other times of labour as a standard measure: not the quantity of labour bestowed on the production of any object, but the quantity which it can command in the market."

possessed a greater power of purchasing, when it exchanged for more corn or labor. But these propositions could not be wrong if Ricardo's original definition were correct. From this, Bailey concluded that

As Mr. Ricardo, nevertheless, supposes they are quite inconsistent with each other, he must have unconsciously changed the meaning of the term [value], and the attentive reader will perceive that he did in fact, labour under such a confusion of ideas. Although he begins the passage with speaking of exchangeable value and has just defined it is the power of purchasing, yet he suddenly passes to another meaning and tells us that a commodity, A, becomes more valuable (in a sense which has no reference to purchasing power but to cost of production) as more labour is bestowed upon it, and does not of necessity become more valuable (in the same sense), because it exchanges for more corn. Hence, he argues, that those are wrong who contend that because A exchanges for more corn it has become of greater value; that is, he infers from a sense of the term, which he has himself unconsciously substituted, the erroneousness of a proposition which is perfectly true in that sense of the term with which he commences.<sup>1</sup>

The incisiveness with which Bailey has phrased his objection on this point has probably not been surpassed in the literature. And there was no doubt in Bailey's mind that this "confusion" under which Ricardo labored was the source of most of the erroneous conclusions reached in the Principles.

In accordance with the position he had taken in the Critical Dissertation, it was not difficult, therefore, for Bailey to point out another place in which Ricardo had made this "unconscious" shift of meaning of the term value. This, he said, was also in the first section of the first chapter, where Ricardo had protested against Adam Smith's and Malthus' language in describing a rise or fall of value.<sup>2</sup>

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1 Letter to a Political Economist, pp. 44-45.

2 Principles, pp. 18-19.



According to the definition in which these three writers coincide, and to the explanation prefixed by Mr. Ricardo announcing the subject of the section, there could not possibly be any doubt in the mind of any one, who had a clear view of the subject, as to what should be called a rise and what a fall of any commodity whatever. A rise in A would be an increase in its power of purchasing some other commodity B; a fall in B, a decrease in its power of purchasing A.

When therefore Adam Smith and Mr. Malthus contend, that if labour and corn exchange for less gold, it is the gold which has risen in value while the labour and corn have not risen but remained stationary, the right answer would be, "If you mean stationary to each other you are correct, but if you mean stationary to gold you are evidently incorrect; because according to your own definition of value as the power of purchasing, if labour and corn purchase less gold they have become of less value or have fallen in relation to gold."

But this is not the answer given by Mr. Ricardo: he contends, that if the cause of corn exchanging for less gold is a diminution in the labour necessary to produce corn, he is bound to call the variation of corn and labour a fall in their value, and not a rise in the value of the things with which they are compared: i.e. (following his own definition) he is bound to call the variation of corn and labour a decrease of their purchasing power, and not an increase of the purchasing power of the things with which they are compared, as if one could take place without the other. Here is evidently another unconscious transition from his adopted acceptation of the word value. He no longer means by it the power of purchasing, although the title prefixed declares that to be the subject of the section.<sup>1</sup>

The third place in the Principles to which Pailey was able to point in proof of his contention that Ricardo had failed to make his context show what sense of the term value he meant to imply, was in the chapter on "Value and Riches."<sup>2</sup> As in the Critical Dissertation, Pailey repeated his charge that this whole chapter afforded ample evidence of Ricardo's confusion. For, assuming with Ricardo on the one hand that value meant

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1 Letter to a Political Economist, pp. 46-48.

2 Principles, pp. 273-87.

cost of production, the chapter consisted of a series of assertions "... that what the labour of a given number of men produces, always costs their labour to produce it."<sup>1</sup> On the other hand, if value meant exchange value, or power of purchasing, as Ricardo had defined it in the heading to the first section of the chapter on value, then a large portion of the instant chapter was incorrect.

Now, although it might be conceded to Mr. Ricardo that he should use the term in any sense he liked, provided he did it consistently, he could have no plea for attacking the language of others, who used it in the ordinary sense of purchasing power. The very circumstance of his animadverting on others for employing the term as he thought improperly, proves, that he had himself considered it as only legitimately possessing one meaning. Why should he find fault with M. Say for saying "the value of incomes is then increased, if they can produce, it does not signify by what means, a greater quantity of products":<sup>2</sup> a proposition perfectly correct if the term value is construed in the sense of purchasing power; in other words, perfectly correct according to Mr. Ricardo's own definition? Surely had he possessed that clear and distinct perception of the subject which has been attributed to him, that perfect consciousness of two senses in the term value, he would not have failed to make the remark, that the proposition was correct in one acceptation of the word and not in the other. Far from doing this, however, far from pointing out a distinction of this kind, he evidently conceives that there is no other distinction to be made than the common one between value in use and value in exchange; and it is accordingly with confounding these two meanings that he charges the French economist.<sup>3</sup>

Having made clear these three instances in which the context of Ricardo's work had failed to place beyond doubt the meaning he wished to attach to the term value, Bailey then retraced the argument of the Critical Dissertation. He showed that "... in attempting to explain the

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1 Letter to a Political Economist, p. 48.

2 Principles, pp. 280-31.

3 Letter to a Political Economist, pp. 50-51.

cause or regulating principle of value, or, in other words, the circumstance which determines in what quantities commodities are exchanged for each other," Ricardo had adopted the labor cost explanation. Having done so, however, Ricardo lost sight of the necessary "correlative" which the original definition of value should have suggested. Thus, "... he inadvertently concluded, that if A always required the same labour it would always remain of the same value," or, "... that a thing would increase or decrease in this property of value, not in relation to other commodities, but considered in itself, in proportion as it required more or less labour for its production."<sup>1</sup>

At this juncture it will be helpful to make one or two observations on what Bailey had achieved. Admittedly, he had begun by criticizing Ricardo for a certain slackness of language. But by far the greater import of his attack had been to demonstrate that behind the linguistic ambiguities there was to be found an ambiguity of concepts. Hence, Bailey was correct in claiming that it was not true that Ricardo had always made his context convey the meaning in which he wanted to be understood. Moreover, he was correct in claiming that Ricardo had moved from one sense of value to another without giving any indication that he was aware that they were in essentially different classes or levels of discourse. Of course, it is known that Ricardo thought these concepts could be used without confusion or contradiction. But regardless of the expositional

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1 Ibid., pp. 52-54.

difficulties under which he labored, he still was unable to get over the insurmountable contradictions with which he had saddled himself.

If this seems true, however, it seems hardly just to imply, as Mr. L. Fraser has done, that Bailey's criticisms of Ricardo were valid only and to the extent that he was correct in assuming that Ricardo had exchange value exclusively in mind when dealing with value.<sup>1</sup> As Chapter V<sup>2</sup> has shown, Bailey was a trifle wide of the mark in assuming that Ricardo had "unconsciously and without design" resorted to two conceptions of value. Yet, whether "unconsciously" or deliberately, it would be difficult to maintain in the face of the passages quoted immediately above from the Letter to a Political Economist, not to mention all of the other places already referred to, that Bailey thought that Ricardo meant by value exchange value exclusively. It would be even more difficult to support the claim that Bailey had failed to appreciate the cost (i.e. real) value concept which underlay so much of Ricardo's argument. Regardless of how Ricardo had arrived at his two senses of value, it cannot be gainsaid that, to the extent Ricardo undertook the long and arduous search for the invariable standard by which to isolate a single cause of real value or

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1 "Bailey's strictures on Ricardo seem to me wholly justified, provided that it be assumed that Ricardo always meant -- or thought he meant -- by 'value' exchange value. I cannot believe this; indeed it is an essential part of my argument that the labour theory of value would never have been formulated, much less survived as long as it did, had it not been for the presence in the minds of its exponents of a more or less vaguely conceived 'cost value' lying behind the exchange relationships." Fraser, Economic Thought and Language, p. 119, n.

2 Supra., pp. 176. ff.

real value variations, Bailey truly perceived that Ricardo was going astray and obscuring important factors from his theoretical view. At the minimum, Bailey saw in Ricardo's argument a portion at least of the error Jevons was to make so clear nearly half a century later. For, like Jevons,<sup>1</sup> Bailey understood that Ricardo's determination to deal with "absolute" or "real" cost concepts was bound to bring him into difficulties and untruths. Of course, this is not meant to imply that Bailey was up to seeing through all of the relationships which constitute modern marginalist theory. But with his essentially relativist foundation, he was able to appreciate that a satisfactory theory of value should proceed from more complex causes than simple labor quantity. He understood that such a theory should emanate from "mental states," from "estimations," from "scarcity," from "time," and so on. Thus, Ricardo's rule simply provided one among many causes for Bailey. "The only place in Mr. Ricardo's work, where I have been able to find the expression of the general rule qualified, is the Index. He there says, 'quantity of labour requisite to obtain commodities the principal source of their exchangeable value.'<sup>2</sup> No inferences derived, Bailey had insisted, from the doctrine "... that the quantity of labour employed in the production of commodities is the sole determining principle of their value ... which would not equally flow from the more accurate proposition, that it is the principal cause."<sup>3</sup>

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1 Op. cit., pp. 177, 62-65.

2 Critical Dissertation, pp. 213-14.

3 Ibid., p. 232.

Another instance of what appears to be almost a deliberate refusal to appreciate the fundamental merit of Bailey's argument is to be found in Mr. V. W. Bladen's essay "Adam Smith on Value."<sup>1</sup> Mr. Bladen's attitude toward Bailey's accomplishments is less remarkable in its accord with Mr. Fraser in holding that Bailey assumed Ricardo was talking about nothing more than exchange value, than it is in presenting a retrogressive attempt to put against Bailey a protest the Westminster critic had foolishly made more than a century before. Thus, Mr. Bladen claims that Bailey's strictures on Adam Smith and Malthus and, by implication, Ricardo, were unjustified because those authors were not speaking of value when Bailey claimed they were.<sup>2</sup> Therefore, says Mr. Bladen, "It would be legitimate to criticize the loose use of the word value; it does not seem legitimate, or useful, to make nonsense of an author's work by assuming he has used a word in one sense only, when he has quite clearly used it in three or four different ones."<sup>3</sup> From this, it would seem that Mr. Bladen's "intellectual see-saw" is far superior to the one employed by the Westminster critic, for Mr. Bladen's device is built to accommodate "three or four," instead of two, terms. Where, if ever, Bailey had "made

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1 In Essays in Political Economy. Ed. H. A. Innis. (Toronto: 1938.)

2 Bladen, "Adam Smith on Value," op. cit., p. 31.

3 Ibid., p. 32. Cf. Westminster Review, V (January, 1826), p. 164. "Chap. IV. On Real and Nominal Value -- On this chapter we have not much to say. The author gives us his opinion, which is easily done, that this distinction is not useful. And then he finds fault with Mr. Ricardo and the Templars' Dialogues, because they predicate and predicate truly of value in their sense, what cannot be predicated of it truly in his sense. This is mere logomachy; and these are the contents of the chapter."

nonsense" of Adam Smith's, Malthus', or Ricardo's work by assuming that they used value in one sense only, it would be impossible to say. What Bailey did, in fact, was of course something entirely different. To use Mr. Bladen's phraseology, Bailey "made nonsense" of the works in question precisely because they did use the term value in several senses. And the "nonsense" at issue arose strictly because, as Bailey had clearly demonstrated, the authors had endeavoured to make terms which were not even of the same genus run together in the same class. Bailey's strictures were designed to restore order to the chaos which resulted when those various terms hurried in a number of directions all at once. It is remarkable, indeed, that Mr. Bladen should have failed, or neglected to do what Bailey himself had succeeded in doing, viz. in demonstrating that if the various terms were mutually inconsistent, it was necessary to reject them in favor of those which were not.

It is perhaps not surprising that Mr. Bladen's argument should have failed to convince, for it is rent down the middle by the fallacious belief that it is possible to criticize terminology without criticizing concepts. Had Mr. Bladen been a bit more careful in digging through the Critical Dissertation, he might have seen that issues of terminology are, in the final analysis, issues of concepts. Had he done this, he might have seen that Bailey was entirely justified in quoting, as part of his argument, a passage from one of DeQuincy's Dialogues. It is just as effective a rebuttal against Mr. Bladen's viewpoint, as it was against the Westminster critic when Bailey so employed it.

'For once Phaedrus' (says one of the interlocutors in the Templar's Dialogues to another) 'I am not sorry to hear you using a phrase which is in general hateful to my ears.' "A mere dispute about words" is a phrase which we hear daily: and why? Is it a case of such daily occurrence to hear men disputing mere verbal differences? So far from it, I can truly say that I never happened to witness such a dispute in my life — either in books or in conversation: and indeed, considering the small number of absolute synonymes which any language contains, it is scarcely possible that a dispute on words should arise, which would not also be a dispute about ideas (i.e. about realities). Why then is the phrase in every man's mouth, when the actual occurrence must be so very uncommon? The reason is this, Phaedrus: such a plea is a "sophisma pigri intellectus," which seeks to escape from the effort of mind necessary for the comprehending and solving of any difficulty under the colourable pretext, that it is a question about shadows and not about substances, and one therefore which it is creditable to a man's good sense to decline: a pleasant sophism, this, which at the same time flatters a man's indolence and his vanity.<sup>1</sup>

## 5.

For his fourth point, "... that Mr. Ricardo did not consider himself as employing the word value in any new, peculiar, and technical sense," Bailey once more returned to the first section of Ricardo's chapter on value. This time he quoted the passage in which Ricardo had protested against Malthus' charge of "new and unusual language."<sup>2</sup> Since Ricardo's position was obviously erroneous if value were taken as exchange value, or purchasing power, it appeared that Ricardo meant value in his "new, peculiar, and technical sense." However, continued Bailey, since Ricardo himself disclaimed any linguistic novelty, he had by his own hand

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1 DeQuincy, "Dialogue the First," op. cit., pp. 57-58, as quoted in Letter to a Political Economist, pp. 73-74.

2 Principles, p. 19. Cf. Chapter II, supra., p. 53.



effectively thwarted the "ingenious design" of the Westminster critic, who had found in the Principles a deliberate attempt to introduce greater precision to the language of the science by using a different sense of the word value.<sup>1</sup>

## 6.

On his last point, "... that Mr. Ricardo's departure from the received definition of the term had not even the merit of originality," Bailey called upon Adam Smith. For, he said, when Adam Smith had defined value to be purchasing power, and had then gone on to claim that labor remained invariable in its own value, it was clear that he had passed "... into a sense of the term in which no power of purchasing is implied. Labour, he says, sometimes purchases a greater, sometimes a smaller quantity of goods, but it is their value which varies, not that of the labour which purchases them; a conclusion not true in the sense of purchasing power, and, therefore, if true at all, it must be so in some other sense."<sup>2</sup>

Somewhat lamely, as far as authoritative citation goes, Bailey added another proof on this point, by claiming that all those economists who, before Ricardo, had sought for an invariable measure of value, really had had two concepts of value in mind. Following the argument of the Critical Dissertation,<sup>3</sup> a strictly invariable measure of value would always exchange

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1 Letter to a Political Economist, p. 57.

2 Letter to a Political Economist, p. 59. Bailey is referring to the Wealth of Nations, I, 33-35.

3 Chapter IV, supra., p. 138.

for an invariable quantity of other things. Therefore, a persistent search for such a measure, in order to determine which commodities had varied, merely indicated that the conceptions had been altered and value taken in some sense other than purchasing power. Thus, wherever it was possible to show a writer concerned with the invariability condition, priority on the dual sense of value would go to him and not to Ricardo.<sup>1</sup> All of this is true, of course. But without a specific reference, it could hardly be accepted as a definitive proof of this point. And Bailey did not trouble to name other writers than Adam Smith who had sought the invariability condition. Bailey's lapse is doubtless to be explained by the fact that in the Critical Dissertation he had cited several authors who undertook the search for the invariable measure.<sup>2</sup> But the point he was trying to establish here was one of priority over Ricardo, and, until he could cite chapter and verse he had not successfully made it.

## 7.

Having concluded these five points, which Bailey obviously considered the main task of a successful refutation of the defense put up by the Westminster writer, it is now necessary to consider only briefly the remaining charges which were levelled against Bailey's other chapters.

Regarding the second chapter of the Critical Dissertation, "On Real

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1 Letter to a Political Economist, pp. 59-60.

2 Critical Dissertation, pp. 242-43.

and Nominal Value," the critic dismissed it peremptorily as "mere logomachy." All that Bailey had done, he said, was to define value in a manner opposed to Ricardo, and every time Ricardo used the term value in his own sense, Bailey had charged that Ricardo was in error.<sup>1</sup> It is unnecessary to give the critic much credit for this defense. For in his second chapter Bailey had certainly proved beyond question that the "real" and "nominal" distinction had confused concepts and ideas. Therefore, his differences with Ricardo were surely more than a dispute about words or definitions. Bailey's reiteration of this proof in the Letter to a Political Economist<sup>2</sup> simply drew strength from the original position in the Critical Dissertation.

The Westminster author used essentially this same line of defense against Bailey's positions in the chapters on the value of labor and on profits. That is, the critic held that Ricardo was not guilty for having committed an error in claiming that wages might vary in his sense, although they might not do so in Bailey's sense.<sup>3</sup> Now it is of course true that Bailey had insisted that Ricardo had been wrong in describing a variation of wages in the Ricardian real sense, or proportional sense, which could never have been supported in the exchange value sense. But in this it has been seen<sup>4</sup> that Bailey had quite properly made a careful scrutiny of the two concepts at issue and had selected for his own

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1 Westminster Review, V (January, 1826), 164.

2 Letter to a Political Economist, pp. 68-69.

3 Westminster Review, V (January, 1826), 164-65.

4 Chapter VI, supra., pp. 230-31.

explanation the one which gave the greater generality to the theory of value. That the critic could dismiss this as a "perpetual ignorantio elenchi" on Bailey's part is merely another indication that the imprint of Ricardo's system was so vivid that all other constructions were dimmed into obscurity by comparison.

Concerning Bailey's fifth chapter, "On Comparing Commodities at different periods," the critic found in it only that "the object still is, to accuse Mr. Ricardo of error, because he affirms of value in his own sense of it, what it would be absurd to affirm of it in the sense of the anonymous dissertator."<sup>1</sup> The critic blandly went on to claim that Bailey was wrong in holding that Ricardo's invariable measure was invariable in its power of purchasing; on the contrary, he said, Ricardo's invariable commodity was not invariable in Bailey's sense of value, but was indeed invariable in its cost. Hence, it served to do just what Ricardo had wanted, viz. to demonstrate where, if at all, variations in the costs of commodities had occurred. The same argument was applied by the critic to Bailey's chapter on the measures of value. He was thus able to conclude with great superiority, if little perceptiveness,

if invariableness in value means invariableness in power of purchasing, it supposes of course, that no change takes place in any thing. When Mr. Ricardo says 'standard measure of value,' he means a commodity invariable in the labour which goes to its production. He does not mean invariable in its power of purchasing, quite the contrary. And we have already shown what<sup>2</sup> is the use to which he would turn this commodity as a standard.

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1 Westminster Review, V (January, 1826), 165.

2 Ibid., p. 166.

From what the critic had said, it would appear that Bailey had never written a line demonstrating conclusively that Ricardo's invariable measure was designed to do nothing more than indicate where alterations in (Ricardian) real value had occurred through the course of time. However, it has been seen above that one of Bailey's great achievements had been to indicate that the whole scope and intent of the much-sought invariable measure was to isolate the causes of changes in value. In effect, therefore, the critic had really agreed with what Bailey had said about Ricardo's theory. At the same time, however, the critic was evidently unable to appreciate that by taking this position he had really done nothing to avoid the contradiction which Bailey had shown surrounded the entire notion of exchange value and the invariable measure.

By the time the Westminster writer came to take up Bailey's chapters on estimating value and the distinction between value and riches, it was clear that he was beyond hope of ever questioning the propriety or necessary function of the real value concept in Ricardo's theory. As a result, he was obviously unimpressed with the judgement that Bailey had made of Ricardo's argument amounting to the assertion that the amount of labor expended in producing commodities is equal to their labor cost. Thus, the critic benignly observed that,

In illustration of his own peculiar meaning of the word value, Mr. Ricardo said that, if the productive power of the labour of a country were doubled, the amount of the commodities would be doubled; but the value would be the same. In Mr. Ricardo's sense of the word this is strictly true; and our nameless author abuses him because it is not true in a different acceptation of the term. You cannot speak, he says, of the alteration or non-alteration of a commodity

in exchangeable value, without a reference to the commodities against which it is exchanged. True; but in speaking of alteration of value in Mr. Ricardo's sense, you need a reference to nothing but the quantity of labour which has been employed in production.<sup>1</sup>

The same point was made by the critic against Bailey's view of Ricardo's alleged distinction between value and riches. This afforded definite proof that Bailey's unravelling of the many tangled threads which had eventually led Ricardo to consider value in the erroneous absolute or positive sense had passed quite unnoticed.

This narrow-mindedness was even more apparent in the critic's treatment of Bailey's final chapter on the causes of value. As a first step, Bailey's contention, that monopoly or scarcity elements were of greater importance to the theory of value than the Ricardians had supposed, was glibly dismissed with the observation that "... that is a question of fact, not of principle; and, therefore, it does not concern our present purpose."<sup>2</sup> It is not necessary to enter into the intricacies of the argument on the inductive-deductive method for economic science in order to realize that the critic's conviction, that a "principle" could be cheerfully divorced from a "fact," was merely a reflection of the general unwillingness of Ricardo's popularizers to understand the nature of the foundation on which the stark outlines of their master's theory rested. Bailey's contributions to the problem of method will receive more detailed

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1 Westminster Review, V (January, 1826), 166.

2 Ibid., p. 168.

examination at a later point.<sup>1</sup> But it is worthwhile to note here that the critic's attitude was simply another case in point of what Bailey had elsewhere described as "... a false simplification in matters of fact [which] can be of no service, and can only tend to perplex the mind of the inquirer by those perversions of language, those distortions of expression, and those circuitous expedients of logical ingenuity, which it unavoidably engenders."<sup>2</sup>

Having thus declared himself to be concerned only with those commodities "upon the value of which competition produces its full effect," which automatically cut out two-thirds of Bailey's chapter on the causes of value, the critic then came to a consideration of Bailey's expression of cost of production as the cause of the value of commodities in this class. He took exception to Bailey's viewpoint and asserted with the greatest force,

demand is the cause of value. There is no puzzle about that; about which, however, our language-master has puzzled himself through several pages. Cost of production, by preventing demand from raising value above its own level, limits and determines value; and, therefore may, with great correctness, be denominated the Regulator of Value. To call it a Cause, is a metaphysical blunder.<sup>3</sup>

It is not quite clear what the critic was trying to prove in this passage. On the one hand, he seems to have had it in mind to stress more heavily than had the Ricardians generally, the fact that demand was not to be

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1 Chapter II, *infra.*, pp. 496 ff.

2 *Critical Dissertation*, p. 232.

3 *Westminster Review*, V (January, 1826), 168.

passed over too lightly as the indispensable pre-condition of value. But on the other hand, on what grounds he should have felt justified in denying that cost of production was equally a cause of value is not clear. Indeed, on the critic's own theory, that cost of production prevented demand from raising price to higher levels, he would have found it difficult to maintain that cost of production did not in fact cause value to be what it was, instead of something else. How he would have distinguished a "regulator of value," which "limits and determines value," from a "cause of value," is impossible to say. Bailey, at any rate, was not deceived and saw that so long as the critic supported Mill's theory of resolving capital into labor,<sup>1</sup> he had really said that cost of production (i.e. labor quantity) was the cause of value.<sup>2</sup>

How lightly the critic in fact took his contention about demand being the cause of value is testified by the persistent manner in which he strove to defend Mill's resolution of capital into labor quantity. This defence is a confirming example of that outlook which insisted that unless a theory of value were set on a monistic basis of labor cost, no determinate conclusion would be forthcoming. In Bailey's presentation it has been made clear that he held an attitude toward costs which took Adam Smith's essentially commonsense and realistic notions of entrepreneurial or money costs of production and related them to mental states. In consequence, some time before Senior there had appeared in England an

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1 Ibid., p. 167.

2 Letter to a Political Economist, pp. 78-80.



appreciation of cost of production which avoided the pitfalls of the Ricardian physical or real cost theory, involved as it was in being unable to compare the costs of goods made under conditions of different capital structures or, what amounted to the same thing, qualitatively dissimilar labor. If, as was in fact the case, it was impossible to find one common denominator for the components of Ricardian real value, then two alternatives were present. First, any collection of heterogeneous goods could be compared or related by means of their utility. It is unnecessary to relate how and why a complete exploitation of this alternative, which would have had to demonstrate a functional relation between utility, supply, and exchange value, was not forthcoming for several years. Secondly, however, if utility was not appreciated as a possible common denominator, and if labor quantity and time could not be resolved into one element; then, the only other way to relate the different elements was through their money costs of production which, so to speak, absorbed and reflected a wider variety of influences than mere labor quantity.

Now it was this second alternative which Bailey had chosen. And, in so doing, he demonstrated that he was aware of the fact that the path leading from one aspect of Smith's theory, which Ricardo had taken, led inexorably into an impasse. It occasioned what Bailey had called the "unmeaning and identical propositions" that "what a million of men produced always cost the labour of a million of men:  $a = a$ ."<sup>1</sup> By turning

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1 Critical Dissertation, p. 254.

down the other path leading from Adam Smith, Bailey saw that an advance was possible. And, in selecting this alternative Bailey was clearly in the right. For it is obvious that the simple Smithian money cost of production theory has far more to commend it than the more unrealistic Ricardian approach. Indeed, it is on the Smithian standpoint that are to be found the far greater possibilities for the development of the alternative cost theory, even in the absence of its greater potential refinements on marginal utility lines. When all of this is understood, however, the Westminster critic's conviction that Mill was correct in resolving the "causes" of value into labor quantity, plus his consequent failure to appreciate the real significance of the relativity of Bailey's economic quantities, affords ample evidence of just how far down Jevons' "wrong line" the "car of Economic Science" had been "shunted" by 1826. At the same time, it indicates that even while the car was gaining momentum, a switchman had been passed whose signals might have directed it in a completely different direction.

In the Critical Dissertation Bailey had successfully refuted Mill's attempt to resolve the causes of value into simple labor quantity by showing, first, that qualitative differences destroyed the validity of the basic rule,<sup>1</sup> and, secondly, by showing that the presence of time also modified it.<sup>2</sup> Ricardo, he had said, admitted that time had prevented the quantity of labor from being the sole determining principle of value, but

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1 Chapter VI, supra., pp. 223-24.

2 Chapter VI, supra., pp. 220-22.

Mill had argued that time produced no effect on value and, with McCulloch, had held that any changes which occurred in value through the course of time should be considered as resulting from simple labor expenditure. It was clear to Bailey that the absurdity of Mill's position was a sufficient basis for rejecting the attempt to resolve capital into labor. And there is probably little doubt that this rejection suggested to Bailey the need to acknowledge other causes of value. Such a breach in the wall, therefore, had impelled Bailey to go on to enumerate various other causes which might have a regular influence in value, and to conclude that the simple labor quantity was merely one among many possible and probable causes.

As might be expected, it was the ostensible inconclusiveness of this argument which so irritated the Westminster critic. His reply to it demonstrated that he was not to be moved by Bailey's provisional conclusion that the value of commodities might depend upon the value of the capital expended in their production. It has been seen that Bailey probably expressed himself in this way because he thought it would accommodate the greater variety of influences he had considered. But the Westminster writer could not accept this and in his protest to it indicated that any theory which failed to arrive at a monistic explanation was next to worthless. Bailey, he said,

... evades the reasoning of Mr. Mill, which applies to commodities in general, by saying that the value of one commodity may depend upon that of another. Who has ever disputed that? Surely not Mr. Mill, who says, only a few paragraphs before that which the author has quoted -- 'Cost of production, then, regulates the value of commodities.' But is it enough, in inquiring what it is that value depends

upon, to say, that the value of one thing depends upon the value of a second, that upon the value of a third, and so on? If the inquiry related to sweetness, would not every one laugh at the pretended philosopher who should tell us, that 'the sweetness of your tea depends upon the sweetness of the sugar you put into it, and that upon the sweetness of the sugar cans?' Is it not perfectly clear, that the question what sweetness depends upon, is not answered by a reference to a million of things that are sweet ... A thing is of a certain value, when a certain value has been expended upon it. This is very true; but utterly useless when we come to inquire why the expended value was such and no more...

He is a poor metaphysician who does not see the pertinence, at least, of Mr. Mill's reasoning, and also its conclusiveness to the point in hand. It may be, or it may not be, that Mr. Mill has traced to its proper elements the regulator of value: but it is obvious that the man has not made a single step who accounts for the value of one thing, by only giving us a reference to the value of another; and that the man who thinks he has made a step in so doing, has the art, in great perfection, of imposing upon himself. Is not this, as Mr. Mill describes it, to explain value by itself; or, in other words, to tell us that value is value; a notable discovery -- the upshot, however, of this boastful volume; the sum and substance of its grand discoveries.<sup>1</sup>

It will be evident from this extract that the critic had found in Bailey's argument nothing more than the assertion that the value of commodities depended on the value of the factors used in their production. Since it appeared to him that this argument had failed to provide a determinate, monistic explanation of why the value of those factors was what it was, the argument was useless. In the critic's eyes Bailey's case seemed to content itself with remaining on what Wieser described as the "empirical" basis of value, and refused to dig down into the "philosophical" foundations.<sup>2</sup> And it is clear from his analogy with sweetness that the critic would never be able to appreciate that there was more

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1 Westminster Review, V (January, 1826), 170-71.

2 Wieser, op. cit., pp. xxvii-xxviii.

"philosophical" depth in a reduction of value to "mental states" than there was in a reduction to labor expended. In a small focus, therefore, the critic has virtually posed the entire issue between the classical and psychological viewpoints, and, on its restricted scale, has in effect murmured Wicksteed's well-known "cant of the absolute in a world in which all things are relative."<sup>1</sup> For the critic's attitude shows in the clearest manner the way in which Ricardo's beginnings were being pushed toward the so-called "original factors notion."<sup>2</sup> At the same time, Bailey's insistence on the fact that the value of things might depend upon the value of other things,<sup>3</sup> is really a passage down the road which Adam Smith had opened up with his doctrine of net advantages<sup>4</sup> and which led away from his other postulation that labor was the means by which wealth was "originally purchased."<sup>5</sup> In Bailey's argument value had always meant exchange value. Hence, his proposition meant that the value of commodities depended upon the exchange value of the factors necessary to produce them. Bailey generalized this into the observation that cost of production was the cause of value, as has been seen. But inasmuch as this cost of production was composed of the many different and varying elements and influences, it was clear that this collection of causes could only be expressed and related through their money values. This was

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1 Wicksteed, op. cit., I, 80.

2 G. Stigler, Production and Distribution Theories (New York: 1946), pp. 198-99.

3 Critical Dissertation, p. 203.

4 Wealth of Nations, Vol. I, Book I, Chapter I, p. 101.

5 Ibid., Vol. I, Book I, Chapter V, p. 33.

the reason why Bailey had rejected the possibility of reducing all causes of value into simple labor quantity; this was the reason he had spoken about the capital cost of production and had pointed out that capital was composed of, and influenced by, many factors; this was the practical means by which Bailey had manifested his conviction that value was ultimately a "mental state" and not an "original factor."<sup>1</sup> Bailey's "capital" was obviously pecuniary outlay, whether expended in the form of fixed or circulating capital so-called. But parting with it produced an effect on the minds of the capitalists who had possessed it, and Bailey had deemed this an important consideration. When to this were added those other influences on the minds of capitalists, the "risk; the "time," the "feelings of shame, and fear, and impatience," it was clear to Bailey that nothing was to be gained by a "false simplification" in these "matters of fact." Nothing worthwhile was achieved by resort to such a "dexterous logic." Omission of these influences merely for the sake of preserving a single principle was the height of sophistry.

It would be an extreme exaggeration, of course, to claim on the basis of what has been said, that Bailey had formulated anything like a complete theory of alternative costs. In conformity with the general attitude of the time, he had rejected value in use as a notion upon which to base subsequent reasonings. Accordingly, Adam Smith's value in exchange, or power of purchasing, remained as the only suitable concept. This same outlook had prevailed when Bailey came to consider the objective

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1 Cf. Chapter VI, supra., pp. 220-26.

of a particular economic subject.<sup>1</sup> And from this it had followed that Bailey necessarily had to make his capitalists view their problem as determining the "value" of the resources they used in any given production. Since value for Bailey meant exchange value exclusively, it was a necessary consequence that no capitalist would concern himself with any given historical physical cost manifest in some "original factor." On the contrary, he would only consider the value of whatever factors were necessary for the production of the particular commodity. This meant, in effect, considering how much "capital" it was necessary to "part with" in order to secure the services of those factors. All of which, finally, is merely another application of the Smithian doctrine of net advantages. Yet, without understanding fully what he had done, by relating behaviour of this sort to the "mental state" of the capitalist, Bailey had undertaken one of the first steps in England to relate utility to cost of production. That he should have done this in the face of his rejection of utility as a criterion of wealth or riches, is not so remarkable as it is instructive of the unsatisfactory connotations which clustered around the term "utility" itself. This is self-evident to generations which have learned to think in terms of increments of utility and, accordingly, to seize the truth of behaviour on such a

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1 Cf. Critical Dissertation, p. 168. "With regard to heterogeneous commodities, there are in fact only two conceivable criteria of riches: one, the utility of any possessions; the other, their value. The first is in the highest degree unsteady and indeterminate, and altogether inapplicable... Value, therefore, is the only criterion of riches which is left to us."

"margin." But regardless of the terminology involved, it is surely clear that Bailey could not have made the distinction between what he termed "positive" and "relative esteem" unless he had somehow perceived or sensed that the latter related to actual or potential "subjects of choice or exchange." Yet, "relative esteem" and "net advantages" are but a very short step apart. And if Bailey did not actually subdue the intervening distance, it is evident from what has been said that he spent a good deal of productive and suggestive energy in walking around it.

The judgement which emerges from a consideration of Bailey vis-a-vis the Westminster critic, then, is one of a continued, conscious advance away from the confines of the labor theory. The merit of the Letter to a Political Economist consisted essentially in showing that Bailey was confident of his ground in objecting to the relative-real value distinction in the Ricardian system. It followed from this, moreover, that he had a similar confidence in objecting to a system in which

... one particular cause becomes the sole regulating principle of value amidst the admitted operation of other causes; a commodity is reconverted into the toil which produced it; additional labour, in defiance of bars and bungs, pertinaciously settles upon a cask of wine which has been scrupulously preserved from the touch of human hands in the security of a well-locked cellar....<sup>1</sup>

Most of these things had been put forward in the Critical Dissertation, of course. But in the Westminster critic Bailey possessed a virtual caricature of the Ricardian system as popularly understood. And if some of the critic's postures were exaggerated, they nevertheless indicated the way things were going. The Letter to a Political Economist stressed again Bailey's sincere belief that the way was wrong.

<sup>1</sup> Letter to a Political Economist, pp. 19-20.



## CHAPTER VIII

### MORE REPLIES

Although there has been a certain amount of anticipation of the present in the previous chapter, it seems nevertheless worthwhile to undertake a survey of those instances in which Bailey's argument, or a part of it, was a subject of reference by his contemporaries. In making a survey of this nature the matter is relatively clear in those cases where the observations on the Critical Dissertation were direct and overt. On the other hand, the survey could easily get out of hand in respect of those cases where the writers were not so forward. An attempt to establish a derivation from Bailey would, in such instances, require a careful and thorough examination of the particular work, both before and after the publication of the Critical Dissertation, and, even if then certain similarities emerged, there could be no outright proof that Bailey had been the source. The well-known principle of the multiplicity of causes would obviously work against such a definite conclusion. In the face of this difficulty then, it seems best to admit forthrightly the arbitrary selection by the writer of those cases where some relationship to Bailey seems evident, if indeed definitely unprovable, and to leave the validity of such selections to the mercies of what Edgeworth once whimsically called the "intelligence of the reader."

The interval selected for the survey is the period between the publication of the Critical Dissertation in 1825 and Bailey's death in 1870. This, in its turn is obviously an arbitrary delimitation. There

are, however, some advantages in being able to refer to reactions evident in Bailey's lifetime, particularly in view of the fact that the end of that period coincides with what is a significant historical, if not conceptual, point in the development of economic thought.

## 1.

Although J. R. McCulloch believed that Bailey's book had not succeeded in shaking the foundations of Ricardian value theory, the impact of the Critical Dissertation on McCulloch himself is visible in three instances, to two of which McCulloch provided express acknowledgement. From what has been said thus far, it is clear that a good portion of Bailey's criticism of Ricardo had been to demonstrate the fundamental contradiction between real and relative value. Bailey himself had inferred that it was the disclosure of the confusion surrounding the term value in the Critical Dissertation which had prompted McCulloch to make the "double meaning" explicit in the first edition of his Principles.<sup>1</sup> McCulloch's engagement on this heading may also be seen as an attempt by him to resolve the contradiction in meaning which Bailey had charged against Ricardo. His approach was essentially the same as that which DeQuincy had used in the Templars' Dialogues.<sup>2</sup>

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1 Cf. Chapter VII, *supra.*, p. 268.

2 McCulloch gave high approval to DeQuincy, and thought that the Templars' Dialogues had "exhausted the subject" of Ricardian value theory. Cf. McCulloch, The Literature of Political Economy, p. 33. Catalogue of Books, p. 288.

McCulloch's discussion of the nature and measure of value was presented in Part III, "The Distribution of Wealth," of his Principles. In the usual way he distinguished between "value in use" and "value in exchange." The former was admitted as a prerequisite for the latter, although there was no positive correlation between their respective magnitudes. On the other hand, it was "value in exchange" which gave wealth its distinguishing characteristic, and this, in turn, gave a "distinct and definite object" to the laws regulating distribution.<sup>1</sup> Once he had established, then, that "a commodity is not valuable because it is useful, but it is valuable because it can only be procured by the intervention of labour,"<sup>2</sup> and that, therefore, labor was the source of exchange value and wealth,<sup>3</sup> the way was cleared for him to expand his treatment of that value on which distribution in fact depended.

McCulloch set up his argument on the nature of value in the following manner.

The value of a commodity may be considered in a double point of view; either, 1st, in relation to the power or capacity which it possesses of exchanging for, or purchasing, certain quantities of labour, or of other commodities obtainable only by means of labour; or 2nd, in relation to the quantity of labour that has been expended in its appropriation or production, or that would be required for that purpose at the period when the investigation is made.

Value, considered in the first point of view, may be denominated exchangeable or relative value.

Value, considered in the second point of view, may be denominated real value.

It is abundantly obvious, that all commodities, possessed of exchangeable, must also be possessed of real value, and vice versa.<sup>4</sup>

1 McCulloch, Principles, 1st ed., p. 6.

2 Ibid., pp. 2-3.

3 Ibid., pp. 61-72.

4 Ibid., p. 211.

Here, of course, is the explicit reference to the "double meaning" of value which Bailey had claimed was absent until he had pointed it out.<sup>1</sup>

Regarding "exchangeable value," McCulloch claimed that it was a "quality inherent in all commodities which are not the spontaneous productions of nature...."<sup>2</sup> It was a quality of commodities which derived from the fact of their having been produced or obtained by the expenditure of a certain quantity of labor. This "inherent quality" was

... one that can neither be manifested nor appreciated, except when they are compared with each other, or with labour. It is indeed quite impossible to speak of the value of a commodity without either referring to some other commodity or to labour as a standard. No one article, or product, can have any exchangeable value except in relation to some other article or product that either is or may be exchanged for it. It would be just as correct to talk about absolute height or absolute depth, as about absolute value in exchange. A is said to be valuable, or possessed of value, because it has the power of exchanging for a given quantity of B or C; and it is evident, that the quantity of B or C, for which A exchanges, forms the only attainable measure of, or expression for, the value of A; just as the quantity of A forms the only attainable measure of or expression for the value of B or C.<sup>3</sup>

Now this passage has a familiar ring to it and seems to reflect McCulloch's determination to think of exchange value as a "relational quality" in about the same manner as Bailey had considered it.<sup>4</sup> Viewed in this light, the notion of "absolute value" was clearly impossible. McCulloch differed from Bailey only in holding that the quality derived from commodities being obtained by an expenditure of labor, whereas Bailey had made the quality depend upon "esteem" or "mental affections."

1 Cf. Chapter VII, supra., p. 268.

2 McCulloch, Principles, p. 212.

3 Ibid., pp. 212-13.

4 Chapter III, supra., pp. 78-88.

McCulloch then went on to point out in language again appearing to owe much to the Critical Dissertation, that the nature of exchangeable value meant that if one commodity changed in its "power" of commanding other commodities or labor in exchange, then the power of other commodities or labor had altered in a reciprocal manner. "If A rises, it must be in relation to something else, as B; and if B falls, it must be in relation to something else, as A; so that it is obviously impossible to change the relation of A to B, without at the same time changing that of B to A."<sup>1</sup> In other words, this demonstrated that a commodity could only be of invariable exchange value if at all times and places it continued to exchange for the same quantity, or quantities, of other things or labor. This, in turn, amounted to saying that constancy in exchange value only existed when the causes which produced the relation in the first place continued to exert the same influence. Since observation indicated that such a constancy of causes never occurred, it was clear that invariability of exchange value never existed. Or, if invariability of exchange value were present, this simply meant that nothing was revealed except that the causes producing the relation of value had remained unchanged.<sup>2</sup> All of which was obvious, McCulloch concluded, adding that "the conditions essential to the production of an invariable measure of exchangeable value were first clearly pointed out in the

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<sup>1</sup> McCulloch, Principles, p. 213.

<sup>2</sup> Ibid., pp. 213-14.

Dissertation on the Nature, Measures, and Causes of Value, p. 17.<sup>1</sup>

How much McCulloch was aware of the ground he was giving in this citation of Bailey cannot be determined, of course. But the import of his admission was to pull the props from beneath a large portion of his master's structure, as Bailey had conclusively shown. McCulloch is known to have believed that an invariable measure of value was not necessary to his reasonings, although Ricardo clearly had understood the contrary.<sup>2</sup> In any case, it does seem as though McCulloch accepted some of the things Bailey had said about the nature of value, "exchangeable" value, that is. That he should have done so in one breath, and in the next, should have taken up for consideration the nature of the real value he had earlier distinguished is truly remarkable.

In the way he set up and employed the notion of real value McCulloch implied that he had avoided the strictures Bailey had made against it. His first move was to bring himself firmly into Ricardo's frame of

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<sup>1</sup> Ibid., p. 214, n. This comment appeared in all the subsequent editions of the Principles, and in McCulloch's edition of the Wealth of Nations (Edinburgh: 1863) p. 439, n.

<sup>2</sup> "I am only endeavouring to ascertain the circumstances which determine the comparative values of the commodities in the same market -- The question agitated between you and Malthus is totally different -- it is, what are the circumstances necessary to give invariability of value to any commodity? -- This is a question which I believe is quite insoluble, but at any rate it does not come within the scope of my inquiries -- I leave it to be settled by my masters." McCulloch to Ricardo, 24 August, 1823, IX, p. 369.

Ricardo, of course, thought differently and told Trower that McCulloch "... does not appear to me to see that if we were in possession of the knowledge of the law which regulates the exchangeable value of commodities, we should be only one step from the discovery of a measure of absolute value." Ricardo to Trower, 31 August, 1823, IX, p. 377.

reference. His objective, he said, was to discover, once a change in exchange value had occurred, what had caused the alteration in the exchange relation, and, from that, to arrive at more "definite conclusions."

These "definite conclusions" would follow, he thought, if a person could ascertain "the cause why A once exchanged for, or was equal in value to B" and could draw out the implications of the "operation of this cause."<sup>1</sup>

In posing his problem in this way, however, McCulloch in effect had abandoned the notion of relative value which he had just finished discussing. Having declared that exchange value was a relation, he had implicitly admitted that it was produced by the operation or existence, as Bailey had stressed, of "two causes or two sets of causes." In the instant observation, however, McCulloch had stated that it was his purpose to know "the cause" for the equality in exchange value of A and B, so that by investigating the operation of "this cause" he could pass on to the "definite conclusions." This was a self-contradiction, for it is obvious that if value is a relation there is no single, monistic cause responsible for it.

Once McCulloch had adopted this viewpoint it was easy for him to find the elements in Ricardo's theory which would fill in the successive steps. "The real value of a commodity," he said, "or the estimation in which it is held by its possessor, is measured or determined by the quantity of labour required to produce or obtain it."<sup>2</sup> "Estimation" does

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<sup>1</sup> McCulloch, Principles, p. 215.

<sup>2</sup> Ibid., p. 219.

seem to be a term owing something to Bailey, although, of course, Adam Smith had used it in this sense,<sup>1</sup> and Ricardo had mentioned the "estimation" in which different qualities of labor was held.<sup>2</sup> In any case, McCulloch intended the term to denote the real or sacrifice costs which had been present in Ricardo's argument. So that after the hasty admission that demand was the "ultimate source or cause of both exchangeable and real value," McCulloch went on to claim that it was "... the quantity of labour required to render a demand effectual, or the quantity required to produce, or appropriate the commodities wanted, that forms the single principle by which their real value is exclusively regulated and determined."<sup>3</sup> From this, it followed, that in the absence of monopoly and short run deviations, commodities' "exchangeable value is identical with their real value." Therefore, if the "exchangeable value" of A increased because a greater quantity of labor was required to obtain it in relation to B,

... we should be entitled to say, that A had increased in exchangeable value because it had increased in real value — assuming the toil and trouble of acquiring any thing to be the measure of its real value, or of the esteem in which it is held by its possessor, and, consequently, of the proportion in which he will exchange it for other things.<sup>4</sup>

On the basis of this relationship established between real and exchangeable value, McCulloch then revealed his debt to DeQuincy and, in

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1 Wealth of Nations, I, Book I, Ch. VI, p. 49.

2 Ricardo, Principles, p. 20.

3 McCulloch, Principles, p. 215.

4 Ibid., pp. 215-16.



so doing, indicated that his deference to Sailey on the nature of exchange value had been little more than perfunctory. It emerges, perhaps even more clearly, that his notion of "estimation" was nothing unless it was grounded on real or sacrifice costs.

So long, therefore, as we consider quantities of labour and commodities in reference only to one another, without considering them in reference to the sacrifice their production or performance imposes on man, we have no means by which to ascertain the causes of variations in the exchangeable value of commodities. And if it were impossible to discover these causes, the science of Political Economy, as now understood, could not exist. It would be worse than idle to set about inquiring into the causes which determine the value of commodities, if that value were altogether capricious and dependent on no fixed principle. If a commodity, A, for example, exchanges at one time for a quantity of labour, B, and at another time for twice that quantity, the variation may have arisen either from causes exclusively affecting A, or exclusively affecting B, or which may have partly affected the one and partly the other; but so long as we compare only the commodity and the quantity of labour together, we shall never be able to discover the cause of the variation; and, as the one must be a standard to the other, we might with equal propriety say, either that the commodity A had risen, and the labour B had fallen in value; or, if it be admitted that real value may exist, we might say that the real value of A had remained constant, while that of B had fallen; or that the real value of B had remained constant, while that of A had risen.<sup>1</sup>

The notion that the causes of changes in exchange value were somehow "exclusive," the cheerful conviction that anything unconnected with "real value" was somehow "capricious" and independent of any "fixed principle," the belief that mere quantity revealed nothing of significance regarding value and that, therefore, real and exchangeable value did not necessarily vary in the same direction and degree -- these points all serve to show that McCulloch had really not taken his statements about the relative

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1 Ibid., pp. 217-18.

nature of value very seriously. He had certainly failed to appreciate the logic of Bailey's argument that, by prefixing the term "real" the whole conception of value was changed and was placed in that category of "absolute" notions which McCulloch himself had earlier abjured. For McCulloch, on the contrary, it appeared that

... given quantities of labour are not to be considered in the same light as given quantities of its produce, or of commodities. For, whether the quantity of commodities produced by a given amount of labour varies or remains constant, the value of that quantity, in the estimation of the producer, necessarily remains the same; and he will always be disposed to exchange it for an equal quantity, or the produce of an equal quantity of other men's labour.<sup>1</sup>

This followed directly the argument Ricardo had laid down in his chapter on value and riches,<sup>2</sup> and which Bailey had shown amounted to nothing more than the assertion that "... what a million of men produced always cost the labour of a million of men:  $a = a$ ."<sup>3</sup> McCulloch, however, would not be budged from his position. So that regardless of the greater or smaller quantities of produce a laborer might receive in one compared with another period, "what he produces, or acquires by equal quantities of labour always costs him the same sacrifice, and has, therefore, the same real value, whether it be large or small. He gives a constant, but receives a variable quantity in its stead."<sup>4</sup> McCulloch evidently drew confidence from the fact that DeQuincy had reached virtually the same judgement. And because of this he felt justified in upbraiding Bailey

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1 Ibid., p. 218.

2 Ricardo, Principles, pp. 273-87. Cf. Chapter II, supra., p. 70.

3 Critical Dissertation, p. 254. Cf. Chapter III, supra., pp. 92-93.

4 McCulloch, Principles, p. 223.

for having failed to understand the significance of the conclusion.<sup>1</sup>

From what has been said in the preceding chapters, it is clear, of course, that Bailey had understood this distinction very well, and had seen that Ricardo and DeQuincy made it expressly for the purpose of considering value as an absolute which could be compared in different periods of time. While McCulloch appeared to abandon much Ricardianism in giving up the search for an invariable measure of value; yet, he was right back in the fold in holding with DeQuincy that mere quantity did not reveal the movements of the fundamental forces which managed to "limit or determine value." The exploration of those forces was, of course, for McCulloch a consideration of real value. He admitted, then, that it was "visionary" to attempt to find or formulate an invariable standard of exchange value, but insisted that it was not difficult to trace changes in exchange value

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1 "The acute author of the Templar's Dialogues, (Lond. Mag., May, 1824, p. 551), has stated, that 'It is possible for A continually to increase in value — in real value observe — and yet command a continually decreasing quantity of B.' This passage has been animadverted upon by the author of the Critical Dissertation on the Nature, Measures, and Causes of Value. Nothing, however, can be more perfectly correct than the statement in the Dialogues. — A and B have been produced by certain quantities of labour; but more labour is now required to produce A, and a still greater proportional quantity to produce B; under these circumstances, A must obviously have increased in real value, or in the estimation of its producers, for it has cost them a greater sacrifice of toil and trouble; but as A has not increased so fast in real value as B, it is plain it will now exchange for, or purchase a less quantity of B. It is difficult to conceive how the author of the Dissertation should not have perceived this distinction; but if he had perceived it, he would certainly have spared not a few of the remarks he has made on the statements advanced by Mr. Ricardo, as well as by the author of the Dialogues." McCulloch, Principles, p. 220, n. This note was unchanged through all the editions of the Principles.

to their "proper source." Deviations between real and exchangeable value could be ascertained and set down in a few principles.<sup>1</sup> These deviations were, obviously, the familiar and hoary exceptions; monopolies,<sup>2</sup> market price variations,<sup>3</sup> and qualitative differences in labor.<sup>4</sup> But with these exceptions out of the way, the conditions obtaining were clearly Ricardo's long-run competitive viewpoint where real and exchangeable value were identified. Thus, McCulloch had only to demonstrate that cost of production was the regulating principle of price,<sup>5</sup> that labor was the constituent element of this cost,<sup>6</sup> that the payment of rent<sup>7</sup> and the employment of capital<sup>8</sup> did not materially affect this constituent element, in order to make the triumphant conclusion that "the cost of producing commodities — denominated by Adam Smith and M. Garnier natural or necessary price, — is ... identical with the quantity of labour required to produce them and bring them to market."<sup>9</sup>

It has been seen that McCulloch apparently believed he had made some sort of advance in agreeing that an invariable standard of exchange value was an impossibility. Nevertheless, he had claimed that it was possible, by referring to a given quantity of labor whose "estimation" in an

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- 1 Ibid., p. 227.
  - 2 Ibid., pp. 256-58.
  - 3 Ibid., pp. 250-55.
  - 4 Ibid., pp. 229-45.
  - 5 Ibid., pp. 243 ff.
  - 6 Ibid., pp. 261 ff.
  - 7 Ibid., pp. 264 ff.
  - 8 Ibid., pp. 288 ff.
  - 9 Ibid., p. 250.

individual's mind never altered, to obtain an "unvarying standard of real value."<sup>1</sup> In his long-run normal conditions, then, this quantity of labor was a measure of real value and, necessarily, of exchange value.<sup>2</sup> By this McCulloch meant the same thing Ricardo had stipulated, viz. that use of this measure would permit the assignation of causes of variations in long-run normal exchange value. Mere quantity of labor or commodities revealed a change in exchange value, but failed to show where the change had taken place. But McCulloch thought that real value, a definite quantity of labor, (not, as with Ricardo, a commodity produced with a constant quantity of labor) would provide him with the means of ascertaining those causes of changes in exchange value.

McCulloch, in fact, never made any use of his standard, although, as has been pointed out, Ricardo understood that in formulating it he was but a step away from a measure of value in the accepted Ricardian sense. Bailey had seen the reason for this failure to use the labor standard, and had explained that it was due to the impossibility of isolating the data on which it was constructed.<sup>3</sup> Ricardo, he said, had given tacit proof of this by never employing the pure labor measure, but rather used a commodity assumed to be produced by a constant quantity of labor.<sup>4</sup>

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1 *Ibid.*, p. 221.

2 *Ibid.*, pp. 223-24.

3 *Critical Dissertation*, pp. 127-33.

4 "If the quantity of producing labour really determines the value of commodities, it seems on a first view useless to require for a measure an object of which the producing labour is invariable, when we may have recourse to the labour itself. But Mr. Ricardo probably perceived, that a knowledge of the quantity of producing labour in objects would be in most cases difficult of attainment, and therefore betook himself to the consideration of a commodity in which a definite portion of it was embodied." *Ibid.*, pp. 177-78.

McCulloch, however, wanted it both Bailey's way on the impossibility of an invariable measure of exchange value, and Ricardo's way for an invariable measure or standard of real value in a constant quantity of labor. Ultimately, he ended up with the worst of both possible worlds.

McCulloch's second reference to the Critical Dissertation was on the issue of whether or not rent was an element in price or value.<sup>1</sup> Bailey had argued that when commodities were produced under conditions of increasing costs, the low cost producer possessed a monopoly. As a result, the cost of production of the commodity did not determine its value, but demand and supply, or the "competition of purchasers" did. This implied, of course, that value was not proportioned to labor cost of production, contrary to the Ricardian argument. McCulloch acknowledged Bailey's claim.<sup>2</sup> He then pointed out, however, that, according to Ricardo, the proposition that value was proportioned to cost of production applied

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1 It might perhaps be argued that McCulloch's deliberate reference to the wine-in-the-cask example was a reply to Bailey. For Bailey, it has been seen, had proffered time as an element in value, beyond mere expenditure of labor. Cf. Chapter VI, supra., p. 221. However, Ricardo himself had already made this objection to McCulloch, insisting that the length of time for which capital was employed should be considered as a factor in value. Cf. McCulloch to Ricardo, 15 May, 1820, VIII, pp. 168-69. Ricardo to McCulloch, 13 June, 1820, VIII, pp. 191-94. Ricardo to McCulloch, 8 August, 1823, IX, pp. 330-31. McCulloch to Ricardo, 11 August, 1823, IX, pp. 342-45. Ricardo to McCulloch, 21 August, 1823, IX, pp. 358-62. McCulloch to Ricardo, 24 August, 1823, IX, pp. 366-68.

McCulloch merely repeated his argument of these letters when he produced his Principles, claiming that time did nothing more than permit "really efficient agents" to work. McCulloch, Principles, pp. 313-18.

2 McCulloch, Principles, p. 285.

only to commodities produced on the land last taken into cultivation. Since the product was homogeneous, it could be taken that the product obtained on the last land under cultivation was representative of the class. Unless this no-rent cost were met, the supply of the produce would be less than its demand, in which case, the cultivation would be extended again to meet the demand. Thus, the cost at the margin of cultivation became the determining cost.<sup>1</sup>

McCulloch's objection to Bailey was correct in the sense in which he meant it. But that is only to say that McCulloch had behind him a long string of assumptions and abstractions which could bring it about that rent was not a cost element. Bailey's point, on the other hand, arose simply because he had refused to acknowledge demand at the outset and then to forget it, the way Ricardo and McCulloch and the others had done. Thus, Bailey's argument was that demand in some way had affected to take all land, however inferior, into cultivation. Thus rent was a scarcity or monopoly price and certainly was an element of at least coordinate importance with demand. The difference between McCulloch and Bailey on this point, then, really comes down to whether or not such monopoly or scarcity influences were to be admitted in the manner Bailey had claimed.

The third case in which McCulloch appears to have derived something from the Critical Dissertation lies in his treatment of the relationship

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1 Ibid., pp. 286-87.

between profits and wages. McCulloch himself did not make any explicit reference to Bailey on this heading. But from the nature of his remarks and certain other evidence it rather seems that Bailey's influence was present. It has been observed that Bailey had laid some emphasis on the wages-profit relation and had insisted that the normal Ricardian inverse variation held only in the case where a change in labor or capital productivity had been ruled out. On the basis of a definition of the value of labor consistent with his initial definition of value as exchange value, Bailey had then questioned Ricardo's theory of distribution as dependent on a different conception of value.<sup>1</sup> McCulloch, in what is a most surprising deviation from Ricardian orthodoxy, took Bailey's line even further and, perhaps without being fully aware of what he was about, approached dangerously near to a position which would have aligned him with Malthus on the issue of gluts.

When McCulloch took up the problem of the "Circumstances which determine the Rate of Wages," he made explicit in one sequence the distinctions which Ricardo had more or less left to his readers to collect as best they could. McCulloch declared that he would consider what determined, first, the "actual or market rate of wages"; second, the "natural or necessary rate of wages"; and third, the "proportional wages, or the share of the produce of his industry, falling to the labourer."<sup>2</sup> The first two analyses were normal wage fund arguments, differentiated only as regarded the time

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1 Chapter VI, *supra.*, pp. 233-38.

2 McCulloch, Principles, pp. 326-27.



periods. The rate of wages in these cases McCulloch defined as "the amount of subsistence falling to each labourer."<sup>1</sup> This, of course, was the same sense Ricardo had employed in his own separate chapter on wages.<sup>2</sup> Taken in this sense wages, as the value of labor, were in the same class of conceptions with exchange value; hence, they were expressed by the ordinary quantity of commodities and labor which exchanged for one another. In Ricardo's case, however, there was no evidence to show that he understood that the value of labor considered in the chapter on wages contradicted the value of labor considered in the distributional analysis at the end of the chapter on value. McCulloch more or less made the contradiction complete by admitting that "market or actual" wages might vary in a direction and degree different from "proportional wages."<sup>3</sup>

From this point McCulloch then went on to complete this argument on the relationship between profits and wages. It would be acknowledged, he said, that if the fund remaining after the subtraction of rent were divided between capitalists and laborers, one share obviously could increase or decrease only at the expense of the other. In this circumstance, proportional wages might remain constant or diminish, while the absolute amount of produce or money received by the laborers (now confusingly described as "real wages") might increase because of an increase in productivity, and conversely.<sup>4</sup> Whether it was Mill or Bailey who influenced

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1 Ibid., p. 327.

2 Ricardo, Principles, Chapter V, "On Wages," pp. 93-109.

3 McCulloch, Principles, pp. 361-62.

4 Ibid., p. 365.

McCulloch to this way of thinking cannot be ascertained, of course. But there is a presumption toward the latter, inasmuch as Mill had been willing to forget about wages in the pure quantity sense, and to take them in their "usual" proportional viewpoint.<sup>1</sup> Additional weight is lent to this judgement by the way McCulloch employed his admission about productivity and actual quantities received in his subsequent treatment of profits.

In allowing that the laborers and capitalists divided the produce-minus-rent into inversely varying shares, McCulloch insisted that this did not provide a determination of profits. On the contrary, he claimed, "profits consist of the excess of the commodities produced by the expenditure of a given quantity of capital over that quantity of capital; and are always measured in aliquot parts of the capital employed in production."<sup>2</sup> "Profit is in every case the result of more being produced in a given period, than is consumed in that period."<sup>3</sup> This being true,<sup>4</sup> McCulloch then tried rather delicately to express a difference of viewpoint with his master.

Mr. Ricardo has endeavoured to show, in one of the most original and ingenious chapters of his work, that the RATE of profit depends entirely on the proportion in which the produce of industry, under deduction of rent, is divided between capitalists and labourers; that a rise of profits can never be brought about, except by a fall

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1 Before the 3d. ed. of the Elements, that is. Cf. infra., p. 333.

2 McCulloch, Principles, p. 366.

3 Ibid., p. 367.

4 And amounting, incidentally, to Malthus' treatment of profits. Cf. Malthus, Principles, Chapter V, "Of the Profits of Capital," pp. 293 ff.

of proportional wages, nor a fall of profits, except by a corresponding rise of proportional wages. It is evident, however, that this theory is universally true, only in the event of our attaching a different sense to the term profits, from what is usually attached to it; and supposing it to mean the real value of the entire portion of the produce of industry, falling, in the first instance, to the share of the capitalists, without reference to the proportion which the magnitude of this produce bears to the magnitude of the capital employed in its production. Thus understood, Mr. Ricardo's theory holds universally; and, on this hypothesis, it would follow, that, so long as the proportion, in which the produce of industry, under deduction of rent, is divided between capitalists and labourers, continues the same, no conceivable increase or diminution in the powers of production, could occasion any variation in the rate of profit. But, if we consider profits, in the light in which they are invariably considered in the real business of life, -- as the portion of the produce of industry, accruing to the capitalists in a given period of time, after all the produce expended by them in production during the same period is fully replaced, it will immediately be seen, that there are very many exceptions to Mr. Ricardo's theory.<sup>1</sup>

This argument constitutes a somewhat violent change of heart for McCulloch, however, for in the article in the Encyclopedia Britannica Supplement he had given the Ricardian theory straight down the line.<sup>2</sup> At all events, he went on to discuss the various reasons which might bring about an alteration in profits, finding such changes in alterations in wages, in productivity, and in changed tax levels.<sup>3</sup> And from his investigation he was able to conclude that "... the proposition that a rise of profits can never be brought about otherwise than by a fall of wages, nor a fall of profits otherwise than by a rise of wages, is true only in those cases in which the productiveness of industry remains constant."<sup>4</sup>

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1 McCulloch, Principles, pp. 367-68.

2 Mr. McCulloch, Outlines of Political Economy, pp. 144, 149, 150.

3 McCulloch, Principles, pp. 369-71.

4 Ibid., p. 373.

If, indeed, profits were merely the proportional share of the produce retained by the capitalist, as Ricardo had stipulated, variations in productivity would not affect them in their dependence on "proportional wages." However, McCulloch was adamant in insisting that "profits depend on the proportion which they bear to the capital by which they are produced, and not on the proportion which they bear to wages."<sup>1</sup>

It is only necessary now to point out that Bailey had defined profits as the ratio of gain of the capitalist to capital employed,<sup>2</sup> which was the definition McCulloch used in the Principles, as contradistinguished from the earlier Britannica article. Bailey also had maintained in the strongest terms that the inverse relationship between profits and wages obtained only in the special case where productivity was constant.<sup>3</sup>

In the last analysis, then, it seems clear enough that McCulloch had simply taken over Bailey's argument and embellished it with additional illustrations. Although Mill had preceded both Bailey and McCulloch in making the point about the inverse profits-wages relationship holding only in the case of constant productivity; yet, McCulloch himself had not freed profits from depending on "proportional wages" until after the Critical Dissertation had appeared. And Torrens at this time took it that Bailey had been influential in weaning McCulloch away from what

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1 Ibid., pp. 373-74.

2 Chapter VI, supra., pp. 242-47.

3 Chapter VI, supra., pp. 233-36.

Torrens described as his "sectarian dogmatism."<sup>1</sup>

## 2.

In the Preface to the third edition of his Elements of Political Economy (London: 1826) James Mill had declared that "... alterations, not merely verbal, will be found, in the section on Profits, where the different modes of expressing the relation of profits to wages is more fully expounded, [and] in the section which treats of 'what determines the quantity in which commodities exchange for one another,' where I have added something in illustration of the analysis of what regulates

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1 In An Essay on the External Corn Trade (3d. ed.; London: 1826), p. xii, Torrens had said that Bailey's Critical Dissertation "... furnishes an unerring test for the detection of that vague and ambiguous language in which some of our most eminent economists have indulged, and which has mainly contributed to retard the progress of the science." As a case in point, he observed on the following page that "in his recent work upon Political Economy, Mr. McCulloch had, with laudable candour, corrected, in an essential degree, his former opinions on the subject of profit; and has admitted, that Mr. Ricardo's principles are tenable, only when we pervert from their established acceptation the terms in which those principles are expressed. This is the same thing as admitting, that the Ricardo doctrine of profit is erroneous. Arbitrary alterations in the meaning of terms are not discoveries in science."

It is perhaps only fair to point out, however, that Torrens later reversed his field. In The Budget - On Commercial and Colonial Policy. With an Introduction, in which the deductive method, as presented in Mr. Mill's System of Logic, is applied to the solution of some controverted questions in Political Economy (London: 1844), pp. xxxv-xxxvi, he allowed that Ricardo's principle of profits was "demonstrably true" under certain "necessary corrections." He acknowledged that Ricardo had used "obscure and equivocal nomenclature," but then added that mere alterations in his "nomenclature," such as he himself had suggested in the Essay on the External Corn Trade, had not actually overthrown Ricardo's theory "that profits rise or fall as the cost of producing wages is diminished or increased."

value...."<sup>1</sup> Although the illustrative addition<sup>2</sup> revealed no substantial change in Mill's endeavour to reduce capital into accumulated labor and, thereby, to avoid Bailey's charge on that heading,<sup>3</sup> it is possible to make a stronger case for Bailey's influence regarding the first alteration Mill had mentioned.

In his Autobiography John Stuart Mill had remarked that one of the direct consequences of the discussions held at George Grote's house in the City was his father's attempt to modify (unsuccessfully, in the son's opinion) the rigid Ricardian doctrine of the inverse profits-wages relationship.<sup>4</sup> It is true, of course, that James Mill had admitted in both the first and second editions of the Elements that the inverse profits-wages relationship did not hold when those terms were taken as meaning absolute quantities. Nevertheless, he had concluded in both those editions that profits did vary inversely with wages, if profits were taken in their "usual sense, to denote the ratio of values...."<sup>5</sup> There is good reason to believe, however, that James Mill's optimism about the "usual sense" of profits being the proportional was not altogether infectious. And it seems clear from what J. S. Mill had said, that he must have returned to his father from Grote's "Thredde" with the clear objection to Ricardian profit theory encountered in the group reading of Bailey's

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1 Mill, Elements, p. iv.

2 Ibid., Chapter III, Section II, pp. 90-98.

3 CF. Chapter VI, supra., p. 226

pp. 305-9, 311.

4 Mill, Autobiography, pp. 121-22.

5 Mill, Elements, 1st ed., pp. 58-59; 2nd ed., pp. 74-75, 82.

. Chapter VII, supra.

book.<sup>1</sup> Whether the son also made any observations on the issue of Ricardian "real value" is not known. But James Mill's manner of expression in the third edition of the Elements suggests that here too Bailey may have been a factor.

In seeking to clear up his meaning of the wages-rise-profits-fall doctrine, Mill had first pointed out that it was necessary to consider only the net produce remaining after provision had been made for depreciation, rent payment having been assumed away in the usual fashion.<sup>2</sup> The produce remaining after these subtractions was to be divided between the capitalists and laborers as profits and wages. An "alteration" in wages or profits could mean, first, "a change in the proportions," from which it followed that "the proposition that profits depend upon wages, admits of no qualification." On the other hand, said Mill, an "alteration" could mean "a change in the quantity of commodities." Taken in this sense, profits did not depend on wages, and both might vary in the same direction. Changes in productivity might produce changes in the quantity of commodities received. "And this," he added, "is a proposition which no political economist has called in question."<sup>3</sup>

So much, apparently, is more or less in line with the approach of the first and second editions. However, in pursuit of his objectives, Mill was led to add the observation that a still different meaning could

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1 Mill, Autobiography, p. 120.

2 Mill, Elements, 3d. ed., p. 71.

3 Ibid., p. 72.

be given to an "alteration" of wages and profits, viz. that "... it may be the value of what is received under these denominations, which is meant to be indicated."<sup>1</sup> Now it is obvious that no one could have deliberately proposed to discuss the "value" of profits and wages, unless he were well under the Ricardian influence with its refusal to consider "wages" as the exchange value of labor. In following the Ricardian line, however, Mill ran into the hornet's nest of real versus exchange value.

In order to make clear what was involved when wages and profits were considered from the standpoint of "value," Mill distinguished the "double meaning of the word value." On the one hand, he said, value "... is used in the sense of value in exchange; as when we say, that the value of a hat is double that of a handkerchief, if one hat will exchange for two handkerchiefs." Contrasted with this view, however, was Ricardo, who "... used the word value in a sense referable, not to purchasing power, but to cost of production."<sup>2</sup> This latter sense of the term was illustrated, he thought, by two commodities' having been obtained by equal quantities of labor, thereby making them of equal value. Or, if in two different periods the productivity of labor increased, the "value" of the respective quantities of commodities obtained would still be the same provided the quantity of producing labor had remained the same. It was this explicit recognition of two different senses of the

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1 Ibid., p. 73.

2 Ibid., p. 73.



term value, which, as has been seen,<sup>1</sup> Bailey believed the Critical Dissertation had brought about.

On the basis of this distinction of senses of value, Mill then returned to their significance for the wages-profits relationship. If wages or profits were considered in the sense of exchange value or purchasing power, the case was the same, he said, as when those terms were taken in the sense of quantities of commodities. "When we say that the labourer receives a greater quantity of commodities, and when we say that he receives a greater exchangeable value, we denote by the two expressions, one and the same thing."<sup>2</sup> Whence it followed that wages and profits did not necessarily vary in inverse fashion if reference was made to their "exchangeable value."

In contrast with this, however, the use of Ricardo's sense of the term value produced the normal inverse wages-profits relationship once again.

If what is produced, by an invariable quantity of labour, continues to be divided in the same proportion, say one half to the capitalist, and one half to the labourers, that half may be a greater or smaller quantity of commodities, but it will always be the produce of the same quantity of labour; and, in Mr. Ricardo's sense, always, for that reason, of the same value. In this sense of the word value, therefore, it is strictly and undeniably true, that profits depend upon wages so as to rise when wages fall, and fall when wages rise.<sup>3</sup>

This appeared to be about the limit of Mill's powers. The remainder

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1 Chapter VII, supra., pp. 272-73.

2 Mill, Elements, 3d. ed., p. 74.

3 Ibid., pp. 74-75.

of his exposition consisted of a not very lucid discussion of the two ways in which profits and wages could be understood and, therefore, of the two different ways in which they could vary. Through several pages he oscillated around the "language of proportions" and the "language of quantity" and, therefore, of whether or not profits did depend inversely upon wages. He ended up, eventually, with what he called a "connected chain of true propositions":

1. That which accrues to the parties concerned in the production of a commodity or commodities, the labourers, and capitalist, as the return for their cooperation, is a share of the produce to each.
2. The share of the one cannot be increased, without a corresponding diminution of the share of the other.
3. These shares remaining the same, the quantity of produce included in them may be either greater or less, according as the productive operations have been followed with a greater or a smaller produce.
4. According as you apply the term value, to the effect, the quantity of produce; or to the cause, the quantity of labour employed; it will be true, or it will not be true, that the value of what is received by the capitalist and the labourer reciprocates along with their shares.<sup>1</sup>

This conclusion was not substantially different from that of the first and second editions of the Elements; it merely added Ricardian terminology to the question of whether wages and profits were to be taken in the proportional, or absolute quantity, sense. As in the first and second editions, however, Mill still refused to make up his mind about the wages-profits relation in the context of changing productivity. And when all

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<sup>1</sup> Ibid., pp. 78-79.

was done, Mill blandly left the argument at the cross-roads where profits might or might not depend on wages, depending on how one considered those incomes.

It would perhaps be wrong to claim that Mill's struggles with the profits problem had been entirely provoked by Bailey's criticisms. As has been seen, Bailey himself had had little constructively to contribute directly to the problem of profits. But he had been secure in his insistence that profits could depend upon wages only in certain exceptional circumstances. He had also been most forceful in demonstrating that the Ricardian theory was a violent departure from commonsense and logically consistent conceptions of the "value" of labor. And this, at bottom, had merely resulted from his having called in question Ricardo's doctrine of real value. Now Mill understood that Ricardo's analysis seemed difficult because of the obscurity of its terminology. He therefore responded to Bailey's call for a clarification of expression. This revealed the nature of Ricardo's exchange value-real value dilemma, neither horn of which Mill could bring himself to grasp. From the way he expressed himself in his third edition, it seems clear enough that Mill appreciated the point Bailey had posed so vividly. Having come that far, however, he could not retreat to what Torrens called the "pure Ricardo doctrines" of the unequivocal dependence of profits on wages. At the same time he lacked the courage to press on to the logical conclusion of Bailey's approach, for to do so would have brought down the entire theory of profit on which Ricardo had made so much depend.

## 3.

If Bailey was unable to make much doctrinal headway with the Westminster Review and James Mill, and was able to make only a slight impression on McCulloch, perhaps the most surprising reaction produced by the Critical Dissertation was that revealed by the Rev. T. R. Malthus. Surprising, that is to say, because Malthus had seemed to have something in common with Bailey in being generally out of step with the Ricardians. In the event, however, Malthus actually proved just as inhospitable toward Bailey's message as the others had been. This is not to imply, of course, that Malthus and the Ricardians were theoretical comrades in arms; the well-known issues of relevant times periods, of gluts, of the precise measure of value, of the theory of profits, of the objectives of the science, and so on, were, indeed, real points of difference between Malthus and the others. But there was one element in Bailey's argument which proved just as damaging to Malthus' "system" as it had to Ricardo's. And it is clear that it was because of this that Malthus strove so desparately to put down Bailey's uprising.

It will be recalled that Bailey had had no difficulty in bringing Malthus under his critical guns. The Measure of Value, as Bailey had shown, proceeded almost entirely on the premise that "natural and absolute value" was a useful concept. Malthus, like Ricardo, had struggled with a measure of value whose basic premise lay in a conception of value dependent on causes absolute and inherent within itself and, therefore,

isolated from other causes or influences.<sup>1</sup> It was along this line that Malthus' thinking had moved, particularly as he became increasingly involved in the difficulties of inter-temporal comparisons.<sup>2</sup> Therefore, when Bailey had demonstrated that the notion of absolute value was so much nonsense, it was only natural that Malthus should attempt to defend the concept upon which he, like the Ricardians, had made so much depend.

Malthus' direct reply to Bailey appeared in his Definitions in Political Economy. A clue to the magnitude of the task confronting him is given in the fact that the chapter devoted to Bailey is the longest in the book.<sup>3</sup> He began his appraisal of the Critical Dissertation with somewhat charming aplomb, commenting that the "fundamental errors" of Bailey's book, plus the "impression" he understood it to have made among "some considerable economists," seemed to warrant some attention.<sup>4</sup> In the "attention" he gave to Bailey's argument, however, he revealed his perception of the manner in which it threatened his own theories. Indeed, so spirited was Malthus' defense that he managed to emerge in the somewhat paradoxical role of Ricardo's defender. This, of course, merely serves to substantiate the point made earlier, that Malthus and Ricardo had tended to converge in their conception of real or absolute value.

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1 Cf. Chapter III, supra., p. 98.

2 Cf. Chapter IV, supra., p. 168.

3 Malthus gave J. E. Say 4 pages, Adam Smith 9, Ricardo 14, James Mill 32, McCulloch 56, and Bailey no less than 78. Cf. Definitions, pp. iii-iv.

4 Malthus, Definitions, p. 125.

It is true that Malthus did make two valid objections to Bailey's exposition. Neither of these, however, were in any sense sufficient to destroy the legitimacy of Bailey's general argument. Malthus first criticized Bailey for having failed to devote sufficient time to an examination of Adam Smith's meaning of value. It has been noted already that Bailey had rather easily adopted Adam Smith's definition of value as merely "power of purchasing."<sup>1</sup> Malthus, however, was correct in insisting that Adam Smith himself had gone on to investigate those considerations which acted on men's minds in exchanging commodities and which, Bailey had averred, were so important. This appeared, said Malthus, in the digression on the variations in the value of silver in the chapter on rent of the Health of Nations.<sup>2</sup> The whole point of this digression, Malthus correctly concluded, was to show that a difference existed between an alteration in the value of silver due to a change in the relative scarcity of silver itself, and an alteration in the value of silver due to a change in the difficulty of producing certain commodities, notably corn.<sup>3</sup> In stressing these differences, therefore, Malthus thought that Smith had necessarily involved himself in a discussion of value as something more than mere "power of purchasing."

Malthus' second valid objection against Bailey likewise turned on his hasty acceptance of Smith's definition of value. Bailey had erred

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1 Cf. Chapter III, supra., pp. 80, 88.

2 I, Book I, Chapter XI, pp. 177-250.

3 Malthus, Definitions, pp. 130-31.

once again, said Malthus, in holding that Adam Smith's definition of value implied only particular exchange value. So far as he was able to understand him, Malthus observed, Smith had meant by value, not particular exchange value, but "general power of purchasing"; which is to say, Smith had meant not one good in an exclusive exchange relation to another good, but rather one good in relation to all other, or groups of other, goods.<sup>1</sup> Now it would appear that Malthus again had rather the better of this argument. For Adam Smith had defined value to be the "power of purchasing other goods"<sup>2</sup> and had used the term frequently in reference to a plurality of other things commanded in exchange by a given commodity.<sup>3</sup> Smith's labor commanded measure had been chosen by him expressly because it represented in a collective form "... all the produce of labour which is then in the market."<sup>4</sup> While it is true that Adam Smith had occasionally employed Bailey's notion of value as expressed specifically by the "quantity of some other commodity"<sup>5</sup> for which a given commodity might exchange; yet, he had used the general concept more often. Thus, so long as both particular exchange value and general exchange value were present in the Wealth of Nations, Malthus was properly entitled to berate Bailey for implying that Smith had used only the former. Once again, however, this objection by Malthus merely questioned Bailey's use of "authority"; it did not

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1 Malthus, Definitions, pp. 132-33.

2 Wealth of Nations, I, Book I, Ch. IV, p. 30. Italics not in original.

3 Ibid., pp. 30, 32, 33.

4 Ibid., p. 33.

5 Ibid., p. 34. Italics not in original.

destroy the logic of Bailey's argument.

One of the first items of substance in Bailey's theory which Malthus chose to attack was Bailey's treatment of "esteem." And it seems clear from Malthus' objections to the "lax and inconsequent manner" in which he thought Bailey had used the concept, that he had already mapped out a place for it in his own argument. It will be recalled that Bailey had begun by asserting that value, in the ultimate sense, appeared to be the esteem in which an object was held. Since this ultimate esteem could not be given accurate, quantitative expression, he had rejected it as unmeaningful for economic considerations. The concept of relative esteem, as manifest in relative or exchange value, took its place.<sup>1</sup> Malthus, however, objected strongly to Bailey's second step and contended that if value were esteem in its "ultimate sense," then that was the esteem which economists were required to analyze. Now this true "ultimate esteem," said Malthus, which was equivalent to the "value" of a commodity, could be represented by the "natural or necessary conditions of its supply," or its "elementary costs of production," or "its general power of purchasing."<sup>2</sup> This esteem, or general purchasing power possessed by a commodity, was for Malthus not merely the quantity of another commodity it could receive in exchange. On the contrary, it was the more "fundamental" notion of the sacrifice required to obtain the commodity. Thus, Malthus was here thinking along the "philosophical" lines found in Adam Smith.

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1 Cf. Chapter III, supra., p. 79.

2 Malthus, Definitions, pp. 169, 176, 183, 187.



And this is shown very clearly by Malthus' examples which purported to prove that Bailey had erred in holding that the exchange value of commodities was nothing more than the explicit expression of the relative esteem in which they were judged as "subjects of choice or exchange." For after quoting Bailey's remark that the feelings of esteem were expressed with precision only when the actual relevant objects themselves were exchanged,<sup>1</sup> Malthus put forward a case in which two types of fruit were exchanged for one another. Such a situation, he thought, would be one in which the quantities actually exchanged would express the relative esteem in which the fruits were held à la Bailey. Malthus went on to infer, then, that if the quantities of fruit exchanged remained the same throughout the year, Bailey's theory required that the estimation in which the fruit was held be unchanged through the year. But this was absurd, he objected. For inasmuch as fruit was a seasonal commodity, it was obvious that the various kinds of it could not possibly be esteemed in the same degree over the period assumed. Everyone knew, he concluded triumphantly, that fruit was esteemed more in winter than in summer. Thus, Bailey's theory was broken.<sup>2</sup>

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1 Critical Dissertation, p. 3 as quoted in Malthus, Definitions, pp. 126-27.

2 Malthus, Definitions, pp. 127-28. Malthus also thought he had disproved Bailey's theory by showing that, if for any reason, commodities could not be exchanged, the inference was present that the specific feeling could not arise. In a country possessing only deer and no beaver, said Malthus, the relative esteems between these animals could not be established on Bailey's theory, because no exchanges took place. But this was ridiculous, he concluded, for someone might hold either of the products in such "high esteem" that he might walk fifty miles to obtain it.

From what Malthus had said, it is easy to understand why the utility theory had such a hard time making headway in England. Malthus had disproved Bailey in the case of the two types of fruit by no longer considering them relatively to one another. Obviously Bailey's exchange ratio between the fruits could not provide an answer to Malthus' query about the varying seasonal estimation in which fruit was held. The two matters were on completely different levels of discourse. Bailey's was dealing with the meaningful economic relations which expressed how much one thing was worth in terms of another, while Malthus was off in the clouds of total utility or some other realm. In order to answer Malthus, Bailey had only to press Malthus to explain what else the seasonal estimation of fruit was related to, and he would have revealed the relative nature of esteem, and therefore of value.

In continuing his argument Malthus undertook to show that Bailey was also wrong in claiming that the real-nominal distinction was useless and erroneous. Malthus needed to achieve this, since he could then show how the real-nominal distinction provided a place for the "estimation" he had so prized at the outset. Malthus objected then that Bailey's theory seemed to deny the concept of general exchange value, and to involve, on the contrary, the thousands of values implied by an exchange ratio between each and every commodity. This "prodigious confusion," this "precision with a vengeance,"<sup>1</sup> would destroy intelligent discussion.

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1 Malthus, Definitions, p. 139.

... I think no one, in ordinary conversation, has ever been heard to express the general power of purchasing by the power of purchasing some one particular commodity. I certainly, at least, myself never recollect to have heard these two very distinct meanings confounded. It would, indeed, sound very strange if a person returning from India, on being asked what was the value of money in that country, were to mention the quantity of English broad cloth which a given quantity of money would exchange for, and to infer, in consequence, that the value of money was lower in India than in England.<sup>1</sup>

In expressing himself in this way Malthus indicated that he had completely failed to understand the relevance of Bailey's proof of the manner in which inter-temporal comparisons should correctly be made. This was merely the problem of the index number in another guise. And it is clear that Malthus did not appreciate Bailey's lesson, viz. that inter-temporal comparisons were valid only to the extent that "particular by particular" one calculated the "efficiency" of an income. Malthus was incredulous that Bailey should have failed to see that "... to compare a commodity either with the mass of other commodities, or with the elementary cost of production, is most essentially distinct from comparing it with some particular commodity named."<sup>2</sup> But this was true only because Malthus had a different kind of value in mind which he now wanted to consider. He claimed that economists had purposely employed a peculiar terminology to mark the distinction between a relation to some "general object" taken as a "standard," or between some "particular object named." Thus,

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1 Ibid., pp. 134-35.

2 Ibid., p. 148.

it is perfectly well known, that when, in any particular place or country, a man is said to be a rich man, the term refers to a sort of loose standard, expressing either a certain command over the goods of this life, or a certain superiority in this respect over the mass of the society, which superiority it had been the custom to mark by this expression... It is clear, therefore, not only that the terms real and positive may be legitimately applied in contradistinction to relative, when a relation to some more general object or standard is intended; but that the difference between the two sorts of relations is of the utmost importance, and ought to be carefully distinguished.<sup>1</sup>

As a case in point in which this customary acceptance of some general kind of standard to which the term "real" was applied, Malthus elected to defend his former adversary, Ricardo. Bailey's observation that real value in Ricardo's theory was the "independent result of labour" and was, accordingly, positive or absolute,<sup>2</sup> drew from Malthus the reply that DeQuincy, in the passage in question<sup>3</sup> had not spoken of "real value" unrelated to anything else. On the contrary, said Malthus, like Ricardo, he had meant by "real value," "value in relation to the producing labour."<sup>4</sup> Although Malthus could not agree that Ricardo's specific use of this "producing labour" was correct, he was prepared to argue against Bailey that the concept Ricardo had denoted by it was unexceptionable.

It would ask the writer, who says that the value of a commodity means the esteem in which it is held, whether the labour required to produce a commodity does not, beyond all comparison, express more clearly the esteem in which the commodity is held, than a

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1 Ibid., pp. 152-53.

2 Critical Dissertation, p. 40, as quoted in Malthus, Definitions, pp. 154-55.

3 "Dialogue the Fourth," op. cit., pp. 80-81. Cf. Chapter III, supra., pp. 109-110.

4 Malthus, Definitions, pp. 156-57.

reference to some other commodity the producing labour of which is utterly unknown, and may therefore be one day or a thousand days?<sup>1</sup>

If calico, for example, came to exchange for less silver because of some increase in the facility of producing calico, Bailey's theory required the judgement that silver had risen in esteem. But no one, protested Malthus, could be so foolish as to support such a conclusion as that.<sup>2</sup> "No man, I believe, but the author [Bailey] would venture to say that he should know the value of silver four hundred years ago by knowing the quantity of calicoes which an ounce of silver would then command."<sup>3</sup>

From what has been said thus far, it is obvious that Malthus was unjustified in scoffing at Bailey for failing to perceive the usefulness and virtue of some "general object" or "standard" by which the "esteem" of a commodity could be reckoned. In the example of silver and calicoes, for instance, Bailey indeed understood what Malthus did not: namely, that esteem could be dealt with significantly and meaningfully only in terms of exchanged commodities considered individually. Bailey saw that economic behaviour related to individual calculations between the objects relevant to the individual's economic plan. This might, or might not, include relations between commodities and their producing labor. But obviously producing labor was not the exclusive consideration in the mind of an economic subject. Of course Bailey did not work out the intricacies

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1 Ibid., p. 157.

2 Ibid., p. 159.

3 Ibid., p. 161.

of individual economic behaviour. But it is clear that by restricting himself to two commodities considered as subjects of "choice or exchange," he had avoided the contradiction implicit in Malthus' silver and calico argument. Like Adam Smith and Ricardo, Malthus viewed an object's esteem from the standpoint of its producing labor, so that if the labor remained constant the esteem likewise remained fixed. A single, monistic cause of value reflecting "ultimate esteem" therefore, to Malthus' way of thinking, was theoretically more useful than Bailey's "relative esteem" qua particular exchange value.

Once Malthus had established the representation of esteem or "general power of purchasing" in some standard, it was necessary for him to take up Bailey's discussion of the measure of value. He was under no illusions about the implication of Bailey's position, and he therefore sought to prevent Bailey from dislodging him from the absolute or positive value position. He first ridiculed Bailey's belief that invariability was unnecessary for a measure of value. He admitted that if no relation of value existed between two different periods, a constant measure of value was meaningless. But, he went on to say, it did seem eminently sensible to talk about the value of a commodity rising or falling at different times and places. Such comparisons implied that people wished to compare the "esteem" in which "a commodity" was held at one time with its "esteem" at another, which was to say, a comparison of its "general power of purchasing" at the two different periods. And, he demanded, would Bailey then "... maintain, that if, in reference to two periods in the same

country, a commodity of a given kind will in the second period command double the quantity of labour that it did at the first, we could not with much more certainty infer that the esteem for it had greatly increased, than if we had taken calicoes or currants as the medium of comparison?"<sup>1</sup> Or again, if the money price of corn had risen between two different periods, how could Bailey justifiably hold "... that from the altered relation between corn and money we deduce no other relation?"<sup>2</sup> Was it not clear, indeed, that

... we see every day the most perfect conviction prevailing among all agriculturalists, merchants, manufacturers, and shopkeepers, and among all writers on political economy, except the author [Bailey], that to estimate the relation of commodities, at different periods, in regard to their general power of purchasing, and particularly the power of purchasing labour, the main instrument of production, is a most important function, which it is peculiarly desirable to have performed; and that, of moderately short periods, money does perform this function with very tolerable accuracy.<sup>3</sup>

How then could Bailey reasonably deny the merit of Ricardo's money obtained by a constant quantity of labor, which clearly would be able "... either to measure the different powers of purchasing possessed by commodities at different periods, or to measure the different degrees of estimation in which they were held at those different periods?"<sup>4</sup>

By his questions it is clear that Malthus succeeded not only in failing to understand what Bailey had said about inter-temporal

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1 Ibid., p. 165.

2 Ibid., p. 167. Cf. Critical Dissertation p. 117.

3 Malthus, Definitions, p. 171.

4 Ibid., p. 177.

comparisons of value, but that he also fell once again into the error of believing that esteem was somehow reckoned more appropriately in terms of labor than in terms of any other commodity. Bailey had never denied that exchange value, or relative esteem, could be compared at different periods. He had admitted with no hesitation that the exchange value of A and B in one period could be compared with their exchange value in another. And this was equivalent to comparing the relative esteem in which they were respectively held in the two different periods. But, he had insisted, any such comparisons gave no grounds for an inference regarding the esteem, say, for A at one period with A at another period, or for A at one period with B at another. If Malthus wanted to compare the relative esteem for labor and some commodity at different periods, there was nothing to prevent him. All that Bailey had insisted, however, was that labor possessed no peculiar or unique characteristic which made it any more useful than any other commodity for such a comparison. Moreover, by invoking the invariability criterion, Malthus had implicitly proved Bailey's judgement that the "value" to be "measured" by constant labor had become something other than the exchange value originally postulated. Malthus, on the other hand, saw none of this. He, therefore, claimed most righteously that Ricardo's "invariable" measure of value was unexcelled.<sup>1</sup>

Although Malthus did take the pains to point out that reference to

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1 Ibid., pp. 178-79.



the estimation in which a commodity was held in different periods did not mean that "value in exchange is lost sight of,"<sup>1</sup> when he passed on to extol the merits of Ricardo's "measure" for its relative stability in "value" over longer periods, the notion of exchange had receded into the background.

As a matter of fact, when a rise in the value of hops or of corn is spoken of, who ever thinks about the changes which may have taken place in the values of iron, flax, or cabbages? For short periods, we consider money as nearly a correct measure of the values of commodities, as well as of their prices; and if hops and corn have risen in this measure, we do not hesitate to say that their values have risen, without the least reference to cloths, calicoes, or cambrics. This is a clear proof that, in general, when we speak of the variations in the values of commodities, we do not measure them by the variations in their general power of purchasing, but by some sort of standard which we think better represents the varying estimation in which they are held, determined at all times by the state of the supply and demand, and, on an average, by the elementary costs of production.

In other words, Bailey's "prodigious confusion" of particular exchange values failed to give Malthus access to that particular "estimation" in which a commodity might be held at various times and places "as determined by the natural and necessary conditions of supply, or elementary costs of production."

From this it followed, of course, that the variations in the "estimation" Malthus had in mind could only be revealed by an accurate "measure." Hence, "the only variations in the general power of a commodity to purchase, which are susceptible of a distinct and definite measure, are

1 Ibid., p. 176.

2 Ibid., pp. 182-83.

those which arise from causes which affect the commodity itself, and not from the causes which affect the innumerable articles against which it is capable of being exchanged." Therefore, "variations in the value of particular commodities" had to be considered "as exclusively proportioned to, and measured by, the amount of the causes operating upon themselves."<sup>1</sup> There was nothing at all in Bailey's doctrine that "the value of one commodity might be just as powerfully affected by causes operating upon another commodity as by causes operating upon itself."<sup>2</sup> Once value in exchange had been distinguished from value in use, it became necessary "with any view to precision and utility," to

... draw a marked line of distinction between a variation in the power of purchasing derived from causes affecting the particular purchasing commodities, and the variations in the power of purchasing which may rise from causes operating upon the purchased commodities. We must confine our attention exclusively to the former; and for this purpose must refer to some standard, which will best enable us to estimate the variations in the elementary costs of production, and in the state of the demand and supply of these commodities, as the best criterion of their varying value, or the varying estimation in which they are held at different periods.<sup>3</sup>

Once again, with the causes affecting a particular commodity distinguished from those affecting the commodities for which it could be exchanged, Malthus then proceeded to show how the labor commanded measure of his Measure of Value was best suited to reveal any changes in the former causes. The "labour and profits" outlay to support a given quantity

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1 Ibid., p. 183.

2 Ibid., p. 185.

3 Ibid., pp. 186-87.

of labor was a constant sum, "labour" and "profits" varying inversely in Ricardian fashion. This proved that the "value" of a given quantity of labor was constant. Hence, labor could be taken as an invariable standard against which comparisons in different periods could be made. These would disclose in which, if any, commodities the "elementary costs of production" had altered. This, in its turn, would indicate any changes which had taken place regarding the "estimation" in which the relevant commodity was held.<sup>1</sup> If value were taken to mean general exchange value, then "labour best represents an average of the general mass of productions."<sup>2</sup> If value was supposed to signify sacrifice, then labor alone would measure its changes.<sup>3</sup> And finally, just to show how comprehensive his measure really was, if value depended upon all of the causes operating on the human mind in respect of commodities, as Bailey had claimed, then

whatever may be the number and variety of considerations operating on the mind in the interchange of commodities, whether merely the common elementary costs of production, or whether these costs have been variously modified by taxes, by portions of rent, by monopolies strict or partial, and by temporary scarcity or abundance... the labour, therefore, which a commodity will command, or which the purchasers are willing to give for it, measures the result of all the causes of value acting upon it, — of all the various considerations operating upon the mind in the interchange of commodities.<sup>4</sup>

Hence,

... it appears to me always true, that when commodities in different countries and at different times have been found to command the same

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1 Ibid., pp. 208-9.

2 Ibid., p. 205.

3 Ibid., p. 212.

4 Ibid., pp. 221-22.

quantity of the agricultural labour of each country and time, they may with propriety be said to have been held in the same estimation, and considered of the same value.<sup>1</sup>

So much, then, was the impression Bailey made on Malthus. Bailey might just as well have never written a word about the need to consult price data in different periods of time in order to discover relations of value; he might just as well have never said a thing about the impossibility of the relation of value existing between two different periods; he might just as well have never denied the concept of positive or absolute value; he might just as well have never insisted that the relation of value was the result of two causes, or two sets of causes, so that it was meaningless to speak of causes affecting one commodity itself. It is true that Malthus' measure did carry with it some overtones on the need for a "correlative" when speaking of value. But for all that, his purpose was still one with Ricardo in seeking to establish a method of revealing the change in the ease or difficulty of procuring things. As such, his labor commanded indeed was a measure of value. But the value it measured was not exchange value or relative value.

## 4.

Samuel Read is one contemporary of Bailey's who has been charged by several authorities with having drawn something from the Critical Dissertation. Professor Schumpeter, for example, claimed that Read

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1 Ibid., p. 231.

"acknowledged indebtedness to him [i.e. Bailey] and followed his lead...."<sup>1</sup>

Professor Seligman stated that "Read confesses that in his main point of theory he has been anticipated by Bailey...."<sup>2</sup> As will appear, it is true that Read did draw one aspect of Bailey's argument in front of the Ricardians. But there is some question whether any appreciable portion of the Critical Dissertation appeared in Read's An Inquiry into the Natural Grounds of Right to Vendible Property or Wealth (Edinburgh: 1829).

The one point in Bailey's argument which Read expressly employed was Bailey's demonstration of the absurdity of resolving time into labor in the manner of McCulloch and James Mill. Read condemned McCulloch for making the "effects of capital" the same thing as the "effects of labour," or, in other words, for making wages and profits the same thing.<sup>3</sup> He berated McCulloch all the more soundly for putting forward such an argument "after the manner in which the absurdity of the nostrum it maintains had been previously exposed by the author of the 'Dissertation on the Nature, Causes, and Measures of Value....' [sic]"<sup>4</sup>

So much, however, was the extent of praise Bailey received from Read. And if Bailey's "main point of theory" was his treatment of the nature of value, it is clear that he and Read had never been in very close company. It is difficult to see how either Professor Schumpeter or Professor Seligman could have missed Read's own declaration in his

1 Schumpeter, History of Economic Analysis, pp. 486-87, 488.

2 Seligman, "On Some Neglected British Economists," op. cit., p. 517.

3 Read, Natural Grounds, p. 247, n.

4 Ibid., p. 248, n.

Preface that,

notwithstanding the very high respect I entertain for this author, it will be seen in the course of the following pages, that I find occasion to differ from him very widely in his main positions in the 'Critical Dissertation.' It appears to me that the fundamental error in that work, and that from which all the others to be found in it flow, consists in his treating of value as if it were a mere relation of commodities between themselves; whereas it appears to me that the idea of value in commodities cannot even be conceived without being mingled with the idea of their relation to mankind and to human labour, of which some portion must always be employed in producing or procuring them originally.

Lord Lauderdale is quoted as an authority for saying, 'We cannot express value, or a variation of value, without a comparison of two commodities,' (see the work referred to, p. 4.) Now this is a mistake, for we can express it by a comparison with labour, which is not a commodity.'

It is evident from this that Read was certainly well aware of the importance in Bailey's argument of the relativity of value. Read admitted that value could be taken in such a "confined sense" as this; that is, that it could be thought of as the "relative vendible power of commodities."<sup>2</sup> But he also thought it had an enlarged signification, which he designated "absolute value," and which was "... in proportion to its utility or necessity, first to the existence, and secondly to the happiness of human creatures."<sup>3</sup> He was so far from Bailey, therefore, that when he had finished discussing the nature of value he affixed an appendix in which he analyzed "absolute value" at greater length.<sup>4</sup>

On such a foundation as this, it should not be surprising to learn

1 Ibid., p. viii, n.

2 Ibid., p. 10.

3 Ibid., p. 9.

4 Ibid., pp. 227-30.

that Read proceeded to bring up all of the conceptions which were, in fact, anathema to Bailey. Thus, he described money as being the most suitable practical measure of value, because it possessed greater constancy in value than any other commodity.<sup>1</sup> Since money was only a "practical" measure, however, Read thought it necessary to consider a superior measure whose value was less unstable. As might be expected, he called upon labor to fulfill this role, since it appeared to be the chief ingredient in the cost of obtaining most commodities. His final position on the measure of value, then, was Adam Smith entirely. "The natural wages of common labour, or determinate quantities of corn, are the only defined or definable articles which could be appealed to with certainty to perform the office of correctors, or to determine the value of previous contracts...."<sup>2</sup> Bailey, of course, had effectively dealt with a measure of value of this type and had shown how in Malthus' hands it failed to provide any useful information about the "efficiency" of incomes in different periods.<sup>3</sup> Read doubtless believed he was exempt from Bailey's strictures, for he had explicitly declared that the invariable value of the labor or corn used in his measure was a value different from exchange or relative value.

... Labour itself cannot vary, because it consists of a fixed and invariable quantity of bodily toil, pain, or suffering, which the labourer must undergo, and which times, nor places, nor the power of men cannot alter. Wages may indeed vary, and we can understand

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1 Ibid., pp. 197-99.

2 Ibid., pp. 217-18.

3 Cf. Chapter IV, supra., pp. 169-70.

the proposition when it is said that wages rise or fall; but when it is said that labour rises or falls, is there any meaning in the expression? — Is it really intelligible? — What is it that rises when labour rises? — Wages. — But this is not labour itself; it is the reward or recompense of labour. Labour, as I have already observed in a former part of this work, is simply a movement or exertion of the human body and faculties; and to talk of its rising or falling in value, unless its reward or wages be alone meant, is plainly to use words without the shadow of a meaning.<sup>1</sup>

And again:

Why should a thing the same in itself not be paid differently or 'very differently?' or is it any impeachment of the invariability of the value of labour to say that it is paid differently? — On the contrary, is it not plain to the common sense of mankind, that if a thing be really invariable in its value, it must always be paid differently whenever the value of other things varies.<sup>2</sup>

Now Read could refuse to accept Bailey's demonstration of the contradiction between real or absolute and relative value because he thought that labor, toil, pain, or suffering were the ultimate substances of value. His objection to Bailey's definition of value as a "mere relation," therefore, intimated Marx's later criticism of Bailey for analyzing only the "form of value" instead of "value itself."<sup>3</sup> But it is difficult to see how Read failed to pick up the relevance of Bailey's strictures on Malthus' labor commanded measure. It is even more difficult to explain

1 Ibid., p. 205.

2 Ibid., p. 216.

3 Marx, Capital, I, p. 57, n. Marx said Bailey had accused Ricardo "... of converting exchange value from something relative into something absolute. The opposite is the case. He has explained the apparent relation between objects, such as diamonds and pearls, in which relation they appear as exchange values, and disclosed the true relation hidden behind the appearances, namely, their relation to each other as mere expressions of human labour. Ibid., p. 95, n. Cf. also K. Marx, Theories of Surplus Value, trs. G. A. Bonner and E. Burns (New York: 1952), p. 210.



Read's fondness for the labor measure, when his own theory credited the productivity of capital as a cause of value.<sup>1</sup>

5.

In 1831 C. F. Cotterill published a small work in which Bailey clearly had been drawn upon. Cotterill's somewhat novel plan consisted of a close examination of each section of Ricardo's first chapter on value, in the course of which he proposed to analyze the well-known difficulties and problems. In this way he thought he would encounter all of the important authors in the field. In the usual fashion, therefore, Cotterill distinguished the familiar value in use from value in exchange,<sup>2</sup> he credited Bailey with having demonstrated the absurdity of a third kind of value, "real value," and expressed surprise that McCulloch should have sought to avoid Bailey's "disagreeable antinominations" by incorporating the notion explicitly in his Principles.<sup>3</sup> He was unable to find the real value, exchange value division explicitly stated in Hill's Elements,<sup>4</sup> and this seems to have misled Bailey's claim in the letter to a Political Economist.<sup>5</sup>

Cotterill's discussion of the measure of value problem was interesting,

1 Read, Natural Grounds, pp. 262 ff.

2 C. F. Cotterill, An Examination of the Doctrines of Value, as set

forth by Adam Smith, Ricardo, McCulloch, Hill, the Author of 'A Critical

Dissertation,' etc., Forrens, Watkins, Say, etc. etc. being a reply to

those distinguished Authors (London: 1831), pp. 7-8.

3 Ibid., pp. 27, 36.

4 Ibid., p. 38.

5 Cf. Chapter VII, supra., pp. 272-73.

for in it he involved himself in some entertaining index number difficulties. He wanted to find out, he said, "whether a contradiction is or is not involved in the supposition of a standard of value," and what were the "necessary conditions of a perfect standard."<sup>1</sup> It would be agreed, he said, that if a standard implied an exchange for an invariable quantity of all other things, then the supposition of such an "invariable" standard involved contradictory conditions. It was obviously impossible for one thing to alter in relation to the standard, without the standard altering reciprocally. But, he went on to say, this was not all that was meant in a standard or measure of value.

Corn, for instance, has an exchangeable power over every commodity; cloth has the same exchangeable power. The value of corn, therefore, might fall or rise in reference to cloth; but if it altered in the same degree in an opposite direction with some other commodity, its exchangeable worth would remain the same, though it had varied compared with cloth. For value, it must be again observed, means a power vested in a commodity of exchanging for other commodities, not for a particular commodity. If the general value of A. were altogether regulated by its power of B., A. must of necessity alter by alterations in B., as B. must alter by alterations in A. As things however actually exist, a variation in the value of one commodity compared with another, does not necessarily alter its value compared with all commodities, and therefore by no means invalidates the supposition of an invariable standard of value.<sup>2</sup>

This concept of general exchange value was similar to Malthus' argument. And having earlier argued that the cost of producing a commodity was the cause of value,<sup>3</sup> Cotterill concluded that "the condition, therefore,

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1 Cotterill, An Examination, p. 99.

2 Ibid., p. 102.

3 Ibid., pp. 17-23. Cost of production Cotterill took to mean "labour" and something he called the "general productiveness of labour."

essential to an invariable standard, is invariability in the cost of its production."<sup>1</sup> Then, after observing that the quantity of labor required to obtain gold or silver ordinarily was not fixed, that the "general productiveness of labour" was continually varying, that wages were not constant, and that different productions contained different proportions of fixed and circulating capital, he somewhat lamely remarked that "it will, therefore, be very readily believed that a perfect standard of value is unattainable; though the propriety of conceiving one, I think, cannot be fairly disputed."<sup>2</sup>

Just exactly what purpose was served by demonstrating that a perfect standard of value was conceivable, although unattainable, is not clear. Nor was there much consistency in Cotterill's referring his readers "to the 'Critical Dissertation,' etc. for a very lucid and complete confutation of invariableness in the quantity of labour having any thing to do with the qualifications of an invariable standard of value,"<sup>3</sup> and yet, insisting that invariability in cost of production, as he understood it, did in fact have something to do with a properly conceived standard of value.

Cotterill's concept of general exchange value was, of course, a crude beginning to the problem of an index number.<sup>4</sup> But Cotterill never did anything with his statement of the concept. For example, he thought

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1 *Ibid.*, p. 105.

2 *Ibid.*, pp. 115-16.

3 *Ibid.*, pp. 106-7.

4 *Cf.* Walsh, Fundamental Problem, pp. 11-13.

that if necessaries in one period cost £ 40 and conveniences £ 60, and in a second period £ 50 each, then the "value of income" would not have changed between the two periods "since in either case £ 100 would purchase me the same aggregate amount of necessaries, conveniences, and luxuries."<sup>1</sup> This overlooks the fact that unless the discrete items purchased as "necessaries, conveniences, and luxuries" were all identical or possessed of some common element, it would be impossible to aggregate them. Mere identity of money outlay in two different periods obviously would not imply equal total quantities of goods obtained with such outlays. Cotterill thus completely missed the point Bailey had so well taken in this respect, viz. that only by comparisons of individual price-quantity ratios in the relevant periods could any judgement be made about the "efficiency" of incomes. No "invariable" standard could show this "efficiency," however.

So far as the cause of value was concerned, Cotterill found only in Adam Smith anything acceptable. "Labour and the general productiveness of labour" signified respectively that "the labourer gives his muscular strength and time, and receives reward under the term wages. The capitalist finds the implements of husbandry, the machines of manufactures, advances the wages of labour, and receives his reward under the term profits."<sup>2</sup> These components of the cost of production, therefore, revealed the general phenomenon of exchange value. He objected to Bailey's stress

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1 Cotterill, *An Examination*, p. 100.

2 *Ibid.*, pp. 22-23, 46.

on monopoly and shorter run influences,<sup>1</sup> although he did make some point of generalizing the rent concept. Varieties of human genius were analogous to varieties in the productive qualities of land, he said, and quoted Senior's remarks in the Appendix of Whateley's Elements of Logic to support his view.<sup>2</sup> He took no cognizance of the generalization of the rent concept Bailey had already given in the Critical Dissertation, however.

## 6.

Cotterill had expressed the belief that DeQuincy had written his Templars' Dialogues merely as an exercise of "logical legerdemain," and that if DeQuincy had had an opportunity to digest the message of the Critical Dissertation he would have given up many of the positions taken in the earlier work.<sup>3</sup> As it happened, DeQuincy did have a chance to re-evaluate the Templars' Dialogues and, in the event, proved Cotterill wrong. In the Preface to his Logic of Political Economy (Edinburgh: 1844)<sup>4</sup> DeQuincy declared that he had written the earlier work in order "... to draw into much stronger relief than Ricardo himself had done that one radical doctrine as to value by which he had given a new birth to Political Economy."<sup>5</sup> He appreciated that the Templars' Dialogues in part had been

1 Ibid., pp. 40-41.

2 Cotterill, An Examination, pp. 59-62. Cf. N. Senior, Outlines of the Science of Political Economy (London: 1826), Library of Economics reprint, Appendix, p. 237.

3 Cotterill, An Examination, pp. 38-39.

4 All references are to the reprint in DeQuincy, Collected Writings, ed. D. Mason, (London: 1897), Vol. IX.

5 DeQuincy, Logic of Political Economy, p. 119.

responsible for the Critical Dissertation, whose author had displayed "so much of ingenuity and logical acuteness." But he was still not shaken in his opinions. "I continue to hold my original ideas on the various aspects of this embarrassing doctrine...."<sup>1</sup> In the Logic of Political Economy itself, therefore, there are only one or two points on which DeQuincy referred directly to Bailey. The Templars' Dialogues were taken by him as so much ground won, and the Logic of Political Economy was used mainly to expand on some "perplexities" in general value doctrine. He discussed the various meanings and implications of the phrase "value in use" opposite exchange value. He was more or less able to solve the Smithian paradox by contrasting "intrinsic utility" and "difficulty of attainment" as elements in the generic concept of exchange value.<sup>2</sup> In dealing with wages, rent and profits, DeQuincy merely repeated familiar Ricardian doctrines.

The major contribution of DeQuincy's presentation in the Logic of Political Economy was to bring demand, or utility, into place as a co-efficient of exchange value. Notwithstanding Ricardo had given lip-service to demand, it is well established that most of his expositions were phrased independently of any satisfactory functional relationship to it. Indeed, it is probably true to say that Ricardo's notion of real value depended on the very absence of such a functionally related demand. DeQuincy evidently had little appreciation that in admitting "intrinsic utility" and

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1 Ibid., p. 119.

2 Ibid., pp. 129 ff.

"difficulty of attainment" as co-equal causes or determinants of value he had raised some serious implications for Ricardian theory. In fact, "intrinsic utility" and "difficulty of attainment" could have been worked less obtrusively into Bailey's argument, based on esteem and cost of production, than into Ricardo's, based on monetistic, real value. This shows again how much of Bailey's message in the Critical Dissertation was lost to him.

The first of DeQuincy's explicit references to Bailey was in regard to the alleged difference between a measure and a cause of value. He said that Bailey had done him "much honour" in admitting that he had been the first to point out that was involved in the distinction.<sup>1</sup> Thus, he repeated his statement of the Templars' Dialogues that the measure of value, the "principium cognoscendi," was of no importance alongside the ground of value, the "principium essendi."<sup>2</sup> He made no attempt to answer Bailey's charge that he had erred in asserting "that Mr. Ricardo did not propose his principle of value (namely, quantity of labour) as the measure of value."<sup>3</sup>

DeQuincy's next reference to Bailey dealt with the matter of wage differentials and their influence on exchange value. Bailey had protested against Ricardo's assuming away the important problem of qualitative differences in labor and their effect on the value of commodities.<sup>4</sup> DeQuincy,

1 DeQuincy, Logic of Political Economy, pp. 152-53.

2 Ibid., pp. 153-54. Cf. "Dialogue the Fifth," op. cit., pp. 94-96.

3 Cf. Critical Dissertation, pp. 172-73.

4 Critical Dissertation, pp. 210-13. Cf. Chapter VI, supra., p. 224.

in rebuttal, took it that Bailey had "offended heavily against logic" when he had argued that Ricardo's labor quantity theory had been subverted by the admission of qualitative differences. He evidently thought it was sufficient to prove his case against Bailey merely by repeating Ricardo's position.<sup>1</sup> His glib acceptance of the assumption made in the second section of Ricardo's chapter on value<sup>2</sup> as a "starting point of the whole calculation" of Ricardo's value theory was less amusing than incriminating. For it was by that very assumption that Ricardo and his colleagues had taken the problem of wages out of the realm of value theory and had made it, instead, a problem of arithmetic overlaid with the population theory. Bailey understood, however, that unless the wages problem was solved as a problem in value, Ricardo's system would lack that elegance and consistency so generally charged to it.

DeQuincy revealed his lack of perception even more clearly in the sequel to the above when he admitted that Ricardo could be "destroyed" on value only when it had been proved that a change in the "quantities of labour" did not affect the prices of commodities proportionally.<sup>3</sup> However, Bailey had proved this very point in the Critical Dissertation.<sup>4</sup> He had shown that there were cases in which the respective quantities of producing labor had changed without the respective prices of commodities changing proportionally, and, conversely, that there were cases in which

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1 DeQuincy, Logic of Political Economy, pp. 269-70.

2 Cf. Ricardo, Principles, pp. 20-22.

3 DeQuincy, Logic of Political Economy, p. 270.

4 Cf. Chapter VI, supra., pp. 223-26.



the respective prices of commodities had altered without the respective quantities of producing labor altering in a corresponding manner.

DeQuincy's third claim against Bailey was on the alleged distinction between value and wealth or riches. In clearing up what he conceived to be important errors on the "value in use," "value in exchange" distinction, DeQuincy had found to his own satisfaction that "value in use" was the same thing as "wealth." Ricardo, he said, was the first to make wealth a "polar antagonist" to "value in exchange," and if Ricardo had neglected to identify wealth with "value in use," it was probably through mere "inadvertance." Accordingly, he praised Ricardo's chapter on value and riches, noting that except for the first chapter no chapter in Ricardo's book "has been so singled out for attack, or for special admiration."<sup>1</sup> As specific critics he mentioned Bailey and Malthus who, he said, considered the chapter in question as a "mere scandal and rock of offense."<sup>2</sup> DeQuincy then attested the importance of the value and riches chapter in Ricardo's system by observing that "with the collapse of this doctrine concerning wealth collapses the entire doctrine of Ricardo's concerning value; and, if that basis should ever seriously be shaken, all the rest of Ricardo's system, being purely in the nature of a superstructure, must fall into ruins."<sup>3</sup> Needless to say, DeQuincy did not believe either Bailey or Malthus had succeeded in such a demolition.

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1 DeQuincy, Logic of Political Economy, p. 127.

2 Ibid., p. 127, n.

3 Ibid., p. 128.

Of course Bailey had understood most clearly the way in which Ricardo had used his theory of value to support his views concerning wealth. He had been disturbed over, and had questioned the usefulness of, the assertion that the same quantity of labor always produced goods of the same "value," even though these goods might vary in quantity from one period to another. In his own chapter "On the Distinction between Value and Riches"<sup>1</sup> Bailey had more or less employed Malthus' standpoint opposite Ricardo.<sup>2</sup> Bailey had taken riches or wealth as consisting of commodities and had attached the accessory notions of possession and exchange value.

Now when DeQuincy had admitted that the identification of wealth and value would destroy Ricardo's edifice, it seems likely that he had in mind a fear of returning to the old inconclusive Smith-Malthus condition where value and mere quantity exchanged were equated. This, as the Templars' Dialogues had shown in repeating Ricardo,<sup>3</sup> would have forestalled the determination of which side of the exchange relation had been subjected to a disturbance. On the other hand, when Malthus had contended that exchange value was generally associated with the notion of wealth, it is likely that he had in mind the fact that this viewpoint would better serve his purpose regarding the matter of gluts. By considering commodities or wealth in respect of their exchange value, what they could command, whether money, commodities, or labor; it appears that Malthus had

1 Critical Dissertation, pp. 162-69.

2 Cf. Malthus, Principles, Chapter VI, "Of the Distinction between Wealth and Value," pp. 337-44.

3 "Dialogue the Fourth," op. cit., pp. 78-88.

most easily arranged himself to stress the matter of effective demand and its well-known place in his argument.<sup>1</sup> Because Ricardo's theory brought it about that no correlation obtained between wealth (abundance) and value (whether Ricardian real value, or exchange value), it seemed to Malthus that an important matter of great significance had been assumed away.

Neither DeQuincy, nor for that matter Bailey himself, indicated that they understood that Ricardo's alleged distinction between value and riches supported his system against Malthus' subversions. But both DeQuincy and Bailey understood that unless Ricardo was able to contrast riches and value in the manner he had, he would not be able to substantiate his own position. Ricardo had made himself quite clear in confronting Malthus' law of "quantity" with his own "tolerably correct" law of "proportions." Bailey had simply tried to get the analysis back on the quantity basis. DeQuincy had merely parroted Ricardo in insisting that it had to be somewhere else.

## 7.

John Stuart Mill never explicitly credited Bailey with having caused him to change or modify the doctrinal positions he took up. At the same time, Mill did admit that his theory of international values and a "modified" version of Ricardo's profit theory had "emanated" from the

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1 Malthus, Principles, pp. 355, 417. Cf. Chapter II, supra., pp. 54-61.

conversations at Grote's.<sup>1</sup> It was concluded above that Bailey may have been responsible in part for James Mill's attempts to clear up the problem of the inverse profits-wages relation in the Ricardian theory. It is known that John Stuart Mill was not altogether happy with the results his father had reached in attempting to defend Ricardo.<sup>2</sup> Since Bailey had been one of the main critics of this aspect of Ricardo's argument, there is a presumption that he may have been responsible for John Stuart Mill's attempted re-statement.

As has been seen, James Mill had more or less left the readers of the third edition of his Elements in a state of confusion regarding the determination of profits. For profits could be different amounts depending on whether or not one adopted the "language of quantity" or the "language of proportions." Now John Stuart Mill was not the man to permit such a vagarism to encumber the foundations of the science, and his essay "On Profits and Interest,"<sup>3</sup> displays a more spirited defense of Ricardo's profit theory than his father had been capable of producing. The problem was simply to get the whole discussion back into the "language of proportions."

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1 Mill, Autobiography, p. 121.

2 Ibid., pp. 121-22.

3 J. S. Mill, Essays on some Unsettled Questions of Political Economy (London: 1844). LSE reprint. In the Preface to the Essays Mill stated that the essays had been written out originally in 1829 and 1830. The theory of profits given in the essay in question was substantially the same as that subsequently argued in Mill's Principles of Political Economy, ed. A. J. Ashley (London: 1926).

First, the profits (meaning the rate of profit) of the capitalist were defined as "the ratio between the price which he has to pay for these means of production, and the produce which they enable him to raise ...."<sup>1</sup> Hence, profits depended "... upon the ratio between the price of labour, tools, and materials, and the produce of them; upon the proportionate share of the produce of industry which it is necessary to offer, in order to purchase that industry and the means of setting it in motion."<sup>2</sup> But inasmuch as the "tools and materials" were "nothing but labour," it was clear that "labour appears to be the only essential of production." Accordingly, capital expenditure or replacement amounted to nothing more than the expenditure on, or replacement of, "the wages of the labour employed."<sup>3</sup> It followed from this, obviously, that the ratio between the wages of labor and the produce obtained gave the rate of profit; hence, Ricardo's principle that profits depended inversely on wages.

It was at this point that Mill felt the need to protect the principle from any "misapprehension." These "misapprehensions" appear to owe something to Bailey. For first among them Mill took the meaning of wages. If wages meant the quantity of produce the laborer received, it was clear that the inverse relation did not hold. North American workers received absolutely greater quantities of produce for their work than European workers, although the profit was still the same in both areas. But

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1 Mill, *Essays on some Unsettled Questions*, p. 92.

2 Ibid., p. 93.

3 Ibid., p. 94.

Ricardo, said Mill, had not meant wages to signify "real comforts" or the "quantity" of the laborer's "remuneration"; on the contrary, he had meant the "value of wages." In Ricardian form, then, "the rate of profits depends not upon absolute or real wages, but upon the value of wages."<sup>1</sup> From this rather awkward position, Mill then had to point out that Ricardo did not mean by value, "exchangeable value." For exchangeable value was only another way of expressing the quantity of commodities exchanged.<sup>2</sup> Instead, Ricardo, "in a sense peculiar to himself," meant by value cost of production or the quantity of labor required to obtain a commodity. Thus, the value of wages for Ricardo became the "cost of production of wages; or, more concisely still, the cost of wages, meaning their cost in the 'original purchase money,' labour."<sup>3</sup> Therefore, "a rise of wages, with Mr. Ricardo, meant an increase in the cost of production of wages; an increase in the number of hours' labour which go to produce the wages of a day's labour; an increase in the proportion of the fruits of labour which the labourer receives for his own share; an increase in the ratio between the wages of his labour and the produce of it. This is the theory...."<sup>4</sup>

It is clear from this that Mill had simply thrown the entire analysis back on Ricardo's proportional basis; he had taken it that Ricardo was

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1 Ibid., p. 95.

2 Ibid., p. 96.

3 Ibid., pp. 97-98. In Mill's Principles, p. 419, the expression became "cost of labour."

4 Mill, Essays on some Unsettled Questions, pp. 96-97.

sound in rejecting the exchange value, or quantity received, concept of wages. Unlike his father, therefore, he was not disposed to admit the "language of quantity" into the theory of profits. Bailey's breach in the dike was to be repaired by altering Ricardo's expression slightly in order to reveal more clearly what he meant. It is true, of course, that Mill did go on to question whether Ricardo was correct in resolving all of the "expenses of production" into wages. Mill himself believed, on the contrary, that the outlay of any individual capitalist would go toward both wages and the profits of a capitalist on a previous production. And if this were true, the immediate capitalist might suffer an increase in his own profits (because of a decline in a previous capitalist's profit, or because of the outright dispensation of that equivalent outlay) without, at the same time, experiencing a decline in his wages outlay.<sup>1</sup> But all that was required to make the theory correct was to express it in terms of the "cost of production" of wages, meaning the wages and profits expended in producing the articles received by the laborer in exchange for his work.<sup>2</sup> This, in effect, merely put the discussion back on the level of "proportions," and, therefore, took it away from Bailey's damaging "quantity" or "absolute" basis. Since there had been no more forceful protagonist than Bailey regarding the "quantity" or "exchange value" viewpoint of wages, it seems safe to conclude that he may have been responsible in large measure for Mill's endeavours.

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1 Ibid., pp. 98-99.

2 Ibid., pp. 103-4.

A second place in which Bailey rather seems to have influenced John Stuart Mill, this time positively, is in Mill's discussion of the measure of value in the Principles. He took up this subject, he said in a characteristically injudicious remark, "if only to show how little there is to be said on it."<sup>1</sup> A measure of value, Mill asserted, was something "by comparing with which any two other things, we may infer their value in relation to one another."<sup>2</sup> This was clearly the medium of exchange function Bailey had described. Mill then went on to note, however, that such a medium functioned satisfactorily, not only at a given time and place, but also at different times and places. Money, he said, regardless of its own variations in value, served to measure value satisfactorily at any time and place so long as the relevant price-quantity data were available.<sup>3</sup> Up until the Critical Dissertation had been published, no one had ever admitted that money was a good measure of value at all times and places.

Mill then observed that one of the objects economists had proposed for themselves was a measure by reference to which they could discover whether any other commodity had altered generally in relation to all other commodities. Now Bailey had demonstrated the fallacy of this search, by showing that nothing "general" could be inferred from a comparison between any given commodity and this particular measure; this information could

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1 Mill, Principles, p. 564.

2 Ibid., p. 564.

3 Ibid., p. 565.



only be revealed by determining the exchange relations between the commodity in question and other commodities, particular by particular. Mill said it this way:

To enable the money price of a thing at two different periods to measure the quantity of things in general which it will exchange for, the same sum of money must correspond at both periods to the same quantity of things in general, that is, money must always have the same exchange value, the same general purchasing power. Now, not only is this not true of money, or of any other commodity, but we cannot even suppose any state of circumstances in which it would be true.<sup>1</sup>

Once more in Bailey's fashion, Mill then proceeded to point out that the impossibility of discovering any such measure of value had led writers to search for a "measure of cost of production." With the usual Ricardian assumptions about similarity of capital structures and durabilities, a commodity whose cost remained constant would disclose, when another commodity had altered in exchange relation to it, that the cause of the alteration had been in the other commodity. Although such an "invariable" commodity was clearly not invariable in its exchange value, added Mill, it would serve as a measure of cost of production.<sup>2</sup> He agreed, however, that although such a measure was "conceivable," there was nothing entirely free from changes in its own cost of production. Such a measure, then, "can no more exist in fact, than a measure of exchange value."<sup>3</sup> With some credit possibly due to Lauderdale and Torrens, no one but Bailey had put so strongly the point Mill had here just made.

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1 Ibid., pp. 565-66.

2 Ibid., p. 566.

3 Ibid., p. 566.

The final place in which the influence of the Critical Dissertation seems evident in Mill's writing, is in the adoption of the tripartite classification of market forms. Certain other resemblances take their places within these categories. It will be recalled that Bailey had distinguished commodities possessing exchange value according as they were (1) monopolized, (2) produced under conditions of increasing costs, and (3) produced under conditions of un-restrained competition.<sup>1</sup> At the outset of his chapter "Of Rent, in its relation to Value," Mill had distinguished three classes of commodities to which his theory of value had been applied. There was, first, a "small class" of commodities, "limited to a definite quantity," whose value was determined by "demand and supply," except that their cost of production, provided they had any, set the permanent lower limit of their value. There was, second, a "large class" of commodities which could be increased "ad libitum by labour and capital," whose cost of production fixed the lower as well as the upper limit of their exchange value. And, third, there was an "intermediate class" of commodities which could be increased by the application of labour and capital, but any such increased quantities were obtained only at a "greater cost."<sup>2</sup>

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1 Cf. Chapter VI, supra., p. 212 . It is true, of course, that Senior also classified commodities according to the conditions under which they were produced and sold. Senior's five-fold classification merely gave greater precision to Bailey's three classes; it did not break new conceptual ground. Cf. Senior, Political Economy, pp. 111-114. M. Bowley, Nassau Senior, pp. 97-100. As will appear, Mill's presentation exhibited a greater affinity to Bailey's, than to Senior's, arrangement.

2 Mill, Principles, p. 469. Cf. also pp. 444-45.

Regarding the first category, Mill employed the usual demand and supply analysis, in the course of which he made some headway toward a schedule concept for both sides of the market. He mentioned J. F. Say as a "skillful expositor" on this heading and referred to DeQuincy's Lake Superior "huckster" in illustrating a point or two. He remarked on the distinction between commodities absolutely or "naturally and necessarily limited in supply" and those "artificially so" or "temporarily so." On the other hand, he made no attempt to follow up Bailey's suggestion regarding the distinction between pure monopoly and oligopoly.<sup>1</sup>

In the case of commodities which could be "increased in quantity indefinitely and at pleasure," Mill put forward his well-known cost of production theory, the elements of which were wages ("labour") and what Dr. Bowley has described<sup>2</sup> as "the magical word 'abstinence'" (capital). Mill's argument is, of course, far more elegant and sophisticated than Bailey's, but the essentials of Bailey's exposition are visible in it. For example, Mill found that the value in question depended "principally" upon the labor expended in obtaining and bringing the commodity to market.<sup>3</sup> He had then added "profits" to the outlay on labor as an element in the cost of production. These profits depended on the three factors of "abstinence, risk, exertion."<sup>4</sup> Bailey himself had stressed several times that Ricardo's sole labor cause of value was, in reality, only one

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1 Mill, Principles, pp. 445-50.

2 Bowley, Nassau Senior, p. 163.

3 Mill, Principles, pp. 457-58.

4 Ibid., pp. 405-7.

among several possible causes,<sup>1</sup> and of course had pointed out that the risk and disagreeableness and time involved in employing capital were to be considered as co-efficient causes of value.<sup>2</sup>

Still in the category of commodities produced under "free and active competition," Mill next admitted another point which Bailey had been the first to make against Ricardo. This was that qualitative differences in labor necessarily implied different wage rates, and that this implied a deviation of exchange value from mere quantity of labor employed.<sup>3</sup> Thus, said Mill, "... if wages are higher in one employment than another, or if they rise or fall permanently in one employment without doing so in others, these inequalities really operate upon values... When the wages of an employment permanently exceed the average rate, the value of the thing produced will, in the same degree, exceed the standard determined by mere quantity of labour."<sup>4</sup> It is true that Mill, like Ricardo, had subsequently expressed the belief that "variations" in value derived mainly from changes in the respective quantities of labor involved, and not from changes in wages, which were "general" or "absolute" and affected all commodities equally.<sup>5</sup> Nevertheless, Ricardo's rule had been "properly

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1 "The only place in Mr. Ricardo's work, where I have been able to find the expression of the general rule properly qualified, is the Index. He there says, 'the quantity of labour requisite to obtain commodities the principal source of their exchangeable value.'" Critical Dissertation, pp. 213-14, n. The italics are Bailey's.

2 Chapter VI, supra., pp. 220-22 ; Critical Dissertation, pp. 206-7, 217-20.

3 Chapter VI, supra., p. 224 . Cf. Critical Dissertation, pp. 209-15.

4 Mill, Principles, p. 460.

5 Ibid., p. 461.

qualified," and this was all Bailey had ever sought.

One or two traces of Bailey's exposition appear in Mill's consideration of the third category of commodities produced under increasing cost conditions. One of these was the perception of differential advantages involving a generalization of the rent concept. Mill understood, as Bailey did not,<sup>1</sup> that the necessary assumption of homogeneity of product made it immaterial whether or not any individual portion was obtained at a less cost than any other portion. At the same time, Mill saw, as had Bailey, that differential advantages in production involved the generalization of rent. Under increasing cost conditions, the low cost producer clearly held an advantage over the high cost producer.

If this [low cost] advantage depend upon any special exemption, such as being free from a tax, or upon any personal advantages, physical or mental, or any peculiar process only known to themselves, or upon the possession of a greater capital than other people, or upon various other things which might be enumerated, they retain it to themselves as an extra gain, over and above the general profits of capital, of the nature, in some sort, of a monopoly profit.<sup>2</sup>

Since rent in agriculture was merely the form in which the differential advantages of land were remunerated to the owner by the user,<sup>3</sup> it followed that coal mines, fisheries, patents, and peculiar talents and skills were analogous to agricultural land in receiving "extra profit" or "extra gains." They partook of "all advantages, in fact, which one competitor has over another, whether natural or acquired, whether personal or the

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1 Chapter VI, supra., pp. 216-17.

2 Mill, Principles, p. 471.

3 Ibid., p. 472.

result of social arrangements...."<sup>1</sup> It is true, of course, that Bailey had not been alone in seeking the generalisation of the rent concept. But he had certainly been among the first and most forceful advocates of it in England. And if, perhaps, Mill drew more directly from Senior than Bailey, this is not to say that Senior himself was entirely ignorant of the Critical Dissertation, notwithstanding he never explicitly referred to it.<sup>2</sup>

## 8.

It will be possible to draw an already over-extended survey to a close by a brief reference to one writer who, if he did not take up his own theoretical positions because of what he read in the Critical Dissertation, nevertheless credited Bailey with having made important advances. H. D. Macleod has already appeared as one of Bailey's few contemporaries who saw something worthwhile in what Bailey had written.<sup>3</sup> It seems likely that Macleod must have first encountered the Critical Dissertation in connection with the writing of his Dictionary of Political Economy (London, 1863).<sup>4</sup> He claimed in the Dictionary that Bailey had been able to show with "complete success" the "erroneous nature" of the views Ricardo, Malthus, and the others had held regarding value. He commended Bailey for having shown that value was an "external relation,"

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1 Ibid., pp. 473-77.

2 H. Bowley, Nassau Senior, p. 94.

3 Cf. Chapter I, supra., p. 3.

4 Only Vol. I was ever published.

rather than an "internal quality" and for having proved, therefore, that notions of absolute and intrinsic value were fallacious.<sup>1</sup> He likewise praised Bailey for making clear that value was founded in the mind and not in the expenditure of a quantity of labor.<sup>2</sup>

In his early Elements of Political Economy (London: 1858) Macleod had drawn on Whately in stressing the relativity of value,<sup>3</sup> and had opposed to the Ricardians the argument that value derived from demand and not from labor or cost of production.<sup>4</sup> It is clear, then, that he was moving along lines similar to Bailey's. In the second edition of his Theory and Practice of Banking (London: 1866) Macleod had put together a chapter entitled, "The Theory of Value," in the course of which it is possible to find a good deal of Bailey. Macleod stressed the essential relativity and reciprocity of value; he denounced intrinsic value; he disapproved labor as the source or cause of value; he placed the determination of value in the human mind; and, he demonstrated the impossibility of an invariable measure of value.<sup>5</sup> He pointed to the Critical Dissertation as having established the impossibility of an invariable standard of value, and he adopted wholesale Bailey's proof of what a measure of value could and could not do.<sup>6</sup>

Although it is difficult to show that Macleod was directly indebted

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1 Macleod, Dictionary, p. 60.

2 Ibid., p. 63.

3 Macleod, Elements, p. 12.

4 Ibid., pp. 127-28.

5 Macleod, Theory and Practice of Banking, I, 45-64.

6 Ibid., pp. 65-66.

to Bailey for parts of his analysis, it does seem obvious that he saw much of merit in the Critical Dissertation, which he thought had "... greatly contributed to found Economic Science."<sup>1</sup>

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1 Ibid., p. 64.



**PART II**

## CHAPTER IX

### MONEY

Ever since Professor Marget took up the cudgel of his careful and meticulous scholarship against Keynes' charge that generally before the General Theory an "hiatus" had been permitted to exist between ordinary value theory and the theory of the value of money,<sup>1</sup> a test has been posed to every figure who has passed in review in the history of thought and analysis. It has become necessary to determine to what extent a writer has compartmentalized his system and, as Professor Schumpeter has expressed it, has "plastered" his monetary theory onto a barter model already built.<sup>2</sup> For upon such a judgement so reached depends the evaluation, not only of the internal consistency of the writer's thought, but also of the important matter of the stability of a system in which "monetary" are at work alongside "real" forces. Although the theoretical vistas opened up by the last statement are enormous, it is nonetheless necessary to try Bailey by it. For by the publication of Money and its Vicissitudes in Value; as they affect National Industry and Pecuniary Contracts; with a Postscript on Joint-Stock Banks (London: 1837),<sup>3</sup> he was obviously involved in these matters. As has been seen, Bailey had put together a theory of value in the earlier Critical Dissertation. Although

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1 A. W. Marget, The Theory of Prices (New York: 1942) II, Part I, pp. 3-132. Cf. J. M. Keynes, The General Theory of Employment, Interest, and Money (London: 1936), pp. 292-94.

2 History of Economic Analysis, pp. 1025, 1087-89.

3 The "Postscript" will be dealt with in the following chapter.

there he did not say much directly about money, beyond employing it generally as a numéraire in his discussion on the nature and measure of value; yet, by the time he got around to criticizing the measure theories of his contemporaries he seemed to be heading in more suggestive directions. In any case, he was in possession of the one major notion upon which the successful integration of money with general value theory depends, viz. that the causes of value are seen ultimately as individual mental estimations. It remains to discover whether the Money was able to accomplish the formidable task which thus confronted it.

## 1.

Although Bailey began the first chapter of the Money, "On the Nature and Functions of Money," with the observation that money had been dealt with so frequently and competently as not to require an extensive examination on his part, he fortunately discussed several characteristics of money which saved him from banishment for dealing in trivials. "Money," he said, "is in the first place the universally marketable commodity, or that in which every one deals for the purpose of procuring other commodities."<sup>1</sup> Now by insisting that money was a "commodity" Bailey obviously had not broken any new theoretical paths, for the same had been done from Aristotle and the Schoolmen on through Locke, Adam Smith, Say, and Ricardo. But in stressing the marketability or exchangeability of money Bailey added to its commodity substance a far more important, and strictly

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1 Money, p. 1.

monetary, function. In fact, in order to bring out as clearly as possible both the substantive and functional aspects of money he proposed to think of it as the "medial commodity." This expression, he believed, would fix attention on the way in which money "mediated" and, therefore, facilitated the exchange of other commodities while, at the same time, emphasizing that money was not the less for that still a commodity like any other which passed in the circle of exchange.<sup>1</sup> By expressing himself in this way it is evident that Bailey had put himself in the best possible position to integrate his subsequent discussion of the value of money with his theory of value.

A second characteristic of money, deriving mainly from its being the "medial commodity," was its acceptance as the "general commodity of contract."<sup>2</sup> By this Bailey meant that money was generally used to effect bargains on the transfer or interchange of property between different periods of time or between different locations. This was another way in which the "commodity" money "mediated."

A third characteristic of money was its employment as a measure of value. This was the simple numéraire<sup>3</sup> function he had used in the Critical Dissertation, but which he had specified, "... is in fact a

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1 Ibid., pp. 2-3.

2 Ibid., p. 3.

3 In the Walrasian sense, i.e. not as a mere abstract unit of account, but as an economized object in which the exchange relations with other commodities were calculated. Cf. A. W. Marget, "Monetary aspects of the Walrasian System," Journal of Political Economy, XLIII (April, 1935) 172-75.

necessary incident to a generally employed medial commodity...."<sup>1</sup>

Taking as read the familiar qualities of durability, portability, divisibility, and relative scarcity to the generality of commodities, Bailey then went on to note that money displaying these qualities appeared to combine two essential requisites. The first was that "... money should be uniform in its physical qualities, so that equal quantities of it should be so far identical as to present no ground for preferring one to the other."<sup>2</sup> The need for this quality was obvious, since without it no commodity could conveniently mediate or be generally acceptable. These remarks were evidently turned toward metallic money, which, he said, had superseded all other types of commodity money in "civilized countries."

The second requisite attending the familiar qualities was that of a "comparative steadiness of value."<sup>3</sup>

... Money is that commodity which a person keeps by him to be able to command other commodities when he wants them; but if a definite portion of it continually and extensively fluctuated in its power of commanding other commodities, he would be in perpetual uncertainty, and subject to frequent disappointment. In its capacity of the commodity of contract, the desirableness of this steadiness in money is still more conspicuous. Bargains for the receipt of money at future periods, would be little better than desperate speculations, if the commodity in which they were made underwent incessant and extensive variations in its relation of value to other articles.<sup>4</sup>

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1 Money, pp. 3-4.

2 Ibid., p. 5.

3 Ibid., p. 8.

4 Ibid., pp. 8-9.

If this proposition appears to contradict the argument of the Critical Dissertation, which was interpreted as meaning that "there is no commodity more fixed in its value than any other,"<sup>1</sup> it is only necessary to appreciate, first, that Bailey has not proved or attempted to prove that money is constant in its exchange value. Rather, he has stated that in its function as commodity of contract it would be desirable that it be "comparatively" steady in its value. It is in discussing the conditions which are necessary to ensure constancy in the value of money that Bailey reveals just how much of this matter he understood. And this revelation turns out to be a mere continuation of the analysis he had undertaken in the Critical Dissertation.

In the second place, in considering money from the "commodity of contract" viewpoint, the entire problem assumes an aspect quite different from that of the Critical Dissertation, notwithstanding the terms in which the problem is discussed are more or less the same. It is only when the "commodity of contract" or "store of value" function of money is under review that the "specifically monetary function of money" emerges.<sup>2</sup> In the earlier work, however, Bailey's inter-temporal discussion was shaped almost entirely by the need, as he saw it, to explode Ricardo's notion of real value. So that while it may be true that Ricardo was "acutely sensitive" to the difficulties introduced into

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1. "A Critical Dissertation," Westminster Review, V (January, 1826), 16h.

2. Cf. P. N. Rosenstein-Rodan, "The Coordination of the General Theories of Money and Price," Economica, III (August, 1936), 270.

economic problems by the use of money,<sup>1</sup> it is equally true that his determination, in the successive editions of the Principles, to establish a coherent distributive system over-rode this "sensitivity."<sup>2</sup> And this, in turn, meant that his system was calculated in terms of his particular conception of "real" analysis. Accordingly, neither Ricardo's "invariable" money nor Bailey's "measure of value" of the Critical Dissertation period were used within the framework of the "commodity of contract" or "store of value" function. On the other hand, "money" appeared in both of these arguments and, of course, now appears in Bailey's analysis under the present heading. It is no wonder, then, that some of Bailey's statements appeared contradictory. The question is whether they in fact were.

Before proceeding, however, it is worth understanding that between his remarks in the Critical Dissertation and in the Money Bailey has described the medium of exchange and store of value functions on money in a completely consistent manner. That is, in speaking of the "measure of value" or "medium of comparison" in the former,<sup>3</sup> he never thought of money as an abstract unit of account. Rather, it was first and foremost a commodity employed in its medial capacity. While this may not seem a singularly earth-shaking advance, it does tend to make the integration

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1 W. C. Mitchell, "Postulates and Preconceptions of Ricardian Economics," reprinted in The Backward Art of Spending Money and Other Essays (New York: 1937), p. 216.

2 Cf. Chapter II, supra., pp. 17 ff.

3 Cf. Chapter IV, supra., pp. 132-43.

of the theory of the value of money and the value of commodities easier. When the numéraire is strictly a commodity, and not a mere unit of account, abstraction from forces or causes affecting the value of such a medium become more significant. For to treat the value of commodities under such an abstraction leaves dangling in mid-air the equally important, but unanswered question, of the value of the commodity taken as the numéraire or medium. When money was used in its commodity of contract or store of value function, it was still a commodity for Bailey. This meant, therefore, that the integration with the commodity theory of value inter-temporally could still be accomplished. And by parallel reasoning, the causes and effects he had discussed in relation to commodities generally could be applied to the particular commodity serving as the store of value or commodity of contract. The most suggestive aspect of the manner in which Bailey has begun, however, is in the fact that he has clearly placed uncertainty high on the list of factors affecting money in its store of value function. In the absence of uncertainty he would have had no need to worry about the desirable steadiness in value of money in different periods of time. In the absence of uncertainty about the future, in other words, the commodity used as money would serve only as the numéraire or medium of exchange.<sup>1</sup> The presence of uncertainty, therefore, is the rationale of the store of value or commodity of contract function of money.

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1 Rosenstain-Rodan, op. cit., p. 259, n.1.



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These preliminaries disposed of, Bailey turned in his second chapter to the causes of variations in the value of money. The value of money, he said, like that of any other commodity consisted merely of the exchange relation which money bore to other commodities in the market. "The prices of these commodities express the quantities of money for which definite portions of them sell, and the value of the money given is in its turn denoted by the definite portions of the commodities."<sup>1</sup> If so much is entirely consistent with the nature of value set forth in the Critical Dissertation, it does leave open, however, the more ambiguous and difficult matter of the value of money taken in its general price level sense.<sup>2</sup> Bailey usually insisted that the value of money denoted the "definite portion" of some commodity or commodities for which a quantity of money might exchange, although he did waver at one or two points. And in doing so, he seemed to admit the notion of a general price level which, by strict adherence to the logic of his purely relative and "definite portions" concept of value, he should have denied. In describing money as the "medial commodity" Bailey had claimed for it the distinguishing characteristic of being the "universally marketable commodity." The notion of universal marketability suggests, of course, that the value

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1 Money, p. 14.

2 Cf. Schumpeter, History of Economic Analysis, p. 701.

of money is its relation in exchange to, or purchasing power over, not only one "definite portion" of a commodity or commodities, but any or all other commodities in the market. So that if the value was clearly exchange value, there was mixed with it the conception of generality, the idea that money commanded in exchange not necessarily one, but a collection of goods. And it is, of course, only a step away from the idea of a general purchasing power or exchange value to the idea of a price level. Although Bailey had expressly denied the validity of a "general affirmation" about value, which failed to specify the "definite portions" of the commodity in which the evaluation was made,<sup>1</sup> in the Money at more than one place he spoke of changes in the value of money as being the same thing as an inverse changes in "prices."<sup>2</sup> The inconsistency of this does not appear to have occurred to him. On balance, in any case, he usually insisted on the "definite portions" viewpoint toward value, and frequently repeated his charge of the Critical Dissertation that the value of a commodity had to be expressed in, or related to, some other commodity. As will appear presently, it was from this standpoint that he criticized the index number proposals of Joseph Lowe and Poulett Scrope.

Taking the value of money as "relative" in a sense identical with the relativity of other commodities, except as noted above, it followed that alterations in the value of money proceeded from any cause affecting

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1 Critical Dissertation, pp. 156-57.

2 Money, pp. 15, 22, 46-47, 76, 86.

the quantities of money or commodities which might be given in exchange for each other. It was evident, then that

Changes in the value of money — or, what is the same thing, in prices — may obviously arise from two sets of circumstances: — viz, from circumstances operating directly on money, and from circumstances operating directly on other commodities. A quarter of wheat, for instance, which now sells for fifty shillings, may rise to sixty shillings, from an additional influx of money, occasioned by the augmented fertility of the mines, or from a partial disuse of the precious metals, while the supply of wheat and the demand for it remain the same. And, on the other hand, while the quantity and uses of money remain unaltered, a quarter of wheat may rise to sixty shillings, from a failure of crops or an increase of consumers. In both cases, the value of money in relation to wheat is equally altered....<sup>1</sup>

If the value of money in relation to wheat, or vice versa, was altered because of either of the causes he had mentioned, it was nevertheless possible, Bailey thought, to distinguish an important difference between the two cases. He pointed out in the well-known and familiar manner that an alteration of the circumstances operating directly on money itself would produce an altered value in relation not only to wheat, but to all other commodities as well. On the other hand, an alteration in the circumstances operating on wheat alone would merely change the relation of value between wheat and money, presumably leaving the prices or money value of other commodities unaffected.<sup>2</sup> He did not see the error of this latter notion, of course. A change in the value relation between wheat and money, due to a change in the circumstances

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1 Money, p. 15.

2 Ibid., pp. 18, 86.

operating on the production of wheat, would necessarily affect the prices of other commodities. Any economizing individuals, or groups of individuals, could reasonably be expected to have an elasticity of substitution between wheat and other things at least greater than 0. In any case, Bailey proposed that "variations in the value of money, of the first kind, may, for the sake of convenience, be termed changes of value originating on the side of money: variations of the second kind may be termed changes of value originating on the side of other commodities."<sup>1</sup>

On a superficial view it would appear that in this proposition Bailey controverted at least part of the argument given in the Critical Dissertation. It will be recalled that he had strenuously criticized Ricardo for fallaciously distinguishing the causes of value operating on a commodity from those causes operating on the commodity or commodities with which it might be exchanged. And the Westminster critic had leaped to Ricardo's defense, holding that Ricardo's distinction had been eminently "worth making."<sup>2</sup> Bailey had also protested against Malthus' attempt to distinguish the derivation of value on the basis of causes affecting the commodity itself and causes affecting the commodities with which it might be exchanged.<sup>3</sup> And Malthus had replied that without the distinction in

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1 Ibid., pp. 15-16.

2 "A Critical Dissertation," op. cit., pp. 159-60. Cf. Chapter III, supra., p. 90 ; Chapter VI, supra., pp. 252-57.

3 Cf. Chapter III, supra., pp. 100-103.

question it would be impossible to set up a standard of value against which to reckon changes in the causes of value.<sup>1</sup> In agreeing to mark the difference between the effects on the value of money due to causes originating on the money, and on the commodity, side, however, Bailey apparently saw a problem which might be a source of confusion unless this matter were set aright at the outset. And to suggest that Bailey was "unfortunate" in distinguishing his causes and effects in this way is to fail to note how successfully he carried its consequences.<sup>2</sup> In the Critical Dissertation Bailey's protest was against those who distinguished their causes of value in the observed fashion in order to be able to claim that by holding one cause, or set of causes, constant a constancy of value would be implied. Both Ricardo and Malthus had isolated the causes and effects of value for this purpose alone. In doing so, as Bailey had successfully proved, they had forgotten the relativity of the value with which they had begun.<sup>3</sup> In the Money, however, notwithstanding Bailey had marked the same distinction as the others, he took particular pains to point out that he, himself, would not fall into the same errors they had committed.

When causes operating on one commodity (e.g. money) were distinguished from causes operating on the commodities for which it was exchanged,

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1 Cf. Chapter VIII, supra., pp. 352-55.

2 Cf. Rosenstein-Rodan, op. cit., p. 263, n. 2.

3 Cf. Critical Dissertation, pp. 12-14.

Bailey said,

it has been usual to style the former changes in the value of money, and the latter changes in the value of other commodities; and to consider, that in the one case the value of such commodities, and in the other the value of money, remains unaltered; but with manifest incorrectness. When employed in close reasoning, such phraseology (accurate enough for common purposes) almost inevitably vitiates our deductions.<sup>1</sup>

The only reason such conclusions could be "manifestly incorrect" was because they obviated the relativity of value which had been an original premise. In other words, constancy in the causes operating on one side of the value relation would not, by itself, ensure constancy of value unless the causes operating on the other side were likewise constant. Although Bailey, therefore, had proposed to employ the familiar distinction, he made it clear that he would not permit the abstraction from causes affecting one side of the relation to imply constancy of value. He also made it clear that he would not abandon the relative nature of value which he had earlier defended so strongly. In fact, as will appear, nowhere in the Money does Bailey claim that perfect constancy in the value of money is desirable, or even possible, except under assumptions so unrealistic as to be worthless. Rather, he uses the careful expression "comparative steadiness" in the value of money to suggest that some variations necessarily attend the persistent movement of causal forces. These causal changes directly affect the welfare of individuals, and if

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1 Money, p. 16. Italics not in original.

their consequences on money alone could be neutralized, this is no guarantee that injuries to welfare would thereby be avoided. This simply follows from the fact that the causes affecting the value relation are so numerous and so active that to abstract very seriously from them is to indulge either in triviality or positive error.

On turning to an examination of the causes of variations in the value of metallic money, Bailey passed rather quickly over those causes which, as he said, "... originate on the side of other commodities." If the operation of causes affecting money itself were suspended, it was evident that variations in the value of money would proceed from changes in the ease or difficulty of obtaining commodities, from the abolition or creation of monopolies, or from alterations in the tax structure. While variations in the value of money due to the operation of these causes were generally imperceptible in the short run, over longer periods they were, he thought, of appreciable magnitude.<sup>1</sup> Bailey's list of possible causes "on the side of commodities" is, of course, by no means exhaustive. One would wish, naturally, that he had pursued at greater length the matter of esteem and its effects on the value relation. In the Critical Dissertation he had related esteem more specifically to the external evidences of causes of the value relation.<sup>2</sup> In the present context an explicit reference to the influence of esteem on the immediate

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1 Money, pp. 17-18.

2 Cf. Chapter VI, supra., pp. 225-26.

causes he had mentioned would have made the argument theoretically more appealing and elegant, although even as Bailey presented it it was not necessarily wrong.

The causes of a variation in the value of money which originated "on its own side" were next taken up and, as might be expected, received the greater share of Bailey's attention. He ranged these causes under two headings. First, a variation in the demand for the precious metals themselves would obviously affect their value, or the value of money made from them, assuming the quantity of these metals constant in the meantime. Now the possibility that the precious metals might be required to a larger or smaller extent for "purposes of ornament and luxury," thus changing the value of the commodity used as money, does not in itself establish enough to claim for Bailey an understanding of the quantity theory properly so-called.<sup>1</sup> For notwithstanding Bailey thought that an increase in the non-monetary uses of the precious metals was comparable in its effects to a decrease in the supply of the metals from the mines,<sup>2</sup> he failed to pass on to the deeper question of the general price level concept implicit in the quantity theory constructions. This is to his own advantage, however, inasmuch as his particular notion of individual relative value necessarily refuses assent to the price level concept, at

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1 i.e. In the Schumpeterian sense that changes in the supply or demand for money produce corresponding proportionate changes in the value of a unit of money. Cf. History of Economic Analysis, p. 703.

2 Money, p. 19.



least if that conception of value is to be consistent with its implications.<sup>1</sup>

The second way in which the demand for the precious metals might alter was by being required in a different quantity to fill what Bailey described as the "office of money." Now this obviously opens up considerations which are more suggestive from present-day vantage points. "A growing addiction to hoarding," he said, brought on perhaps by "despotism, or commercial instability, or the insecurity of political institutions" or the "breaking out of a war" meant an increase in the demand to hold the precious metals in their "office of money."<sup>2</sup> Since Bailey specified that this increase of demand raised the "value" of the precious metals, it may be presumed that again he was skirting warily the general price level concept. "Value" always meant value "in" something for him, and if the question had been put to him, he doubtless would have tried to specify the commodities in which the value of money had altered. Whether by ignorance or deliberation, at any rate Bailey did not have to resolve the embarrassing matter of a change in the value of money (meaning that all commodity prices moved in the same direction in the same degree or ratio).

In expanding on the question of hoarding Bailey made some remarks suggestive of the subsequent cash-balance or liquidity-preference notions

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1 Cf. F. A. Hayek, Prices and Production (London: 1931), pp. 3-5.

2 Money, pp. 19-20.

of more recent times. "All the money in the country," he said, "must be held conjointly by the dealers in it and the users of it. Almost every individual is the holder of some pieces of money for his individual necessities." While the specific amounts held by individuals might vary, particularly from class to class, the total fund held was more or less "proportioned" to the population.<sup>1</sup> It followed, of course, that if an alteration of the population changed the absolute amount of cash-balances held in the economy, and thus, changed the value of money by changing the demand for it; then, with the population held constant, any factors which affected the size of individual cash-balances would likewise affect the demand, hence the value, of money. Bailey was far from formalizing the familiar transactions, speculative, and precautionary motives, or any other factors derived from the essential uncertainty of the future and determining, accordingly, the need to hold a cash-balance. But hoarding cash for "immediate purposes" does suggest transactions, and hoarding cash because of "commercial instability" does suggest precaution, as does the "insecurity of political institutions." Bailey did not explicitly relate desire to hold cash-balances to the esteem notion of value of the Critical Dissertation. But the hoarding or cash-balance view is clearly consistent with a theory of value founded on estimations, however. And without any evidence to the contrary, it is to be presumed that Bailey intended to retain his mentalist concept of value, even in

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1 Ibid., pp. 20-22.

its monetary signification.

Although he held that reverse effects on the value of money would follow from demand changes in the opposite direction, Bailey tried to find two additional elements causing a diminution in the demand for the precious metals. He claimed first that the substitution of paper for metallic money would decrease the demand for the precious metals and would, therefore, lower their value. This was proved, he said, in that if subsequently all of the paper money was withdrawn, it was obvious that "... the operations of commerce would be impeded, and the value of money enhanced all through the world in a degree difficult to calculate."<sup>1</sup> Bailey did not specify, but he presumably meant by the paper money substituted for the metallic, convertible paper money, inasmuch as he set aside inconvertible paper money for separate treatment in a later section. The significance of his argument, at this point at any rate, was that such a "mixed" currency system did not necessarily operate in the same manner as a purely metallic system.

Bailey did not elaborate on his reasons for objecting to the currency principle. He did add to the above position, however, one or two remarks on the way in which bank credit could affect the value of money. He very usefully related it to the desire or need to hold cash balances.

The system of banking diminishes the demand for the precious metals, simply by making a smaller quantity of money do the work of a larger quantity. Without banks, the merchant and the

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1 Money, p. 23.

manufacturer, the gentleman and the tradesman, the landlord and the tenant, would all have to keep in reserve a much larger amount of money for current and prospective purposes, than they now have any need to do; an immense mass of property would be thus at all times lying without employment, to meet the emergencies when it might be wanted. The trade of the banker renders this unnecessary. Through his instrumentality, those sums are distributed to active employments, and eventually a much smaller quantity of money than formerly suffices to perform the same functions, to transact the same amount of business, by being passed more rapidly from one person to another.<sup>1</sup>

It follows, of course, that if bank credit can change the size of cash-balances and alter the velocity of circulation, it can affect the value of money. At this juncture Bailey did little more than scratch the surface which Thornton had laid out four-square much earlier.<sup>2</sup> But, as will appear, the logic of his position inevitably forced him to say something about the effects of bank credit on inflation and output as a whole.

It is also necessary to observe that Bailey understood that there was considerably more to the problem of changes in the value of money than a mere inverse change in the price level or prices of all goods and services, in the sense that the latter change meant nothing more than counting every transaction with a higher or lower unit of account. Thus, if, according to a then popular viewpoint, the population increase of the past several decades was responsible for the agreed rise in the value of metallic money, this effect, Bailey said, had been "... beneficially

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1 Ibid., pp. 23-24.

2 H. Thornton, An Enquiry into the Nature and Effects of the Paper Credit of Great Britain (1802), ed. F. A. Hayek, (New York: 1939), pp. 93 ff.

counteracted by the employment of paper-money, by improved systems of banking, and those other expedients of inter-change which are discovered and adopted in the progress of civilization."<sup>1</sup> Under the conditions of an assumed population increase, the simpliste quantity theory would have put it that the value of money rose, because there was more work for money to do, but that this alteration did not have any necessary effects on the volume of output or transactions. Bailey, however, saw that such a fall in prices was not neutral in its effects. Otherwise, the fall could not have been "beneficially counteracted" by the developments he mentioned. As will appear presently, he related these substitutes for metallic money to their effects on national wealth and output as a whole.

In dealing with the way in which changes in the supply of money influence its value, Bailey naturally had to resolve the problem of the international distribution of the precious metals. His argument was not particularly sophisticated or refined and added nothing to the theories already then extant. Starting from a position of monetary equilibrium between countries on a metallic standard, he assumed an increase in the population of one country unmatched in the other. As a result, the demand for the precious metals in the given country would increase, their value would rise, and the stocks of the precious metals would be drawn from other countries as they paid for the low priced commodities of the

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1 Money, p. 22.

initial country.<sup>1</sup> Presumably these movements would continue until the respective price levels were brought back into equilibrium. He saw that the money cost of producing both commodities and the precious metals provided the means of calculating whether or not it was worthwhile for the respective parties to exchange. "If England produced no such commodity as the Mexican was willing to buy at a price to cover the cost, she could not augment her stock of silver."<sup>2</sup> He was thus consistent with himself in keeping away from the then popular comparative cost analysis based on the labor theory of value. In stressing improvements in "productive industry" due to an increase in the "efficiency" of capital, he suggested the productivity analysis he had broached in the Critical Dissertation. Moreover, he did add to the customary two-country, two-commodity analysis, a three-country case in which the amount of the precious metals the non-mining countries obtained was determined not only by their productive relations to the mining country, but to each other as well. The amount of gold or silver the non-mining countries received, he said, would depend mainly "... on the relative state of the productive powers of the two countries, in conjunction with the numerical population."<sup>3</sup> So that upon discovery of a new and more efficient productive process, the country in question could draw stocks of the precious metals to itself from the mining countries and also from the non-mining

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1 Ibid., pp. 27-28.

2 Ibid., p. 31

3 Ibid., pp. 32-33.

countries, who would settle their adverse balances in the gold or silver. This analysis suggests Senior's more capable analysis, of course.<sup>1</sup> And Bailey may very well have taken it from him, although he never referred directly to any of Senior's works, either here or in his other writings.<sup>2</sup> At all events, in the absence of a more detailed reference to the matters of trade balances, terms of trade, reciprocal demands, exchange rates, and such like, Bailey's treatment of the international mechanism cannot be judged a very distinguished effort.

Bailey ended his remarks on changes in the value of money by considering the problem of paper money. Assuming strict convertibility at first, he held that paper money would partake of all of the variations in the value of the metallic money. An "excess" issue of paper — which he failed to define — might lower the value of both paper and specie initially. But this movement would "lead to its own correction" through the exportation of specie in the usual way for the usual reasons.<sup>3</sup> This, of course, contradicted the position he had adopted earlier, for he had then claimed that the substitution of paper money for metallic money lowered the value of the latter, implying that such a decline was permanent. At any rate, he had said nothing about any "correction." Moreover, he had also argued that the extension of banking facilities

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1 Cf. Bowley, Nassau Senior, pp. 223-25.

2 He did know of Senior, however, and mentioned him in a speech in 1834. Cf. The Speeches of Samuel Bailey, February 6th, 1834, fol. 18-L, Dept. of Local History, Sheffield City Libraries.

3 Money, pp. 36-37.

diminished the demand for the precious metals and, therefore, lowered their value. This effect was likewise by implication permanent. Since he made no move to differentiate bank credit from paper money, he was wrong to suggest that use of the former permanently (and "beneficially") raised prices, while use of the latter alone set in motion forces correcting such a price rise. The same judgement applies, of course, to his earlier remark about the substitution of paper for metallic money lowering the value of money generally. In the present case, however, he has declared that substitution of paper for metallic money does not lower the value of money because of the corrections involved.

In the case of inconvertible paper issues, he thought that the common rule would be an excess of paper money, leading to a fall in its value vis-à-vis bullion. Inconvertible paper and specie might originally circulate at par, but an increase in paper issues would soon provoke a premium on specie and a fall in the value of paper currency. This rise in the price of bullion, along with all other commodities, would stimulate the melting down of specie until all metallic money had disappeared and a permanent increase of prices obtained on the paper circulation.<sup>1</sup>

Once again Bailey's argument is generally undistinguished. In one instance, however, he did make a useful observation. He devoted some attention to the influence of confidence on variations in the value of

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1 Ibid., pp. 38-39.



paper money. Although, as Professor Viner has noted, Ricardo and the others involved in the bullionist controversies were aware that speculative factors might influence the value of paper money,<sup>1</sup> neither side made very much of the possibility. And with the resumption of specie payment in 1821 the issue naturally receded into the background in the popular discussion. There was some merit, therefore, in Bailey's stressing that "whatever may be the quantity of paper money in circulation, a conviction that the parties who have issued the paper, whether governments or individuals, will not or cannot refund the amount, according to the stipulation on the face of the notes, is fatal to its value."<sup>2</sup> This meant, moreover, that the mere regulation of the quantity of money itself was insufficient to produce stability in its value. And if Bailey directed his remarks mainly toward the probability of the redemption of paper money, to the proximity of the date when it would be recalled, or to the possibility of a new issue,<sup>3</sup> his argument was equally applicable to other factors or "thousand causes" affecting confidence. He had seen that confidence was surely a consideration bearing on the size of individual hoards or cash-balances held. Bailey did not relate his observations directly in this manner. But he had earlier stated that the size of cash-balances was of some effect on the value of money. He therefore deserves

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1 Viner, Studies, pp. 132, 134.

2 Money, p. 40.

3 Ibid., p. 41.

at least passing mention as falling with Lord King, George Woods, Henry Parnell, and John Wheatly<sup>1</sup> somewhere between Thornton<sup>2</sup> and Tooke,<sup>3</sup> who have been considered as the important English protagonists on the matters of confidence and hoards.<sup>4</sup>

## 3.

Having thus considered the causes of variations in the value of metallic and paper money, Bailey next entered upon a discussion of the effects of those causes on (1) the industry of the country and (2) on pecuniary contracts or money bargains. The first probably has the greater current appeal, for, like Malthus' Principles it seems to charm by its departure from the much-maligned propositions of Say's Law. The second, however, is more important for present theoretical purposes, for it is a continuation of Bailey's argument on the store of value function of money. It is accordingly, one more step taken by him toward an integration of the theory of the value of money with his commodity value theory.

Assuming first that a country carried on its domestic trade by means of barter, Bailey made the point that the introduction of the medial commodity would increase output as a whole by obviating the restrictive effects of the so-called "double coincidence of wants." Any subsequent

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1 Cf. Viner, Studies, pp. 134-35.

2 Op. cit., p. 44.

3 T. Tooke, History of Prices (London: 1838) I, 156.

4 M. W. Holtrop, "Theories of the Velocity of Circulation in Earlier Economic History," Economic History: Economic Journal Supplement, I (January, 1929), 518.

improvement in the form or substance of such money would likewise give a "proportional encouragement of industry, inasmuch as it would facilitate the immediate object of almost all industry — the interchange of commodities."<sup>1</sup> Although the last phrase seems to suggest the usual interpretation of Say's Law as expressed in barter terms,<sup>2</sup> Bailey meant by it something considerably less inelegant. The popular expositors of Say's Law, he said, contended "... that an influx of money does not tend to promote the production of other commodities, that, inasmuch as these commodities are the sole agents of production, such an influx of money cannot give that encouragement which is ascribed to it."<sup>3</sup> This viewpoint was wrong, he argued. If the object of industry was to interchange commodities, this did not necessarily imply the well-known dictum that production was only bought by production. This latter argument, he said, tried to prove too much. "It would prove that production could never be enlarged, for it requires as an indispensable condition to such an enlargement, that food, raw materials, and tools should be previously augmented: which is in fact maintaining that no increase of production can take place without a previous increase, or, in other words, that an increase is impossible."<sup>4</sup> The truth of the matter, he asserted, was that productive increases derived from new demands, from new "motives to

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1 Money, pp. 52-53.

2 Which is not what Say meant, of course. Cf. Schumpeter, History of Economic Analysis, pp. 815-22.

3 Money, p. 70.

4 Ibid., p. 70.

exertion." Changes in demand would bring about an "influx of money and a consequent rise of prices" and this would "quicken internal interchange and enhance the existing demand," the effects of which would obviously be "beneficial" to national wealth.<sup>1</sup> His argument was equally applicable to the notion that, with productions buying productions, any new demand merely shifted the productive factors from one application to another, without adding to total national wealth, and that, therefore, only by prior accumulation was it possible to add to wealth. "It may be laid down as a general principle," he said, "that a new demand will be met by fresh exertions; by the active employment of capital and labour before dormant, and not by the diversion of productive power from other objects."<sup>2</sup> Indeed,

to prove, then, that any circumstance may increase production, it is not necessary to show that it increases the agents of production, meaning by this term the elements of capital: it is only necessary to show, as we have endeavoured to show with regard to an influx of the precious metals, that the circumstance in question presents a motive to exertion which otherwise would not have existed. Any new commodity may have this effect; any novel object of desire, any prospect of gain or gratification may present this motive.<sup>3</sup>

This departure from the "parsimony" doctrine of Adam Smith<sup>4</sup> and Ricardo<sup>5</sup> had, of course, been made earlier and more competently by Lauderdale<sup>6</sup> and Malthus.<sup>7</sup> But it is to Bailey's own credit that he clung

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1 Ibid., pp. 71-75.

2 Ibid., p. 65.

3 Ibid., p. 72.

4 Wealth of Nations, I, Book II, Ch. iii, pp. 325-26.

5 Principles, pp. 151-54.

6 An Inquiry into the Nature and Origin of Public Wealth, p. 209.

7 Principles, Chapter VII, pp. 352 ff.

to his general mentalist framework in stressing "motives to exertion" as a source of increased productive activities and, accordingly, of increased national wealth. If he was unable to decide whether an influx of money was a cause or effect of a changed demand or altered motive,<sup>1</sup> he was nevertheless convinced that the assumption of fully employed resources was unrealistic. "Political economists," he objected, "are too apt, as we have already remarked, to consider a certain quantity of capital and a certain number of labourers as productive instruments of uniform power, or operating with uniform intensity. Nothing, we venture to repeat, is more fallacious than any view of this kind."<sup>2</sup> "Such a state as this [of fully employed resources] may be pronounced impossible: at all events, it can so seldom happen, as to justify us in assuming that a new demand will occasion an increase of production to a greater or smaller extent."<sup>3</sup> He thought that there were always some producers in a "state of inactivity" and that there was, beyond that, "a great variation in the intensity of their exertions." Thus, with varying quantities of capital customarily "lying inert," it was only necessary for some demand to arise, for some "motive to exertion" to present itself, and those resources would necessarily be called into production.<sup>4</sup> "It is, then, in overlooking the circumstance that production is susceptible of being

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1 Money, pp. 66, 87-88.

2 Ibid., p. 58.

3 Ibid., p. 64.

4 Ibid., pp. 54-55.

largely expanded when new inducements to exertion are presented to the classes engaged in it, that lies the fallacy of those who maintain an increase of money to be powerless in stimulating industry."<sup>1</sup>

One would wish, naturally, that Bailey had displayed a greater awareness of the differences between changes in demand, in the technique of the partial analysis, and changes in demand, in the sense of an aggregate or social total. He usually argued that a change in demand, in the partial sense, would mean an increase in prices for the particular good. This, in turn, would mean an increased income for the producer of that good; an increase in expenditures by him or his workers elsewhere in the economy, and so on until the over-all level of output had been raised.<sup>2</sup> But at this point it seems to have escaped Bailey that his assumption that idle resources were "almost always" present was simply not enough.<sup>3</sup> Until he could explain, instead of assuming, the existence of idle resources, Bailey was clearly out of touch with the deeper cyclical phenomena. His demonstration that, with unemployed factors, a new foreign demand for domestic products would probably increase

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1 *Ibid.*, p. 69. This argument drew somewhat unusual praise from Marx. It was one way of proving, he said, the error of the "classic economists" who judged any change in the productive powers of capital "inconceivable." *Capital*, I, 668, n.

2 *Ibid.*, pp. 61-63, 74-75.

3 He did admit that some changes in individual demands need not uniquely result in increased prices for the product in question. The producer might be operating under conditions of decreasing cost, or some form of internal economies, enabling him to sell greater outputs at lower prices. He failed to show how general this condition might be for the economy at large, however. *Ibid.*, pp. 73-74.

domestic national wealth<sup>1</sup> was likewise doubtless true. However, until it was related to the complex questions of terms of trade, balance of payments, exchange rates, depreciation, prices and/or price levels, and these, in turn, related to effects on income and output, the conclusion was not very significant.

Bailey's discussion of changes in the amount of national wealth did include one other noteworthy matter, however. He understood that with resources fully employed the introduction of additional money would not render interchanges of goods and services any easier and, therefore, could not by this means increase national output.<sup>2</sup> But if an increase in the amount of money failed to produce any apparent increase in national wealth and seemed, instead, to be dissipating itself in higher prices, it was nonetheless possible, he believed, to discover a long-run effect on national wealth. This would derive from the advantages which would accrue to merchants, businessmen, and others who conducted their undertakings on credit during a period of rising prices. "... All persons whose gross receipts rise with the rise of prices, while out of these receipts have to pay fixed charges, derive an advantage proportioned to the fall in the value of money."<sup>3</sup> A rise of prices, of course, "... always occasions some change in the distribution of property, or in the

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1 Ibid., p. 63.

2 Ibid., pp. 53-54, 69-70.

3 Ibid., p. 76.

command which individuals respectively possess over the capital and labour of the country."<sup>1</sup> But if the fixed income receivers, by suffering a loss through the decline in the value of money, effectually transferred part of their wealth to the creditor class, and if the laborers likewise lost some of their property through the tendency for wages to lag behind prices, there would, nevertheless

... be that incentive to exertion presented to the minds of farmers, manufacturers, merchants, and tradesmen in general, which extraordinary profits create. This advantage may be unjust; not desirable; not to be purposely sought; but, admitting this, the effect attributed to it remains, — namely, the stimulation of industry. In any great change of the currency, this effect is of immense importance.<sup>2</sup>

Bailey acknowledged that it might be difficult to form a "comparative estimate" of the degree to which the advantages outweighed the disadvantages of an increase in the quantity of money, but he concluded that "... on the whole, the industry of a country is stimulated by an expansion of its currency."<sup>3</sup> Increasing the supply of money, therefore, could produce a "permanent improvement" of national wealth by "lightening the fixed burdens on productive capital...."<sup>4</sup>

Obviously, Bailey's form of the forced savings doctrine was not as elegant as some versions which were already extant at the time he wrote.<sup>5</sup>

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1 Ibid., pp. 75-76.

2 Ibid., p. 77.

3 Ibid., p. 79.

4 Ibid., p. 81.

5 Cf. F. A. Hayek, "A Note on the Development of the Doctrine of 'Forced Saving,'" Quarterly Journal of Economics, XLVII (November, 1932), 123-33. Viner, Studies, pp. 187-92.



His perception of the importance of the "fixed burdens on productive capital" did not carry him over to a consideration of the influence of bank credit and the money rate of interest on the level of investment and output, although the relation was implied in his argument, since he had been willing to consider bank credit as a substitute for money.<sup>1</sup> Therefore, increasing bank credit would have been equivalent to raising the supply of money and lowering the burdens on productive capital.

Failey believed that eventually, however, the increase in the quantity of money would lead into some explosive, speculative boom in which demand would be "artificially enhanced" and credit "extraordinarily extended." The "game of speculators" would necessarily be followed by a depressive collapse, when "an excess of commodities beyond real demand must force back prices...."<sup>2</sup> Once again, he gave no real appreciation of the intricate matters surrounding the turning point, nor did he satisfactorily explore the distinction he had suggested between "real demand" and (presumably) some kind of artificial money demand. He seems at this juncture to have been more concerned, rather, to preach that the evils of the collapse itself were an acute object lesson to governments to refrain from artificially increasing the quantity of money.<sup>3</sup>

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1 "... The credit of a man of undoubted stability is as efficient as money itself." Money, p. 91.

2 Ibid., p. 80.

3 Ibid., p. 80.

Claiming that Bailey's remarks on prices and outputs were entirely without merit would, perhaps, be too strong an indictment of him, especially in view of the fact that he had made some promising overtures in the direction of monetary influences on output as a whole. But if his tentative motions at this juncture arouse a certain sympathy for him, it is all the more remarkable to find him making a complete bouleversement at the end of this investigation and concluding that "... after a country has acquired a sufficiency of the precious metals for the purpose of interchange, any alteration in their value originating on their own side, is to be regarded as an evil and not a good."<sup>1</sup> Which meant, in effect, that the entire discussion he had launched in the poetic language of an increase in money releasing the might slumbering in the arm of the peasant,<sup>2</sup> all of the increases in national wealth derived from transferring capital to producers from fixed income receivers during periods of rising prices, all of the benefits produced when a more efficient combination of productive resources attended an increase in individual money demands, — all these were overbalanced by the "evils" he thought would be projected against the fixed income recipients when the value of money declined. It is difficult to find any reason why Bailey should have spent so much time in pointing out to his readers the benefits associated with an increase in the quantity of money, when the result was entirely

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1 Ibid., p. 81.

2 Ibid., pp. 54-55, 68.

negated by the experience of the fixed income groups.

It is true that he mitigated this conclusion slightly by granting that if the value of money rose, upon a diminution of its quantity from some one or several of the causes he had mentioned earlier, the effects would be more generally severe than the mere reverse of the case when the value of money fell. "The falling off in the demand for products," he said, "will be materially aggravated by that want of confidence which always attends a general lowering of prices, and the ruin which will be brought on the heads of many, will have far more extensive consequences than the prosperity which, under contrary circumstances, would have gladdened the community."<sup>1</sup> Fixed income receivers often had to take less than their contractual or legal due, with the result that, even with the higher value of money, they were not so well off. Wages, he thought, would fall equally with the decline in prices, instead of lagging, as they had in the reverse case. Thus, the gains of the creditor class were not exactly offset by the losses of the debtors.<sup>2</sup> "... The calamities attending a reduction in the quantity of money are far greater than the benefits of an addition to it ...."<sup>3</sup> Ultimately, however, it seemed to him that "... it would be at all times the height of folly to attempt to produce an augmentation not likely to be permanent."<sup>4</sup>

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1 Ibid., p. 82.

2 Ibid., p. 83.

3 Ibid., p. 85.

4 Ibid., p. 86.

It is not clear why he should have chosen to express himself in this rather coy manner. For he surely could have said simply that a deliberate diminution in the quantity of money would produce the "calamities" he had described. Instead, he chose to relate these effects to a probable collapse following an over-expansion of money in the first place. It is possible, of course, that he never had observed an augmentation of money which was "permanent." He thus would have little confidence that the authorities could manage the quantity of money to any particular optimum. But putting it in this way opens up even more difficult matters for him. He seems to suggest that some kind of "permanent" increase in the quantity of money would have been acceptable. But without stopping to question whether he meant by "permanent" a single, "one-shot" increase, or a series of "permanent" increments, he had already shown by his earlier analysis that mere constancy in the quantity of money was insufficient to bring about stability in its value. Hence, there was little point in his implying that "evils" of changing price levels could be overcome by some "augmentation" in the supply of money expected to be "permanent."

In taking up the effects of the variation in the value of paper money on the industry of the country, Bailey contributed little in the way of a unique theoretical advance. In the case of convertible paper, he followed the argument he had earlier suggested. He contrasted the position of convertible money, the quantity of which could only be increased internally, with that of metallic money, the quantity of which could only increase when foreigners were willing to purchase more domestic

goods with their precious metals. Tacitly assuming a less than one hundred per cent specie reserve, an increase in the quantity of convertible paper would lower the demand for the precious metals and release a quantity of them for export to purchase foreign commodities. In this way, he thought capital would be "liberated" from an unproductive state. Industry would be stimulated.<sup>1</sup> Moreover, this export of the precious metals to other countries would lower their value there, producing all of the effects he had earlier associated with generally rising prices.<sup>2</sup>

Similar effects would occur when the paper money was inconvertible. Specie, presumably, would be exported upon the substitution of paper, for metallic, money. Prices would rise in both the paper-issuing and specie-receiving country. He was not too careful to distinguish whether by "prices" he meant paper or specie "prices," but the former is more probable, however. The main difference in the effects attending changes in the value of pure metallic or convertible paper and inconvertible paper lay in the greater uncertainties regarding over-issue of the latter. While he admitted some good effects might attend a decline in the value of inconvertible paper, the stimulation to industry, for example, could never outweigh the "violation of all pecuniary contracts" and the destruction of the "security of property."<sup>3</sup> Variations in the value of money from "natural or unavoidable causes" "tended" to encourage speculation

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1 Ibid., pp. 89-90.

2 Ibid., pp. 90-91.

3 Ibid., pp. 94-95.

and were "apt" to produce a "calamitous revulsion," but "... the depreciation of an inconvertible paper currency must inevitably lead to some crisis of a still more disastrous character, and inflict, in the meantime, the thousand ills of uncertainty and apprehension."<sup>1</sup>

The second series of effects produced by variations in the value of money which Bailey proposed to investigate were those on "pecuniary contracts" or money bargains. He had mentioned this matter briefly in his discussion of changes in the value of money effecting debtors and creditors in such a way that, with a price rise, capital was transferred from the latter to the former and, accordingly, national wealth increased. Beyond this, however, he now considered it important to analyze the effects produced by changing prices on the parties to particular bargains. Bailey believed that most people entered into various long-term pecuniary contracts without realizing fully the implications of their acts. Like a good Utilitarian he proposed, therefore, to make the matter as plain as possible so that all the consequences could be readily appreciated and understood.

As a first step he pointed out that a pecuniary contract was, in its nature, simply an agreement between two persons, one of whom lent the other some thing or things or their equivalents, to be returned at some stipulated future date for an agreed consideration.<sup>2</sup> Since what

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1 *Ibid.*, p. 95. Italics not in original.

2 *Ibid.*, pp. 100-1.

the "equivalents" might be were the source of potential injuries to either party, Bailey stressed the fact that generally such bargains proceeded on the basis of the quantity of the object lent, and not on its value.

When I lend a sum of money, I make no reference at all to its value, -- that is, of the relation of money to other articles; I never think of them: I stipulate only for the return of the quantity of money lent, along with such an additional quantity for its use as may be agreed upon. If I referred to the value of the sum lent, it would be necessarily its value in some one thing, or in several things, and then my bargain would be in effect for a return of certain quantities of these things. We must come to a quantity of something at the last.<sup>1</sup>

As in the Critical Dissertation Bailey was once again determined to emphasize that the mere reference to a sum of money was not of itself identical with a statement about value. A sum of money only became "valuable" when it was exchanged for some thing or things. Value was expressed or revealed only in terms of the quantities respectively exchanged. Now the reason why Bailey took the pains to insist once more on the virtual identity between value and quantity exchanged, was because he later wanted to refute those arguments which proposed that pecuniary contracts would only be settled in strict justice by the return, at the end of the contract, of an unchanged ability to command unnamed resources in the market. His position, therefore, came to this: if the contract were truly phrased in terms of value, it amounted quite simply to the proposition that so much money worth (e.g.) so many quarters of wheat was lent in period 1 and that this much money worth those quarters of wheat (plus

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1 Ibid., pp. 102-3.

the usual consideration) was to be returned at the end of the contract in period 2. In other words, the contract was expressed effectually in terms of the quantity of wheat. Now if the contract was drawn up on the notion that it involved the lending by one party to another a generalized command over a collection of unspecified commodities, it would clearly be impossible to know exactly what was being lent, which, in turn, meant that it was impossible to know how much was to be repaid. One apparent way around this difficulty is to formulate some sort of tabular standard or index number by which to give more or less precise expression to the sum of money lent. As will appear later, Bailey had some pertinent things to say about these tabular standard proposals. But it is clear already that to the extent he clung to his original notion of value, as expressed by simple quantity exchanged, he could have little sympathy with any proposal which departed from that conception. There was more to his criticism of the tabular standard than this, of course. But it is worth noting the consistency with which Bailey maintained his argument against it.

Bailey went on to analyze the effects which would be produced on pecuniary contracts from one, or a combination, of four essential causes, viz. from (1) a rise in the value of money due to an alteration "originating on its own side," (2) a fall in the value of money from the same cause, (3) a rise in the value of money from an alteration "on the side of other commodities," and (4) a fall in its value from the same source.<sup>1</sup>

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1 Ibid., p. 112.



In the first two cases, he merely repeated old and familiar doctrines that a fall in prices contributed a gain to creditors at the expense of debtors, while in a period of rising prices the reverse was true. It was a simple case of transferring wealth from one class to another. Bailey made no reference at this point to "forced savings" or the possible changes in national wealth which might be associated with such redistributions, however.

In cases three and four the matter appeared to him to be rather more involved and complicated. Assuming some productive improvement had taken place which lowered the prices of all commodities except metallic money or the precious metals,<sup>1</sup> it was evident that a creditor would enjoy the same position as case (1). He would be able to command an increased quantity of commodities and would, to that extent, be better off. The case of the debtor, however, was different from case (1). He would dispose of his products at a lower price, it was true. But this was due to their having cost him less to produce, and not to the fact that the quantity of money had declined. Therefore, the debtor's ability to repay his loan, or interest on his loan, would not be diminished and might even be increased. The net result, then, was that the creditor obtained a considerable gain from the assumed productive improvement, while the debtor did not sustain any loss. Rather than a transfer of wealth from

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1 It is worth noting that there is more to this assumption than first appears. For to the extent that the cost of obtaining gold is used as an explanation of the world distribution of the metal, the similarity of productive conditions between gold and other commodities is implied.

debtor to creditor, as in case (1), an increased fund had been created out of which both parties could, and probably would, draw.<sup>1</sup>

In the fourth case, in which increased difficulty of production produced a rise in prices, the lender was in the same situation as when money had fallen in value according to case (2). Therefore, to the extent he could only purchase less he was injured. The borrower, on the other hand, would not gain as he had in case (2). Although he would repay his loans in money of less value, and although his total revenue would remain unchanged from before the productive deterioration, he would nevertheless retain net from his enterprise funds which would have a smaller power of commanding other things. He would, therefore, partake equally with the creditor in the loss occasioned by the smaller quantity of commodities generally available.<sup>2</sup>

With these four main categories made explicit, Bailey then turned to the possible means by which the respective effects could be adjusted. He posed for himself the question: whether it was just and wise to deviate from the principle of quantity on which he had found all pecuniary contracts to rest? He considered first the feasibility of substituting a value - for the quantity - criterion of pecuniary contracts. Referring to case (3), where prices had fallen from some cause operating "on the side of commodities," he found that the equal value criterion would require that the borrower would repay something less than the sum

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1 Ibid., pp. 115-17.

2 Ibid., pp. 117-18.

borrowed because the productive improvement had increased the value of money. This would mean, however, that the creditor was denied participation in the benefits the other members of the community shared from the improvement. The borrower benefitted twice, once by the productive improvement and once by having to repay less than borrowed. Admittedly, the lender would be no worse off absolutely, but in being deprived of participation in the general increase of national wealth he would suffer relatively, and, therefore, could be considered as unjustly treated.<sup>1</sup>

The fourth case was obviously the reverse of the third. When productive difficulties increased, both parties lost. On the equal value criterion, however, the borrower would be required to repay more than the sum lent in order to leave the lender in a position to command the same quantity of commodities as when the original loan was contracted. The debtor, therefore, would have lost doubly; once in the general productive decline and once in having to find additional money necessary to leave the lender in an unchanged "value" position.<sup>2</sup> As a result of this review of the condition, Pailey concluded that the best and most just policy would be one of non-interference. Since the value criterion did not produce that equality of treatment alleged by its supporters, it was safer to fall back on the principle of quantity for pecuniary contracts, making sure that both parties understood fully the implications of such an arrangement.

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1 Ibid., pp. 120-21.

2 Ibid., p. 121.

In the first and second cases, where a variation "on the side of money" had produced a change in the value of money, it was evident that the value criterion meant that the borrower would be required to repay less than the original sum borrowed if the value of money had risen (and vice versa, if the value of money had fallen). This requirement would satisfy justice, said Bailey, inasmuch as neither party would have gained at the expense of the other. There were some extenuating circumstances, however. For instance, if both parties were equally well-informed of the possibility of a change in the value of money, then there would be no reason to compensate the losing party, while leaving the other unattended. Intervention here would be unjust, for it would amount to inequality of treatment. Where ignorance of the implications of a contract was present some tribunal might perhaps beneficially revise a quantity contract to a value one, but the obvious difficulties in the way of ascertaining when and where clear cases of unintentional ignorance occurred were so great that practically such an adjustment would be impossible. Moreover, an attempt by the state to make periodic reviews of the conditions and circumstances of pecuniary contracts, with a view toward modifying their "value" content, was not feasible. The great diversity of opinion prevailing as to the causes for changes in the value of money, whether "from the side of money" or "from the side of commodities," made it virtually impossible to decide which in fact had operated.

There are so many causes operating simultaneously to alter prices — some permanent, some temporary — some affecting one commodity, some another — some affecting whole classes of productions —

some in this direction, some in the opposite — that it becomes next to impossible to pronounce how far the changes have originated on the side of money, or of the commodities; or how far causes acting on these opposite sides have counteracted each other.<sup>1</sup>

Therefore, if intervention were undertaken without the absolute assurance that the operative cause had been satisfactorily isolated, an injustice might be committed more serious than that of the changed money value itself. With little prospect that the divergent opinions of economists would ever come together to isolate such causes, Bailey concluded that it was better to forget the justice-dispensing tribunal and adhere, instead, to the "sound and simple principle of quantity for quantity" as a basis for pecuniary contracts.<sup>2</sup>

So far as paper money was used to settle pecuniary contracts, it was apparent, Bailey went on to say, that convertible paper functioned in the same manner as metallic money.<sup>3</sup> The matters he had outlined earlier were applicable to it and, presumably, the policy recommendations were the same. In the case of inconvertible paper, however, certain difficulties arose.

First, contracts made originally in metallic or convertible paper money might later be settled in an inconvertible and, probably, depreciated paper money. Since the original contract was drawn up on the basis of a certain quantity of the precious metals, or their convertible paper equivalent, it was clear that depreciation in inconvertible paper meant

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1 Ibid., pp. 126-27.

2 Ibid., p. 133.

3 Ibid., p. 133.

that the settlement of the contract deprived the lender of a portion of his metal. The "safe and simple" quantity principle would have been violated; the creditor would have been deprived of his property by a "fraud."<sup>1</sup>

In the opposite case in which contracts stipulated in a certain quantity of inconvertible paper were subsequently settled in convertible or metallic money, it was clear, said Bailey, that the lender of the sum involved had not in fact parted with any given amount of the precious metals or their paper equivalent. Therefore, for the lender subsequently to be paid interest or principal in the precious metals or convertible paper money meant that he received in settlement a quantity entirely different from that of the original contract. In this case, the debtor was obviously defrauded of his property.<sup>2</sup> Bailey stressed, however, that suspension or resumption of convertibility and their effects on pecuniary contracts were not the same thing as changes in the value of money due to causes operating "from the side of [convertible or metallic] money." Depreciation or appreciation of money from suspension of convertibility absolutely defrauded one or the other of the parties to the bargain of a certain quantity of the substance in which the bargain had been struck. Depreciation or appreciation of money from changes "on the side of money" still satisfied the quantity criterion in which the bargain had been originally framed. In the case of suspension or resumption,

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1 Ibid., pp. 135-36.

2 Ibid., pp. 138-39.

justice would be satisfied when the agreed quantities were repaid; in the other case justice had been satisfied when the agreed quantities were repaid. In other words, suspension or resumption required intervention by the state to ensure that the same weight (i.e. quantity) of metal was repaid; in the other case, there was no way in which intervention could overcome the difficulties by changes in the value of money from causes working "on the side of money."<sup>1</sup>

It will be agreed that, to the extent Bailey was unwilling or unable to make arbitrary assumptions about the omniscience of parties to a pecuniary contract regarding the potential vicissitudes in the value of money, and to the extent that he was unwilling or unable to make any arbitrary judgement as to the causal changes which might produce a change in the value of money, it was reasonable for him to fall back on his quantity principle. What is more important for present purposes, however, is that by doing so he was in fact preserving his consistent attitude toward the problem of an index of variations in the value of money. Thus, even if he seemed to equivocate between denying and admitting the notion of general exchange value or, what is the same thing, the price level, he was nevertheless still opposed to the idea that anything could be done either to stabilize the price level (by urging certain monetary practices on the part of the government), or to vary the purchasing power of incomes (in order to preserve some constant command over commodities

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1 Ibid., pp. 113-115.

in the market). That Bailey "... nowhere considers that a manipulation of the money supply might be resorted to in order to keep its value constant, i.e., to maintain a certain level of general prices" is not a failure on his part, as C. W. Mixer implies.<sup>1</sup> Rather it was a demonstration by him of an awareness of the fact that the causes of changes in the value of money were so many and so varied that merely "manipulating" one cause among them would achieve nothing. Bailey's lesson from the Critical Dissertation was again applicable here. There were two, or two sets of, causes of value, and constancy of value could only be ensured by ensuring constancy of both, or both sets of, causes. In the present context, holding the supply of money constant could not ensure constancy in the value of money, for causes were ever at work "on the side of commodities." Moreover, as he had earlier shown, holding the supply of money constant could not ensure constancy in the value of money, since other factors operating "on the side of money" itself could change its value.

## 4.

At this point it is convenient to turn with Bailey to a consideration of what advantages could be secured from, and what evils avoided by, fluctuations in the value of money. Having examined the causes and effects of variations in the value of money on national industry and pecuniary contracts, it was necessary for him to compare and contrast the measures

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<sup>1</sup> "Samuel Bailey on Appreciation," Quarterly Journal of Economics, XII (April, 1898), 347.



which the government might undertake to promote advantages or alleviate ills with the measures private individuals might likewise adopt. As has been seen, in those instances in which he had some policy recommendations to make, Bailey was generally on the non-interventionist side. He therefore had blocked the stream of his argument, that changes in the quantity of money might benefit national wealth, with the conclusion that in that case there was no scope for government intervention. And by the time he had finished discussing the effects of variations in the value of money on pecuniary contracts, the most that he could find for the government to do was to ensure convertibility of paper money and to confine its legislation to ensuring the simple quantity principle for such contracts. In this Bailey was obviously employing good utilitarian individualism doctrine, whereby the government could set the framework in the form of certain legislation guaranteeing convertibility and metallic content of the legal tender. But this was all. And he clearly believed that additional positive or negative prescriptions would only become hopelessly confused in the complex mesh of multiple and interactive causes and effects. The weight of his discussion, then, lay in his obvious desire to make the issues and difficulties as clear as possible, to educate, in order that the utilitarian principle be permitted to function in its most efficient manner, viz. by the individual who was alone considered to be the best judge of his interests and happiness.<sup>1</sup> It will not be surprising,

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1 Cf. Robbins, The Theory of Economic Policy, pp. 176-85.

therefore, to find that it is on this general note that Bailey ends his investigation.

Looking back to his earlier discussion, in which an increase in metallic money had produced increased employment and national wealth, he repeated his judgement that government attempts to raise prices by increasing the quantity of money necessarily transferred property as between the debtor and creditor classes. Notwithstanding the increased money supply might stimulate production and call forth new exertions, this advantage had to be set against the relations between the debtor and creditor classes. If it were possible to judge the "general benefit" to the country great enough to compensate the losing party "by their share in the common gain," there might be something for a governmental attempt to raise the supply of money. But such a situation as this would probably only occur in an "extraordinary state of affairs, such as new countries." Under the present conditions of developed, "civilized" countries

the whole advantage arising from an increase [in the supply of money] would probably be less than the whole of the disadvantage sustained, and, at all events, the benefit would be less to what we have termed the losing [creditor] party. There would not be that clear, and indubitable prospect of universal advantage, which would justify the production of an inequality of effect on the welfare of different classes of the community.<sup>1</sup>

Moreover, even if the government could succeed in raising employment and wealth to such a degree that, notwithstanding the relative transfer of

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1 Ibid., pp. 149-50.

wealth, all classes shared in varying measures in the general increase, he still believed that such an increase could never be permanent. Sooner or later at some point in the process of lowering the value of money, the metallic base would be exported, whereupon the inevitable collapse would take place, bringing with it all of the well-known consequences. Thus, Bailey thought he could "safely conclude" that lowering the value of money "... is not an object which a government can properly propose to itself; and that, if it were, there are no means of attaining it within the power of the supreme authority."<sup>1</sup>

If the positive production of variations in the value of money was not a legitimate object of governmental policy, for Bailey the prevention of alterations in the quantity of money was equally beyond the pale. The knowledge, ability, and omnipotence required to accomplish such an end were so vast as to exceed anything to be reasonably expected from governments as he had known them. For example, even if the government could succeed in controlling the amount of the precious metals exported and imported, (meaning implicitly control over commodity imports and exports as well) this would not suffice. He had demonstrated, he thought, that it was necessary to vary the supply of money to accommodate changes in population, changes in the banking system, and changes in industrial efficiency, if stability in the value of money were to obtain.<sup>2</sup> The task of encompassing these many and various forces was far too vast, so that

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1 Ibid., p. 150.

2 Ibid., pp. 151-52, 159.

the conclusion again emerged that the matter was best left to individual prudence and wisdom.

On the source of paper money, Pailey followed the same reasoning. Thus, the "proper object" of government was to ensure that the paper was "perfectly secure," that it was at all times convertible into the coin it represented, that it was available in convenient denominations, and that the danger of overissue was met by "adequate preventive, or remedial checks."<sup>1</sup> He was somewhat lax in failing to specify exactly what he meant by "perfect" security, although presumably convertibility represented what he had in mind. The same was true of the checks against overissue, by which he seemed to suggest that convertibility would somehow produce adequate "automatic" regulation of the paper money.<sup>2</sup>

So far as private individual attempts to alleviate the evils, and encourage the benefits, which attended fluctuations in the value of money were concerned, it was evident that by themselves, they could do nothing to bring about overall changes in the quantity of money. Since they could not look to the government to do it legitimately for them, their only recourse was to make certain that they were sufficiently well-informed about the subject to be able to avoid the evils and enjoy the benefits. He suggested, in fact, that private individuals might circumvent some of the vicissitudes of changes in the value of money by reserving long rents or

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1 *Ibid.*, pp. 155-56.

2 *Cf.* Chapter X, *infra.*, pp. 453-55, 460.

annuities in corn.<sup>1</sup> Considering all that he had earlier written about pecuniary contracts being in terms of quantity, and such quantity subsequently being subject to all the variations in value which might obtain from the many forces he had discussed, there is no reason why corn rents should have presented any particular advantage. Corn itself would be no less subject to change in its value coming "from the side of corn" and "from the side of other commodities" than any other object. Beyond that, inasmuch as corn was not the usual "medial commodity" and, therefore, not possessed of that generalized purchasing power which the medial commodity exhibited, on Bailey's own showing it would have certain positive disadvantages associated with receiving it as an income. This broaches, of course, the entire question of the store of value function of money and, therefore, the question of the relative liquidity of money and other things. It might be advantageous to hold corn, in preference to other things (including money), during longer time intervals. But having said this, Bailey's observation was incomplete without mention of the other possibilities. He did see, however, that holding inventories to a minimum was desirable in a period of rising money value, and he also urged that it might be advisable to shorten the length of salaries and pensions in order that quicker revisions of them lessen some evils attending changes in the value of money.<sup>2</sup>

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1 Ibid., p. 161.

2 Ibid., pp. 162-65.

The other expedient which private individuals might take in order to avoid difficulties attending changes in the value of money was that of the tabular standard then made popular by Joseph Lowe and Poulett Scrope. Although Bailey did not refer to Lowe or Scrope by name,<sup>1</sup> he clearly had them in mind in remarking that "... it has been proposed to govern contracts by a reference to a number of commodities, instead of merely to a single one like gold or silver."<sup>2</sup> Noting first the complexity of the scheme, which he thought would preclude its becoming generally accepted, Bailey then merely called on his familiar approach to the causes of value being multiple. In the nature of the case, he said, it was impossible that a fixed quantity of selected commodities preserve a constant or uniform relation to other commodities. If improvements took place in their production, it would be of no advantage to the person receiving the fixed quantity in settlement of a contract. Indeed, it might be just the reverse, for a fixed quantity of more easily produced commodities would exchange for less of those commodities which had suffered no productive improvement. Thus, the individual would be worse off than when he had first made the contract.<sup>3</sup> What it amounted to, ultimately, was using the tabular standard itself as the "commodity" of contract. As such, the standard could not confer any particular advantage on the parties whose contract was reckoned in terms of it, for the standard still

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1 Or to Wheatley, for that matter. Cf. Viner, Studies, pp. 282-83.

2 Money, p. 165.

3 Ibid., p. 166.

possessed an exchange relation or relations with other non-standard commodities. The only way to avoid this difficulty was to include all commodities in the standard. The impossibility of this had prompted the supporters of the scheme to select only the "principal" commodities, but this would necessarily fall short of its goal. Justice in respect of long-run contracts meant putting the lender and borrower in the "same relative position, so that one shall not profit at the expense of the other." Merely giving the lender or borrower command over a certain quantity of commodities could not accomplish this. Changes "from the side of commodities" might benefit one party, while the other failed to share in such a gain. Since the tabular standard scheme could not dispose of this eventuality — meaning that it invited injustices to one of the parties — Bailey concluded that it had nothing to recommend it.<sup>1</sup> The only thing the government could properly do was to enforce the rule of "returning quantity for quantity" in pecuniary contracts. "To obviate the consequences of vicissitudes in the value of the medial commodity, must be left to the private prudence of the parties interested...."<sup>2</sup>

## 5.

Having in this manner surveyed Bailey's discussion of the variations which might take place in the medial commodity and the efforts which might be taken to diminish these variations, it will now be convenient to examine

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1 Ibid., pp. 167-68.

2 Ibid., pp. 168-69.

Bailey's remarks on the problem of the measure of value. From what has been said thus far it is evident that Bailey recognized that variations in the value of the medial commodity, or commodity of contract, produced evils and benefits to the parties making such contracts. But beyond urging convertibility as a means of overcoming the possibility of excessive issues of paper money, he had had little to offer in the way of dispelling the existence and effects of variations in the value of the commodity of contract. It appeared to him that forces were ever in operation which could and would produce changes in the value of commodities (the medial commodity included), and that, in the main, the control of these forces was beyond the reach of proper or possible legislation. In making this conclusion, however, he had never implied, or attempted to imply, that variations in the value of the medial commodity were of no importance. Indeed, his whole argument was bent to the effort of demonstrating exactly what was involved in such variations in order that individuals be better informed and, therefore, better able to take their own defenses against them.

Now Bailey was quite clear that this problem was entirely distinct from another which had been frequently confused with it, viz. the doctrine of the need for invariability in the value of a measure of value. While it is perhaps possible to raise an objection on the ground of the confusing terminology involved, there is considerable merit in distinguishing, as Bailey did, between the functions of the medial commodity as a "commodity of contract" or store of value, and the medial commodity as a measure of



value or medium of exchange. Although the same object, the medial commodity, might appear in both the store of value and the medium of exchange roles, the roles themselves were significantly different. The medium of exchange or measure of value was simply the device whereby things were related in exchange indirectly through another thing. "Thus the value of all commodities in relation to each other, or their respective stations in the scale of value, are at once seen by their prices; as the comparative weights of substances are seen by their weights in relation to water, or their specific gravities."<sup>1</sup> This function of the medial commodity was instantaneous and appeared once the separate value relations with the medium were established. Now the medial commodity also served to relate separate time periods to one another, thus becoming the commodity of contract. Its function in that capacity, however, was entirely different from its function as the medium of exchange. It was in their failure to perceive this fact, said Bailey, that economists had confused themselves on the matter of invariability and the measure of value.

In the first place, the accepted doctrine from the earliest times had been that money, in order to be a good measure of value, had to be invariable in its own value. Bailey merely called upon the analysis he had given in the Critical Dissertation to show that "the excellence of any thing as a measure of value is altogether independent of its own variableness in value."<sup>2</sup> Political economists, he said,

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1 Money, p. 4.

2 Ibid., p. 10.

... appear to have confounded the idea of a measure of value with that of the medial commodity, or commodity of contract. What they have really meant may be gathered from such positions as the following — 'that money is a bad measure of value, because, if a man lends the sum of £ 100 today, there is no security that when it is returned, a dozen years hence, it will be of the same value; whereas, if money were a good or invariable measure, the sum would be of equal value at both periods.' This is obviously using the word measure in the sense of medial commodity, or rather, commodity of contract, and amounts to the assertion, that money, owing to its variableness of value — or, in other words, to its sometimes commanding a smaller and sometimes a larger quantity of other commodities — is not itself a good commodity of contract for long periods. The same sum, or same weight of metal, will not always enable its possessor to obtain the same things, and it is therefore an uncertain article in which to make a bargain.<sup>1</sup>

From the fact that a pound exchanged for, say, a bushel of wheat and a sheep, it was possible to establish that the wheat and the sheep would exchange equally for one another. If, later, two pounds exchanged for the bushel and the sheep, the same conclusion still held true, even though money had varied in its value in the meantime. But, he insisted, "it is purely on account of its being the general medial commodity, and, as a consequence of this, the general commodity of contract, that changes in the value of money are of importance, and not on account of its being the measure of value."<sup>2</sup> Now the assertion that the value of money as a measure of value was a factor of no consequence would draw today, as it drew when Bailey wrote, a storm of protestations upon his head. But such objectors would have misread what Bailey had had to say.

In both the Critical Dissertation and again in the Money, Bailey had

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1 Ibid., p. 12.

2 Ibid., p. 13.

insisted that as a measure of value money was merely a device for relating commodities to one another. Objections to variations in the value of money could not be on this account, since the relationships between commodities and money, or between commodities themselves, could still be given in inflated or deflated money values. Bailey agreed that an invariableness was required respecting a satisfactory measure of value, but it was invariableness of quality. Obviously money could not serve as a satisfactory measure of value, or medium of exchange, if it were not uniform in its fineness and weight. But homogeneity of the medium was something quite different from invariability in the value of the medium.

On the other hand, objections could be very well taken to variations in the value of money according to the varying degrees of injury inflicted upon one's economic status. As has been seen, it was this problem almost exclusively with which Bailey had concerned himself in the Money. In doing so, the functions of money as a measure of value, or medium of exchange, were completely passive as far as any of his conclusions were concerned. Once barter conditions had given way to monetary conditions, the economic status of individuals was not materially effected by money in its function as a measure of value or medium of exchange; once barter conditions had given way to monetary conditions, the economic status of individuals was very definitely affected by what happened to money in its function of commodity of contract or store of value. In this way, Bailey in effect brought himself back to the position he had adopted in the Critical Dissertation when different time periods were under consideration:

namely, that it was possible and useful to make intertemporal comparisons of value, but such comparisons were not the same thing as measuring value. Although he had denied that a relation of exchange value could exist between discrete time periods or places, in the earlier work Bailey had taken some pains to insist that he had not meant by this to deny the validity of intertemporal comparisons of exchange value. In the Money, therefore, he was within his rights in building his argument on such intertemporal comparisons. He could speak about the importance of stability in the value of the commodity of contract without contradicting his earlier claim that invariability in the measure of value was unimportant, because he was dealing with the same object in a completely different function.

Two other points are worth making. In the Critical Dissertation Bailey had had no difficulty in showing that the invariability criterion so demanded by his contemporaries was merely part of their absolutist value notions. Ricardo and Malthus, for example, had struggled for the invariability of their respective measures solely in order to have a standard of reference against which the operation of changes in the causes of value would be revealed. It is remarkable that when Bailey took up the matter of stability in the value of the commodity of contract, and when he later distinguished the possible causes of changes in value into the two money and commodities "sides" of the relation, he did not feel the need to make any substantial use of the Ricardo-Malthus ceteris paribus, viz. that all causes affecting one side were suspended

in order to investigate the effects of causes operating on the other side. It is true that Bailey made this familiar distinction. But it is also true that once having made it, he particularly stressed the "manifest incorrectness" which would result if constancy of value were inferred from the suspension of causes affecting only one side of the equation. Thus, the relativity of Bailey's value, and the relativity, therefore, of the causes of that value always kept before him the fact that no matter on which side a causal change appeared, the entire relation of value was still affected.

It is likewise noteworthy that nowhere in Bailey's treatment of money is there to be found any suggestion of the real, nominal distinction which is usually a part of such inquiries. In Chapter III<sup>1</sup> it was shown that Bailey expressly denied the usefulness of this distinction, whether in its Ricardian or more familiar Smith-Malthus formulation. What this meant in the present context was that Bailey understood that changes in the value of money were important, for as the commodity of contract, an individual's welfare could obviously be affected by such changes. But the same thing would be true of any commodity received by an individual. A change in the value of any commodity received by that individual would affect his welfare. Therefore, to put money considerations out of the picture (because "merely" nominal) would be overlooking important elements in individuals' economic plans. In other words, money was just as "real"

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1 Supra., pp. 103-112.

to individuals as any other commodity. The basis for a line of thought such as this had been laid to Bailey's earlier disavowal of the real, nominal distinction which, as has been seen, derived from his conviction that value was purely relative in its meaningful economic signification.<sup>1</sup>

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<sup>1</sup> Cf. Rosenstein-Rodan, "Coordination of the General Theories of Money and Price," op. cit., p. 263.

## CHAPTER X

### BANKING

At the present time, the acreage encompassed by the currency and banking controversies of the thirties and forties decades of the 19th century has been so thoroughly ploughed, harrowed, and cultivated that little can be gained in the administration of another treatment.<sup>1</sup> On the other hand, there is a great convenience in having this period so well covered; the major events and occurrences are well established and documented; the important figures and arguments are satisfactorily condemned or praised. All of which makes the evaluation of Samuel Bailey against such a monetary panorama the simpler. In the preceding chapter it was shown that Bailey's work on money was phrased generally in terms of the theoretical problem of the value of money, or changes in the value of money, and the somewhat more practical matter of whether, in terms of the theoretical analysis, anything could be done by the state to circumvent the vicissitudes occasioned by such changes. The Money, therefore, was in some contrast with the usual run of pamphlet literature published at the time. It

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1 Cf. Viner, Studies, pp. 218-89. Vera C. Smith, The Rationale of Central Banking, (London: 1936), pp. 14-20, 61-79. L.W. Mints, A History of Banking Theory, (Chicago: 1945), pp. 101-124. E. Wood, English Theories of Central Banking Control, (Cambridge, [USA] : 1939) A.E. Feavearyear, The Pound Sterling (London: 1951), pp. 216-70. A. Andreades, History of the Bank of England, (3d. edition; London: 1935), pp. 248-94.

was provoked neither by a monetary crisis nor by the proposal or passage of an act immediately impinging on monetary problems. Rather, it was merely one more of Bailey's familiar endeavors to set the analysis straight and to see just how much could then be inferred from it. At the end of the Money proper, however, Bailey had set aside a few pages devoted to what, in the title, was described as a "Postscript on Joint-Stock Banks." And this "Postscript," along with its companion publication, A Defence of Joint Stock Banks and Country Issues (London : 1840), rather definitely put Bailey into the midst of the contemporary issues implied in the titles. Since little has been said in the critical literature about Bailey's participation in these disputes, it is worthwhile to attempt a brief appraisal of it.

The Defence was divided into two parts, the first of which was a virtual re-print of the "Postscript" of three years earlier. There is a certain advantage, however, in using the chronology of Bailey's publication, for the two parts of the Defence, while related in many matters of principle, were nevertheless written in response to somewhat different monetary problems which occurred during the thirties decade. It is therefore possible to relate Bailey's arguments to the very well-known and immediately practical issues of the period.

1.

By way of a brief background to Bailey's "Postscript," it will be recalled that, although the Committee of 1832 appointed to consider



the expediency of renewing the Bank of England's charter produced no report, on the basis of the evidence so gathered the Government passed the Bank Charter Act of 1833. In addition to granting the Bank certain increased powers of credit control through freer use of the Bank rate, the act also broadened the field of operations of the joint-stock banks.<sup>1</sup> From one viewpoint, therefore, the Government gave its approval to the operation of the system of joint-stock banks which had been established under the Act of 1826.<sup>2</sup> The period following the Act of 1833, however, turned out to be one of considerable prosperity and eventually, of great speculative activity. Although the actual crisis did not materialize until the end of 1838,<sup>3</sup> explanations were not wanting for the development of the boom. Conspicuous among these was that given by William Clay in his speech in the House of Commons of 12th May, 1836, urging the appointment of another Select Committee to inquire into the expediency of altering the Act of 1826,<sup>4</sup> and that of J.H. Palmer, who charged that joint-stock banks thwarted action by the Bank of England to regulate its issues by reference to the exchanges.<sup>5</sup> It was in light of the strong presumption that

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1 Cf. Feavearyear, op. cit., p. 354.

2 7 Geo. IV., C. 46.

3 Cf. Andreades, op. cit., pp. 263-68.

4 Cf. Speech of William Clay, Esq., M.P., ... (London: 1836), pp. 11-15.

5 Cf. J.H. Palmer, Causes and Consequences of the Pressure upon the Money-Market ... (London: 1837), p. 34.

some kind of legislation governing the conduct of joint-stock banks would be soon forthcoming that Bailey, who had developed a considerable personal interest in the system of joint-stock banking,<sup>1</sup> proposed to consider the question of "... how far the State can beneficially interfere in the business of banking."<sup>2</sup> This matter of governmental intervention had been one of his objectives in the Money proper. In the instant case, as in the former, he believed it was necessary to demonstrate unequivocally that the advantages of interference outweighed the disadvantages. And while admitting that there might be instances in which the State was required to interfere, in the present, as in the former argument, he thought that the general provinces of trade and commerce were best carried out without deadening or inept legislative restrictions. He was unable to see that "dealing in money" was in any way different from dealing in any other commodity, except in the fact that "... Legislators cannot forge the fond fancy of a necessity for their interposition [in it]."<sup>3</sup> The self-interest of individuals and the watchful competition of their rivals would see to it that "... in the long run, the business of dealing in money, like all other trades, shall be carried to an adequate, but not an excessive extent."<sup>4</sup> What

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1 Cf. Chapter XIII, infra, pp. 594-99.

2 Money, p. 178. Defence, p. 1.

3 Money, pp. 178-78.

4 Ibid., p. 179.

was "true policy" in regard to individuals, therefore, Bailey saw as likewise applicable to partnerships which acted like individuals. And the act of 1826, which he believed was "judiciously framed," was commended by him for its enlightened attitude in refusing to make restrictions on the conduct of partnerships which thorough-going self-interest motives would satisfactorily regulate.<sup>1</sup> Moreover, he believed that the Act of 1826 had given the country a "considerable number of sound establishments" and that the system which they represented had proved "beneficial."<sup>2</sup>

It was from this general standpoint that Bailey directed himself to the three main charges that (1) the 1826 Act had led to an unwarranted and unsafe increase in the number of banking companies formed, (2) that they had mismanaged their affairs, and (3) that they had expanded the currency of the nation by overissuing their own notes. So far as the first charge was concerned, Bailey took the view that if too many new banking establishments had been formed, this was no different from any other trade recently opened up. The private interests of

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1 Ibid., p. 183. Defence, pp. 8-10. Bailey did admit that some regulations were dictated by the nature of large companies, as, for example, the procedure for their formation, the means of obtaining and disposing of shares in them, the provision for conducting law suits by and against the company, and publication of the names of its partners. But these restrictions were not directed against the motives of the companies themselves. Rather, they were legitimate measures adopted by the government to protect its citizens in a sphere in which they were unable to do so themselves.

2 Money, p. 184. Defence, pp. 10-11.

capitalists and consumers would eventually determine the proper number of banks required. "No wisdom, short of omniscience, could so well proportion the number and extent of these [banking] establishments to the wants of the community, as those principles of human nature which spontaneously work out the result."<sup>1</sup> Therefore, any government interference would be "useless" and "mischievous." As will appear subsequently, when Bailey proceeded to discuss "principles," this adherence to the "wants of community" or "needs of trade" argument was the foundation of much of his reasoning. It is worth remembering at the same time, however, that in emphasizing this side of the question as against the "supply" side, Bailey was consistent with the fundamental causes of economic behavior he had laid down in the Critical Dissertation.

Regarding the second charge, Bailey admitted that "overtrading" and "mismanagement" had taken place, but he thought that they too were no more than could be expected from the opening up of a new trade. If the joint-stock banks had pushed their transactions beyond "safe and proper limits" during the boom of 1835-36, they were no different from the many other joint-stock companies which had done the same thing. The "mania" was not due to the joint-stock banks alone, but rested on a "much deeper source." There was nothing in this, he believed, "... but what is temporary, nothing which will not correct

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<sup>1</sup> Money, p. 186. Defence, pp. 12-13.

itself, nothing peculiar to banks, or banking companies, large or small."<sup>1</sup> Banks and mercantile firms were alike and their individual errors would be corrected only by " ... ampler experience, sounder views, and superior knowledge -- acts not to be forced upon them by Acts of Parliament."<sup>2</sup>

That Bailey's perception of the cyclical phenomenon was shallow is, of course, obvious enough. As will be shown momentarily, particularly was this true in his failure to appreciate the differences between the operation of a system of banks and the operation of an individual bank. On the other hand, there was a certain merit in his refusing to accept the simplistic notion that banks, alone and exclusively, were responsible for speculation extravagances. Bailey may have been right for the wrong reasons, for he was obviously disposed to defend his own calling against the imputations so frequently made. But it is not too much to claim that by far the most popular (and probably misleading) explanation of cycles (crises) was in terms of "monetary phenomena." In insisting on the fact that there was a "much deeper source" than this, Bailey was at least pointed in the right direction.

The third charge Bailey termed the "grand charge of all." It proceeded, he said, from taking the country banks and the Bank of England as analogous in their function as banks of issue. The Bank of

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1 Money, pp. 187-88. Defence, pp. 13-14.

2 Money, p. 191. Defence, p. 16.

England could issue notes with no check but convertibility; the country banks, on the other hand, were all "rivals to each other" and "act under circumstances which immediately and effectually limit the amount of their circulation."<sup>1</sup> He then proceeded to state his version of the "vaunted principle of reflux" some eight years before Fullerton made it popular.<sup>2</sup> He expressed himself very carefully and, therefore, was not quite so guilty of error as is implied in the charge that the reflux principle fails to differentiate the individual bank from a system of banks.<sup>3</sup> Bank of England and country bank notes were similar, said Bailey, in their liability to redemption in specie. Thus, both the Bank and the country banks had to keep a specie reserve, or, in the case of the country banks, a reserve in Bank notes. The similarity ended there, however. The Bank of England made advances on bills and public securities by means of its own notes. The country banks, on the contrary, made the "principle part" of their advances in gold or Bank of England notes. "For every five pound note

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1 Money, pp. 192-93. Defence, p. 18.

2 Cf. J. Fullerton, On the regulation of Currencies (2d ed.; London: 1845), p. 64. The principle of reflux, however, had been around for some time. Cf. Viner, Studies, pp. 236-41.

3 Cf. T. Joplin, Views on the subject of coin and Currency, (London: 1826), pp. 45-46, 153. J.R. McCulloch, Historical Sketch of the Bank of England, (London: 1831), pp. 47-48. G.W. Norman, Remarks upon some Prevalent Errors, with Respect to Currency and Banking ... (London: 1838), pp. 52, 54. S.J. Loyd, Further Reflections on the State of the Currency ... (London: 1837), pp. 49-50.

which they issue on commercial bills, or credit accounts, they must probably advance then, fifteen, or twenty pounds in gold or other real capital ....<sup>1</sup> This ratio between their own notes and gold or Bank of England notes advanced might vary between individual banks, Bailey added. He thought that the exact proportion of gold or Bank of England notes which accompanied country note issues would depend upon the business requirements in the particular area. It followed from this that "if a bank should attempt to force out more than the proper proportion of notes on its customers, the paper would be returned upon it, probably the same day, for specie or London notes."<sup>2</sup> In addition, a "considerable part" of the local advances were made for the purpose of settling London accounts, and the country bank notes were not accepted for this purpose. These two factors would normally check any excessive issue of paper on the part of the country bankers.<sup>3</sup> The borrower decided what proportion of gold, Bank of England notes, London drafts, or local notes he would accept for his particular needs.

But if, in misconception of their real interest, any of these banks should attempt to extend their circulation, and should suc-

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1 Money, p. 194. Defence, p. 19.

2 Money, p. 196. Defence, p. 20.

3 There was the additional incentive of allowing interest on deposits, so that country bank customers would ordinarily try to repay cash as quickly as possible. Not all joint-stock banks adopted this procedure, although Bailey's own bank did allow 2 to 3 per cent. Cf. D.G. Scott, History of the Rise and Progress of Joint Stock Banks in England (London: 1857), p. 9.

ceed by some means or other in getting afloat a greater amount of their notes than would be issued without any direct effort in the regular course of their business; the external and repressive checks would instantly come into operation. Should they have forced out a greater proportion of paper to specie than the nature of the business carried on in the neighbourhood can do with, the surplus notes are instantly sent in for gold. Should they have compelled or induced their customers to take out notes for large payments, which must after all be finally made in London, the paper in a few days finds its way back to the Bank that has had the folly to issue it, probably through the weekly exchanges which are established with its neighbours in the same trade, and the amount has to be liquidated by a draft on London, to the loss of the issuer.<sup>1</sup>

Although it is clear enough that Bailey failed to see how note-issuing banks could expand their circulations so long as they remained in step with one another,<sup>2</sup> he was correct in emphasizing the fact that the note-issue function itself was a less significant portion of the banker's business than the currency protagonists implied.<sup>3</sup> To the request by the Committee of 1836 that the country banks avoid an "im-

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1 Money, pp. 196-97. Defence, p. 21.

2 Cf. Smith, op. cit., pp. 60-76. Bailey in fact believed that it was possible for one bank to expand its issues by "displacing" those of a rival bank. He said nothing about possible "retaliations" on the part of rivals whose issues threatened to be so "displaced," and saw no way in which this kind of behaviour could become cumulative. On the other hand, he somewhat later inconsistently claimed that any bank which denied itself business, in conforming to the injunction of the Parliamentary Committee of 1836, would simply be transferring its business to competitors who were differently motivated. Money, pp. 206-7. Defence, p. 30.

3 Cf. E. Wood, op. cit., pp. 38-40. Although Professor Wood includes Bailey's Money and Defence in his bibliography, he makes no contextual references to him. This is somewhat surprising, inasmuch as some of the conclusions Professor Wood reaches are the same as those Bailey had made.



prudent extension of the circulation" Bailey had replied that the note issues of the country banks were "... only incidental to their main business of lending real capital, and are subject to effectual checks, which relieve the banker from the necessity of attending to the amount."<sup>1</sup> He thought that the

... principal business [of the country bankers] does not consist, like that of the Bank of England, in lending their own notes, but in lending real capital, belonging either to themselves or their depositors; and so long as their own paper bears so small a proportion to their loans, their chief concern must be to make advances to their customers safely and profitably, with little or no reference to the effect which such advances may produce on their circulation.<sup>2</sup>

When he returned to his subject three years later Bailey employed this same viewpoint with considerable effect in insisting that monetary difficulties were due less to the abuse of the power of note issue by banks than to abuse of the extension of credit or deposit accounts. At all events, it is impossible to dismiss Bailey's dictum -- "The only proper principle on which any Bank subject to the competition of rivals possessing the same powers as itself, can conduct its proceedings, is a very simple one and common to every trade. It is to do as much safe and profitable business as its resources will allow, and no more."<sup>3</sup> -- as meaningless. As Professor Schumpeter has shown, "... a faulty theory, in this as it does in other cases, covers wise advice."<sup>4</sup> So that

1 Money, p. 206, Defence, p. 29.

2 Money, p. 198, Defence, p. 22.

3 Money, p. 204, Defence, p. 27.

4 History of Economic Analysis, p. 730.

however beguiling may be the perception of the expansionist powers of a system of banks as contrasted with those of an individual bank, it still remains true that the system could remain more, if not absolutely, stable if all its members did confine themselves to careful and searching examinations of their reserve positions and the credit applications made against them.

In one final discharge at a recommendation of the 1836 Committee, that the country banks should feel it to be their " ... pressing duty to examine accurately the state of the exchanges, the proceedings of the Bank of England in reference to its issues, and may thus guard against the dangerous error of an imprudent extension either of credit or of circulation when an opposite course was rendered necessary,"<sup>1</sup> Bailey raised a point which he was to argue even more forcefully in 1840 against S.J. Loyd (Lord Overstone) and, in doing so, broached the important matter of the relation of the country banks to control by the Bank of England. Having demonstrated that the note issues of the country banks depended upon the proportion of notes to advances required in any particular district, Bailey found it illogical that the Committee should require these banks to regulate their issues in reference to the exchanges and/or Bank of England issues. He objected to proposing to

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<sup>1</sup> Report of the Joint Stock Bank Committee of 1836 as quoted in T. Joplin, An Examination of the Report of the Joint Stock Bank Committee (London: 1836), p. 88.

the country banks " ... a public object attainable only by their general concurrence in doing what it is their individual interest to neglect ...."<sup>1</sup> The banks' business was in terms of local conditions and their own resources, and it was unreasonable to expect them to act through some "chivalrous resolution to turn the exchanges." Moreover, unless all the banks acted together on this prescription by the Committee, the contraction or expansion of issues would be ineffective. Rival banks would probably refuse to follow a contraction of issues of a single bank attempting to follow the Committee's advice. They would merely replace the issues the individual bank had called in without producing any effect on the total circulation.<sup>2</sup> Expansion, as he thought he had satisfactorily proved, could take place only if the local conditions demanded it.

Beyond all this, which he thought was obvious, Bailey argued that it was superfluous to expect the country banks to regulate their issues by reference to the exchanges, when action by the Bank of England alone could bring about any desired expansion or contract of the aggregate circulation. To prove this point he used what was essentially Thornton's application of the Humian balance of payments analysis.<sup>3</sup>

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1 Money, p. 205. Defence, p. 27.

2 Money, p. 207. Defence, p. 30.

3 Cf. Paper Credit, 216 ff. This theory, of course, had been available for some time since Boyd had outlined it in 1801. Cf. Viner, Studies, pp. 154-56. J.K. Horsefield, "The Duties of a Banker. II, Economica, XI (May, 1944), reprinted in Papers in English Monetary History, eds. T.S. Ashton and R.S. Sayers (London: 1955), pp. 34-36.

A contraction of the metropolitan currency is not wholly sustained by the district in which it circulates without a rival, but is diffused throughout the country, ultimately, if not immediately. The comparative scarcity of money and the rise in the rate of interest draw a greater number of payments to London. A larger amount of gold and Bank of England paper is sent from the country to London, and a smaller quantity from London to the country. Country Bankers consequently find their resources diminished; their notes are brought in for drafts on London, or deposits are drawn out in Bank of England paper to send thither, and their issues are thus gradually contracted without any direct effort of their own with that view.<sup>1</sup>

Even though it would probably take some time for the full effects of a contraction of Bank of England issues to make itself felt, Bailey was still convinced that the interests of the country bankers would prompt them to watch carefully the value of gold and notes both in London and the provinces and to move funds wherever it was greater.<sup>2</sup> This being so, he again could find no reason for the Government to interfere in regulating the country issues.

There is no direct indication that Bailey meant his argument about inter-district balances to apply to bank credit as well as note issues. But inasmuch as the opposing side had directed itself almost exclusively to the note circulation, logically, in order to refute them, he was not required to take up the problem of deposit accounts. As has been shown, Bailey was sufficiently aware of the fact that deposits, like bills and checks, were satisfactory substitutes for notes, and, as will

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1 Money, pp. 209-10. Defence, p. 32.

2 Money, pp. 211-12. Defence, p. 35.

appear presently, he understood that the forms of bank credit other than notes probably outweighed notes in importance. His mention of the high interest rate as one of the factors tending to draw funds to London and his relating the rate to the amount of the London circulation shows that, if he did not explore this possibility of Bank of England control over the country banks fully, at least he was aware of it as one available method. A few years later he carried it somewhat further. At this juncture, however, Bailey realized that the point in question was bank notes, which, for the currency school, constituted the circulation. He had never relinquished the demand for convertibility of country bank notes, so that to the extent that convertibility was supposed to prevent the Bank of England from over-issuing its own notes, to that same extent convertibility could prevent a system of individual country banks from over-issuing theirs. On the basis of the record, however, the great variety of explanations and condemnations of the Bank of England's behaviour in failing to abide by any consistent rule demonstrated, he thought,

... the difficulty of arriving at any satisfactory system of regulating the currency under a monopoly; and it may be doubted whether this difficulty, so long as the monopoly lasts, can ever be overcome; inasmuch as, whatever system is adopted, the necessity will exist of having recourse to arbitrary assumptions and empirical expedients.<sup>1</sup>

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1 Money, p. 217. Defence, pp. 38-39.

The longer the monopoly continued the more complicated commercial and financial affairs would become, because that "great desideratum" of a convertible currency automatically adapting itself to the expansions and contractions of business was thwarted by the ad hoc expediences of the Bank's Directors. The monopoly enjoyed by the Bank of England gave it a power, he thought, to meander haphazardly through the field of monetary management which a system of independent "sound establishments," issuing "instantly convertible" notes, and subject to the "watchful competition of rivals" would circumvent.<sup>1</sup> To this end Bailey suggested the founding of ten or twenty banks in London with capital of the order of two or three million pounds apiece. Operating under the "easy movements of unfettered trade" they would be able to accommodate the business needs of London. Convertibility and the reflux principle would effectively regulate their issues. Inter-bank balances could be settled in a note circulation of one hundred percent specie reserve, such notes to be issued by a National Bank of Issue. This Bank of Issue would merely convert bullion into notes, which would be legal tender, and would leave the changes in the value of money to the automatic forces of the market and the exchanges.<sup>2</sup> All of the conveniences and benefits of the usual banking functions would be available

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1 Money, pp. 214-15. Defence, pp. 35-36.

2 Money, pp. 221-24. Defence, pp. 41-44.

to the country under such a system, Bailey believed, and most of the evils produced by the whimsical and fanciful manoeuvrings of the "chartered libertine" would be avoided.<sup>1</sup>

It is tempting, of course, to dismiss Bailey's position as of little account. The argument that a system of banks can do things which an individual bank cannot has generally appeared to put paid to the defense of free banking as against some form of central control or assumption of the issue privilege. But confined to the problem of the issue function alone, and leaving aside the matter of deposit banking in the fashion of the currency principle supporters,<sup>2</sup> it has not been proved unequivocally that a system of central control over the issue function is inherently more stable than a system of multiple issuers.<sup>3</sup> At any rate, Bailey and the others of the banking school probably had some justification for taking the performance of the Bank of England as sufficient evidence that one of the things that had not been achieved was stability of issues in reference to the exchanges or in reference to the requirements of business conditions. To the extent, therefore, that it was possible to attribute monetary ills to mismanagement of the

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1 The only direct reference made to Bailey's plan was J.W. Gilbert's approval of it. Cf. Currency and Banking (London: 1841) reprinted in The History and Principles of Banking, etc. (London: 1866), pp. 352-53.

2 Bailey understood that this probably amounts to throwing out the baby with the bath water, as will be seen subsequently.

3 Cf. V. Smith, op.cit., pp. 147-54.

circulation, the advocates of freedom in note issues were on ground at least as safe as that staked out by the supporters of central control of the issue. In saying this, however, it must not be overlooked that a far more important and interesting matter is left over for discussion, viz. the extent to which monetary ills were due to the ability of individual banks, or a system of such banks, to make advances and to open credit accounts. The currency school did not ignore this problem, obviously. But it seems safe to say that other difficulties came higher up on their list.

## 2.

From what has been observed thus far of Bailey's defense of freedom of the issue function for the joint-stock and private banks, it is clear that there was probably less depth in his analysis than conviction in his belief in the efficacies of free trade. When he came back to his argument in 1840, however, he had broadened it in terms of evidence and events, and had sharpened it in terms of the principles underlying his viewpoint.

Due to a combination of external factors and internal mismanagement the Bank of England in 1838 and 1839 had only just succeeded in avoiding bankruptcy. A failure of the corn crop in 1838, the suspension of specie payment by the Bank of Belgium, defensive measures to this by the Bank of France, and a policy of lowering the discount rate by the Bank of England, all managed to reduce the Bank of England's bullicia



reserve to such a low point that what remained of it was only preserved by a loan from the Bank of France through Baring Brothers.<sup>1</sup> As in the case of the boom of 1835-36, there were plenty of explanations for the instant crisis, grouped generally around the theories propounded by the Currency and Banking Schools. For present purposes it is most convenient to refer to the pamphlets published by S.J. Loyd (Lord Overstone) as representing the former, since it was the view adopted there which Bailey chose to confront.

Although Loyd agreed that cyclical convulsions were not uniquely caused by currency fluctuations, he thought that the latter could at least restrain or abet them, depending on the direction of the currency movements.<sup>2</sup> The importance of changes in the volume of the currency thus established, Loyd then analyzed the 1838-39 disturbance with the intention of discovering the cause of any changes which might have occurred in the currency circulation. His test was to be the extent to which the amount of currency in circulation corresponded with the amount of bullion held by the Bank of England. For he believed that only in this way was the "principle of currency" -- i.e. "a paper

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1 Andreades, op. cit., pp. 267-68.

2 Cf. S.J. Loyd, Remarks on the Management of the Circulation (London: 1840), pp. 90-91. S.J. Loyd, A Letter to J.B. Smith, Esq. (London: 1840), pp. 7, 10-11. S.J. Loyd, A Second Letter to J.B. Smith (London: 1840), reprinted in S.J. Loyd, Tracts and Other Publications on Metallic and Paper Currency, ed. J.R. McCulloch (London: 1858), pp. 205-6.

circulation varying in amount exactly as the circulation would have varied had it been metallic<sup>1</sup> to be preserved. In seeking for the cause of a change in the volume of the currency during the period in question Loyd admitted that the Bank of England itself was not wholly blameless in failing to regulate its issues according to its bullion reserves.<sup>2</sup> But if it appeared that the Bank's relation with the Government forced it to pursue contradictory policies respecting its issue function and service as lender of last resort,<sup>3</sup> as an equally influential agent in thwarting the effects of the Bank's actions Loyd turned against the country banks of issue. In general, he found that they did not regulate their issues according to the movements of bullion, that they responded to Bank Rate changes too late and too violently, that their system of competitive issues forced them to act differently as a system compared with their conduct as individuals, and that they counteracted changes in the Bank of England's circulation by their own issues.<sup>4</sup>

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1 S.J. Loyd, Reflections suggested by a perusal of Mr. J. Horsley Palmer's Pamphlet (London: 1837), p. 15. S.J. Loyd, Further Reflections on the State of the Currency (London: 1837), pp. 38-39. The Currency Principle was by no means novel with Loyd, of course. Cf. Wood, op. cit., pp. 110-11, and the references there cited.

2 Loyd, Remarks on the Management of the Circulation ... pp 77, Loyd, Letter to J.B. Smith, Esq., p. 17.

3 Loyd, Remarks on the Management of the Circulation pp. 45-53

4 Loyd, Remarks on the Management of the Circulation pp. 58 ff. Loyd, Letter to J.B. Smith, Esq. pp 12 ff. Loyd, Second Letter to J.B. Smith, Esq. pp. 214 ff.

Since most of Loyd's charges were against notions Bailey had maintained in the "Postscript," it was only natural that Bailey should try to defend the country banks against them. Most of the second part of the Defence, therefore, is taken up with Bailey's attempt to refute Loyd. His argument consisted of an analysis of the rules proposed to guide banks in the regulation of their issues, of how far the Bank of England and the country banks had abided by such rules, of how far it was practicable that the country banks should abide by such rule or rules as were laid down, of what beneficial effects attended changes in the amount of the country issues and the effect such changes produced on the circulation of the Bank of England, and finally of the particular advantages of a paper circulation and how they could be best secured.<sup>1</sup> In order to keep the many details of the argument straight, it will be convenient to note the points on which Bailey and Loyd were agreed.

First of all, there was no question about the necessity for convertibility of paper issues. Bailey had already made this clear in the "Postscript"<sup>2</sup> and he continued it in the second part of the Defence.<sup>3</sup>

Next, like Loyd, Bailey did not intend to imply by his investigations that he considered currency fluctuations the sole cause of cyclical movements. This had been part of Bailey's argument from the Money, and

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1 Defence, pp. 46-47

2 Supra, pp. 453-54.

3 Defence, p. 91.

had also been continued in the "Postscript."<sup>1</sup>

When it came to the Bank of England, both men were agreed that the Bank had not been entirely successful during the late thirties in keeping to the Palmer Rule of note issues varying with the bullion movements.<sup>2</sup> From this point, however, their positions diverged. As is well known, Loyd believed sincerely in the objective of the Palmer Rule. On the other hand, he doubted that the Rule itself could work satisfactorily and proposed, instead, that the separation of the issue function from the banking function would serve to re-establish the correlation between note fluctuations and bullion movements.<sup>3</sup> In addition to this, only as the country banks went along with the Bank of England in regulating themselves according to the exchanges, said Loyd, would the entire circulation correspond in its movements with those of the bullion upon which it was based. Otherwise the country issuers might counteract whatever policy the Bank of England had adopted on its reading of the exchanges. Accordingly, and in conformity with the general currency principle, Loyd laid down the rule that all banks of issue, whether the Bank of England or the

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1 Cf. supra, p. 452. Chapter IX, supra pp. 410-13, 427-28.

2 Cf. Loyd, Reflections, pp. 5-6, 38-39. Loyd, Remarks on the Management of the Circulation, pp. 40-42. Money, pp. 215-19. Defence, pp. 38-39, 49.

3 Loyd, Reflections, pp 15-17, 42-49.

country banks, ought to regulate themselves according to the bullion reserves.<sup>1</sup>

It was in appraising this general position that Bailey opened up most of the important theoretical differences between himself and Loyd. It is clear that Loyd's rule assumes (1) that it is desirable that the total circulation (meaning note issues) vary in the manner he prescribed, (2) that it is possible to ascertain the relevant variations in such total circulation, and (3) that the country note issues are perfect substitutes for the Bank of England issues throughout the country. So far as he was able to make out, it seemed to Bailey that Loyd meant his rule to prescribe that a bank should keep a "certain fixed proportion" between its bullion and its circulation.<sup>2</sup> This Bailey dubbed the rule of "equal increments," for it meant that "... the paper money of any Bank actually in circulation and the gold in its coffers shall increase and decrease by an equal amount."<sup>3</sup> Observing

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1 Cf. Loyd, Second Letter to J.B. Smith Esq. p. 202. "... Management of the currency means regulating the fluctuations of the paper issues by the fluctuations of the bullion; and mismanagement consists either in putting out large quantities of paper-money and rapidly calling them in again, when there is no corresponding increase or diminution of the bullion; or in taking in large quantities of bullion, and not putting forth notes against it. By this rule I contend that all issuers of paper-money, whether Bank of England or Country Issuers, out to be judged, and that their measures must in every instance be condemned or approved, in proportion as they conform to or violate it." Cf. also Loyd, Remarks, pp. 114-15.

2 Defence, pp. 47-48.

3 Ibid., p. 50.

the well-substantiated instances in which the Bank of England had failed to abide by this rule during the period under review, Bailey then went on to make a more damaging criticism of it. In the first place, he pointed out that Loyd subjected the Bank of England and the country banks to different criteria for adhering to the rule. That is, the Bank of England was supposed to regulate its note issues by reference to the gold it held, but the country banks were supposed to regulate their issues by the gold in the possession of the Bank of England. In other words, according to Loyd the country bankers were not supposed to consult their own reserves in order to determine the extent of their issues, but were, rather, to consult the bullion reserves of some other institution.<sup>1</sup> This seemed patently inconsistent to Bailey. Moreover, so long as Loyd was not prepared to take the issue privilege away from the country banks entirely, he could hardly charge them with mismanagement unless he could show that they had failed to make their issues correspond with their own bullion reserves. Since the available data revealed only the country circulation and not the bullion held by the country banks, Loyd had not succeeded in showing that the country bankers had violated the "equal increments" rule.

This was not all for Bailey, however. Granting, he said, the country banks decided to regulate their issues by reference to the

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1 Ibid., pp. 53-54.

bullion holdings of the Bank of England, the Loyd rule would prove self-contradictory in practice. During the period 10 January to 7 February, 1839, for example, the bullion held by the Bank of England declined by £ 417,000, while the circulation of the Bank increased from £ 18,201,000 to £ 18,252,000. This being the case, Bailey wanted to know, what were the country banks supposed to do? Were they to decrease their issues by £ 417,000 and thus uphold the equal decrements rule? Or were they to decrease their issues by a greater amount in order to compensate for the Bank's increase of its own issues at a time of decreasing bullion reserves? Or, finally, were the country banks to decrease their issues by the same ratio as 417,000 was to 18,201,000? Obviously, there were in fact too many possibilities. "It is needless to pursue the perplexities of such a rule farther," said Bailey. "If any one chooses to do so, he will find that they reduce to a very simple, although not very available maxim, that when the bullion in the Bank varies, the Country Issues ought to vary somewhat in the same direction, the extent of the variation being an unassignable quantity."<sup>1</sup> Beyond this, the country banks did not have access to the information necessary to carry out such a rule as Loyd envisaged. The data came too late for use and the presentation of it in terms of averages failed to show how fast or slow the rate of change of bullion holdings was proceeding. Yet, it

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1 Defence, p. 56.

was data of this order which was required if the country bankers were to make their issues correspond directly with the bullion flows.<sup>1</sup>

Bailey also made another objection against Loyd's rule, if by it Loyd meant that the country banks should vary their issues in correspondence with the bullion flows from or to the Bank of England. Assuming a one million pound withdrawal of bullion, Loyd's rule required a contraction of one million of Bank of England circulation and, since he had made no attempt to differentiate the country banks, a one million contraction of their issues as well. Thus, a decline of one million in the bullion holdings of the Bank of England produced a two million decline in the over-all circulation. Loyd's first assumption was therefore overthrown, for under such conditions the entire circulation did not behave like a purely metallic one.<sup>2</sup> Moreover, since the country banks usually issued notes to only a fourth or fifth of their total advances, to effect an expansion or contraction of their circulation equal to that of the Bank of England the country banks would have to alter their advances by four or five times the change in the Bank's bullion. This concluded Bailey, would force the country issuers into "over-banking with a vengeance."<sup>3</sup> If Loyd did not intend his rule to work in this way, then he was back in that vague area where the

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1 Ibid., pp. 56-57.

2 Ibid., pp. 57-59.

3 Ibid., p 62.



country banks were supposed to vary their issues in a certain direction, but the extent of the variation would be an "unassignable quantity."

Nor was this all. When Loyd had cited figures from Norman, Hume, and Bank of England returns to show that during the years 1833-39 there were frequent occasions when the country issues varied inversely with the Bank of England's circulation,<sup>1</sup> Bailey objected, correctly it seems, that Loyd had changed his original criterion. Loyd had first laid it down that the country banks should govern their issues by reference to the bank's bullion. But in the present reference Loyd had criticized the country banks for not regulating their issues by reference to the Bank's circulation. The latter interpretation of his rule was valid only to the extent that the Bank of England had made its own circulation correspond exactly with the bullion movements. Since the record demonstrated that this was not the case and that the Bank's issues had frequently diverged from its bullion reserves, Loyd had found the country banks wanting in merit by inconsistently using two different standards. His position amounted to insisting that the country banks' "... line of conduct shall be uniformly parallel to two other lines which are themselves frequently at right angles to each other."<sup>2</sup>

Taking it as proved, therefore, that the country issues should not,

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1 Cf. Loyd, Remarks, pp. 69-77.

2 Defence, p. 71.

and probably could not, vary directly with the Bank of England bullion reserves, Bailey next addressed himself to the question of how the country issues should fluctuate and how such changes should be brought about. As might be expected, he relied entirely on the reflux principle which he had declared in the "Postscript."

It is desirable that the amount of the country circulation should vary with the business it has to perform, and this is secured, as far as human regulations can secure it, by the present system. The checks upon overissues are so completely and so immediately operative, that the circulation cannot be forced for any period sufficient to affect prices, and whatever amount is afloat is kept out, because it is required by the actual wants of the community.<sup>1</sup>

He went a little further in defending the reflux principle at this time, however. And he seems to have appreciated that it was more readily defensible if he could show that the country issues were not perfect substitutes for Bank of England notes. For if this could be proved, it would follow that whatever factors affected or determined the country circulation would not necessarily be compensated by inverse changes in the Bank's circulation and vice versa. And, from this he could support his claim for exemption from legislative control over the country issues, regardless of what program the legislature adopted for control of the Bank of England's circulation. Loyd, of course, took the opposite view, and understood that he could justify his claim that

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1 Ibid., p. 72

"... control, either direct or indirect, must be exercised over all the paper issues of the country,"<sup>1</sup> only if he could take it that Bank of England and country bank issues were substitutes. He thought that he had satisfactorily proved this to be the case, of course.<sup>2</sup>

Bailey's argument, that the Bank of England and country bank issues were not perfect substitutes and did not circulate co-extensively, was generally well-grounded, and it is somewhat surprising to find it completely overlooked in the critical literature. This may be due to the fact that as a member of the Banking School, and therefore failing to note the difference between the effects of an individual bank and a system of individual banks, there is a tendency to dismiss other portions of his defense as unmeaningful. However, as far as the purely empirical foundation for his position was concerned, Bailey was better situated than Loyd.

The gist of Bailey's defense was that changes in the amount of the country circulation produced no effect on the purchasing power of the whole circulation of the nation, i.e. Bank of England notes.

The reason that provincial paper cannot affect that of the Bank of England is, that it cannot do the work of her paper. The fields of operation for these two currencies are not co-extensive.

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<sup>1</sup> Q. 2725, Evidence before The Select Committee of the House of Commons on Banks of Issue, 1840, reprinted in Loyd, Tracts, p. 367. Loyd expressed the same conviction elsewhere in his evidence. Cf. Q. 2879, Ibid., p. 418.

<sup>2</sup> Cf. Loyd, Remarks, pp. 69-78. Loyd, Second Letter to J.B. Smith, Esq., pp. 214-23. Q. 3195, Evidence on Banks of Issue. Tracts, p. 478.

The latter can perform every office of the former, but the former is excluded from the most important offices of the latter. Country paper cannot circulate in London, and cannot therefore by its abundance, or its scarcity, produce any effect on the prices of commodities there, or on the prices of public securities; and being at all times instantly convertible into Bank of England notes, it cannot by its quantity produce any effect on prices in the country.<sup>1</sup>

He perceived, therefore, that a void created by either the Bank of England or the country banks could not be filled by the notes of the other. "The metropolitan sphere of her [i.e. Bank of England's] circulation is as effectually cut off from the interference of the country issues as the paper currency of one country is from the influence of that of another ...."<sup>2</sup> This being the case, the London-country relation is explained in terms of ordinary balance of payments theory already laid down in the "Postscript."<sup>3</sup> Anything done in London to affect the interest rate would affect the country circulation.<sup>4</sup> Bailey admitted that the country issues would compete with the Bank of England branch circulation.<sup>5</sup> But it was erroneous, he insisted, to infer from this that any change in the London circulation of the Bank would be immediately counteracted by an inverse change in the country circulation. Loyd's figures adduced to show that the country

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1 Defence, p. 83.

2 Ibid., p. 84.

3 Supra., pp. 454-55.

4 Defence, pp. 75, 79-80.

5 Ibid., p. 84

issues expanded when the Bank of England issues contracted failed to note that the branch circulation of the Bank had expanded at the same time.<sup>1</sup> In other words, he had put forward no relevant evidence to show that country notes directly or indirectly displaced Bank of England notes.<sup>2</sup>

The difference of the positions in which the two branches of our English circulation are placed has been too little adverted to, and it has been perpetually assumed that they must affect each other, precisely as if they were on equal footing, and perfectly interchangeable, whereas, to make use of a jocular and expressive, although somewhat paradoxical phrase frequently heard, 'the reciprocity is all on one side.'<sup>3</sup>

As might be expected, Bailey drew from his analysis the conclusion that the country issues could not possibly be excessive enough, by themselves, to thwart the effects produced on the exchanges by alterations in the Bank of England's circulation.<sup>4</sup> It was true that the country banks might affect the bullion flows from London abroad, but this was far different from Loyd's claim that the country issuers invariably reacted initially in a contrary fashion. Obviously, if the Bank of England undertook a contraction of its London circulation in an

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1 Ibid., pp. 71-72.

2 Professor Wood reaches the same conclusion that country issues did not supplant Bank of England notes. He fails to credit Bailey with any relevance on this point, however. Cf. E. Wood, op. cit., p. 32.

3 Defence, p. 85.

4 Ibid., pp. 76-79.

effort to dampen down the outflow of bullion, transfers of gold from the provinces to London, in order to take advantage of the higher value of money there, might prolong the outward flow of bullion. The London prices would be kept at a high level and the exchanges would be prevented from turning favorably for London. But, on the other hand, there might be a great demand for funds in the country, so that the London circulation would not be expanded, London prices would fall, and the external drain would eventually cease.<sup>1</sup> If Bailey's exploration of the external-internal drain relationships was not particularly sophisticated, he was still within his rights in using it to fill out his claim that the Bank of England and country issues were not reciprocal and symmetrical. And if this is true, there was some merit in his contention that expansion of the country circulation in response to the "real business of the country" was not uniquely responsible for the over-all rise in prices.<sup>2</sup> He did admit that there was "one sense" in which the country issues might be considered excessive. "Although it can never be more than the business of the country requires, and can be augmented only by demands made for it by actual transactions, yet the business of the country may itself be carried to excess,"<sup>3</sup> and it was in expanding this proposition that Bailey made perhaps his most significant contribution to the debate.

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1 Ibid., pp. 81-82.

2 Ibid., p. 80.

3 Ibid., p. 74.

The country circulation might increase, he agreed, whether the rise in business activity was "good or bad, prudent or imprudent."

That is,

for a time, the sound or unsound character of the transaction can make no difference; a mercantile or manufacturing concern may be carried on during even a considerable period without any proper foundation, and as long as it continues its operations, it will employ as much of the currency as if no disastrous termination were to follow, and may thus extend the circulation.

But this is a circumstance which must happen under any system of currency whatever; nor is the imprudent assistance which such undertakings sometimes receive from Banks, at all peculiar to Banks of issue, or mainly furnished by means of their own notes.<sup>1</sup>

It was in failing to appreciate that demands upon banks for advances were something different in their effects and importance from demands upon banks for notes, that Loyd and the others had adopted an erroneous view. "If the Country Banks have erred at all, it has not been in their conduct as banks of issue, but in their conduct as banks for discounts and loans; a matter altogether different and distinct...."<sup>2</sup> Issuing notes and creating deposits or making advances were two entirely different things, although they had often been confounded.

... Many of the evils which had been attributed to mis-managements of the circulation, to improper and excessive expansions and contractions, have in reality proceeded from improper discounts and loans, -- transactions which would take place under any system whatever, and the evils of which can be remedied only by a progress in intelligence.

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1 Ibid., p. 74.

2 Ibid., pp. 85-86.

No one would be mad enough to attempt to interfere in any way with the management of establishments for borrowing and lending money, and yet it is not too much to say, that in that character, Banks are of far greater importance to the community than the other; that they produce far more extensive consequences by the regulation of their loans than they can produce by any fluctuations which they have the power of effecting as Banks of issue, so long as paper is convertible. Whatever arrangements consequently are adopted in regard to the currency, the principal sources of good and evil in the system of banking will continue.<sup>1</sup>

For example,

supposing country issues to be suppressed, and no paper but that of one single issuer to be allowed, the Banks would still be at liberty to make any loans they might think proper. All the effects, whether good or bad, produced on the commerce of the country by banking institutions would remain, except those which are specifically occasioned by local paper. Banks properly conducted would then be of the highest service to commerce as they are now, while Banks improperly conducted, making immoderate and unwarrantable advances for improvident undertakings, and risking their money on hazardous or worthless securities, would bring great evils both on themselves and on the community, just like any other mercantile establishments in the hands of bad managers. It is necessary, therefore ... not to mix up the benefits and evils of the trade of borrowing and lending capital, with the specific effects of issuing promissory notes.<sup>2</sup>

Thomas Tooke referred to Bailey on these points with approval.<sup>3</sup>

It was to Bailey's credit, however, that he had made these observations generally in advance of the better-known members of the banking school, (e.g. Tooke, Fullarton, James Wilson, and J.W. Gilbart) who are most often

1 Ibid., p. 86.

2 Ibid., p. 87.

3 Although, at the same time, he charged Bailey with having failed to mark the same distinction apropos of the Bank of England's issue and banking functions. Cf. An Inquiry into the Currency Principle (2d. ed.; London: 1844), pp. 92-94.



praised for having perceived that deposit accounts were of greater significance than the currency school acknowledged.<sup>1</sup>

Having devoted himself to proof of the propositions that country banks of issue were limited by the competition of their rivals and that the note issues of country banks were a less significant portion of their business than their loans and discounts, the question might reasonably be posed to Bailey: why bother to defend country issues at all, if they are so unimportant? In the final pages of the Defence Bailey addressed himself to this matter and proposed to discuss the specific advantages conferred by a "credit-note currency" as a means of proving the desirability of its retention. A credit-note currency, i.e. convertible paper based on a less than one hundred percent bullion reserve, said Bailey, possessed the two major virtues of "convenience" and the "saving of capital." Since the former advantage could equally well be secured by a one hundred percent bullion reserve convertible paper, or simple "bullion notes," it was clearly the latter advantage which was unique with credit-notes.<sup>2</sup> This feature of convertible paper currency permitting the "saving of capital" had already been explained in the Money and Bailey seems to have been content to stand

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1 Cf. Viner, Studies, pp. 220-22. Andreades, op. cit., pp. 270-76. Feavearyear, op. cit., pp. 247-48.

2 Defence, p. 86.

by the analysis he had there presented.<sup>1</sup>

So far as the familiar objections to a credit-note currency were concerned, Bailey thought that it was possible to overcome them without too much difficulty. Hence, the alleged liability of a fiduciary issue to greater and more severe expansions and contractions than a one hundred percent bullion reserve currency could be obviated by taking away the dependence of the issue on the will of the issuer. This could be done, he believed, by leaving the amount of such fiduciary issue to the wants of the parties who use the currency."<sup>2</sup> Once again, Bailey was obviously relying on the reflux principle to limit the quantity of promissory notes able to be circulated by note issuing banks. As he had been before, he was still guilty of failing to appreciate the expansive powers of a system of issuing banks, in contrast with the power of one individual bank out of step with the others. His faith in the demands by the borrowers to limit the amount of notes they would take was better founded to the extent that he envisaged borrowers carrying on not only local transactions, but transactions out of the district as well. That is, the need by borrowers to settle balances outside the district might limit their demands for local notes in some measure. If their needs were exclusively local, however, they

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1 Cf. Chapter IX, supra, pp.419-20.

2 Defence, p. 31.

could probably go on demanding notes until suspension was practically inevitable, so long as the issuing banks kept in step and did not suffer adverse clearing balances with the other banks in the area. Bailey did not go into the possibilities to this extent, although he may have presumed that his earlier analysis of the London-country relation was the model he had in mind.

A second disadvantage of a credit-note currency, viz. its liability to suspension from overissue, could be prevented if note issuers would always see to it that "... the excess of paper beyond the reserve of bullion is not too great."<sup>1</sup> This ratio would be settled, he said, "by experience" on the part of the individual bank.

A third disadvantage, that insolvency of its issuers might subject the currency to a complete loss of value and produce serious injuries to all parts of the community, could be overcome by having a "system of solid establishments."<sup>2</sup>

In the fact that he did not penetrate further into the "experience" and "solid establishments" which were supposed to avoid the problems he had mentioned, Bailey probably skipped over more difficulties than he resolved. Of course, as has been noted earlier, if all bankers abided by the rules of conduct Bailey had suggested, many of the specific

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1 Ibid., p. 91.

2 Ibid., p. 91.

banking evils might have been avoided. But such behaviour would have proved only a necessary, but not a sufficient, condition for stability of the system of banks. Bailey never did rise to the perception of the different effects attending a system of banks as compared with an individual bank. Probably his utilitarian faith in the efficacy of individual conduct in this, as in other fields of endeavour was too strong to be abandoned.

In concluding his remarks Bailey took one or two parting shots at the proposal to confine note issue to one single bank. He thought that this plan would confer no advantages over the present one of multiple issuers. A single issuer would not distribute the savings of capital on a fiduciary issue equitably throughout the country, the currency would not be adapted to the varying wants of different communities as well as under a system of many banks of issue, and there was no necessary guarantee that suspension of cash payments or insolvency would be any less likely with a single, instead of many banks of issue.<sup>1</sup> He justified these observations by having recourse to those principles of human behaviour which had been so much of his earlier investigation.

The more the subject is considered, the more clearly I am inclined to believe it will be discovered, that any system which involves the necessity of any arbitrary, speculative, or deliberate ad-

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<sup>1</sup> Ibid., pp. 94-97.

justment of the sum total of a credit-note currency to the supposed commercial condition of the community is essentially wrong...

No principle can be depended upon for the nice adjustment of the currency to the wants of the people, but that play of interest in which we unhesitatingly confide for the adequate supply of all the other necessities, comforts, and conveniences of life.<sup>1</sup>

Although from the present perspective of central bank control over note issues Bailey's attempted defense of free issue may appear rather superfluous, it is important not to overlook the fact that there was a certain internal consistency in his argument at the time he presented it, which the Currency School lacked. That is, having understood that money substitutes, in the form of bank deposits, checks, bills of exchange, and so on, were at least of co-ordinate importance with the currency in any business fluctuations, Bailey was right in insisting that regulation of the quantity of currency alone would not resolve the problems. He was certainly not guilty of the sort of monetary schizophrenia displayed by the supporters of the Bank Act of 1844, whereby it was believed that the separation of the Issue from the Banking Department of the Bank of England would, if not cure monetary ailments, at least constitute a sort of preventative medicine.<sup>2</sup>

There was no fault in Bailey's logic when he had insisted that legislative approval for free trade in deposit banking should have in-

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1 Ibid., pp. 98-99.

2 Cf. S.J. Loyd, Thoughts on the Separation of the Departments of the Bank of England (London: 1844), reprinted in Tracts, pp. 240-41.

plied free trade in note issues, since notes and deposits were to all intents and purposes indistinguishable. With the exception of Tooke,<sup>1</sup> most of the other members of the Banking School were one with Bailey on this point. It is interesting to appreciate that the adherents to the Bank Act of 1844 were content to rest much of their satisfaction with the Act on the fact that it had, by its regulations, ensured the convertibility of the currency.<sup>2</sup> This implies, of course, that if the note issue were not partially backed by a fixed amount of securities, so that variations in the issue would correspond to variations in the remaining bullion reserve, then convertibility might have been lost. But it overlooks the fact that individual note-issuing banks could be just as sensitive to changes in their bullion reserve position as a single bank of issue, if not more so.<sup>3</sup> So that, as Bailey saw, there was no specific reason why a system of issuing banks would be inherently more likely to suspend cash payments than a single issuing bank. And there was a strong presumption, if the record of the Bank of England was any criterion, that a single bank of issue, enjoying the favor of the Government, would probably find greater ease in escaping its obligations when things became difficult.<sup>4</sup>

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1 T. Tooke, History of Prices, III, 208.

2 Cf. Viner, Studies, p. 252.

3 Cf. Smith, op. cit., p. 150.

4 Defence, p. 96. Cf. Smith, op. cit., p. 150.

All of which seems to leave once more as the major defect in Bailey's analysis his inability to contrast the expansionist powers of a system of banks with that of an individual bank acting independently of its rivals. Whether this power, as confined to the note issue privilege, involved the banking system in greater instability than it already possessed, in terms of its power of granting loans through deposit accounts, is a question not susceptible of absolute proof. Probably the most that can be done is to note that the estimates that have been made place the deposits of country banks at about five or six times the amount of the notes they issued.<sup>1</sup> While these deposits may have included interest-paying savings accounts, their over-all ratio to notes issued accords fairly well with the estimate Bailey himself had given.<sup>2</sup> Therefore, Bailey was clearly correct in having drawn attention to the fact that it was the deposit-creating power of banks, rather than their power of note issue, which produced the more significant consequences for the levels of business activity. Thus, in all likelihood he would have found in that former power the greater potential for affording instability in the banking system.

## 3.

Although the Bank Act of 1844 embodied many more provisions than

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1 Cf. E. Wood, op. cit., pp. 22-23.

2 Supra., pp. 453-54.

those items against which Bailey had raised objections in the Defence,<sup>1</sup> it is nevertheless interesting to consider the manner in which Loyd treated Bailey's argument, particularly in light of the influence Loyd himself had in preparing some of the way for the Act. From what has preceded, it will be recalled that the main and most important difference between Loyd and Bailey was over the extent to which freedom in note issue by country and private banks subverted the attempts by the Bank of England to regulate the circulation in correspondence with the exchanges and bullion flows. When he appeared before the Commons Committee on Banks of Issue in 1840 Loyd addressed himself to this matter and spoke at some length on the reasons why he thought competition in note issues was contrary to the public interest. To the question "Could the end of banks of issue be attained without danger to convertibility, by a free competition among the issuing banks, accompanied with any of those checks against over-issue which you have recommended?" Loyd had replied:

That raises of course the whole question of competition of issues; my own view of the matter is, that competition is a principle most properly applicable to banking business, as to most other businesses; but that it is not a principle applicable to what I should rather call the privilege than the business of issue. Issuing paper I always consider as the creation of money, and that is a duty or privilege which I think can be better exercised for the benefit of the community by one body, acting under the control of the Legis-

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<sup>1</sup> Cf. Horsefield, "The Origins of the Bank Charter Act, 1844," op. cit., pp. 116 ff.



lature or Government, than by trusting it to the principle of competition. The principle upon which the advantage of competition depends, appears to me to be this: that its tendency, in all ordinary cases, is to secure to the public the advantage of the greatest quantity of the article, and of the best quality, at the cheapest price, and that all miscalculations with respect to supply that are made by producers, fall in their inconvenient consequences upon the producers, and not upon the public. Now, with regard to paper money, the object that competition secures is not that in securing which the public interest is most concerned; it is not the greatest quantity at the cheapest price which we require, but it is a strict regulation of the quantity by reference to a certain standard; and again, any miscalculations in the proportion of the actual supply, to that which ought to be supplied, fall principally and most extensively on the community at large, (in some degree, undoubtedly, upon the over-issuers,) but the community at large are in that case the greatest sufferers by the miscalculations of the over-issuers. Again, this question of competition at once lets in the consideration which I adverted to in my examination on a former day, as being laid down in the pamphlet in defence of joint stock banks and country issues, where it is distinctly stated, that it is not the interest of each separate issuer to conform to that rule which the interest of the community at large requires; that it is, in fact, his interest to violate it. Well, then, look what competition is in this case; competition is to place a great public trust, for such the issue of paper money really is, in the hands of a body, when, by its own statement, it appears that it is the interest of each separate individual of that body to violate the rule upon which the public interest requires they should act, and even if interest does not lead them to violate it, they state that it is impossible for them to attend to that rule. I believe those to be perfectly correct statements; and they appear to me at once to prove that to intrust the issuing of the paper money of the country to the principle of competition, is to intrust it to that which must mismanage the paper money, and must inflict very serious consequences upon the public interest.<sup>1</sup>

Loyd's conclusions rest, of course, on the convictions (1) that convertibility is the be-all and the end-all of currency policy, (2) that country issues are perfect substitutes for Bank of England notes,

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1 Q. 2866, Loyd, Tracts, pp. 411-15.

(3) that convertibility can only be attained or maintained by making variations in the entire circulation correspond exactly with variations in bullion flows, and (4) that the country issues are not regulated by reference to the exchanges with sufficient exactness and promptness to ensure (3). As he said, Bailey's argument seemed to make it plain enough that the interest of separate issuers precluded their ever abiding by the only rule which would produce and sustain convertibility, *vis.* making their issues correspond with the state of the exchanges.

Now although it may be granted that Loyd was streets ahead of Bailey in seeing that inter-bank clearings would not by themselves produce convertibility,<sup>1</sup> he was less securely founded in dismissing Bailey's contention that there was no reason why independent issuers should be expected to arrange their affairs according to a rule inapplicable to their range of affairs. Throughout his entire testimony before the 1840 Committee Loyd took it as read that an understanding of the true "principle of currency" would necessarily show that all the note issuers in the country should regulate themselves by the exchanges.<sup>2</sup> This assumed, of course, that Bank of England and country issues were co-extensive and co-efficient. Although Loyd grudgingly admitted that there might be instances imagined in which local condi-

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<sup>1</sup> Evidence before Committee on Banks of Issue, 1840, Q. 2867, Tracts, p. 413

<sup>2</sup> Cf. Ibid., Q. 2654, pp. 341-42; Q. 2726, pp. 368-70; Q. 2727, p. 370; Q. 2803, pp. 395-396; Q. 2876, pp. 416-17; Q. 2879, p. 418; Q. 2976, pp. 439-40; Q. 3197, p. 479; Q. 3198, p. 479.

tions might require actions different from those prescribed by his rule,<sup>1</sup> he generally took it that the two classes of issues were co-equals.<sup>2</sup> Therefore, when he wanted to judge against the system of multiple issuers, he adduced figures to show that they did not manage their circulations by reference to the bullion flows.<sup>3</sup> He made no attempt to distinguish the Bank of England's London circulation from its Branch circulation and, accordingly, conveniently overlooked Bailey's charge that the two were not identical in their purposes and effects. It was by lumping the two classes of issues together, therefore, that Loyd was able to respond to the question "Is the difficulty of good management increased by the multiplicity of issuers?" in the following terms:

Yes, I think it is very seriously increased by the multiplicity of issuers; where the paper money is issued by a multiplied number of persons, it is probably not the interest of each of those persons separately to conform to one common rule, and even if it was their interest, it may very fairly be contended that it is not practicable for them to do so. That very ground has been taken in an anonymous pamphlet published by a writer of very considerable eminence in his other works, who has undertaken the defence of country issuers. He has taken, as the ground of defence, that they do not conform to the fluctuations of bullion in the management of their issues, because, if it was their interest to do so, it would not be possible for them to do so. The passages are not very long, and I will take the liberty to read them; I refer to this pamphlet, because the writer of it, whose name is not given, is well known for the just merit of many of his other

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1 *Ibid.*, Q. 2982, pp. 440-42.

2 *Ibid.*, Q. 3000, p. 442; Q. 3024, pp. 445-46; Q. 3026, p. 446.

3 *Ibid.*, Questions 2683-2713, pp. 383-83.

works, and therefore it is a fair test to take; the first passage is at page 55 of his pamphlet; -- 'When we speak of the Bank of England, or any other bank, and insist that its circulation and its bullion shall vary by equal increments and decrements, we lay down a precise and unambiguous principle, the observance and neglect of which, whether it is in itself just or not, are easily perceived and exactly measureable; but when we insist that the country banks shall make their issues vary with the variations in the quantity of bullion held by a bank in London, we prescribe a rule to which no definite meaning can be affixed, and of which no ingenuity can prove that one interpretation ought to be followed rather than another.'<sup>1</sup>

It is remarkable that Loyd should have been willing to point so directly to Bailey's clear demonstration of the fallacy involved in expecting the country issuers to abide by a rule foreign to their level of activities, and yet should have been willing to express the belief that conformity to that rule was still the "real duty, incumbent upon the aggregate body of the paper issuers of the country..."<sup>2</sup> It is all the more remarkable for Loyd's refusal to carry out the full consequences implied in the position he had taken. For strictly, if control of the aggregate circulation was the final objective, if the Directors of the Bank of England could reasonably be expected to accept Loyd's rule for governing paper issues according to the exchanges, and if the freedom of country issues appeared to thwart the operation of the rule because the country bankers had not suddenly become "benevolent" and placed the national above their own individual interest; then,

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1 Ibid., Q. 2738, pp. 376-78.

2 Ibid., Q. 2976, p. 439.

Obviously, the country issues had to go. Loyd had evinced no hesitation in insisting that separation of the Issue from the Banking Department of the Bank of England was absolutely necessary if the Bank was to regulate its issues in conformity with the rule he had proposed. Having gone this far, he should have been just as willing to get rid of the inconvenience of the country issues, either by having the Bank take them over entirely or by imposing upon them the same rigid restrictions implicit in his plan for separating the two departments of the Bank itself. In this respect, Peel was initially much more consistent than Loyd in suggesting that it would be best for the Bank of England to substitute its notes for country issues as quickly as feasible.<sup>1</sup> In the event, of course, the actual Bank Act of 1844 relied on a more gradual process of assimilation and control. Loyd, however, wanted it both ways at once and continued in his evidence and elsewhere to urge strict provision by the legislature for regulating the issues of the Bank of England in accordance with the exchanges and to urge that the country bankers regulate their issues in accordance with the bullion in the Bank of England.<sup>2</sup>

Loyd completely ignored Bailey's plea for a precise statement of

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1 Horsefield, "The Origins of the Bank Charter Act, 1844" Op. cit., pp. 123-24.

2 Evidence before the Committee on Banks of Issue, 1840. Op. cit., Questions 2974-76, pp. 438-40; Questions 2741-42, p. 378; Questions 8186-98, pp. 478-79. Cf. Also, Loyd, Thoughts on the Separation of the Departments of the Bank of England, Tracts, pp. 257-61, 278-80.

how the proposed rule was to operate, of whether the country banks were to regulate their issues in equal increments or decrements with the bullion flows, in proportional increments or decrements, or in some way balancing up with the Bank's alterations in its circulation so that the total circulation corresponded with the bullion. All that he would say was that "... it appears to me that all the issuers of paper money ought to act concurrently with each other, not one in obedience to another. It appears to me that they ought all to be joint controllers of the money operations of the country; not one party controlled by the other."<sup>1</sup> He likewise overlooked Bailey's claim that the deposit accounts were far more significant than the note issues in their effect on the levels of business activity. This, of course, was one of the tenets of the currency advocates viz. that deposits were not to be considered as part of the currency or circulation. However, it is only necessary to recall Joseph Hume's very pointed questioning of Loyd before the 1840 Committee on this heading to reveal how difficult it was for Loyd to defend his viewpoint.<sup>2</sup>

In the final analysis, therefore, and without reference to the numerous and various items of detail raised in the dispute, the differences between Loyd and Bailey seem to boil down to this: both were agreed that

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<sup>1</sup> Evidence before the Committee on Banks of Issue, 1840, op. cit., Q. 2722, p. 336.

<sup>2</sup> Ibid., Questions 3147-3240, pp. 469-86.

the specifically banking functions of banks might be a source of instability in the system and the instabilities could only be avoided by sound banking practices, not by legislative enactments; both were agreed that convertibility of paper currency was necessary and desirable. On the other hand, they disagreed on the way in which convertibility could best be ensured and, therefore, on the extent to which positive governmental intervention was required; and, they attributed different degrees of influence to variations in the currency and variations in banking activity on the level of business. If this is the case, then Loyd and Bailey, as not necessarily equal in stature and influence but certainly as representative of the familiar currency and banking positions, confirm Professor Schumpeter's judgement that the differences between the currency and banking protagonists were less differences of analysis than of the practical importance of their views.<sup>1</sup> Convertibility was the key point between them and, as has already been pointed out, there was no a priori reason for concluding that special legislative provisions were more efficacious in obtaining it than mere individual self-interest. In stressing the great benefits to flow from the "automatic" regulation of the currency in accordance with the Bank Act of 1844, the supporters of the currency principle implied that there simply was no other way to prevent overissue of the paper money.<sup>2</sup> But there was. And it was en-

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1 History of Economic Analysis, p. 728.

2 Cf. Loyd's Evidence before the Secret Committee of the House of Lords on Commercial Distress in 1848, Q. 1406, Tracts, p. 506.

compassed in Bailey's dictum that bankers should do as much safe and profitable business as their resources would permit, including presumably note issues as well as loans and discounts.<sup>1</sup> Opinions might differ as to what was "safe and profitable" and what burden the "resources" of the bank could bear, but by growing in knowledge and experience bankers would soon learn what was a safe reserve ratio to notes and discounts. Having learned it, however, there was no inherent reason for believing that suspension would be the necessary consequence of such a system. The actual process of learning itself might prove dangerously painful to the economy, as the Currency School was convinced. But there is no way of proving that it would have been more painful than was in fact the case after the Bank Act of 1844. Loyd and the others, of course, believed that things would have been much worse without the Act than they were with it.<sup>2</sup> But it was after all a belief and not an irrefutable proof. All of which means to say again that the really interesting and important problem of the period was how banks would conduct themselves in their loans and discounts. Compared with this, the particular device by which convertibility could be ensured was definitely a secondary matter, although the currency supporters tried to make it into one of fundamental principle.

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1 Cf. *Supra.*, p. 456.

2 E. Wood, *op. cit.*, pp. 164-65.



## CHAPTER XI

### SCOPE AND METHOD.

In order to complete the appraisal of Samuel Bailey's system of economic thought it remains to take up his pronouncements on the familiar heading of "scope and method." As is usual in these discussions, it is more convenient to reverse the order and to consider methodology before the limitations and applications of the science. Bailey's treatment of these subjects was not given in any one, single work, so that it is necessary to piece together somewhat scattered references. There is the obvious danger in such a proceeding that it may tend to suggest a coherency in Bailey's thought which was not consciously present in his mind at the time. It will appear that a good portion of Bailey's thinking on the methodology of the science developed after he had written on purely economic subjects, so that it is not altogether certain that what came forward in his "economic period" was the last word he would have supported. The only saving grace in this difficulty is in the fact that, fortunately, he made one or two retrospective glances back to the earlier from the more mature standpoint. And on these rather slender threads it is possible to decide the extent to which Bailey's thinking was consistent.

#### 1.

On the 4th of December, 1835, Bailey had read before the Sheffield Literary and Philosophical Society a paper entitled "On the Science of

Political Economy."<sup>1</sup> The greater part of this paper was taken up with a discussion of matters more directly related to the scope of economics. But in one or two places Bailey did make some comments on methodology. In these he seemed to take it that the method of the science was pretty well formalized. For instance, he observed that "the object of Political Economy is not to ascertain all the laws by which wealth is produced and distributed, but only one class of them, namely, the moral or mental laws, or, in other words, those laws of human nature on which the economical condition of nations depends."<sup>2</sup> The economist was not specifically concerned with technology, but rather "... with investigating the motives or the principles of human nature which are brought into play in all these cases [of technology], together with their effects on the wealth of the community."<sup>3</sup> Thus, "let us take for illustration any of the great questions which have raised the science of Political Economy into so much importance, and we shall find them occupied almost altogether with the consideration of the motives by which men are actuated, and the effects resulting from these motives on the condition of the community."<sup>4</sup> In this way Bailey indicated his conviction that the questions of political economy "... may be treated systematically and on principle, that is to say, they may be determined by a regular investigation of the principles on

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1 Reprinted as "Discourse IV" in Discourses on Various Subjects: Read before Literary and Philosophical Societies (London: 1852). Cf. Sheffield Independent, 5 December, 1835.

2 Discourses, p. 109.

3 Ibid., p. 109.

4 Ibid., p. 110.

which they depend, by a copious induction of facts...."<sup>1</sup> The laws of political economy, therefore, were "... expressive of the operation of certain motives on the human mind."<sup>2</sup>

In substantiation of this viewpoint, viz. that the "laws" or "principles" of political economy were founded on the motives held in the individual's mind, Bailey cited a short essay he had published several years earlier, entitled "On the Uniformity of Causation, explaining the fundamental Principle of all Evidence and Expectation."<sup>3</sup> Although the main point of the "Essay on Causation" was to show that it was a fundamental (and necessary) assumption of human nature that all causes would continue to be attended by effects previously experienced, unless confounded by experiences to the contrary,<sup>4</sup> Bailey could not avoid what may properly be termed problems of induction in the mental sphere. He had stated in the paper on political economy that the laws of that discipline derived from a "copious induction of facts" and it only remained for him to make clear the nature of such "induction" and the nature of the "facts" on which it was founded.

Already in 1823 Bailey had reached the conclusion that political

1 Ibid., p. 124.

2 Ibid., pp. 111-12.

3 This was the third of three essays published in Essays on the Pursuit of Truth, on the Progress of Knowledge, and on the Fundamental Principle of all Evidence and Expectation (London: 1829). Cf. Chapter XII, *infra.*, p. 575. In his later Letters on the Philosophy of the Human Mind (Second Series, London: 1858), p. 163, Bailey also referred to the "Essay on Causation" as treating the underlying determinants of the science of political economy.

4 Cf. Chapter XII, *infra.*, 575-77.

economy was derivative from what was usually termed the "science of mind."<sup>1</sup> And, it has been seen that this conviction was reflected in the Critical Dissertation in his insistence that value was a "feeling of the mind" or the "esteem" in which objects were held. By 1826, when the "Essay on Causation" was first written out,<sup>2</sup> he had evidently reached a point where he could make an explicit and systematic statement of the basis of the science of political economy. He had little difficulty in showing "... that men's actions and speculations as constantly proceed upon the expectation that certain voluntary acts will result from certain motives, as that physical substances will produce their usual effects."<sup>3</sup> Once the connection between "motives and actions" was demonstrated, and once it was made clear that uncertainty about the connection derived wholly from the "imperfection of our knowledge," the way was clear for him to relate these propositions to political economy and, accordingly, to exhibit its "real basis."

The principle which is at the bottom of all the reasonings of political economy, is in fact the uniformity with which visible or assignable circumstances operate on the human will.<sup>4</sup>

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1 "But the noblest instance of the aid which the science of mind has afforded to other subjects, is the admirable explanation it has furnished of some of the phenomena of political society; — I here allude to the science of Political Economy, which may be almost regarded as a branch of Mental Philosophy, and has its foundations in the uneradicable principles of the human mind." "On the Mutual Relations among the different Sciences and the light which they reciprocally afford," read before the Sheffield Literary and Philosophical Society, 1 August, 1823. Reprinted in Discourses, p. 23. Cf. also Sheffield Independent, 2 August, 1823.

2 Cf. Appendix "C", infra., p. 711.

3 "Essay on Causation," Pursuit of Truth, p. 239.

4 Ibid., p. 243.

Political economy is in a great measure an inquiry into the operation of motives, and proceeds on the principle that the volitions of mankind are under the influence of precise and ascertainable causes.<sup>1</sup>

Having narrowed his field of investigation to the point where the influence of motives on voluntary actions constituted the foundation of political economy, Bailey could reasonably have been expected to take final steps and, therefore, to try to make explicit the motives or causes which produced the observed effects. From one viewpoint, it may appear that he fumbled this, for about the most positive declaration he brought forth was that capital moved from one trade to another because the "cupidity or emulation of a number of individuals" had been excited.<sup>2</sup> Or, as in the later paper on political economy, that

It would be his [economist's] province, for example, to inquire... whether men, if left to the natural desire of bettering their condition without any interference, would find out and adopt the best modes of cultivating the soil, manufacturing cloth, and making roads; or whether these objects would be most effectually attained by directing their efforts through the means of restriction on the one hand and encouragement on the other. He would trace the motives operating in each case, and the effects resulting to the economical condition of society. When Adam Smith showed the benefit of the division of employment, by the instance of the pin-maker, he was engaged in pointing out the motives which led to such a division, and the effect of it on the labourer's skill and condition.<sup>3</sup>

On the other hand, in the fact that Bailey did not plunge into behavioural psychology, did not try to compile a long list of "economic" motives, and did not become involved in the unhappy "economic man" fallacy, he may have been more perspicacious than erroneous. It is not too late in the

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1 Ibid., p. 248.

2 "Essay on Causation," Pursuit of Truth, p. 246.

3 "Political Economy," Discourses, pp. 110-11.

day to note that ever since Wicksteed, it has been clear enough that the economist need not waste his time in trying to decide what is, or is not, pertinent data for his discipline.<sup>1</sup> All that is required is that the behaviour manifest itself in some way in the market, regardless of the nature of the motives behind such behaviour. Thus, if Bailey seems content to take his stand with self-interest as a motive, this may indeed stand to his own credit. Self-interest need not be equated with selfish-interest or egoism.<sup>2</sup> Self-interest merely assumes that an individual enters into an economic relation with another or others at the minimum at least not for their benefit. And this is practically the same way in which Bailey made his final statement on the motives relevant to economic inquiries. At any rate, Bailey was not guilty of Macleod's charge that he had gone "too far" in his consideration of motives or causes.<sup>3</sup> Bailey had certainly made it clear that the economist's "motive power" resided in the mind and that it was necessary for the economist to understand this fact. But having proved that much, Bailey did not go on to consider the "causes" of these motives, as Macleod seems to imply. To have done so would have taken him, indeed, into the field of ethics or philosophical value.

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1 Wicksteed, op. cit., I, 158 ff.

2 Cf. Robbins, Nature and Significance, pp. 94-99.

3 "... Mr. Bailey accurately sees that the source or foundation of value resides in the mind, and not in labor, as the second school of Political Economy held. But he has gone one step too far in the consideration of causes. We have shown, that the causes which act upon the mind are beyond the pale of Political Economy. Having got his motive power, the Political Economist, qua Economist, has no business to inquire further...." H. D. Macleod, A Dictionary of Political Economy (London: 1863) I, 63.

In the same year he had read the paper on political economy Bailey published the Rationale of Political Representation (London: 1835).<sup>1</sup> The Rationale appraised, and made recommendations for the improvement of, the then prevailing system of government of England in light of the most recent principles of political science. These particular principles were derived from the principles of human nature with which the scientist was familiar. In the course of these proceedings, however, Bailey made some remarks which are relevant to the point under discussion, for a full treatment of the principles of political science required of him a brief consideration of the human motives on which it was based. "It is a principle of human nature," he said, "that men will, in the majority of cases, prefer their own interests to that of others, when the two are placed in competition."<sup>2</sup> This applied equally to economic, as to political matters, and was not controverted by the fact that some "benevolent individuals" frequented high-price shops or patronized "destitute widows" and "broken-down tradesmen" because of "motives of charity." Anomalies such as this did not overthrow "... the law of political economy that men will resort to the cheapest market...."<sup>3</sup> And this kind of behaviour on the part of economizing individuals, this "... natural desire of bettering their condition,"<sup>4</sup> this "desire of profit,"<sup>5</sup> did not, at the same time, involve

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1 Cf. Chapter XIV, infra., pp. 644-52.

2 Rationale, p. 68.

3 Ibid., p. 69.

4 "Political Economy," Discourses, p. 109.

5 Ibid., p. 120.

behaviour which was necessarily mean or degrading. There were plenty of charges against the exclusive pursuit of wealth as a sordid matter, the term "wealth" "... denoting the possession of an extraordinary means of the good things of this life." But, he went on to say,

Substitute for this word the phrase 'economic condition of the community,' and where is the objection? Is that a mean or sordid inquiry which examines the causes of national plenty or national destitution? And what is it, in fact, that occupies, and must necessarily occupy, the greater part of the time and attention of mankind, which prompts their most strenuous efforts, and a failure in which leads to the most exquisite wretchedness? Is it not, apart from hollow pretence, and in plain homely English, to get a living, to obtain a sufficiency of food, shelter, and clothing, and, in other cases, to maintain themselves and families in the rank which habit has made almost essential to their existence?<sup>1</sup>

It is clear from what has been said, then, that Bailey was not to be pinned down to an explicit list of the motives which the economist was to take as most fitting his field of inquiry. Self-interest appeared prominently throughout his remarks, as might be expected in light of Bailey's own Utilitarian background. But the self-interest was not confined exclusively to material, physical concepts of wealth, as the reference to "rank" above indicates. It is not too many steps from this position to Wicksteed's proof that motives per se do not particularly matter; the only important point is that the results of these motives, whatever they be, be channelled into the "economic nexus."<sup>2</sup> Needless to say, Bailey never succeeded in approaching such a point as this. But it could never have been reached until economics was seen at first as grounded

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1 Ibid., p. 125.

2 Wicksteed, op. cit., pp. 162-67.



in the sphere of the mind. Senior and John Stuart Mill did classify economics as a mental science, to be sure.<sup>1</sup> But Bailey's best steps were taken in 1829 when he published the "Essay on Causation," and this was some time before either Senior or Mill presented their own arguments.

## 2.

If it may be taken then that Bailey's "facts," from which the "copious induction" was to establish the laws or principles of political economy, were found in the mind, it remains to evaluate his remarks on the induction involved. In the "Essay on Causation" he had seen that once the relation between cause (motives) and effects (economic behaviour) had been established, the laws derived from that relation seemed to display varying degrees of certainty. He stressed that it was important to understand, however, that this uncertainty came "... not from any irregularity in the sequence of causes and effects, it can arise only from our ignorance of the whole of the causes in operation."<sup>2</sup> Thus,

To know a cause as such is to foresee the effect which it will produce; and if we know all the causes concerned in a phenomenon, we can foretell all the effects. That some events present steadier objects of prediction than others, merely attests that with regard to the former we have attained a superior knowledge.<sup>3</sup>

So much is, of course, familiar Baconian doctrine. When it is applied to mental phenomena, however, it encounters the obvious difficulty of

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1 Cf. Rowley, Nassau Senior, pp. 55-64.

2 "Essay on Causation," Pursuit of Truth, p. 231.

3 Ibid., p. 231.

conducting experiments and of empirically gathering the basic data. First and last the "psychologist," Bailey thought the two problems could or would be resolved in one procedure.

All that a man's personal experience reaches to manifestly is, that he has observed certain successions in the phenomena of the world, material and mental.<sup>1</sup>

But,

In judging of human nature we are obviously guided partly by our own consciousness and partly by our experience of mankind. Both are often necessary for the establishment of general truth, and they admirably unite in support of the doctrine of philosophical necessity. We not only find from an examination of our own minds that it states nothing at variance with what is passing there, but we see when we look abroad that the phenomena of human life are crowded with illustrations of its truth.<sup>2</sup>

Hence, in the specific case of motivation in relation to social or economic behaviour,

In regard to moral facts we appeal to our own consciousness, whether such motives would not have had such effects, whether we ourselves could have persevered if the statement had not been true, and we feel intensely sensible of the impossibility of continued imposture.<sup>3</sup>

Self-introspection is in all cases an indispensable process for arriving at correct conclusions regarding the powers and principles of the human mind....<sup>4</sup>

This approach, as Professor Viner has stressed, was considered by thinkers of this period as an "empirical" technique, however the term "empirical" is received today. The data revealed by introspection was

1 Ibid., p. 215.

2 Ibid., p. 298.

3 Ibid., pp. 295-96.

4 Ibid., pp. 290-91.

not an intuition or innate idea.<sup>1</sup>

If this was the procedure of induction, this learning the "principles of human nature" from "individual instances,"<sup>2</sup> it still remained to consider the confidence with which such generalisations could be received.

"When we reason from a general law or principle," he said, "we are in truth reasoning from a number of instances represented by it."<sup>3</sup>

General rules are drawn originally from particular instances, and are afterwards applied with the utmost confidence to other instances more or less analogous; but it is at all times useful to have the aid of closely-resembling examples. The closer the resemblance is between any two instances, the more certain we shall feel that we have overlooked no essential element; but it may be safely asserted, that, in the complicated and diversified transactions of life, experience would be of little use, if it taught us what to expect only in circumstances precisely similar.<sup>4</sup>

It was, he went on to say, an unsatisfactory objection to this viewpoint to argue that no universal propositions respecting human behaviour could be laid down as true, even if some kind of general law of human nature could be formulated. Some general laws, he insisted, whether physical or mental, were universal and without exception; others had few or many exceptions. But the exceptionability did not depend upon the things to which the laws themselves referred.<sup>5</sup>

The reason of the want of universality of these laws is easy to explain. Human bodies are physical compounds, having a general resemblance to each other in form, materials, and composition; but

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1 Cf. Viner, "Bentham and J. S. Mill: The Utilitarian Background," *American Economic Review*, XXXIX (March, 1949), 379.

2 *Ibid.*, p. 24.

3 *Ibid.*, p. 24.

4 *Ibid.*, p. 29.

5 *Ibid.*, pp. 18-19.

differing from each other more or less in all these circumstances, and even varying in themselves at different times. Being thus dissimilar and variable compounds, it would be a violation of the uniform operation of causes and effects, if they were all affected alike, and affected in a similar way at all times by the application of the same substance; and yet being compounds resembling each other in a greater degree than they differ, any varying in themselves only to a comparatively small extent, it would be equally a violation of that uniformity, if in the majority of instances they were not affected alike and in a uniform manner. So far as they resemble they will be similarly influenced: so far as they differ they will be differently influenced.

In the same way that the bodies of men are dissimilar and variable physical compounds, the minds of men are dissimilar and variable moral compounds; and the same circumstances operate differently on one mind from what they do on another, because the two minds are different in their constitution. The agents are the same, but the substances acted upon being in some respects unlike, different results must necessarily ensue. But as minds resemble each other in a great many points, however they may differ in others, there will be a similarity in the effects produced on most of them by the same causes; and just as certain rules may be laid down in regard to the action of medicine on the human constitution, other general rules may be laid down in respect to the influence of circumstances on human conduct.<sup>1</sup>

The only other observation Bailey had to make on this aspect of the methodology of the social-mental science appeared in the later Theory of Reasoning (1st ed., London: 1851). He stressed the need to make inductions from a sufficiently wide review of the facts. A hasty generalization from a narrow survey was ipso facto a case of fallacious reasoning. The ordinary error in such cases as this was the failure to permit a fact or phenomenon contrary to the generalization to modify the principle or law; instead, the aberration was usually brought within the general rule "... by an adroit extension or perversion of the terms in

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1 Ibid., pp. 20-22.

which the law is expressed."<sup>1</sup> As a case in point of this sort of "verbal logerdomain" Bailey cited his argument with James Mill regarding the effect of time (and, therefore, capital) on the value of commodities.<sup>2</sup> His charge was that instead of making this exception fit the law, the proper procedure would have been to reformulate the law to take cognizance of the phenomenon adduced.<sup>3</sup> Bailey's position here was unexceptionable and surely in accord with presently accepted modes of scientific procedure. He was clear that in this respect the method of the social sciences was analogous to that of the physical sciences; the premises of economic sciences were positive inductions from the ultimate reality of experience.

The progress of physical science may be looked upon now as secure. In this department of knowledge, the human mind has succeeded in placing itself on the right track; and although some improvement may be effected in the exact expression of abstruse scientific principles, what chiefly remains to be done, is to go forward from the points already attained, to the investigation of facts hitherto overlooked, or not yet brought to light, or not sufficiently examined, with all the aid supplied by the exquisite instruments and subtle methods of calculation invented by modern ingenuity. The proper mode of proceeding is here insured by such illustrious examples of successful investigation, that the necessity of rules and formulae is almost superseded. But in morals, metaphysics, theology, and politics, with all subjects belonging to social science not comprehended by those terms, and I may add in the science of medicine, a different aspect of affairs presents itself. Here there are innumerable gratuitous and baseless assumptions, received with entire faith as unquestionable and almost self-evident first principles, of the groundlessness of which no suspicion is entertained.

These are often mixed with truths, and the various deductions from both being perpetually intermingled with the original data and with each other, the result is a chaos of opinions, from which

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1 Theory of Reasoning, p. 171.

2 Ibid., p. 172.

3 Cf. Chapter VI, supra., pp. 222-23.

in moments of speculative despondency, it seems, to the philosophic mind, impossible for the human race to be extricated.

The only method of extrication is for the inquirer to allow no facts, no propositions, no doctrines, no principles, or whatever else they may be called, to pass before him on any question which he has undertaken to examine, without scrutinising their character and carefully investigating the evidence on which they rest, or are supposed to rest; and where there is no evidence at all, attempting to trace the groundless assumptions to their origin in mal-observation, misapprehension, ignorance, falsehood, the love of fiction, or other causes.<sup>1</sup>

In the final analysis, therefore, it is clear that over-all Bailey had the material to make a promising venture into the realm of economic methodological constructions. From this brief review, it is evident that he never did put his observations on method together in one proper sequence. But if this is true, it is likewise true that his insistence that economics be conceived as a mental science was important. It came at a time when the materiality of Adam Smith's viewpoint was accepted by practically all the English economists except Senior. And, as Dr. Bowley suggests, this may account in part for the persistence of the real or Ricardian cost of production theory.<sup>2</sup> It surely would have expired with a greater awareness and emphasis on what Bailey had described as the "affections of the mind." In appreciating at least this much, Bailey should be given a few marks. In addition, it should be possible to scrape up one or two more for his efforts on the methodology of the science. He in no way approaches Senior, of course. If a judgement is necessary, he probably falls somewhere beneath Senior, but certainly not

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1 *Ibid.*, pp. 180-82.

2 *Bowley, Nassau Senior*, pp. 63-64.

among the front or back rank Ricardians.

## 3.

In dealing with the scope of economic science and with the matters which might or might not legitimately be taken within its purview, Bailey had rather more to say than in the cases just considered. This might be expected, for he was a Benthamite Utilitarian and was prepared to judge social issues on that well-known calculus. He was for some years active in the realm of public affairs and, accordingly, had numerous occasions to urge or oppose a variety of governmental activities. These, taken along with his written observations, will be found to constitute a fairly useful body of thought on the scope and limitation of the discipline.

From what has been recounted of his writing on methodology, it is clear that Bailey intended the science so constructed to be used. This notion had been present in his earliest writings, even before the Critical Dissertation.<sup>1</sup> And in the paper on "Political Economy" it had emerged in a similar light.

The utility of a science may be viewed in two aspects -- as enabling us to avoid evils, and as enabling us to secure benefits. Ignorance does not simply deprive us of advantages; it leads us to work our

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1 In reply to the question: "What degree of practical importance ought to be ascribed to the science of Political Economy?" he had said: "To feel the practical importance of political economy, it is indeed only necessary to reflect, that in numerous cases affecting national wealth and prosperity we cannot remain idle, we must act; and this science is only another name for an investigation into those modes of action which are useful." S. Bailey, Questions on Political Economy, Politics, Morals, Metaphysics, Polite Literature, and other branches of knowledge... (London: 1823), pp. 3, 6.

own misery: it is not merely a vacuum, void of knowledge, but a plenum of positive errors, continually productive of unhappiness. This remark was never more apposite than in the case of Political Economy.<sup>1</sup>

Surely, he added,

... no one can be at a loss to decide that a comprehensive and complete is far better than a narrow and partial inquiry; and, therefore, no one can hesitate as to the utility of Political Economy, which is only another name for a scientific and methodical examination of momentous questions, which must, in the nature of the case, be determined either well or ill, and the determination of which must be acted upon.<sup>2</sup>

In the paper on political economy Bailey did not expand on the detailed way in which the science of political economy was to aid in predicting effects from the operation of certain causes. Having distinguished political economy from political science, all that he did contend was:

That it must be useful for a government to understand the effects of political measures, laws, and institutions on the economical condition of the people, to know whether its proceedings depreciate their property, interrupt their pursuits, deprive them of their means of subsistence, or, on the contrary, animate their industry, and raise their condition, seems too plain a proposition to be denied: that it must, also, be useful for the people themselves to understand the causes on which their prosperity depends, to know what the state can do to assist that prosperity, and what it cannot, and to be fully instructed that there are certain evils which can be avoided, and certain advantages which can be obtained, by nothing but their private prudence, seems equally plain.<sup>3</sup>

All of these things are, of course, "plain." But Bailey neglected to fill in the details of the manner in which these "useful" objectives could

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1 "Political Economy," Discourses, p. 121.

2 Ibid., p. 124.

3 Ibid., pp. 120-21.



be attained. These, instead, were reserved for the Rationale, in a chapter entitled "On the Proper Object and Province of Government."

In straightforward utilitarian fashion Bailey defined the object of government as the "good of the community."<sup>1</sup> But inasmuch as this object was also the object of other organizations in the society, like schools, colleges, hospitals, and so on, and as such was not unique with government, he thought it was necessary to refine the object further. This gave rise to what Bailey called the "province" of government, or the detailed series of activities which he believed it could properly undertake. In dealing with the "province" of government, therefore, Bailey was simply putting in different terminology the materials Bentham had included in the "agenda."<sup>2</sup>

So far as strictly economic affairs were concerned, Bailey generally held the view that government was best out of the way. "The functions of government are rather of a negative than of a positive character; in other words, they consist in preventing evil rather than in creating good." This meant, concretely, that

... when we recollect that in the main the power of the state in its effects on human happiness is supplemental and preventive of evil, rather than primary and creative of good, we shall at once see, that nothing can be more unfounded than the large share which has been attributed to governments in the prosperity of nations. It is an error of the same nature as that which should regard the natural and healthy play of the organs of the body as owing to the physician. National prosperity is really, in all cases, the result

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1 Rationale, p. 47.

2 Cf. Robbins, The Theory of Economic Policy, pp. 39-43.

of the principles of human nature operating in each individual in his private career, and the mistake of ascribing it to any other source has evidently arisen from the power of governments to mar what they cannot make. In the province of doing evil they are indeed almost omnipotent. There is no limit but the insurgent spirit of outraged humanity to their power of preventing happiness and inflicting misery; and this power has been amply exercised, both by despotic selfishness, and mischievous, because ignorant, benevolence. By almost all governments which have yet existed, this tremendous capacity for inflicting evil has been largely exhibited. It is no exaggeration to say, that the prevention of attainable enjoyments, and the creation of positive wretchedness, have been their common, systematic course; and when in any country a departure from this course has taken place, when there has been a cessation of activity in creating evil, a withdrawal of interference of authority with the sources of individual happiness, an abstinence from mischievous meddling, -- the good effects which have resulted, the industry, the enterprise, the wealth, the civilization, the spirit of inquiry, the intelligence, the morality, which have almost immediately sprung up, have been placed to the credit of the supreme power of the state; when in fact the whole merit of government consisted, not in the active production of these fruits, but in the wisdom of giving the principles of human nature fairer play and further room for development.<sup>1</sup>

This, of course, is the strong "Be Quiet" Benthamism of the early chapters of the Manual of Political Economy.<sup>2</sup> And Bailey's viewpoint is based on his own deep conviction that the utility principle provided an almost iron-clad prescription for individual, as against state, action.

If we look into that society, for the benefit of which government is or ought to be intended, we shall see that by far the largest portion of the actions of mankind are of a private nature, springing from individual motives, and terminating in personal enjoyments, which no external party can know or appreciate. The routine everyday exertions, the pursuits of business, the recreations of leisure, the intercourse of love and friendship, the tastes and habits of domestic life, all go on without any providential care on the part of the state. In the case of each individual, the chief blessings of life are attained without any assistance from government, either

1 Rationals, pp. 59-60.

2 Cf. Robbins, The Theory of Economic Policy, pp. 39-40.

by his own solitary efforts, or by spontaneously uniting with other men in large or small associations, and in a thousand ways, to attain advantages which his single arm is incompetent to reach. No other part can beneficially direct the greater number of his actions; no one can possess the same clear perception that he has of his own sources of enjoyment; none can be so vigilant in watching the circumstances which constitute his wretchedness or his felicity; none so strenuous to guard against the one, or so alert to seize the other. He is at the helm of the vessel, in which his whole happiness is embarked; and the main direction of it can be undertaken by none so well acquainted with the course to be pursued as himself. For government to attempt to interfere with actions or sources of enjoyment, the regulation of which requires a perpetual knowledge of an ever-varying train of personal circumstances, would be absurd.<sup>1</sup>

As for the immediate and practical policy recommendations emerging from this viewpoint, Bailey generally supported non-interference. In his political speeches during the Sheffield election in which he was a candidate, he argued for free trade, retrenchment, equity of governmental activities and privileges for all.<sup>2</sup> As has been shown, his argument concerning the government and monetary problems had reached the conclusion that the government should establish convertibility and then let automaticity prevail.<sup>3</sup> Regarding banking policy and note issue, his position had been the same; let competition and non-interference see to the regulation of activities in these spheres.<sup>4</sup> Obviously, to the author of the Formation and Publication of Opinions restraint was anathema;

... To check inquiry and attempt to regulate the progress and direction of opinions, by proscriptions and penalties, is to disturb the order of nature, and is analogous, in its mischievous tendency, to the system of forcing the capital and industry of the community into

1 Rationals, pp. 47-48.

2 Cf. Chapter XIII, infra., pp. 601 ff.

3 Cf. Chapter IX, supra., pp. 427-28.

4 Cf. Chapter I, supra., pp. 450 ff.

channels, which they would never spontaneously seek, instead of suffering private interest to direct them to their most profitable employment.<sup>1</sup>

1 Formation and Publication of Opinions, p. 104. Bailey's "order of nature" was not to be taken as signifying a construct of natural law or of abstract natural right. It was, on the contrary, directly derived from the principle of utility. "It is not difficult to see how the term natural rights may have established itself, and what is the real amount of its meaning. Men in civil society are accustomed to regulate their conduct by the laws under which they live, and hence they acquire certain peculiar feelings, as well towards those actions which are forbidden, as towards those which they are left at liberty to do, and are in fact protected in doing. The liberty of doing these latter is zealously maintained, and the least infringement of it is resented and complained of; and thus such actions are invested with associations easily aroused. Rights defined or guarded by law become consecrated by feeling. When men with these impressions contemplate other actions not permitted by the law, and see no reason why such actions should be prohibited, and when especially they find the prohibition injures their welfare and thwarts their wishes, they appear to transfer to these actions the feelings and associations which they have connected with legal rights. That sense of injury and injustice which they have, when they are forcibly withheld from what is sanctioned by law, is felt when they are prevented by the law itself from doing what would add to their happiness, without any injury to others. Such an action they regard as one which ought to be permitted, which men ought to have the right of doing in the nature of things; and although it has no legal sanction or permission, they consider it as sanctioned by nature as one of the natural rights of mankind; and any prohibition of it as an infringement of these rights... This account of the origin of the complex idea involved in the phrase [natural rights] leads us to see that there is really a substantial meaning in the expression, although it may have seldom been clearly and definitely apprehended. There are certain actions which men can do without injury to others, and which therefore they cannot be restrained from doing without the production of evil; actions with which, from their very nature, the interference of government must produce mischief. These may be designated natural rights. As a mode of conduct permitted by the law, and which therefore no one can legally prevent, is a civil or legal right; so a mode of conduct, harmless, or perhaps beneficial from the very constitution of things, and which therefore cannot be prevented without occasioning evil, may be termed a natural right... If it is agreed that a natural right implies a mode of action which can injure nobody, or which may benefit somebody, to contend for natural rights, is the same thing as to contend for the application of the standard of utility in all political enactments and measures: for in order to know whether any modes of conduct are to be considered as natural rights, you must determine whether they are or are not inimical to the general good. Having determined that they are not, you may contend that they ought to be permitted or sanctioned by law, in virtue

If so much seems clearly to place Bailey wholly on the side of non-interference, it is important not to go too far with him in this direction and, thus, to classify him with Carlyle and his "anarchy plus the constable." Like Bentham, Bailey was too much of a utilitarian to go the whole way with the "let alone" principle. There were cases as evident to him, as there had been to his mentor, in which the principle of utility required positive action, instead of inaction.<sup>1</sup> Thus, said Bailey, although the functions of government were generally of a negative character,

There are undoubtedly some important positive benefits which governments are capable of conferring, a certain portion of happiness which they may be said to have it in their power to create. We cannot altogether deny them this attribute, when we reflect that they have the means in their hands of instituting a system of universal instruction; that they can diffuse that knowledge which is one of the greatest blessings in the power of man to confer upon man: but while they are perpetually in imminent danger of producing evil, their chief business is to prevent it. Their capability of doing good resolves itself for the most part into a power of repressing injury.<sup>2</sup>

This "power of repressing injury" received concrete application by Bailey in the case of property.

... If we run over in our minds the details of the exercise of power in a state, we shall find that they are most of them, directly or indirectly, concerned with the repression of wrong, with preventing individuals from infringing on the welfare of

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(as the phrase is), of their being natural rights; while an advocate of simple utility would say, that they ought to be permitted because they are innocent or useful; the sole difference between you and him being, the employment on your part of a superfluous term." Supplementary essay, "On Rights," Rationale, pp. 405-9. Cf. Robbins, Theory of Economic Policy, pp. 46-48.

1 Cf. Stephen, The English Utilitarians, I, 309-10.

2 Rationale, pp. 56-57.

each other, with warding off evil, and not with creating positive happiness, or directly augmenting and improving the sources of enjoyment.<sup>1</sup>

In Bailey's mind, however, this meant not inaction, but definite, positive performance by the state in those cases in which the community welfare could be increased by such activity. He saw the principle of primogeniture as an instance in which community welfare could be raised by a wider distribution of property left intestate.<sup>2</sup> The community's happiness could not be increased by equalitarian measures, but it could be diminished by government activities which increased inequality. The doctrine of the equality of condition, he said,

... is one of those multifarious errors which have sprung from regarding government as a sort of omnipotent power, commanding all the sources of human happiness, and instituted for the purpose of moulding entirely the destiny of the community. If, indeed, it were a power of this kind, distributing to the people all the good which they enjoyed, it would seem only consequent with its general end, to make an equal distribution of property; it would be proper, and wise, and equitable, that no one should be more richly endowed than another; that no disparities of condition should exist, except those few which the public service itself might imperatively require. But when we regard the source of human happiness in the proper light, and the power of the state in its just character, -- the one as irrevocably seated in the individual, and requiring the incessant vigilance of personal interest; the other, as having for its proper province to make and enforce such regulations, chiefly of a preventive character, as individuals or subordinate associations are incompetent to carry into effect for their own benefit; we see at once that government has nothing to do, or ought to have nothing to do, with regulating those inequalities of condition

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1 Ibid., pp. 57-58.

2 Although this was not to preclude an individual's expressly doing as he chose with his property. Cf. [S. Bailey], The Right of Primogeniture Examined, in a letter to a friend occasioned by the Debate in the House of Commons, April 12, 1836, by a younger brother (London: 1837). Cf. Chapter XIV, infra., pp. 654-55.

among the people, which must necessarily arise in every society, from diversities of bodily powers and mental abilities, from differences of efforts, peculiarities of situation, or uncontrolled and inexplicable incidents.<sup>1</sup>

As the government should not propose to itself to effect an equality of condition amongst the people, it is plain, by parallel reasoning, that it ought not to endeavour to make a greater inequality than that which the natural operation of the principles of the human mind and the circumstances of the community would create. Such an attempt, just as in the other case, would be a meddling, without the possibility of adequate knowledge. This maxim is manifestly contravened by entails, the right of primogeniture, and other regulations and practices which have the effect of accumulating property in masses, into which it would never otherwise be collected.<sup>2</sup>

On the same ground Bailey could oppose what he termed the "intolerable grievance" of the income tax, although a system of graduated property taxes, which were presumably less inequitable, might be employed with advantage.<sup>3</sup> Community welfare was sustained, or, at any rate, not diminished by leaving the terms and conditions of contracts between workers and employers,<sup>4</sup> and between parties to a pecuniary bargain,<sup>5</sup> free of governmental interference. But the conditions of child employment in the cotton and woollen factories definitely required governmental intervention and control.<sup>6</sup> Where individual means were inadequate to undertake scientific and other rigorous inquiries, the government had a legitimate field of activity.<sup>7</sup> But in its relations with individual inquirers among

1 Rationals, pp. 398-99.

2 Ibid., p. 401.

3 Op. Cit. Chapter XIII, infra., p. 624.

4 Questions, pp. 95-96.

5 Money, pp. 153-54.

6 Chapter XIII, infra., p. 624.

7 Pursuit of Truth, pp. 157-58.

the citizenry the state should "... create no partialities and antipathies to any particular doctrines;... it should leave conclusions or opinions unpatronised and unpunished, and extend its encouragement to nothing but enterprise in undertaking, and diligence and fairness in conducting, investigation."<sup>1</sup>

There is no evidence that Bailey appreciated the significance, and difficulty, of the problem of declining marginal social utility,<sup>2</sup> although he did make the conventional assumption that, in political affairs at any rate, each individual's happiness was to be counted as one. "In political society, every individual counts one, and only one, whether rich or poor: in other words, the happiness of one man is not to be consulted for itself, more than the happiness of another; or, to vary the phrase, it is not to be considered as a more important object."<sup>3</sup> Bailey's protest against "equality of condition" objectives for governmental activity seems to suggest that he was not prepared to make the conventional assumption of each man's economic happiness counting for one. Whether he did not appreciate the full significance of the matter in economic affairs, as compared with political affairs, or whether he rejected economic egalitarianism for the Benthamite reasons of the security of property,

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1 *Ibid.*, pp. 159-60.

2 Cf. Halévy, The Growth of Philosophic Radicalism, pp. 495-96. The complete Bentham MS from which Halévy's brief extracts on the matter of adding units of happiness, interpersonal comparisons of utility, etc., were taken are reprinted in D. Baumgardt, Bentham and the Ethics of Today (Princeton: 1952), Appendix IV, pp. 554-66.

3 Rationale, p. 393.



cannot be established. At all events, it is obvious that he never got around to resolving the contradiction between his political views on equality and his economic judgements on the same scale. There is no logical reason to conclude that the political happiness of individuals is equal, while holding that the economic happiness of individuals is disparate. Part of the twenty-fold happiness enjoyed by Sir Henry Maine's Indian Brahmin<sup>1</sup> compared with anybody else might have been due to political, as well as economic, experiences.

## 4.

From what has been said above respecting Bailey's treatment of scope and method, the summary conclusion which emerges is that he never succeeded in establishing a coherently and consistently organized system. There is missing, therefore, that careful incisiveness which he invariably brought to those specific subjects which occupied his attention. On the credit side, it is possible to attribute to him the important realization that political economy was to be considered essentially a mental science. The principles of that science residing in the minds and motives of all individuals, it was not difficult for him to pass on to the realization that wealth, as the primary objective of these motives, was virtually equivalent to welfare. This really amounted to taking wealth out of the exclusive class of material objects. This was an important advance

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<sup>1</sup> Cf. Robbins, Theory of Economic Policy, p. 180 and references there cited.

at a time when most economists were still oriented around the Smithian concept of material wealth as the subject of their investigations.

An additional derivative of Bailey's grounding economics in the mind was his appreciation of it as primarily an inductive science. Experience and association provided the initial premises from which the subsequent deductions could be made. This position seems to be at some variance with John Stuart Mill who, as is well-known, had insisted that political economy could not be considered an inductive science because of the impossibility of making controlled experiments. In fact, however, Mill and Bailey were not so far apart as the terms might seem to suggest. Mill acknowledged that the method of specific experience -- the "a posteriori" method, as he termed it -- was to be employed in verifying the truth which deductive -- or "a priori" -- moral science reached. Bailey's method said essentially the same thing. Any result which failed to confirm the general law, whether that law derived from positive outward observations or introspections, necessitated a revision of the law to take account of the new data.<sup>1</sup>

On the basis of his individualistic, and often introspective, analysis, Bailey generally reached laissez-faire conclusions regarding government and economic affairs. The individual best knew the extent and nature of his own happiness and welfare; thus, he was best left to achieve and

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<sup>1</sup> Cf. J. S. Mill, "On the Definition of Political Economy and on the Method of Investigation Proper to it," in Essays on Some Unsettled Questions of Political Economy (London: 1844), LSE Reprint, pp. 111-119.

further it. Such, of course, was the frequent Benthamite conclusion. In Bailey's case, however, the two-sided nature of Benthamism emerges as strongly as it had in Bentham's own writings. As has been seen, Bailey had had a sufficiency of advice to give. Nor was he above urging the government to act in cases where a clear advantage seemed possible. However, rough and ready the Benthamite calculus was in practice,<sup>1</sup> once he had declared the object of government was the people's welfare and happiness, Bailey was at least required to show in selected cases how and why intervention would or would not injure or enhance that welfare. He had tried to do this in the political sphere;<sup>2</sup> it was no less necessary in

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1 Cf. Robbins, Theory of Economic Policy, p. 181.

2 "Every political measure, every proposed improvement or innovation, ought to be determined by an accurate appreciation of all its consequences, as well as of all the consequences of omitting to adopt it; and general directions afford valuable aid, inasmuch as they point out both the sources whence the elements of the calculation are to be drawn, and the source which ought not to be resorted to.

"Such a computation, to be complete, must include the effects of the adoption or rejection of the measure on the interests, habits, and feelings of the people at large, of classes, and even of individuals; and the reaction of these effects on the measure when it comes to be enforced. We must take into account both the numbers which it would benefit and please, and the numbers which it would injure and render discontented, as well as the intensity and duration both of the benefit and the injury... If, then, any politician were to resort for weapons against any proposed improvement to the armoury of general directions here furnished, if he were to contend that the measure was too bold, not a sufficiently gradual reform, not duly accommodated to existing interests and prejudices, such a general declaration would have no force. He must show what are the precise evils, and by whom or by what classes to be suffered; he must specify the prejudices likely to be shocked, the interests injured, the feelings wounded, and the parties who would sustain these hardships; and he must further show, that these evils would counterbalance the good to be derived from the measure, joined to the advantage of escaping the evils which would follow its rejection." Rationals, pp. 365-67.

the sphere of economic legislation. In laying down and generally adhering to the non-interference principle, Bailey did not give a satisfactory proof of the way in which welfare or happiness would be affected. Plenty of examples could have been presented to him to demonstrate that the government might have occasioned an increase in happiness or welfare by positive action, although Bailey himself usually clung to the contrary belief. It is only necessary to compare Bailey's general position with that which Senior later reached regarding the function of government in order to see the force of this observation.<sup>1</sup>

What may be offered in explanation of Bailey's inconsistency as between economic and political functions of government? Probably the simplest is his own particular middle-class background. Politically he could readily enough support the Radical position against legislation which was more responsive to conservative interests; economically, he could easily enough support governmental policy which furthered the interests of that rising middle-class of which he was a part. This is not to suggest that he was given to duplicity. Quite simply, Bailey was a product of his time and environment. It made sense in terms of his background to demand of the government that it prove its legislative measures to be in the interests of the greatest number of its citizens. It made sense in terms of his business experience to judge that interference was more noxious than economic freedom. It never occurred to him that it was inconsistent

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1 Cf. Bowley, Nassau Senior, pp. 264-72.

to urge at the same time extension of the franchise and abolition of the corn laws and to refuse to sanction egalitarian measures. In the former cases he could count each individual's happiness as one, because from his standpoint and background it seemed sensible to do so; in the latter case, he could stress that egalitarianism overlooked the fact that all men were different, because his middle-class thinking resented the fact that a government might count him as one and thereby deny him the right to something he believed himself to have produced. He could show that "natural rights" were really grounded in utility concepts, so far as political measures were concerned, and that, therefore, there was nothing sacred about them. He could at the same time contend that economic inequalities were due to the "natural operation of the principles of the human mind and the circumstances of the community," without seeing that there was nothing sacrosanct about the determinants of such inequalities.

All of which seems to suggest ultimately that Bailey never reached entirely satisfactory conclusions on these headings, because he never really put his mind to a serious consideration of them. As has been seen in most of his other work on economics, when a specific problem required a more or less microscopic exploration and analysis, he was virtually unparalleled. But in the present case, which was one of bringing together the laws of economic thought and action, it is clear that his interest was spread so widely that he never succeeded in placing the subject in that critical focus which so distinguished him in other respects. In the fact that the early nineteenth century discussion of scope and method

were, so to speak, carried on sub rosa and did not appear in print as specific subjects for investigation, the thought probably never occurred to Bailey to appraise them in a truly critical and analytic fashion. On methodology, his argument stood out in greater relief because it was in his familiar area of psychology. Because he had to settle his thoughts on the "philosophy of the mind," he could hardly avoid seeing the implications for the science of political economy. The wonder is, however, that so many who were in effect Bailey's philosophical comrades, should have failed to see, as he certainly did see, that economics was mentally, instead of physically, grounded.

PART III

## CHAPTER XII

### BIOGRAPHY: I

Several weeks after he died the Saturday Review of Literature remarked about Samuel Bailey that "the newspapers have lately recorded the death of a man who was at one time of some mark in the world of English letters, but who is not destined to be remembered outside the limits of a particular school and locality."<sup>1</sup> Now in what has been said thus far it is clear that, so far as economic "letters" were concerned, Bailey was rather less provincial than the Saturday Review's judgement would have suggested. But if this is true, it seems worthwhile to take a closer look at the man himself; it seems worthwhile to consider the nature and personality of the man who produced not only economic letters, but political, metaphysical, poetical, and critical letters as well. While each of these fields which Bailey cultivated might themselves more properly warrant individual investigations, they can be used within the present limitations to serve as (rather small) brushes with which to paint a backdrop for what has already preceded. For it is probably against some such intellectual panorama that Bailey's full stature and nature are best revealed.

Of course, the essential facts of Bailey's life have been available for some time in the standard biographical dictionaries and encyclopedias.<sup>2</sup>

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<sup>1</sup> Saturday Review of Literature, XXIX (5 February, 1870), 176.

<sup>2</sup> Cf. "Bailey, Samuel," Dictionary of National Biography, vol. II (1885), pp. 409-11. "Bailey, Samuel," Palgrave's Dictionary of Political Economy, Vol. I (1926), p. 82. "Bailey, Samuel," Encyclopedia Britannica, Vol. III (1878), pp. 241-42. Notes and Queries, IX (9 March, 1878), pp. 182-85. "Bailey, Samuel," Encyclopedia of the Social Sciences, Vol. II (1930), p. 388.



But the spatial limitations of these sources have necessitated a brevity of treatment which leaves something to be desired if one is to derive a sound appreciation of this man who left his "mark," however it may finally be evaluated. While the three chapters which are to follow may doubtless seem a presumption on the reader's already over-taxed energies; yet, it does seem to be but simple justice to go to whatever lengths are required in order to give Samuel Bailey that appraisal he certainly earned and, therefore, deserves.

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What feelings Joseph and Mary Bailey experienced as they first looked upon their fourth son and ninth child in the summer of 1791 will probably never be known. Whether they saw in him banker, writer, politician, philosopher, or philanthropist only they alone in their eternal rewards could reveal. But in the fact that at the time of Samuel's birth two other sons were alive, one of whom was probably already apprenticed to his father's business, there is some reason to suspect that they must have had before them the prospect of another son who would follow Joseph Bailey into his enterprise.

Joseph himself came from a line whose roots had been sunk in

Sheffield and its environs as far back as the 17th century.<sup>1</sup> His early apprenticeship to the scissors trade was doubtless responsible for bringing him to Sheffield proper, for his parents, Matthew and Elizabeth Bailey, lived most of their lives in Masboro', a small community a few miles to the northeast of Sheffield, where Matthew worked as a founder in Walker's Iron Works. After he had completed his time, Joseph set himself up in business as a scissormaker, probably around 1773 or 1774,<sup>2</sup> which would have put him in his early or mid-twenties.<sup>3</sup> His business apparently prospered enough to encourage in him the belief that it could support more than one, for on 27 February, 1775, Joseph married Mary Eadon, daughter of John Eadon, writing master at the Free Writing School in Sheffield. Whether as a cause or effect of this alliance cannot be known, but one of Joseph's first apprentices was Mary Eadon's brother, John.

The colonial war and, at its conclusion, the resumption of the profitable American trade doubtless contributed to the further expansion

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1 Sheffield Pedigrees, ed. T.W. Hall (Sheffield: 1915) No. 15. "Pedigree of Bailey, of Grenoside and Sheffield, Co. York. Compiled by Robert Eadon Leader, 1912." In a letter to the Sheffield Independent (15 June, 1878) Mr. J.D. Leader, brother to the above, refers to the discovery of certain gravestones in the Ecclesfield churchyard, some of which apparently belonged to the Bailey ancestors. Ecclesfield was a suburb of Sheffield.

2 Sketchley's Sheffield Directory (Bristol: 1774), p. 16.

3 The date of Joseph's baptism is given as 14 April, 1751. "Book of Birth and Burial Certificates" (Leader Collection, Vol. 137, Dept. of Local History, Sheffield City Libraries.) Moreover, apprentices in the outlery trades usually served until they were twenty-one. J.H. Clapham, An Economic History of Great Britain: The Early Railway Age (Cambridge: 1930), p. 572.

of Joseph's establishment. By 1781 it had expanded enough to permit him to move it to more elaborate premises at the corner of Workhouse Lane and Westbar, where it held forth as "Bailey, Joseph, Scissor maker, West-Bar."<sup>1</sup> Six years later the apprentice was elevated to status of full partner, and as was so often the case with such journeyman enterprises, the two men took on the added job of factoring. The firm appeared variously in the directories as "Bailey and Eadon, Factors. Westbar"<sup>2</sup> or "Bailey and Eadon, Scissor-makers."<sup>3</sup> Joseph drew some minor fame to himself for having been one of the first Sheffield merchants to trade with America.<sup>4</sup> In the meantime, his son John had entered the firm as an apprentice scissor-smith, although the activities of "Bailey and Eadon" had been expanded even more to include ironmongering.<sup>5</sup>

While no records of "Bailey and Eadon" were found extant, a clue to its continued profitability and vigor is certainly revealed in the way in which Joseph was able to provide for, and house, the increasing brood which he and Mary produced during these years. Although only five of their eleven children actually reached their majorities,<sup>6</sup> accomodation had to be made for them as they arrived. Joseph accomplished this by

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- 1 Bailey's Northern Directory (Sheffield: 1781), p. 115.
  - 2 A Directory of Sheffield (Sheffield: 1787), p. 5.
  - 3 Universal British Directory (London: 1792), p. 401
  - 4 Sheffield Register, 16 March, 1824
  - 5 A Directory of Sheffield (Sheffield: 1797)
  - 6 Hall, op. cit.

building a substantial brick residence about a mile north of Sheffield proper. "Burn Greave," as the house was known, was situated on a moderate elevation, sufficiently far from the center of town that it was considered a decidedly country residence. To the Baileys it seemed likely to preserve its privacy from the encroachment of the city for many years to come.<sup>1</sup>

Some time around the turn of the century the Bailey-Eadon partnership was dissolved. This probably occurred in 1799, the year in which John Bailey completed his apprenticeship under his father.<sup>2</sup> John Eadon remained at the old location as "John Eadon and Sons, merchants, factors, and ironmongers, Westbar,"<sup>3</sup> while Joseph moved once more. This time it was down the hill on Workhouse Lane to the corner of Spring and Love Streets, where were built the premises of "Joseph Bailey and Sons, Spring Street."<sup>4</sup> Since Joseph now had "sons" associated with him, and since only John and Samuel were alive at the time, it is clear that the latter had entered the firm. He was probably employed in some sort of clerical capacity, inasmuch as there is no evidence to show that he was ever apprenticed in any craft.

Joseph Bailey himself was by no means an inconsiderable figure in the town, beyond his own private business accomplishments. Probably the

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1 R.E. Leader, Reminiscences of Old Sheffield (2d ed.; Sheffield: 1876) pp. 159, 161.

2 R.E. Leader, History of the Company of Cutlers in Hallamshire (Sheffield: 1905), II, p. 117.

3 The Sheffield General Directory (Sheffield: 1817).

4 The Commercial Directory for 1814-1815 (Manchester: 1815), p. 215.

fullest testimony of the great regard and respect in which he was held is given in his election to Master Cutler in 1801. This position, as head of the Cutlers Company, involved a great deal of honor, deference, and stature in the community, combining in effect the ceremonial office of mayor and custodian of the town's single most important economic activity.<sup>1</sup> Beyond this, however, Joseph's appearance in a wide variety of the town's business and charitable pursuits testify that he not only held a position of some wealth, but also had a sense of significant social and community obligation. For example, in 1814 he was sufficiently solvent to be able to subscribe £ 500 in the name of his firm for the proposed Sheffield Canal.<sup>2</sup> In 1819 he was appointed a governor of the first board of the Sheffield Savings Bank.<sup>3</sup> He occasionally served on the Committee of Management for the Lancastrian Schools,<sup>4</sup> and he sometimes performed constabulary duties in his own locality of Ecclesall Bierlow.<sup>5</sup> Moreover, he was generous to charitable and relief causes and was occasionally reported for his contributions to them.<sup>6</sup>

If the rise and growth of Joseph Bailey's enterprise seems to suggest that his sons were schooled in his own careful principles of thrift, in-

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1 Leader, History of the Company of Cutlers in Hallamshire, I, p. 281.

2 Sheffield Iris, 27 September, 1814.

3 R.E. Leader, A Century of Thrift. An Historical Sketch of the Sheffield Savings Bank, 1819-1919 (Sheffield: 1920), p. 56.

4 Iris, 25 June, 1816. Sheffield Independent, 18 June, 1822.

5 Independent, 27 April, 1822.

6 Iris., 15 August, 1816. Independent, 25 May, 1822.

dustry, and diligence, it is possible to observe a somewhat different "schooling" influence on Mary Bailey's side of the family. It has already been remarked that Samuel's maternal grandfather was John Eadon, the schoolmaster. John Eadon was a self-taught and self-educated man who had been made headmaster of the Free Writing School in Sheffield in 1758. In addition to his administrative duties, he taught writing, arithmetic, bookkeeping, mathematics, and surveying,<sup>1</sup> and gave a class in writing at the Grammar School next door to his own. If the Sheffield Register spoke of him with some exaggeration as a first rank mathematician,<sup>2</sup> it seems clear that nonetheless his influence on the education of thousands of Sheffield youths was considerable. His book, The Arithmetical and Mathematical Repository (Sheffield: 1793) was well received and highly praised by his students. His The Arithmeticians Guide (Sheffield: 1766) was a somewhat less substantial work, however.

With a grandfather displaying such academic leanings as these, it was only natural that Samuel Bailey should have been sent to the Free Writing School. Although few details are extant of his achievements there, certain intimations of the later man began to make themselves known. He was described by his contemporaries as reserved, reticent, and somewhat prideful. He appears to have been indifferent to the usual schoolboy pranks and fun,<sup>3</sup> and, indeed in a later semi-autobiographical

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1 Leader, Reminiscences, pp. 38-39. R.E. Leader, Sheffield in the 18th Century (Sheffield: 1905), p. 125.

2 8 May, 1810

3 Leader, Reminiscences, p. 41.

article, he wrote of a "friend" of his who preferred "... even when at school, to steal from the boistrous mirth of his companions, and hide himself in a leafy bower, or sit on the banks of a rivulet, with a volume of some favourite poet."<sup>1</sup>

Whether or not the later scholar developed from solitary speculations of this sort, or, more likely, from the efforts of his grandfather, further education was arranged for him after his studies at the Free Writing School. Inasmuch as it was not the custom for the then middle-class fathers to send their sons to a university,<sup>2</sup> Samuel went down to the Moravian School in Fulneck. The fact that one of John Bailey's friends was a minister in the Moravian Establishment may explain why it was decided to send Samuel there.<sup>3</sup> Another of John Bailey's close friends was James Montgomery, the Sheffield publisher and poet. Montgomery also

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1 The Northern Star and Yorkshire Magazine, III (July, 1818), p. 36.

2 Although the contrary has been claimed. "... We have heard it said that he [Bailey] attended some classes in Edinburgh University, especially those of Dr. Thomas Brown...." "The Works of 'Samuel Bailey of Sheffield,'" The British Controversialist and Literary Magazine (July, 1863), p.6.

It is true, of course, that Bailey had a high regard for Thomas Brown. Cf. Chapter IV, supra., p.131. But according to Mr. C.P. Finlayson, Keeper of the Mss at the University of Edinburgh Library, (Letter of 21 July, 1954) Bailey's name does not appear in the registers during the years when Brown occupied the Chair of Moral Philosophy, i.e. from 1810 to 1820. Nor is there any trace of Bailey in the Library's book slips or librarian registers. Taken with the fact that no observation whatsoever was made in any of the local Sheffield newspapers about Bailey's having attended Edinburgh, it may be presumed that he never in fact went up there.

3 Cf. T.W. Ward, Peeps into the Past, ed. A.B. Bell, (London: 1909), p. 166.

had attended the Moravian School.<sup>1</sup>

After leaving the Fulneck school, Samuel doubtless came directly to join his father and brother in the business on Spring Street. This would probably have been around 1804-6, when Samuel would have been in his early teens. For the next few years he must have been engaged in learning his job and duties. Only one incident remains as noteworthy during his period with "Joseph Bailey and Sons." It is an allegedly well-established fact that Samuel was entrusted with the task of helping to re-open the American trade which had floundered during the War of 1812. For this purpose, he was supposedly sent to America.<sup>2</sup> If in fact Bailey did go to America, it is likely that the trip occurred in 1817. The War itself did not end until 1815. Bailey was in Sheffield during the 1816 depression, for in the autumn of that year he wrote a letter to one of

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1 Cf. Leader, History of the Company of Cutlers in Hallamshire, I, p. 582. E. Odom, Two Sheffield Poets: James Montgomery and Ebenezer Elliott (Sheffield: 1929), p. 7.

2 Cf. Leader, Reminiscences, p. 326. DNE, II, 409. The first time this trip was mentioned was in Bailey's obituary in the Sheffield Independent, 19 January, 1870. Leader, whose family long owned and edited the newspaper, probably wrote this obituary, since he knew Bailey personally and was distantly related to him through the Eadons. Someone as close to Bailey as this could reasonably be expected to know whether or not he had ever made such a trip. The Sheffield Dailey Telegraph, 19 January, 1870, also referred to this trip in its own obituary.

On the other hand, it is strange that the trip is not corroborated by any of the local newspapers for the time in which it could have taken place. Moreover, Bailey himself never mentioned having travelled to America.



the local newspapers, arguing that the high rate of juvenile delinquency could be alleviated if the town would establish reading rooms where boys could amuse and entertain themselves and, thus, stay out of trouble.<sup>1</sup> Moreover, he was in Sheffield in early 1818, contributing at that time to a series of articles to a local monthly magazine, about which more will be said later. In 1817, therefore, the time and opportunity would have been right for him to have made the westward journey. His efforts could have been bent directly toward helping the family concern overcome the effects of the existing mercantile stagnation. Bailey himself had expressed the conviction that, if Sheffield manufacturers would only trade directly with foreign buyers and consumers, foreign competition need not be feared.<sup>2</sup> His American trip, assuming he ever made it, may have grown out of just such a conviction. It is fairly well established, at any rate, that the American trade was of substantial importance to the Bailey firm. And John Bailey, in particular, was sufficiently forward and aggressive to see to it that its interests would not suffer because of any lack of application on his part.<sup>3</sup>

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1 Iris, 29 October, 1816.

2 B. Bagshawe, Independent, 4 May, 1887.

3 John was a member of a deputation sent from Sheffield to London to give evidence before the Parliamentary Committee considering the revocation of the Orders in Council. Sheffield Register, 2 May, 1812. T.W. Ward also recorded that "... invited to meet men from other towns at the Bedford Coffee House [London] to urge on the Ministers the importance of adjusting the matters in dispute with America, he had declined, suggesting application to John Bailey (of Buragreave), then residing as a Steward or Agent, with a Mrs. Dent, of Bethnel Green." Peeps into the Past, p. 199. In May, 1818, Ward had accompanied John Bailey to London in connection with negotiations over the pending Cutlery Bill. Ibid., p. 252.

## 2.

Although it would be a tax upon credulity to take Samuel Bailey's first formal appearance in print as of "major" proportions, it is nevertheless worthwhile to mention it in order to complete the chronology of his published writings. The actual medium of these expressions was a somewhat obscure and short-lived monthly called The Northern Star and Yorkshire Magazine.<sup>1</sup> Bailey's efforts, entitled "Hours After Tea," consisted of a series of gossipy, chatty articles on a variety of subjects which from time to time might arrest his attention. And if they may have brought some light into what Leader saw as a "clerical furrow" of pedantry and prolixity plowed by the Northern Star<sup>2</sup> they are important to present purposes only for the one or two autobiographical hints they contain.

Number I in the "Hours After Tea" series sought to set the stage for the others to follow. Its most provocative point, undoubtedly, is to be found in the fact that its author, who described himself as "... past the meridian of life, and can no longer partake in the impassioned fervour and hearty gaities of youth,"<sup>3</sup> was nevertheless able to bring himself

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1 The journal ran through three volumes from July, 1817 until December, 1818, after which it ceased publication. R.E. Leader, "Literature and Archeology in Sheffield a Hundred Years Ago," Transactions of the Hunter Archeology Society, I (1919), 216 ff, first revealed editorial records showing that Bailey had contributed some articles to the magazine.

2 Ibid., p. 221

3 Northern Star II (Feb., 1818) 138. Bailey was, of course, 28 at the time.

to remark:

The evening, in fact, is the empire of women, the period during which she enjoys her utmost height of power.

Whether she smiles on the still scene of domestic life, or, in all the gaiety of dress, irradiates the circles of fashion, or listens to the ardent protestations of love, we may exclaim with the poet,

'Here Woman reigns!'<sup>1</sup>

That Bailey, whose later picture was drawn of the severely unromantic bachelor, should have written along these lines is, of course, interesting and intriguing. Whether he derived his familiarity with the activities of woman within her "empire" first-hand, or whether it came to him as mere hear-say testimony from his family and acquaintances, naturally cannot be verified. There is the barest suggestion of the former possibility, however. Although he never married, it is known that he embarked upon two romances, both with banker's daughters and both unsuccessful.<sup>2</sup> It is possible, therefore, that one of these romances may have taken place at this time, thus explaining why so much of the introductory article was taken up with very obvious efforts to establish an affinity with the "fair sex," as Bailey unimaginatively insisted on calling them. Moreover, as will appear, several later articles in the series dealt with affairs of the heart, and it seems reasonable to suppose that these matters may have been sufficiently strong in his mind to suggest such themes to him.

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1 Ibid., p. 38.

2 R.E. Leader, The Sheffield Banking Company Limited (Sheffield: 1916), p. 22.

Bailey's "other" romance must have occurred some time after this, however. Little is known of it beyond his lack of success. Mr. J.H. Barber, cashier and subsequently manager of the Sheffield Banking Company, which Bailey helped to found in 1831,<sup>1</sup> once recalled at a meeting of the Sheffield Literary and Philosophical Society, that Bailey having proposed marriage to the lady in question, "somebody afterwards asked her why she refused a man in many respects so eligible, with a fine mind, a fine fortune, and a kind heart, and she replied, 'To tell you the truth, I should not like to marry an iceberg.'"<sup>2</sup> Whether or not some metamorphosis had changed the Bailey of the "Hours After Tea," who had experienced the "impassioned fervour" of youth, who knew of women and who could listen to "ardent protestations of love," to the "iceberg" of the later man, there is little doubt that he was generally shy and retiring. His sister-in-law, Mary Anne Bailey, expressed the belief that "marriage

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1 Cf. Infra., pp. 585-86.

2 Independent, 4 May, 1887. It seems clear that Samuel's proposal to this lady, whoever she was, was a genuine and serious one. In a codicil to his will, dated 23 December, 1837, John Bailey intimated that Samuel's suit had passed beyond mere conjecture. In this codicil John left to his sister, Ann Bailey, "a mourning ring of such quality and fashion as she may choose," and went on to state explicitly that no money settlement had been provided for her, "she having an income abundantly sufficient under her circumstances." He expressed the hope that Ann would approve of his disposition of property in behalf of Samuel, "... looking forward to the probability of his [i.e. Samuel's] having a family to provide for." Since both Joseph and Mary Bailey were dead by this time, and of their children only John, Ann, and Samuel were alive, the "family" John referred to must have been that which he anticipated from Samuel's prospective union.

would have improved him amazingly,"<sup>1</sup> meaning, undoubtedly, that the cares and demands of wife and family would have softened him, would have brought him out of himself in seeing to the needs of the others, and would have rounded some of those apparently sharp and uncompromising edges and corners.

The other articles in the series disclose one or two additional details of Bailey's personality and a few of his ideas toward somewhat "philosophical" problems. For example, number IV was a narrative about a "friend" of the author's who came from a "moderately opulent family," who had an "impassioned ardour for intellectual improvement about him," who displayed a "natural reserve" of temper, and who experienced an unsuccessful suit with a lady. This "friend," having succeeded in publishing a small book of poems whose sale was meagre in the extreme, had been rescued from his despairing depths by the enervating love of the lady in question. Just when his "friend's" addresses appeared to be on the verge of succeeding, "authoritative interpositions" of others managed to break off the suit. In his disconsolance the subject of Bailey's narrative plunged into an orgy of immoral and sensual activities. Although there is no suggestion whatever that Bailey ever went to such measures to forget an unhappy affair, the moral which he drew from his "friend's" experience was typical of him. He advised his readers to cultivate to

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<sup>1</sup> Notes and Queries, IX (March, 1878) 182. Cf. Appendix "B" Infra., p. 700.

a high degree the moral and intellectual attainments, so that when the vigorous aspirations of youth became dampened in later life and subsequent maturity, something would remain to fill the necessary role of challenge and stimulation. Without such a substitution, he warned, all that could be expected was a "... systematic abandonment to every thing but sensual and temporary gratification."<sup>1</sup>

Number II in the series dealt with another "friend," who, having received a "liberal education," had distinguished himself early in his life by his "literary attainments" and an "unusual combination of talents and modesty." A "handsome patrimony" enabled this "friend" to seek an early retirement from the world and to avoid any public display of his "powers." Before long, however, the "friend" found that he was envious of his fellow-men in the wide and varied challenges of their duties and professions. For he saw that

"man is born with faculties fitted for action as well as speculation, and although the progress of society may possibly be promoted by the exclusive attachment of some of its members to each of these modes of occupation, it can scarcely be questioned that the happiness of the individual, not less than the perfection of the human character, is best consulted by a judicious intermixture of both."<sup>2</sup>

Bailey was probably his own best example of the lesson preached in this episode, for he believed that the habit of "gloomy abstraction" was just as insidious as that of "incessant activity," and it is known that he

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1 Northern Star, III (July, 1818), 38.

2 Ibid., II (March, 1818), 224.

employed his own considerable self-discipline in never permitting himself to continue an activity in which he was fatigued or had lost interest.<sup>1</sup> Beyond that, as will appear subsequently, he did manage to affect a rewarding compromise between speculation and action.

Number III in the series was simply a brief rumination on the progressive rise and fall of civilizations and what permanency could be expected from the literary and scientific advances made within those cultures.<sup>2</sup>

The fifth number was a discussion of coincidences in thought and expression. Relying in part on the associationist psychology, he took up various cases in poetry in which one poet appeared to derive a manner of thought or expression from another without conscious plagiarism. He did this, he said, not to detract from the achievement of one writer, but rather to "... throw some light on the process of the mind in composition."<sup>3</sup> As will appear, it was probably no accident that Bailey was able to refer to Dugald Stewart during the course of this final paper dealing with one aspect of the "process of the mind." For within a few years he was to publish a more elegant treatise dealing with another aspect of that "process." More than likely he had already begun reading the important works in the field of 19th century "psychology."

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1 Notes and Queries, IX (March, 1878), 182.

2 Northern Star, II (April, 1818), 268-71.

3 Northern Star, III (August, 1818), 95.

On the whole the "Hours After Tea" obviously cannot be afforded any appreciable standing among Bailey's subsequent capable and mature productions. If the various selections in the series reveal a certain breadth of literary background, and a certain ability to manage his words and sentences to some effect, they do nothing to convey that careful incisiveness of thought and analysis which so characterized his later writings.

## 3.

In its brief survey of Samuel Bailey's place in the development of English thought the Saturday Review had made the sound observation that "when the history of philosophy compounded out of the psychology of Locke and the jurisprudence of Bentham is written, a section of it may be properly devoted to Samuel Bailey of Sheffield."<sup>1</sup> To write the history of such an amalgam here would clearly transcend the limits of the present inquiry. But in the absence of a satisfactory reference to Bailey in this connection, in what are surely the seminal studies of this phase of English thought,<sup>2</sup> it is necessary to try briefly to appraise the nature and extent of his influence on that interweaving of politics, philosophy,

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1 Op. cit., p. 176.

2 E. Halevy, The Growth of Philosophic Radicalism, trans. M. Morris (London: 1949). Sir Leslie Stephen, The English Utilitarians (London: 1900) II, 31, 399, III, 251, did mention Bailey once or twice, but does not appear to have given his work a careful reading.



and psychology undertaken by the Philosophical Radicals.

It is well-known that Jeremy Bentham, like David Hume and Claude Helvetius before him, believed that it was possible to establish a science of morals. Bentham himself had made this clear in his picturesque application of the rule of three which Professor Halevy discovered among the Bentham MSS at University College. For Bentham had claimed that "what Bacon was to the physical world, Helvetius was to the moral. The moral world had therefore had its Bacon; but its Newton is yet to come."<sup>1</sup>

Bentham's Introduction to the Principles of Morals and Legislation

(London: 1789) clearly constituted his solution for the missing quantity in the rule. It set down his body of laws of the moral universe and, therefore, the means by which he was to become the Newton of the moral world.

While Bentham's simple proportion does possess a certain intellectual appeal, it is necessary to appreciate, however, that there are some serious difficulties associated with the Baconian-Helvetian elements in it. These difficulties are, of course, essentially those of the inductive method with which every first-year philosophy student is familiar. But where the main problem in the natural or physical sciences rests on the possibility that an induction may at any time be destroyed by one failure to confirm it, in the realm of moral "science" as conceived by these thinkers

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<sup>1</sup> Bentham MSS, University College, No. 32, as quoted in Halevy, op. cit., p. 19.

the question goes rather deeper and forces a consideration of the grounds for belief. Even in the period in which they were writing, it was almost traditional for the natural or physical scientists to take as given the data testified by the senses and to leave considerations of its reality to others to resolve. In the moral "science," on the other hand, the matter was not quite so simple, for belief itself appeared as the equivalent of the observed and measured raw material from which the conclusions were induced in the other sciences. The apparent security with which an induction from natural or physical phenomena could be made in those sciences was severely restricted in the case of moral "science," because of the obvious difficulty of knowing whether to accept the interpretation of the evidence presented to the senses for assent or disbelief. Thus, where the 18th century natural or physical scientists "skipped over" this problem of belief, the 19th century moral "scientists" had to settle it at the outset before they could even begin to make any inductions. This difficulty, of course, is what underlay so much of Hume's skepticism, as opposed to his rationalism,<sup>1</sup> which Thomas Brown attempted to get around by introducing the muscular sensations<sup>2</sup> and which James Mill tried to put back into Hume's rationalism under the guise of "indissoluble association."<sup>3</sup> Although James Mill's efforts were unavailing,<sup>4</sup> his intention had been,

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1 Malevy, *op. cit.*, pp. 10-11.

2 Stephen, *op. cit.*, II, 277-80.

3 J. Mill, *Analysis of the Phenomena of the Human Mind*, eds., Alexander Bain, Andrew Findlater, George Grote, and J.S. Mill (London: 1869)I, 364 ff.

4 As his son clearly saw. Cf. *Ibid.*, pp. 364, n. 367-68, n. 402-23.

when he undertook them, "... to make the human mind as plain as the road from Charing Cross to St. Paul's."<sup>1</sup> As Mill saw it, unless psychology or the study of the human mind could be founded as a science, it would be impossible to raise morals and legislation to a similar level. His object, therefore, was first and foremost to break down for investigation and analysis those undecomposable and indissoluble sensations which he thought made up psychological truth. As Professor Halevy has well said, in order to found psychology as a science Mill sought "... to destroy the illusion of psychical activity, understood as an irreducible power endowed with a mysterious efficacy, [and] to reduce everything to constant and in some sort mechanical relations between elements which should be as simple as possible...."<sup>2</sup>

At a time, then, when the Benthamite philosopher par excellence had already determined that Utilitarianism had to find its rationale in the science of the mind, Samuel Bailey published his first serious work. And when the second edition of it appeared in the summer of 1826 Mill was able to preface his remarks on it with the observations that "it gives us no ordinary pleasure to find that a second edition has been called for of this very useful volume. It is one of the signs of the times."<sup>3</sup>

The title, Essays on the Formation and Publication of Opinions,<sup>4</sup>

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1 James Mill to Francis Place, 6 Dec., 1817. British Museum, Add. MSS, 35, 155)

2 Halevy, op. cit., p. 458.

3 Westminster Review, VI (July, 1826), 1.

4 All references are to the second (London: 1826) edition.

was derived from the titles of the first two essays in the volume. In the present context the first essay, "On the Formation of Opinions," is probably the more important. Bailey built his argument on the point that belief was independent of the will. "Belief," he defined as simply the "state or affection of the mind," while "opinion" he used to designate that which was believed.<sup>1</sup> Somewhat glibly skirting a difficult problem in whether or not belief came from "intuitions" à la Reid and Dugald Stewart,<sup>2</sup> or from the "empirical" testimony of the senses according to Locke,<sup>3</sup> Bailey went on to make his point,

... that by mere volition we cannot call up any idea, nor, therefore, any number of ideas forming an argument; such an operation necessarily implying the actual presence of the ideas before the will is exerted; it is also impossible for us to choose what ideas shall be introduced into the mind by any topic on which we bestow our attention; and it is manifest, that when ideas have been once joined together, we cannot prevent them from suggesting each other according to the regular laws of association. In the examination of any subject, therefore, certain ideas will arise in our minds independently of the will, and, as long as we fix our attention on that subject, we cannot avoid the consequent suggestions, nor single out any part and forget the rest.<sup>4</sup>

It followed from this, of course, that the will had nothing to do with belief or opinion. "The understanding being passive as to the impressions made upon it, if you wish to change those impressions you must change

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1 Ibid., pp. 7-8.

2 Whom he cited. Ibid., pp. 14, 22-23.

3 Whom he also cited. Ibid., pp. 3-4, 18-19. It may be noted that he did have some second thoughts about Locke, who appeared to him in some instances to admit that the will exerted an influence on belief.

4 Ibid., pp. 14-15.

the cause which produces them. You can alter perceptions only by altering the things perceived."<sup>1</sup> Since any proposition which was believed as obviously accepted as true,<sup>2</sup> it was clear that truth or belief was not a matter of independent judgement, but was determined by the evidence presented to the senses for necessary acceptance.

Bailey then turned to the question that, if belief were independent of the will, how did it come about that all people did not believe the same thing or hold or declare identical opinions? His attempted solution was not particularly acute, however, for it stumbled once again over an issue derived from the Reid-Locke contradiction. He agreed that a person might hold a biased opinion, and, by "willful partiality of attention or examination" might seek to enhance his belief in it.<sup>3</sup> This "exclusive devotion to one side of the evidence" might have a "material influence" on a person's conclusions derived from evidence, he admitted.<sup>4</sup> He also admitted that a second possibility for differences of opinion might be found in the influence which "external circumstances," such as patriotic emotions, family and class mores, or religious convictions, might appear to exert over a person's beliefs.<sup>5</sup> But none of these possibilities destroyed his position, he thought. For such different conclusions from

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1 Ibid., p. 17.

2 Ibid., p. 8.

3 Ibid., p. 38.

4 Ibid., p. 37.

5 Ibid., pp. 39-42.

the same argument or evidence came from either (1) a "... defect in language, in consequence of which the terms employed do not convey to every mind the same ideas," or (2) from "... circumstances which occasion other ideas, besides those actually expressed (and different ideas in the case of different individuals), to present themselves to the understanding."<sup>1</sup> These factors made it appear that belief was voluntary, was a matter of an individual's deciding how he would react to certain evidence. But there was a difference, he insisted, between the phenomenon of belief and the declaration of such belief. Although the two were intimately connected, they were not the same thing and, therefore, were not to be confounded. The declaration of belief was a matter of the will; the belief itself was not. "As we can refuse to express our agreement with a proposition, so, it has been assumed, we can refuse to believe it; and as motives have power to induce a man to declare his assent, so it has been taken for granted they have the power of inducing him to yield his credence."<sup>2</sup> This assumption was fallacious, however. It was necessary to keep in mind the difference between the "state of the understanding" and its "outward declaration"; it was necessary to keep separate the "internal and external assent"; it was necessary always to remember, "... that what a man affirms may be totally at variance with what he believes."<sup>3</sup> The

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1 Ibid., p. 44.

2 Ibid., p. 28.

3 Ibid., p. 29.

factors which might influence an individual's disposition to affirm or declare a belief might be many and varied, but it was erroneous to take such factors as the determinants of the belief itself.

From Bailey's argument two things pertinent to the Benthamite position emerged. First, since he had evidently proved that belief was independent of the will, it seemed to be possible to leave emotional or volitional influences entirely outside the gathering of evidence demanded in the formulating of a science of morals. This being the case, the evidence accumulated apparently could be placed on the same level of credibility as the evidence, say, of the physical or natural sciences. James Mill unquestionably saw Bailey's effort as one step toward this much-desired objective.<sup>1</sup>

In the second place, Bailey's argument about the independence of belief on the will rendered moral judgements of an opinion or belief untenable. "Results," he insisted, "which are not the consequence of volition cannot be the proper objects of moral praise and blame."<sup>2</sup> It

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1 "In his next edition, which the public we fondly hope, will soon call for, we should recommend it to him [Bailey], to add to the proof and illustration of what takes place in mere belief, the proof and illustration of what is implied in the proper mode of dealing with evidence, than which nothing of greater importance, as concerns the progress either of intellect or morality, can be forced upon public attention." Westminster Review, VI (July, 1826), 21.

Cf. A. Bain, James Mill. A Biography (London: 1882), pp. 304-8, for a more complete discussion of Mill's article, the greater part of which was devoted to an attack on Wardlaw's criticism of Brougham's "Inaugural Discourse."

2 Formation and Publication of Opinions, p. 64.

was pointless to try to change beliefs by legal or social sanctions, for the individual was not willfully responsible for them in the first place. "The nature of an opinion cannot make it criminal."<sup>1</sup> The only thing that could be done to change an involuntary belief was to change the evidence from which it had been derived. "The way to alter belief is not to address motives to the will, but arguments to the intellect."<sup>2</sup> And the only arguments the "intellect" understood were those impressed upon it by the testimony of the senses. On the other hand, where the declaration of a belief, not the belief itself, revealed obvious and willful distortion or bias, it might be possible to judge such an act with "moral obloquy." But once more, he insisted, the process by which a person acquired or expressed his opinions should be distinguished from the opinions themselves. The former might be subjects for approbation or disapprobation, the latter, as matters not of the will, could not be so judged. Holding an opinion was free from "moral culpability"; expressing it was a "voluntary act" and could be commended or reprehended according to the circumstances under which it took place.<sup>3</sup> "Our approbation and disapprobation, if they fall anywhere, should be directed to the conduct of men in their researches, to the use which they make of their opportunities of information, and to the partiality and impartiality

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1 Ibid., p. 66.

2 Ibid., p. 71.

3 Ibid., p. 73.



visible in their actions."<sup>1</sup>

The main argument of the second essay, "On the Publication of Opinions," derived from the conclusion Bailey had just reached in the first. Publication or declaration of opinions involuntarily received was, he agreed again, a voluntary act. At first glance, therefore, it might appear that society had a justification for regulating those voluntary actions whose consequences might prove socially injurious.<sup>2</sup> He observed that the principle of utility seemed to provide a clear prescription for regulation in such a case, for "a society has a perfect right to adopt such regulations, for its own government, as have a preponderance of advantages."<sup>3</sup> However, one difficulty prevented the application of the apparently simple utilitarian rule. Unless in employing it, Bailey pointed out, it were possible to isolate both the happiness to be gained and the unhappiness to be incurred, it would be impossible to know whether or not total happiness had been increased. In the case of regulating the publication of opinions, it was obviously impossible to make any such calculations. Truth and error were so intermixed in the declaration of opinions that no governmental regulation would ever separate them. Because it was impossible to discover any absolute standard of truth,<sup>4</sup> he concluded that it was better to admit both truth and error than to exclude

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1 Ibid., p. 70.

2 Ibid., pp. 99-101.

3 Ibid., p. 101.

4 Ibid., pp. 128-30.

them. Since there was no question of the value of, and necessity of ensuring the attainment of, truth, which he equated with happiness,<sup>1</sup> the only safe alternative was to permit complete freedom of publication and discussion of opinions. Non-interference was the soundest recourse.

Whether established opinions are false or true, it is alike the interest of the community, that investigation should be unrestrained; in order that, if false, they may be discarded, and, if true, rendered conspicuous to all. The only way of fully attaining the benefits of truth is to suffer opinions to maintain themselves against attack, or fall in the contest... If there were any fixed and unquestionable standard, by which the validity of opinions could be tried, there might be some sense, and some utility, in checking the extravagance of opinion by legal interference; but since there is no other standard than the general reason of mankind, discussion is the only method of trying the correctness of all doctrines whatever...."<sup>2</sup>

The effect of all of this upon the Philosophical Radicals will be evident immediately. Here in plain, simple, and clear language was a transparent demonstration of the very foundations of their hoped-for moral science. Here was a reasoned plea to abhor every restraint on the freedom of investigating the raw material of that science and every restriction on the declaration of the results so obtained. Brougham thundered out to the students at Glasgow, that "the Great Truth has finally gone forth to all the ends of the earth, that man shall no more render account to man for his belief, over which he himself has no control."<sup>3</sup>

1 Ibid., pp. 107-26.

2 Ibid., pp. 163-64.

3 "Inaugural Discourse on Being Installed Lord Rector of the University of Glasgow," April 6, 1825. Works of Henry, Lord Brougham, FRS. (London: 1855-61), VII, 140.

Francis Place took the trouble of copying down in his commonplace book Bailey's observations on the irrationality of prosecuting opinions.<sup>1</sup> James Mill wrote that "few things we should more rejoice to hear, than that this little essay were in the hands of every individual in this island, capable of reading it."<sup>2</sup> The Monthly Review; or Literary Journal thought that "at a period like the present, we cannot too strongly recommend this volume to the attention of our readers,"<sup>3</sup> and went on to paraphrase Bailey's essential lesson that "in the conflict of opinions, where an unlimited freedom of inquiry prevails, truth will surely be established in the result...."<sup>4</sup> Another journal<sup>5</sup> was so overcome with Bailey's speculations that it virtually reprinted his essay in its entirety, an enthusiasm which forced it to continue its discussion of it on into a following number. When Col. T. Perronet Thompson several years later reviewed another of Bailey's books, he really pulled out all stops and stated that "if a man could be offered the paternity of any comparatively modern books that he chose, he would not hazard much by deciding, that next after the 'Wealth of Nations' he would request

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1 "Common Place Books," Place Collection, Vol. IV, British Museum Add. MSS, 36, 626, fol. 183. The quotation is, with minor inaccuracies, from Formation and Publication of Opinions, pp. 70-71.

2 Westminster Review, VI (July, 1826), 22.

3 The Monthly Review; or Literary Journal, XCVII (August, 1822), 385.

4 Ibid., p. 398.

5 The Monthly Repository of Theology and General Literature, XVII (Sept., 1822), 553 ff.

to be honoured with a relationship to the 'Essays on the Formation and Publication of Opinions.'<sup>1</sup> And Joseph Hume even went to the trouble of calling on one of Bailey's publishers in an effort to promote the publication of a still cheaper edition of the Formation and Publication of Opinions?

Whether the Formation and Publication of Opinions warranted all of this attention will probably be doubted from the present perspective of time. But it is important not to forget that the first two editions of Bailey's book spanned the period of the founding of the Westminster

1 Westminster Review, XI (July, 1829), 477-78. While agreeing that Adam Smith's great work was the "lever which will move the world," the "mathematics of grown gentlemen," to have written which would have been a "splendid triumph"; yet, Thompson went on somewhat floridly to say that "... next to this it would have been a pleasant and honourable memory to have written a book so totus teres atque rotundus, so finished in its parts and so perfect in their union, as the 'Essays on the Formation of Opinions.' Like one of the great statues of antiquity, it might have been broken into fragments, and each separate limb would have pointed to the existence of some interesting whole, of which the value might have been surmised from the beauty of the specimen."

2 Notes and Queries, IX (13 March, 1878), 216-17.

"When I published what was then a cheap edition of the essays on The Formation and Publication of Opinions, I thought I was doing a service towards the promotion of free philosophical thought. I paid Mr. Bailey 50 £ for the copyright of the third edition, which I issued at 5s. 6d., and which resulted in a heavy loss to me.

"The late Mr. Joseph Hume called upon me several times and was anxious that a still cheaper edition should be issued: but, as neither he nor his friends were willing to take any share in the risk, I was compelled, as a matter of business, to decline the undertaking.

"It seems to me that the entire absence of verbiage or rhetorical ornament will always prevent Mr. Bailey's works becoming popular.

J. Green."

A second edition of the Formation and Publication of Opinions was published in 1831 in Philadelphia. Cf. Appendix "D", infra, p. 715.

Review and certainly dovetailed very well with the propagandistic drive the Utilitarians had undertaken.<sup>1</sup> Bailey's lucid preparation of some of the essential groundwork must have contributed something to its advance. His style was generally unaffected and certainly possessed more chaleur than James Mill's exegesis. His work, therefore, was eminently more suited to popular tastes and consumption. Indeed, he doubtless came fairly close to that right combination of philosopher-publicist which the Utilitarian group needed to carry their banner out before the infidels.<sup>2</sup> If he did not break absolutely new ground in his work within the Utilitarian orbit, he nevertheless contributed something to their success in surmounting the prejudice with which their speculations were received. And it is not too much to claim that a substantial part of what appeared in the second chapter of J.S. Mill's later essay on liberty<sup>3</sup> had been con-

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1 The British Controversialist, op.cit., pp. 1-2, claimed that Bailey's "... cogent arguments on the duty of the free publication of opinions had, if we are not much mistaken, a considerable effect in determining the promoters of the Westminster Review to commence that important literary undertaking." It was impossible to find any substantiation or proof of this claim, however.

2 The Independent, 18 January, 1834, claimed that "when the London University was opened, the chair of Moral Philosophy was offered to him [i.e. Bailey] ...." No verification of this claim could be found, however. Nothing is mentioned of Bailey in the places where he surely would have been noticed, had he been a serious candidate for the Chair. Cf. G.C. Robertson, "Philosophy in London," Mind. A Quarterly Review of Psychology and Philosophy, I (October, 1876), 533-34, and the more exhaustive account in Robertson's article "George Grote," Dictionary of National Biography, XXIII, 286-87. Bain, James Mill, pp. 263-64, likewise says nothing about Bailey in this connection.

3 "On the Liberty of Thought and Expression," On Liberty (New York: 1882), pp. 33-99.

sidered very carefully by Bailey.<sup>1</sup>

It may be observed in passing that one, at least, of Bailey's fellow-townsmen took a rather more conservative view toward the Formation and Publication of Opinions than the Philosophic Radicals. John Holland<sup>2</sup> thought that Bailey's "startling doctrine" of the independence of belief on the will would break down the last barriers and bring about the complete destruction of revealed religion. On the other hand, it is possible to see something of Bailey's influence in a petition signed by 327 people of Sheffield, and presented by Lord Milton to the House of Commons, deprecating all prosecutions for the publication of certain theological opinions and "... seriously entreating the Honourable House to adopt such measures for the security and protection of all parties and opinions, as the spirit and temper of this more liberal age imperiously require and

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1 Stephen, op. cit., III, pp. 251-52, acknowledged that Bailey had argued that man was not responsible for his beliefs, because they were beyond his own control. But he went on to claim that "J.S. Mill, taking the ground of 'utility,' is led to wider considerations," which seems to imply that Bailey did not take the ground of utility and therefore, did not go on to such "wider considerations." From what has been said of the Formation and Publication of Opinions above it should be clear that it was only because he took the ground of utility that Bailey was able to carry his argument so far. Sir Leslie appears to have derived his information about Bailey's essay from Bain's reference to it, (Bain, op.cit., p. 304.) rather than having read in it carefully himself. Otherwise, he would not have waxed so enthusiastic over the way in which "Mill puts victoriously the case for the entire freedom of thought and discussion." (Stephen, op.cit., III, 252.) The substance of Mill's "four propositions" on the freedom of discussion was contained in Bailey's essay.

2 The Tour of the Don, (London: 1837), pp. 247-48.

demand."<sup>1</sup>

Little need be said of the "Miscellaneous Essays" subjoined to the two principal ones already discussed. One or two of these were mere diversions on themes similar to those which Bailey had explored in the "Hours After Tea" series. Essay III, "On Facts and Inferences" was an illustrative expansion of Reid's contention that erroneous conclusions often followed, not from unsatisfactory testimony of the senses, but from inferences too hastily or improperly drawn from the testimony.<sup>2</sup> Bailey's point in the present case was to show that the error of judging rashly from factual testimony could arise in any case where a cause produced an effect. This problem received greater attention in one of his later works to be taken up subsequently.

Essay V, "On Inattention to the Dependence of Causes and Effects in Moral Conduct,"<sup>3</sup> seemed to suggest by its title that Bailey would once again dig into psychology. In the event, however, the essay turned into a sort of sermon on the good life and is of little significance for present purposes.

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If the publication of the Formation and Publication of Opinions

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1 Sheffield Register, 22 May, 1824.

2 T. Reid, Essays on the Intellectual Powers, (Edinburgh: 1785), p. 291, as quoted in Formation and Publication of Opinions, pp. 170-71.

3 Formation and Publication of Opinions, pp. 197-218.

in 1821 marked Bailey's initial and anonymous steps in the ranks of the Philosophical Radicals, the same year saw his more forceful appearance on the local Sheffield scene. In apparent practice of his preachings about the need to combine practical and intellectual pursuits, he could be found more and more in the role which his brother had previously held.<sup>1</sup> The local newspapers began to make frequent references to his participation in the various Sheffield activities and enterprises. He was appointed to the Committee of Management of the Sheffield Canal,<sup>2</sup> and remained with it at least until 1833.<sup>3</sup> The Sheffield Gas Company employed his services in a similar capacity.<sup>4</sup> He helped found the Sheffield Mechanics Library<sup>5</sup> and subsequently served on its Committee of Management for many years.<sup>6</sup> He also served as a Committeeman for the Sheffield Library, in which he took a considerable interest.<sup>7</sup>

While these activities came to Bailey because of his apparent managerial and business abilities, another organization undertook its first ventures at this time. And there is every indication that Bailey's pres-

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1 John had doubtless left Sheffield by this time. The Sheffield General Directory (Sheffield: 1821), p. 5, lists the firm as "Joseph Bailey and Son, Merchants, Factors, and steel-converters, Love Street -- House, Burngreave." It appears that John had married the Mrs. Dent, with whom he had stayed in London some years before. Cf. Supra., p. 536. They subsequently lived in Cheltenham.

2 Independent, 5 May, 1821. 4 May, 1822.

3 Ibid., 5 May, 1833.

4 Ibid., 1 August, 1820.

5 Ibid., 3 January, 1824. 14 February, 1824.

6 Ibid., 14 May, 1825; 6 May, 1826; 27 May, 1827; 17 May, 1828.

7 Ibid., 18 May, 1822; 14 May, 1825; 6 May, 1826; 26 May, 1827.



ence in it was in considerable measure responsible for its subsequent success. During the first two decades of the 19th century certain organizational rumblings had occurred among Sheffield's intellectuals in an effort to promote societies responsive to their various appetites. John Bailey had been an occasional guest at the meetings of the "Society for the Promotion of Useful Knowledge,"<sup>1</sup> and apparently was one of the men instrumental in founding the "Utile Dulcie" club, whose members used to meet at monthly intervals at respective members' homes to read some work or discuss some question.<sup>2</sup> While there is no evidence that Samuel played any great part in these earlier activities, it is not difficult to imagine the growth of his interest in his brother's participation in them. At any rate, he was present at a meeting of the Book Club in early 1822 when the idea of a new and more ambitious literary society was first raised.<sup>3</sup>

During the autumn of 1822 the various talks and meetings necessary for the founding of such a society took place, and, on 6 November, 1822 the first public meeting was held at the Cutlers Hall. At that time a Committee was appointed formally to carry out the project. T.A. Ward was selected as Chairman of this Committee, and James Montgomery, Dr.

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1 Ward, *op. cit.*, p. 91. Cf. also "Minute Book of a Society for the Promotion of Useful Knowledge. 2 January 1804 to 27 November 1805." Local History Dept., Sheffield City Libraries.

2 Ward, *op. cit.*, pp. 164, 166.

3 *Ibid.*, p. 274.

A. Knight, Bailey and several others were appointed Committeemen.<sup>1</sup>

This Committee drew up the rules, and a month later another public meeting was called for the purpose of passing on its recommendations for the establishment of the proposed "Sheffield Literary and Philosophical Society." Dr. Knight was in the Chair and, opening with an address appropriate to the occasion, observed with some sanguinity that "if opportunities for improvement in literature and philosophy be offered to the present and rising generation, they will certainly be embraced, and it is incumbent upon all who have the powers of thus benefitting others, to enlarge the sphere of useful knowledge as the direct means of counteracting the influence of ignorance and error."<sup>2</sup> The relevance of this attitude to the author of the Formation and Publication of Opinions could hardly have been greater and, after Ward had moved the first resolution setting up the Managing Committee, Bailey seconded with what was to become his characteristic high oratory.

Mr. Chairman, -- it is with feelings of great pleasure, checked however by considerable diffidence, that I rise to second the resolution proposed by Mr. Ward; I do it with the more pleasure as I perfectly coincide with the sentiments which it expresses. I feel a full conviction that the establishment of a Literary and Philosophical Society would be of essential advantage to the local interests of the town and neighbourhood of Sheffield.

In so numerous a population as that around us, comprising men of various professions, talents and amusements, it is impossible to doubt that there are many who are devoted to intellectual pursuits;

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1 Sheffield Register, 6 November, 1822.

2 W.S. Porter, Sheffield Literary and Philosophical Society (Sheffield: 1922), p. 11.

and surely there ought to be some common ground on which the lovers of literature and science might meet for the interchange of knowledge -- of that which more than any thing, is increased by participation. It has been truly said --

'Thoughts disentangle passing o'er the lip.'

The very attempt to communicate our ideas appears to give them perspicuity and precision. To the young especially, on many accounts, advantages and opportunities of this nature are obviously important. But there are advantages of another kind contemplated by the proposed institution. Individuals necessarily labour under great difficulties in scientific pursuits. Few of us can procure the apparatus and other aids indispensable to a proficiency in many branches of knowledge, and fewer still have opportunity of availing themselves of the instruction of those eminent Professors who explain their several sciences with so much perspicuity and elegance. We are most of us rooted to the spot by the necessities of our condition or the duties of our professions. The only alternative left to us is to endeavour to bring those advantages to our doors, and this must be effected by combined efforts. Singly we can do nothing -- united we may effect much, both in acquisition of apparatus and in bringing to the town those eminent lecturers to whom I have before alluded. We have already an example in point. The amateurs of the town have succeeded in making some of the first musical talent in Europe tributary to the gratification of a Sheffield audience; they have at different times brought amongst us a Catalani, a Braham, a Salmon -- this very day they introduced to our notice a Stephens; why cannot we in the same manner bring to the town a Campbell or a Smith to unfold and illustrate the principles of poetry, or explain to us the laws and organization of vegetable life? Is there any thing in the 'concord of sweet sounds' more valuable or more delightful than in the truths of science? No! for man, in the words of the poet --

'For man loves knowledge, and the beams of truth  
More welcome touch his understanding's eye  
Than all the blandishments of sound his ear.'

The present measure will not, I trust, be considered as prematurely brought forward. When we look around us and view the increase of population, the more extensive prevalence of a good education than former times could boast, and the number of young men who are rising up with some taste at least for intellectual pursuits, we can scarcely help feeling that the state of society demands something of the nature of the proposed institution. At all events the promoters cannot now recede -- the step is taken -- the Rubicon is passed. They have launched the little bark, and I trust it will be born along its voyages by the tide of public favour. Were it otherwise,

I for my own part would be tempted to throw aside the car which I have prematurely seized. Gentlemen, I beg to conclude by seconding the resolution which has just been moved.<sup>1</sup>

After this, James Montgomery, the poet, gave an eloquent and stirring appeal for the success of the Society,<sup>2</sup> and the venture was under way.

The first general meeting was held on 10 January, 1823. Officers were appointed. Dr. A. Knight was named President. Bailey, along with Ward, Montgomery, and the Rev. Cotterill, were chosen vice-presidents.<sup>3</sup> It was provided that at least eight lectures per year were to be given to the Society, either by its own members or by outside lecturers. In addition, provision was also made for extraordinary public lectures to be given in some public place, and for which an admission fee would be charged. James Montgomery, in fact, gave the first of these popular public lectures at the Tontine Inn in Sheffield.<sup>4</sup> Thereafter, several times a year the notices appeared announcing a guest speaker on chemistry, phrenology, archeology, and any of the hundreds of other subjects within the capacities of itinerant lecturers. Probably the most illustrious ever to appear under the Society's auspices was Thackoray, who addressed them in 1857 on "The Four Georges." This event is generally remembered for the fact that he was given one hundred guineas for the four lectures, the highest fee ever paid a lecturer.<sup>5</sup> Dickens was invited but declined

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1 Independent, 14 December, 1822.

2 J. Holland and J. Everett, The Memoirs of James Montgomery (London: 1854-56), III, 339.

3 Porter, Op. cit., p. 16.

4 J.D. Leader, Old Sheffield Jottings, (Sheffield: 1891) p. 13.

5 Porter, op. cit., p. 59.

somewhat peremptorily declaring that he never read papers before societies except on his own account.<sup>1</sup>

The monthly meetings, which composed the greater part of the Society's activities, were divided into two parts. The first, commencing usually around 6:30 in the evening, was devoted to the private business. With the exception of the alterations and amendments of the rules and regulations normally experienced during the initial teaching period, this portion of the Society's business was generally confined to the admission of new members. Such was accomplished by a statement of a retiring member of his desire to sell his subscription, and a nomination of a current member of some person who wanted to take up the vacancy.

In the second part of the meeting, the doors were opened to admit the guests of the active members, whereupon everyone adjourned to the room in which the lecture or paper would be presented. The general aspect of the Society's rooms was pleasant and warm. There were several good fireplaces at each end and enough gaslights to show off the various table cases of minerals and the glazed presses containing instruments and apparatus of different sorts. At one end of the room hung a portrait of James Montgomery and at the other an imaginary life-size sketch of Shakespeare. The audience was seated in comfortable chairs before a large lecture table, at one end of which was a desk for the reader.

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<sup>1</sup> Ibid., p. 80.

There was accommodation for thirty or forty persons.<sup>1</sup>

The rules of the Society had provided for a sort of Order Paper, so that there should always be a sufficiency of material on hand for presentation and discussion. The range of papers and discussions entertained was evidently wide, and generally turned on the particular interests of the respective readers. Hallamshire's historian, Joseph Hunter, spoke on "Armorial Insignia, as used in England."<sup>2</sup> James Montgomery tried his hand at "The Phrenology of the Hindoos and Nigroos" and Bailey later gave some strictures on his position.<sup>3</sup> The Rev. H.H. Piper spoke on the Netherlands agricultural plan for alleviating poor distress,<sup>4</sup> and one Robert Gainsford read a paper on primogeniture and entail.<sup>5</sup> Edward Smith, a banker, gave a paper "On Joint Stock Banks,"<sup>6</sup> on "The Act of Parliament recently passed for the regulation of Joint Stock Banks in England,"<sup>7</sup> and somewhat later "On Gold, and whether there is any indication of its being redundant in this country."<sup>8</sup> John Holland spoke on the way in which stimuli influence the operations of the mental faculties.<sup>9</sup>

Bailey himself was probably the speaker with the widest capacities,

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1 T. Smith, [John Holland?], Sheffield and Its Neighbourhood, (London: 1865), pp. 61-62.

2 Independent, 7 June, 1828.

3 Ibid., 31 January, 1829.

4 Ibid., March, 1831.

5 Minutes of the General Meetings of the Sheffield Literary and Philosophical Society, 2 September, 1831, p. 93.

6 Ibid., 7 April, 1837, p. 145.

7 Ibid., 2 April, 1846, p. 225.

8 Ibid., 2 November, 1852, p. 308.

9 Independent, 8 August, 1829.

and he doubtless gave more talks than any other single member. The Minute Book records him as having spoken on such widely diversified subjects as "An Essay on the Mutual Relations among the different Sciences and the Light which they reciprocally afford,"<sup>1</sup> "A brief examination of several hypotheses relative to the Mammoth or Fossil Elephant discovered at the mouth of the Lena,"<sup>2</sup> "An Essay on Mr. Malthus' Theory of Population,"<sup>3</sup> "On the Art of Reasoning as taught by Aristotle and his Followers,"<sup>4</sup> "A Cursory Observation relating to the theoretical history of the changes which have taken place in the English language,"<sup>5</sup> and even "On the Theory of Wit."<sup>6</sup> In fact, some of Bailey's papers were sent to the Leeds Society for reading there.<sup>7</sup> His colleagues considered Bailey as the "Fides Achetes" of the Society, although he reminded one of them of a "clear, logical proposition, or an abstract idea personified."<sup>8</sup> His remarks were invariably made with "singular clearness, precision, and brevity" and "... were always listened to with attention, respect and generally with deference."<sup>9</sup> He always drove to the meetings in his

1 Minutes, 1 August, 1823, p. 16.

2 Ibid., 1 July, 1826, p. 43.

3 Ibid., 4 November, 1826, p. 58.

4 Ibid., 4 September, 1829, p. 79.

5 Ibid., 4 November 1836, p. 141.

6 Ibid., 6 March, 1846, p. 225. Several of Bailey's papers were collected and published by him later as Discourses on Various Subjects read before Literary and Philosophical Societies. (London: 1852) Cf.

Chapter XIV, p. 669, infra.,

7 Ward, op. cit., p. 288. Letter to Joseph Hunter, 27 January, 1826.

8 T. Smith, op. cit., p. 62.

9 Sheffield Daily Telegraph, 19 January, 1870.

large family carriage, drawn by two tall horses, driven by a tall coachman, and attended by a tall footman.<sup>1</sup>

If the papers read at the Society's meetings appeared to cover a considerable range of subjects and topics, there is nevertheless evidence to show that there were some things which it was not prepared to countenance. An 1824 alteration to the Rules of the "fit cave of unemotional science," as Leader described it,<sup>2</sup> stipulated that "the subject of such compositions and conversations may be selected from any branch of literature and science, excluding all discussion on politics or religion."<sup>3</sup> This austerity apparently extended to the opposite sex as well, for a motion to admit ladies as guests at the public part of the monthly meetings was defeated.<sup>4</sup> And although the Members were unwilling to pass a resolution recommending them to "... abstain from any expression of approbation or disapprobation during the Lectures, reading of papers or discussions,"<sup>5</sup> the Minute Book records an interesting episode turning on some such histrionic or emotional displays -- but from the other side of the lectern. Seven and a half pages of the Book are devoted to correspondence pertaining to a series of talks on "Poetry" given by an outside lecturer. Dr. F.C. Favell, one of the corresponding secretaries, made it

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1 J.D. Leader, "Literature and Philosophy in Sheffield: or the Story of Our Society for half a century." Miscellaneous Newspaper Cuttings, Dept. of Local History, Sheffield City Libraries.

2 Leader, "Literature and Archeology in Sheffield a Hundred Years Ago," op. cit., p. 222.

3 Minutes, 2 January, 1824, p. 21. Italics not in original.

4 Ibid., 6 January, 1827, p. 142.

5 Ibid., 6 June, 1823, p. 15.



clear to the person in question that

... the quotations which you give at the conclusion of each lecture are much too long. I am sure you would give much more satisfaction if, instead of reciting one or two quotations of three or four pages each from an author, you were to give an even greater number of shorter passages. Secondly, I object not only to the length of the quotations, but more especially to the manner in which they are given. At our Society we are quite unaccustomed to stage effect, and I regret that the feelings of several of our subscribers were so outraged on Friday evening that they left the room. This must have been painful to you, and I assure you that it was so to us. My second request then is that you will read your illustrations. The sentiments which I have now expressed I hold in common with by far the greater part of your audience, with the whole of the Council, and with our esteemed President (Mr. Montgomery) himself.<sup>1</sup>

Bailey presided over the Society for times, in 1826, 1830, 1831, and 1855. He served as vice-president every year, excluding those of his presidency, until 1864. His signature often appears in certification of the Minutes of the preceding meeting, and numerous corrections of the Minutes appear to be in his hand.<sup>2</sup> His devotion to the Society was evidently considerable,<sup>3</sup> and his book, Questions on Political Economy, Politics, Morals, Metaphysics, Polite Literature, and other branches of knowledge;

1 As quoted in Parker, op. cit., pp. 28-29.

2 See Plate II, infra., p. 719.

3 Although it was certainly held within characteristically well-defined limits. David Parkes, President of the Society in 1866, recalled that "Mr. Bailey was a very punctual man, but on one occasion of a paper I read at a Monthly Meeting some 40 years ago he told Mr. John Holland that he should have ordered his carriage half an hour later that he might have heard it to the end if he had had any idea it would be so interesting." MS paper "On the Presidents of the Literary and Philosophical Society from 1823 to 1850, with glimpses of the Sheffield Society at the period of its formation." Sheffield Literary and Philosophical Society - Vol. 56, p. 6. Dept. of Local History, Sheffield City Libraries.

for discussion in literary societies, or for private study, with remarks under each question, original and selected (London: 1823) clearly grew out of his desire to guide and stimulate discussion in his own, as well as other, literary groups.<sup>1</sup> When internal frictions and difficulties arose, Bailey was usually on hand to moderate the difficulty and to smooth the ruffled feelings.<sup>2</sup> He was apparently able to lift the discussions out of the occasional dull and uninspiring groove into which they sometimes settled.<sup>3</sup> His ability and integrity were such that he invariably commanded respect and deference, and he was often turned to when projects for furthering the Society's interests and ends were in prospect.<sup>4</sup> He twice represented the Society at Meetings of the British Association for

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1 The Questions itself was divided into four sections, dealing respectively with politics and political economy, natural and civil history and the progress of society, metaphysics and moral philosophy, and miscellaneous questions. A random sample indicates the sort of thing he had in mind. "Is it true that there cannot be a general glut of commodities?" "What is the proper end of object punishment?" "Is human nature endowed with a moral sense, to perceive moral principles, in a manner analogous to the organs of sense, in the perception of external objects?" And so on. He provided brief answers as suggestions for additional discussion, and usually referred to the relevant literature.

The Questions was rather extravagantly praised as a "valuable addition to modern literature" in the Monthly Repository, XVIII (1823), 720-22. The Independent reprinted this review, 23 January, 1824, showing that if Bailey's name did not appear on the title-page of the book, the editor of the newspaper, Robert Leader, the elder, knew that its author was one of the Sheffield's "favorite sons."

2 Cf. Independent, 5 February, 1825. 6 April, 1829.

3 Sheffield Mercury, 22 January, 1831.

4 Minutes, 3 October 1834, p. 116; 3 November, 1837, p. 150.

the Advancement of Science.<sup>1</sup> It is probably not too much to claim that a good share of the success enjoyed by the Society was due directly to the efforts and labors which Bailey gave to it.

## 5.

In September, 1823, Samuel's sister, Mary, died at the age of forty. This left to Joseph and Mary Bailey only three of their eleven children. Montgomery commented that at the time of Mary's death both parents were exceedingly infirm, although they seemed to pick up a few weeks afterward.<sup>2</sup> Six months later, however, Samuel's father passed away at the substantial age of seventy-three. His mother lived until May, 1830.

With his father's decease, Bailey of course took over the family firm entirely, whereupon it became known as "Samuel Bailey, General Merchants, Love Street."<sup>3</sup> He obviously rose in economic and business stature and began to branch out in his activities. He became a shareholder in the newly formed Sheffield Water Works, and it says something for the financial condition of his own firm that he was able to subscribe

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1 Cf. Minutes, 2 June, 1857, p. 146; 1 August, 1856, p. 355. Bailey was a life member of the British Association, although it would seem that he had little active intercourse with it, especially in his later years. In the year of his death, for example, he was carried on its records as "Samuel Bailey, Sheffield," but in the category of members of incomplete or unknown address. Report of the Fortieth Meeting of the British Association for the Advancement of Science. (London: 1871), p. 8.

2 Holland and Everett, op. cit., IV, p. 32.

3 Sheffield Directory and Guide. (Sheffield: 1828), p. 5.

to it five shares totalling £ 500.<sup>1</sup> He was appointed to the Committee of Management of the Water Works in the following and successive years.<sup>2</sup> He also became a proprietor of the Sheffield Fire Office, a local fire insurance company.<sup>3</sup> In the summer of 1825 he was appointed to a Commission for enforcing the Police Act.<sup>4</sup> He apparently had little enthusiasm for this, however, for two years later he was disqualified as a Commissioner for non-attendance during the preceding twelve months.<sup>5</sup> It is probable that, in addition to his work at the firm and the other enterprises in which he had an interest, his writing took up a large proportion of his time. It will be recalled that during this period he published the Critical Dissertation, A Letter to a Political Economist, and the second edition of the Essays on the Formation and Publication of Opinions.

On the 5th of May, 1828, Bailey was elected, along with three other gentlemen, to the Town Trust of Sheffield. The Trust, as it then functioned, was charged with administering the property of the common Burgery in a sort of quasi-governmental capacity. Its activities, therefore, were mainly those of a police character, combined with certain revenue functions. They ranged all the way from street maintenance to subsidies for the construction of a proposed railway through Sheffield and grants

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1 Independent, 14 February, 1829.

2 Sheffield Register, 7 June, 1830. Independent, 14 April, 1832.

3 Sheffield Register, 26 June, 1833.

4 Independent, 2 August, 1825.

5 Ibid., 4 August, 1827.

for the erection of a Hall for the Literary and Philosophical Society.<sup>1</sup> The Trust itself usually consisted of thirteen members, known as Town Trustees or Assistants. One of their number was chosen chairman, with the title of Town Collector. Whenever the number of Trustees fell below twelve an election was required to fill the vacancies. Voting rights extended to all Sheffield freeholders, although this particular suffrage does not appear to have been unduly prized.<sup>2</sup>

Bailey remained a member of the Town Trust until his death. Only rarely did he miss one of its meetings, and he apparently devoted to it the same conscientious energies as he gave to the Literary and Philosophical Society. When T.W. Ward resigned as Town Collector in May, 1847, the Trust resolved that Bailey be elected in his place.<sup>3</sup> Tradition has it that a certain natural shyness dissuaded him from accepting the office.<sup>4</sup>

When Sheffield received its Charter of Incorporation in September, 1834, most of the local government duties which the Trust had performed passed to the Town Council.<sup>5</sup> After that divestiture of function, the Trust became in effect a charitable institution, cooperating with various local organizations in the furtherance of any object which seemed of

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1 J.D. Leader, The Records of the Burgery of Sheffield commonly called the Town Trust (London: 1897), pp. 448, 450, 487, 449.

2 Sheffield and its local government, (Sheffield: 1935), p. 13.

3 Leader, Records of Burgery of Sheffield, pp. 481, 482.

4 Letter of 2 September, 1953, from Col. R.L. Craig, Law Clerk to the Sheffield Town Trust.

5 Sheffield and its local government, p. 15.

benefit to the town and citizens of Sheffield.<sup>1</sup> Election as a Trustee, however, continued to be considered as one of the highest demonstrations of esteem and regard Sheffield could bestow upon its citizens.<sup>2</sup>

## 6.

In May, 1829, Bailey published the work which James Mill had asked for in his earlier review of the Formation and Publication of Opinions.<sup>3</sup> This was the Essays on the Pursuit of Truth, on the Progress of Knowledge, and on the Fundamental Principle of All Evidence and Expectation (London: 1829) The first of the essays, "On the Pursuit of Truth, and on the Duty of Inquiry," was derived from Mill's suggestion that Bailey consider carefully "... the duties of mankind in the collection and examination of that evidence, the effect of which, when once brought before the understanding, is so completely uncontrollable by the will."<sup>4</sup> The second, "On the Progress of Knowledge," was a dialogue which meandered back and forth over possible causes for different rates of growth of knowledge, the sciences, and the arts. The third dealt with "The Fundamental Principle of all Evidence and Expectation." For present purposes the first and third have the greatest significance.

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1 R.L. Craig, "The Origins and Development of the Sheffield Town Trust," Transactions of the Hunter Archeological Society: VI (1950), 249.

2 Ibid., p. 242.

3 Supra., p. 546.

4 Pursuit of Truth, p. ix.

At the outset of his first essay Bailey repeated the assumption he had made in the Formation and Publication of Opinions, namely, that the possession of truth was merely the final step in the Utilitarian search for happiness.<sup>1</sup> Moreover, he took it as self-evident that no one would hesitate to seek out the truth, since not to inquire into the subjects which might have a bearing on an individual's conduct would leave undecided the question of whether or not happiness and welfare could be increased by such an inquiry. It would leave the attainment of truth to the "... mere chance of our being ignorantly in the right."<sup>2</sup> The duty of inquiry thus established, he then went on to consider the duties involved in conducting such an inquiry. Two prescriptions emerged here. First, it was necessary to examine the state of one's own mind before undertaking an investigation. This meant, in effect, rooting out and exposing any prejudices and predilections which might have been absorbed, so that everyone became "perfectly acquainted with the state of his own mind."<sup>3</sup> Second, a similar spirit of impartiality had to be applied to the examination of the subject and evidence of the inquiry.<sup>4</sup> In a word, "... the whole of our duty in relation to the pursuit of truth or to inquiry is comprehended in adequate and impartial examination; examination in the first place of the state of our minds in reference

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1 Pursuit of Truth, pp. 8-10.

2 Ibid., pp. 26-27.

3 Ibid., p. 56.

4 Ibid., pp. 57-67.

to the subject of inquiry, and secondly, examination of the subject itself and of the evidence appertaining to it."<sup>1</sup> The succeeding discussion merely expanded on some of the ramifications of these duties: how deviations from the prescribed states of mind could occasion individual and social injury, how institutions could similarly effect the final result, and how the results of inquiry ought to be received.

The final essay, "On the Uniformity of Causation, explaining the Fundamental Principle of all Evidence and Expectation," was probably the most important of the three, although, as Bailey appreciated,<sup>2</sup> it was not generally suited to popular tastes. He began by pointing out that one of the "primary truths" which was taken for granted as a basis for all reasoning, without any "inference or argumentation," was what he designated as the "assumption of the uniformity of causation."<sup>3</sup> This assumption, which he acknowledged, was by no means unique with himself,<sup>4</sup> was simply that "in all our anticipations of events, in all cases of applying to the future our experience of the past, we unavoidably assume the fundamental principle that every cause will continue to produce the effect by which we have hitherto found it attended."<sup>5</sup> Such an assumption, Bailey cautioned, was to be distin-

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1 Ibid., pp. 68-69.

2 Ibid., pp. vi-vii.

3 Ibid., pp. 194-95.

4 He cited Hume, Reid, Stewart, and Brown, as having referred to it. Ibid., p. 198.

5 Ibid., pp. 195-96.



guished from the "physical truth" that the same causes produce the same effects; the assumption itself was merely a "mental fact."<sup>1</sup> It was a "primary truth" which was believed without external proof merely because of the impossibility of not believing it. It was the assumption, in other words, that

in placing your foot upon the ground, in taking up your pen, or in eating your breakfast, you still expect that the objects around you, the subjects of your operations, will retain their usual properties, that the earth will not open a gulph beneath your feet, that the pen will not melt in your grasp, and that the food which has hitherto nourished you will not turn to poison on your stomach."<sup>2</sup>

From this point, he went on to expand the implications of the assumption of the uniformity of causation. He argued that not only did the assumption apply to the belief that like effects would always attend like causes, but also to the belief that the like effects had always attended the like causes. "I cannot even think of the past without taking for granted that the same causes have produced the same effects in every age and every country."<sup>3</sup> Although the sequence of cause and effect was derived from experience and testimony, the uniformity of the sequence was necessarily assumed.<sup>4</sup> This applied equally to moral as to

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1 Ibid., p. 199.

2 Ibid., p. 197.

3 Ibid., p. 303. J.S. Mill observed that this "... has been well pointed out by Mr. Bailey...." and cited the Pursuit of Truth in confirmation of his judgement. (A System of Logic, 8th ed.; New York: 1884) p. 223.

4 Pursuit of Truth, p. 214.

physical causal sequences.<sup>1</sup> And the greater apparent uncertainty in the causal relations of the former was due, not to any want of the uniformity of the causes and effects, but to "... ignorance of the whole of the causes in operation."<sup>2</sup>

Bailey used this conclusion to settle in his own mind the question of the freedom of the will. For as he saw it, it was wrong to conclude from the apparent instability or uncertainty of moral events that there were no determining causes and that the individual will or volition decided the nature of such events.<sup>3</sup> It was erroneous to assert "... that voluntary actions are not necessary, because in every case the agent might have acted differently."<sup>4</sup> On the contrary, moral or voluntary actions were just as "necessary" as physical ones, were just as dependent upon causes. The sequences of physical or natural relations had analogies in moral or mental relations. And the advocates of the freedom of the will to determine moral behaviour failed to appreciate the fundamental unity which necessarily underlay mental or moral, as well as natural or physical, causal sequences. They made the

... inveterate supposition that by the term necessity is meant something acting in opposition to the will, and obliging us to perform actions at variance with it, and it is not surprising that under this supposition the doctrine of necessity should have appeared inconsistent with our own consciousness. But when the term necessity is kept

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1 Ibid., pp. 219 ff.

2 Ibid., p. 251.

3 Ibid., pp. 257-58.

4 Ibid., p. 284.

strictly to one meaning, when it is used to denote simply the connection of causes and effects, and all that the doctrine asserts is shown to be that the state of the mind termed willing, of being pleased to do a thing, is an effect of regular causes, every semblance of inconsistency with personal consciousness vanishes. All that we can in any case be conscious of is, in the first place, the occurrence of a smaller or a greater number of views or considerations some perhaps inclining us to act one way and some another, and in the second place the power of doing as we please. In this there is nothing in the slightest degree incompatible with the doctrine of causation. The occurrence of certain views or considerations to the mind is one link in the chain of moral causation, which the advocate of philosophical necessity cannot be supposed to deny, -- nor does he refuse to admit, nay he insists in its fullest sense on the consciousness of the power of doing as we please. We always are conscious of the power, and always exercise the power of doing as we please in things depending on the will; but why are we pleased to do one thing rather than another? This is an effect which by the constitution of our nature we pronounce must have a cause; and all that the philosopher asserts is that there is a cause or combination of causes, which in every case brings the mind into the state of being pleased. This cause or combination of causes cannot always be assigned, but there are thousands of instances in which the connection of the cause and the state of the mind is so completely ascertained that we do not hesitate to infer the one from the other.<sup>1</sup>

In effect, therefore, Bailey was back on the ground he had taken in the Formation and Publication of Opinions. For he had simply shown that an action which appeared to be voluntary and, therefore, in contradiction to the doctrine of necessity, was ultimately an action which responded to a set of causes different from those assumed in the necessary sequence. This result was of considerable significance to Bailey, for, as has been seen, it was from it that he was able to construct his foundation for the science of political economy.<sup>2</sup> It was from this stand-

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1 Ibid., pp. 287-89.

2 Cf. Supra, Chapter XI, pp. 498 ff.

point that he was able to take it that political economy was essentially a matter of mental causes and effects, of motives, stimulants and responses. It was a mental or moral science whose principles, if less easily or confidently established, was not because of that difficulty different in nature or concept from the natural or physical sciences.

Although Col. T. Perront Thompson's review of the Pursuit of Truth was wholly laudatory,<sup>1</sup> the Edinburgh Review, as might befit its national origins, took a rather closer look at Bailey's argument. The reviewer considered it mainly in relation to the problem of miracles. After agreeing with Bailey that the assumption of the uniformity of causation was a "necessary part of our intellectual constitution,"<sup>2</sup> he went on to question whether or not Bailey was right in carrying this assumption over to the assertion that "the like causes, and none other, have been always, or will always continue, in operation...."<sup>3</sup> As he saw it, Bailey's argument amounted to a rejection of the possibility of miraculous phenomena, or of a temporary or permanent suspension of causal sequences produced by the Divine Intelligence. For in insisting on the assumption that certain effects would always follow certain causes as a necessary construction of human nature, Bailey had implicitly denied that this sequence could ever be interrupted. But this, said the reviewer, amounted to denying to the Creator, whose existence Bailey had acknowl-

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1 Westminster Review, XI (July, 1829), 477-89. Cf. Appendix "G" *infra.*, pp. 708-9.

2 Edinburgh Review, LII (January, 1831), 390.

3 Ibid., p. 390.

ledged, the power to modify the rules or causal sequences he had given his creation. Or, if not that, in admitting the possibility of a modifying power, it denied to man, one of the Creations of the Divine Power, the faculties and means for discovering or believing such a modification or miracle.<sup>1</sup>

In the actual essay itself Bailey had not specifically related his argument to the problem of miracles. It is reasonable to assume that he saw the reviewer's objections as pertinent, however. When he brought out a second and revised edition of the Pursuit of Truth in 1844 he suppressed this third essay, noting that "the reasons for the omission are, that it is a Treatise calculated for a different class of readers; and, more especially, that the Author has not at present either the leisure or the inclination to give it that deliberate revisal which he conceives it to require."<sup>2</sup>

So far as can be ascertained, James Mill did not formally comment on the position Bailey had maintained in the Pursuit of Truth, particularly in the first essay. Since his Analysis of the Phenomenon of the Human Mind was first published at the same time as Bailey's work, and since he had been working on it for a good number of years,<sup>3</sup> it seems likely that he found little in Bailey's effort worth noting. The Pursuit of

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1 Ibid., pp. 395-97.

2 Pursuit of Truth, 2d. ed., p. iv.

3 Bain, James Mill, pp. 204-330.

Truth did carry somewhat further the analysis Bailey had undertaken in the Formation and Publication of Opinions. But it is clear that the former was certainly insufficient in depth for the psychological spadework Mill believed was required and for which he had earlier asked Bailey.

The Sheffield Mercury<sup>1</sup> reviewed the Pursuit of Truth, praising it highly and contrasting its quality with the surfeit of "enervating opiates" then being peddled in literary form. "Mr. Bailey" was mentioned by name, indicating that to the Sheffield public, at any rate, his authorship was definitely established, although Bailey still refused to fix his name to the title-pages of his books.

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1 4 July, 1829.

## CHAPTER XIII

### BIOGRAPHY: II

By 1851 the population of Sheffield was nearly double what it had been in 1801, the year Joseph Bailey held the position of Master Cutler.<sup>1</sup> According to Sheffield's most noted historian, the main reason for this increase (and the generally rising prosperity it evinced) was to be found in the American demand for Sheffield products.<sup>2</sup> One of the consequences of this situation was that Sheffield industries generally were not swamped by the occasional business storms which so disturbed other sectors in the economy. In general, Sheffield's products had continued to be produced around the essential production unit of the small master's smithy. The great revolutionary changes in the processes of manufacture did not appear until much later, with the result that Sheffield avoided many of the industrial and social problems which accompanied the more complex and interdependent arrangements of the textile-type manufacturing enterprise.<sup>3</sup> Admittedly, the expenditure on poor relief during these years, increased, but it was not as great a percentage increase as the population change itself.<sup>4</sup> Sheffield had its distress and poverty, of course, but they

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1 G.C. Holland, The Vital Statistics of Sheffield (London: 1842), p. 27. The figures for the parish of Sheffield were:

1801	.....	54,758
1811	.....	53,281
1851	.....	91,692

2 Rev. A. Gatty, Sheffield Past and Present (London: 1873), p. 213.

3 M. Walton, Sheffield, its story and its achievements (Sheffield: 1949), pp. 112-15.

4 Sheffield and its local government, p. 11.

by no means compared with the difficulties of the agricultural labourers, the hand-loom weavers, the Spitalfields silk operatives, or the merchant drapers of Gloucestershire and Somerset. The core of Sheffield's industry remained hard mainly because technologically it was unable to mushroom into that top-heavy state which obtained elsewhere in the economy.

It was a consequence of this state of affairs that Sheffield's business eyes tended to be centered on the commercial sectors of the community, since it was invariably from that direction that any potential economic upheavels might appear. It followed, of course, that the Sheffield banks held a prominent place in any of these real or anticipated difficulties. During the crises of 1810, 1818, and 1825 none of the local banks failed. While their success in this respect may have owed much to the confidence and forbearance which their customers and depositors displayed in them,<sup>1</sup> it seems clear that the business community itself was able to afford magnanimity of this sort only because hardware, unlike textiles, remained in generally high demand. At any rate, the local bankers wisely confined their business to local enterprises and, thereby, avoided some of the difficulties which the Lancashire banks had undergone.<sup>2</sup>

If Sheffield bankers and businessmen had been astute (or fortunate) up to 1825, the time was soon to come, however, when the business commu-

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1 Leader, The Sheffield Banking Company, p. 9. In December, 1825, the town merchants and manufacturers had publically assembled to declare their confidence in the local banks. Cf. Sheffield Mercury, 14 December 1825.

2 Ward, op. cit., p. 287.



nity could not always be relied upon as such a source of hope and support. While the Sheffield firms exhibited a general solvency, it is clear that by their very nature they would, by themselves, be unable to accumulate enough wealth to permit them to exploit to the fullest the unsatisfied demand which faced them. Like most single-unit or family-type businesses, their solvency was accompanied by a chronic shortage of working capital. The latter, however, invariably dampened any prospects of a substantially increased volume by which they would have profitted from the prevailing strong demand. The demand, at all events, was there waiting to be met.

It was this underlying set of circumstances which seems to explain the willingness on the part of certain Sheffield capitalists to embark on joint-stock enterprises as a means, both of building up their own manufacturing resources, and of exploiting a potentially profitable investment opportunity.<sup>1</sup> Conditions definitely were changing, and it was doubtful whether the private bankers could cope with the demands which obviously were to be made upon them. Therefore, when the Joint-Stock Bank Act of 1826<sup>2</sup> was passed, permitting joint-stock banks outside the 65 mile radius of London, business interests in Sheffield were ready to take up the option.

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1 Gatty, op. cit., p. 220.

2 Banking Copartnership Act, 7 Geo. IV, C. 46.

## 1.

On the 8th of January, 1831, the Sheffield newspapers carried an item on a "proposed Sheffield joint stock banking company." The account reported the intention of several "merchants and manufacturers" of the town to establish such a banking company, they having been induced to the undertaking, not only by the growing size and needs of the town, but also by a fear that "... if such an establishment be not formed by the inhabitants themselves, it will be speedily commenced by capitalists at a distance." Specifically, it was proposed that the capital of the bank was to be £ 300,000 in fifteen hundred shares of £ 200 each, of which £ 40 per share was to be paid as soon as called for, with the remainder as and when wanted. The management of the bank was to be responsible to two or three Directors "... not concerned in any other business, and the establishment to be superintended by three Inspectors, not connected with the Sheffield trade, and to be appointed at annual meetings, all to be under obligation to observe secrecy." The shares were to be distributed as widely as possible; no firm or individual (except Directors) was to be allowed to subscribe in the first instance for more than thirty. After making a few remarks on the "character, the respectability and property" of the people who had already subscribed to the undertaking, the report concluded with the observation that the establishment would undoubtedly be conducted with "satisfaction" to the Sheffield public.<sup>1</sup>

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1 Independent, 8 January, 1831.

The original group responsible for this undertaking numbered nine, of whom the greater part were engaged in some form of business or commerce in Sheffield.<sup>1</sup> The various meetings in the office of John Watson, who was eventually to become Solicitor to the bank, and the publicity given by the newspapers and word of mouth, culminated on the 17th of January, 1831, in a unanimous resolution by the Committee, of which Bailey was Chairman:

- 1.--That in pursuance of the first and second resolutions of the Meeting on the 3rd instant, and in consequence of the subsequent applications for shares, it is considered and hereby declared that the proposed Company is formed under the title of the Sheffield Banking Company, to carry on the usual business of bankers.
- 2.--That the Chairman, Mr. Thomas Watson, and Mr. Edward Smith, be appointed a sub-committee, to purchase, erect, or take suitable premises for carrying on the business of the Company.
- 3.--That the shares now remaining unappropriated shall be disposed of by the Committee in such a manner as in their opinion will best advance the interests and prosperity of the establishment.<sup>2</sup>

The Deed of Settlement provided the essentials of the organization.

There were to be five Directors. Those eventually chosen were Samuel Bailey, John Read, Jonathan Marshall, Thomas Watson, brother of the Solicitor, and Edward Smith. John Rodgers and Thomas Porter were appointed "Public Officers," to sue and be sued on behalf of the company.<sup>3</sup> Article 4 provided that the present and future Directors were to have "entire management" of the affairs of the company as regarded its capital stock,

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1 Leader, Sheffield Banking Company, pp. 11-16, 62-107, gives most of the background information for the personalities concerned in founding the enterprise.

2 As quoted in Leader, Ibid., p. 13.

3 Deed of Settlement of the Sheffield Banking Company (Sheffield: 1832), p. iii.

funds, estate, property and revenue. It also provided that

... two of the Directors for the time being (to be termed Special Directors, and to be elected from the body of Directors in a manner hereinafter mentioned) shall alone have access to the private accounts of the customers; and that none other of the Shareholders (except the Directors) shall be entitled to see the books of account or other papers, documents, deeds, or writings; nor shall the Shareholders, or any of them, interfere in any manner with the Directors under any pretense (except as hereinafter mentioned.)<sup>1</sup>

What may seem like an undue sense of precaution regarding secrecy and isolation of the Directors from the Shareholders' influence was doubtless invoked by the organizers in order to counteract prevailing opinions about joint-stock banks. The private bankers of the town had made much of the fact that all of their business was secret and confidential, in the nature of a "doctor-patient" relationship and, therefore, not susceptible of scrutiny by some external group of strangers.<sup>2</sup> The promoters of this bank obviously had to calm fears on this point, which explains why so many references to the matter of secrecy occur in the Deed of Settlement. Article 32 repeated the safeguard of Article 4, that only the Special Directors were to have access to customers' accounts.<sup>3</sup> Article 47 asserted that "no person who is a Banker, a Bill Broker, Clerk, Accountant, Agency of or Director in any other Banking Company can become a Director,"<sup>4</sup> thus removing the temptation to manipulation or disclosure of confidential matters. The public announcement given out on the first

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1 Ibid., pp. 3-4.

2 Sheffield Mercury, 14 January, 1831. Independent, 29 January, 1831.

3 Deed of Settlement, p. 14.

4 Ibid., p. 23.

day of operation of the new company also expressly declared that "the Directors, Manager, and Clerks are all under obligations of secrecy, and only two of the Directors will have access to the Bills of Exchange and Customers' accounts, of which no other Directors or Shareholder will have any cognizance whatever."<sup>1</sup>

The firm and somewhat heavy hand of the Directors emerges clearly from several other of the original Articles. Article 44, for example, stipulated that the two retiring Directors automatically became eligible for re-election at the Annual Meeting, although the Shareholders were entitled to nominate additional candidates for directorships one week before the meeting.<sup>2</sup> Article 13 also showed where the whip hand was to be found, for it provided that, in addition to the two installments of twenty pounds each already paid in by the Shareholders, the Directors could call for the remaining hundred and sixty pounds on each share "... at such times and in such instalments as the Directors shall think fit...."<sup>3</sup> And although any such calls could not exceed five pounds per share upon notice of three months for each call, a Shareholder could not escape such a call without some difficulty. The same Article stated that no sale or transfer of any share could be valid without the "consent or approbation" of the Directors. In order to obtain this consent a Shareholder had to give fourteen days' prior notice in writing of his

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1 Leader, Sheffield Banking Company, pp. 28-29.

2 Deed of Settlement, pp. 21-22.

3 Ibid., pp. 6-7.

intention to sell or transfer. This notice also had to include the names and addresses of the proposed buyer or transferee. If the Directors refused to approve of the transfer or sale, the Shareholder had to propose another person.<sup>1</sup> Presumably, this would go on until the Directors found someone who met with their approval.

This matter of selective concern with their Shareholders was carried even further by the Directors. Article 12 required that a sort of police register, known as the "Share Ledger," be kept at the Bank, to be available at all times for inspection, and to contain the names, addresses, and number of shares held by any individual Shareholder. Notice of any alteration in the data recorded in the Share Ledger was to be given in writing to the Directors.<sup>2</sup> Article 8 requested that "... each Shareholder shall, as far as practicable, keep his or her Banking Account with and transact his or her Banking Business at the Bank of this Company, or with any such Branch Bank or Branch Banks as may hereafter be established in pursuance of these presents."<sup>3</sup> As a further effort to keep the movements of the entire organization within the surveillance of the Directors, Article 7 stated that

... no person shall hereafter be admitted a Shareholder, whose usual place of residence is more than ten miles distant from the Town of Sheffield, (unless the Directors for the time being shall deem it particularly advantageous to the Company that any person

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1 Ibid., pp. 8-9.

2 Ibid., p. 6.

3 Ibid., p. 5.

or persons wishing to hold a Share or Shares in the said Company, and residing at a greater distance, should be permitted to hold such Share or Shares)....<sup>1</sup>

Before launching their enterprise, the cautious, ever cautious, Directors determined that if "foreign capitalists" were not to be allowed to undertake banking business in the Sheffield area, at least something useful might be made of observing their machinations in their home localities. Accordingly, a sub-committee set out to investigate the joint-stock banks in the neighbouring communities of York, Manchester, Birmingham, and Halifax. The Committee reported back that all except the Birmingham bank had permitted only one or two Directors to have access to the books and accounts as a means of enforcing secrecy. In all cases, Directors services were gratuitous, although the York bank gave its Superintending Directors £ 150 each yearly. In all the banks visited, the Manager was joined with the over-all management of the bank, rather in the manner of an acting partner in a private bank. His salary, they noted, ranged from £ 500 to £ 600 a year. All the banks required that some kind of security arrangement, in the form of a bond, be established for the Manager and other higher officers. The Committee concluded its report

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<sup>1</sup> Ibid., p. 5. This last qualification apparently was inserted on the behalf of one "William Chance, one of the Directors of the Birmingham Joint Stock Bank, who requested to be allowed to be a subscriber in consequence of the proposal for the formation of the Bank being suggested by him. He was admitted to subscribe for twenty shares in consequence." Leader notes that it was a "not very palatable fact" that the inspiration for the Sheffield Bank should have come from an "outsider" from Birmingham! Sheffield Banking Co., p. 16. How the private Sheffield bankers would have exploited the presence of this "foreigner," had they known of it, can readily be imagined.

by recommending, on the basis of its inquiries, that the Directors hold weekly board meetings, and that the Directors be either absolutely free from other business activities or as little connected with Sheffield trade as possible. It recommended the establishment of the post of Manager, and suggested that the two Superintending Directors be given a salary of £ 200 a year.<sup>1</sup>

Within a few weeks suitable premises in George Street were purchased for £ 2,200 and two perpetual ground rents of £ 20 and £ 10 to cover the bank building and dwelling houses on the site.<sup>2</sup> At the same time an advertisement was run in the local newspapers asking for an "experienced

1 Leader Collection - fol. 152, Dept. of Local History, Sheffield City Libraries. These MS notes were taken by R.E. Leader from the "Committee Minutes of the Sheffield Banking Company" for some period in February, 1831.

In compiling the "official" history of the bank in the Sheffield Banking Company Leader received only minimal cooperation from its officials. He was refused access to detailed bank data and records, as the perusal of his book shows. The correspondence between Leader and Mr. Ernest G. Wragg, the Bank's then Manager, during the writing of Leader's book, makes Leader's distress on this point quite clear. (Cf. Leader Collection - fol. 150. Dept., of Local History, Sheffield City Libraries.) One letter retained in this collection is from Professor H.S. Foxwell to Leader on 3 March, 1918. In this letter Professor Foxwell thanked Leader for sending him a copy of The Sheffield Banking Company and went on to lament the paucity of actual banking material in it, however, since he anticipated that much of interest to the economist would have been disclosed in Leader's researches. He said that he understood Leader's problem, and expressed condolences for the trying conditions under which Leader must have written his book.

The present writer experienced a similar reticence on the part of the present officials of the Bank, now a branch of the National Provincial Bank, to open their earlier records.

2 Leader, Sheffield Banking Company, p. 25. Cf. Committee Minutes, 23 February, 1831, Leader Collection - fol. 152. See Plate I, infra., p. 718.



manager, thoroughly conversant with the principles and practice of banking." The Minutes for 25 March, 1831 observed that one James Drabble appeared to be the most likely among the several applicants for the position. The conditions of employment put to him were stated thus:

James Drabble, Manager, Terms of Employment.

Mr. Drabble will be required to give up, for the 1st day of June next, the whole of his time and attention as is usual at all such establishments at least from 10 am till 4 pm, or for any greater number of hours that any other Banking Establishments shall keep open. He is to be entrusted (nevertheless under direction of five or more Directors, two of whom to be Acting Directors) with the management of the business - in the same way as is usual for an active partner in any private bank. He is to sign all notes, bills and accountable receipts; to conduct the correspondence; receive the applications and to be the sole medium of communication between the Bank and its customers; to give his bond, together with two sureties to the amount of £ 2000 for his faithful services, and as is usual in such cases, he will be required to subscribe for and permanently hold while in office, thirty shares, and is, when at liberty to subscribe, to hold twenty more shares, but he will not be required to live at the Bank. The salary to be £ 700 per annum payable quarterly.<sup>1</sup>

Drabble, who had been a merchant before undertaking the Managership, was evidently undaunted by this formidable list of particulars, for the Minutes of March 31st, 1831, record his having accepted the position.<sup>2</sup> In accepting, Drabble was careful to insist that the Directors agree to hire him for a definite three year period, since the required sale of his mercantile establishment would place him at a considerable financial disadvantage upon a smaller tenure. He also contritely hoped that the Directors

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1 Leader Collection - fol. 150, Dept. of Local History, Sheffield City Libraries.

2 Leader Collection - fol. 152, Dept. of Local History, Sheffield City Libraries.

might see their way to permit him an occasional absence from the Bank, provided he had obtained "written permission" or had suffered a "sudden and severe indisposition." The Directors agreed to these requests.<sup>1</sup>

Once more the outside banks came to the assistance of the Sheffield embryo, for the newly appointed Manager was dispatched to Manchester, Birmingham, and Huddersfield "... to make himself acquainted with the best mode of conducting business and keeping books."<sup>2</sup>

On May 11th, 1831, a Richard Burkinshaw was appointed Cashier at a salary of £ 200 a year. His conditions of employment were that he was "... to reside on the premises in a house there, rent, taxes, and water free; to keep the Bank and other rooms clean; to find a servant to light the Bank fires, for which an allowance is to be made of six guineas a year, provided it is always done under his own inspection."<sup>3</sup> On 23rd May, 1831, James Senior was appointed Accountant at £ 150 a year, with house and taxes free.<sup>4</sup> A boy was hired as general handyman and assistant.

Finally, with the managerial, administrative, and menial corps assembled, and with the 225 partners subscribed, the organization was ready to begin business. After acceding on June 5th to a last-minute request by Parker, Shore's and Company's Bank not to remain open every day until 4:00 p.m.,<sup>5</sup> the doors were officially opened on the 1st day of July, 1831.

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1 Leader Collection - fol. 150, Dept. of Local History, Sheffield City Libraries.

2 Leader Collection - fol 152, Dept. of Local History, Sheffield City Libraries.

3 Ibid.

4 Ibid.

5 Ibid.

The newspapers recorded that "the Sheffield Banking Company commenced business in their Premises, in George Street, this day. Directors: Samuel Bailey, Esq., John Read, Esq., Jonathan Marshall, Esq., Thomas Watson, Esq., Edward Smith, Esq. Manager: Mr. James Drabble. London Agents: Messrs Smith, Payne, and Smiths. Hours of attendance: ten to four on Tuesdays and Saturdays; and on other days ten to three."

## 2.

By 1831 Bailey had undoubtedly already wound up the affairs of "Samuel Bailey and Company, Love Street."<sup>1</sup> Thus, there was nothing to prevent his accepting the Special Directorship which was tendered to him. Thomas Watson, who was also of independent means, was named as the other Special Director, although he held the position for only one year, being succeeded upon his death in 1832 by John Read. Bailey served as a Special Director, as well as Chairman of the Board of the Bank, from his first appointment until his death in 1870. His devotion to the Bank is testified in the determined and serious manner in which he guided and controlled it. J.D. Leader has likened the Bank to the "woman" in Bailey's life. "He was tender over her interests, he multiplied

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<sup>1</sup> The last intimation of the firm in the local press was in the Independent, 10 May, 1828, where the expression "Samuel Bailey, Esq., Merchant" was used. In the Sheffield Directory and Guide (Sheffield: 1828), p. 5, the latest directory available to cover the period in question, Bailey was listed as "Bailey Samuel and Co., general merchants, Love-Street." No directories for 1829 or 1830 were available, however.

the number of her visitors, he saved her from profitless connexions, he issued most judicious reports of her general conduct and behaviour; and, in augmenting her income, he swelled his own."<sup>1</sup> Bailey's own precision and discipline were certainly communicated to the Bank and manifested themselves in the manner in which he insisted on regulating even the most minute and trivial details of its operation. He sought from its employees, shareholders, and Directors a devotion as unbending and steadfast as his own. Lighter moods and sentimentalities were to be left outside the Bank.<sup>2</sup>

As far as the everyday affairs of the Bank were concerned, Bailey sustained a complete and uncompromising adherence to the commandments laid down in the Deed of Settlement. A Directorial edict required that no Director could even visit the Bank for business purposes during the actual banking hours, thus carrying further the declared policy of "quarantining" Directors from undue familiarity with actual or prospective

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1 J.D. Leader, "Samuel Bailey as a Poet," paper read before the Sheffield Literary and Philosophical Society, 4 March, 1873, as quoted in Leader, Sheffield Banking Company, p. 64.

2 It is unlikely that the searching "inquisition" to which an applicant for cashier's post was subjected is overdrawn or exaggerated. In the incident in question, Bailey and the formidable Edward Smith, had put the candidate through a difficult and thorough examination. The applicant, Mr. J.H. Barber, emerged from the interview "limp and despairing," convinced of his failure. As a matter of fact, he had passed more than satisfactorily, but his interviewers were not the men to let mere sensitive emotions overrule business propriety. Leader, Sheffield Banking Company, p. 30. Cf. also the article, "Barber," in Notes and Queries, A Quarterly Magazine (Illustrated) devoted to the Antiquities, Family Traditions, Parochial Records, Folk Lore, Quaint Customs, etc. of South Yorkshire, Derbyshire, Wotts., and Lincolnshire, I (June, 1899).

clients. Bailey obviously expected from the other Directors and employees the same attitude toward these matters which he, himself, held. He strongly insisted that one's position within the Bank's organization was never an excuse for relaxing that strict code of business behaviour he espoused.<sup>1</sup> J.H. Barber, who later became Manager of the Bank, and who had had such an uneasy introduction to Bailey, once remarked that "... he was brought every week into contact with Bailey, and there was no man whose advice could be more relied on where judgement, clearness of mind, and clearness of expressions were needed. He was a hard master to serve, but when he had examined one's work and approved it, one could be perfectly certain that it was all right."<sup>2</sup> Another who knew Bailey pointed out that as Chairman of the Board he had displayed the "most scrupulous integrity" and the "strictest sense of honour," and that whatever prosperous fortunes the Bank experienced were largely due to the "soundness of judgement and

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1 At the annual meeting of 1865, for example, he commented on the impossibility of any managerial or Directorial "irregularities" ever occurring at George Street. "Inasmuch as an example may place the matter in a clearer light than a general statement, I will tell you what took place when, a year or two ago, I wanted myself an advance of a few hundred pounds. I made a written application through the manager, requesting him to bring the matter before the Board; which he did, and the Directors were pleased to grant me a fluctuating credit of one thousand pounds, the Bank having ample security in hand. I am now, then, entitled to overdraw my account by that sum. Were I to draw out more, it would be the duty of the manager to report the circumstance to the next meeting of the Board." Leader, Sheffield Banking Company, p. 49.

2 Independent, 4 May, 1887.

business tact" which Bailey himself possessed.<sup>1</sup>

Bailey's steady and deliberate business manner was evidently in line with the conceptions which the other Directors held regarding Bank policy. A clear sense of caution and circumspection characterized their activities. In the first report, given after eighteen months of operation,<sup>2</sup> they claimed that "from the outset they have been anxious rather to lay a solid foundation for permanent prosperity than to rush into an extensive business for the sake of making large ostensible profits. The transactions have been safe and profitable."<sup>3</sup> Bailey's own attitude was that

it has been too little understood that Banks are establishments not for inordinate or permanent loans, but for advances of a safe, moderate, and temporary character, so that capital lent out shall be periodically returned. Unless these principles are carried out, and others which flow from them are kept in view, no Bank, however flourishing in appearance, can prosper.<sup>4</sup>

It may be admitted that this viewpoint of the Chairman and his Directors seems to have achieved the result intended. Only once from 1832 to 1870 did the dividend rate paid fall as low as 7.5%, indicating that Bailey's "safe, moderate" policy came fairly close to realizing that

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1 Sheffield Telegraph, 18 January, 1870.

2 It had been decreed that no dividends would be paid during the first year of operation. Any profits were to accrue to a "Surplus Fund." Subsequent dividends were then to be paid from net profits according to the proportion of shares held, after a maximum of one quarter of the total profits had been put aside in the Surplus Fund. Deed of Settlement, Article 53, pp. 25-26.

3 As quoted in Leader, Sheffield Banking Company, p. 33.

4 Ibid., p. 34.

"solid foundation of permanent prosperity" which the Directors had in mind.<sup>1</sup> Indeed, but little more than a year and a half after its founding, the shares of the Sheffield Banking Company were selling at a premium of £ 18,<sup>2</sup> and by the end of 1834 the premium had risen to £ 40 per share.<sup>3</sup> Business prospects eventually proved good enough that the Directors were able to establish a branch of the Bank in nearby Rotherham.<sup>4</sup>

1 The dividends paid per cent by the Bank during Bailey's reign as Chairman were:

1832 -- 8%	1839 -- 8.5%	1846 -- 12%	1853 -- 15%	1860 -- 15%
33 -- 10	40 -- 8.5	47 -- 13.5	54 -- 18%	61 -- 15
34 -- 10	41 -- 8.5	48 -- 12.5	55 -- 17	62 -- 14.5
35 -- 8	42 -- 8.5	49 -- 10	56 -- 17.5	63 -- 15
36 -- 8	43 -- 8.5	50 -- 10.5	57 -- 17.5	64 -- 20
37 -- 7.5	44 -- 9	51 -- 12	58 -- 15	65 -- 20
38 -- 8	45 -- 10	52 -- 12	59 -- 15	66 -- 18
		1867 -- 13.5%		
		68 -- 12		
		69 -- 13		
		70 -- 12.5.		

2 Sheffield Register, 7 February, 1833.

3 Ibid., 27 December, 1834.

4 The Director's rationalization of this move is amusing, as is what amounts to an apology to the Shareholders for such a "rash" adventure. "At the time of the forming of this Branch," they said, "it was the opinion of the Directors, which additional experience and information have tended to confirm, that branch Banks in general are a source of weakness rather than of strength to the parent establishment. The best conducted and most flourishing Banking Companies, they feel persuaded, will prove to be those which, confining their attention to one district, and having for their shareholders respectable parties residing on the spot, can conduct their business with an adequate knowledge of their customers and are supported by the interests and good will of the surrounding inhabitants. If Rotherham had been at a greater distance it is highly probable that this consideration would have prevented the Directors from taking a step which, they hope, under actual circumstances, will prove not only safe but beneficial." Leader, Sheffield Banking Company, p. 36.

The relations which obtained between the Directors and the Shareholders were probably another reflection of Bailey's conception of proper business procedure. In ostensible practice of the declared rule of secrecy, the Shareholders were held in complete ignorance of the contents of the Annual Report until the Chairman revealed it to them at the annual meeting, convened on the last Friday in January. Speeches by the Chairman, Directors, and Shareholders were private, and only the briefest announcement of the proceedings appeared in the newspapers of the following day. The dividend declared was usually published, however. Up until 1840 a statement generally was made to the effect that "three hundred pounds were unanimously voted to the Directors for their efficient services during the past year...."<sup>1</sup> It was not until after 1840 that the Directors overcame what Leader called their "engaging affectation of bashfulness" and consented to remain in the room while the Shareholders proceeded to make their votes of thanks and expressions of gratitude for "efficient services."<sup>2</sup>

## 3.

It was about the time that Bailey had commenced his ministrations to the Bank that he assumed a role in some contrast with those he had hitherto played. This was his venture as a practical politician during

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1 Independent, 31 January, 1831.

2 Leader, Sheffield Banking Company, pp. 32-53.



Sheffield's participation in the nation-wide political extravaganza following the passage of the Reform Bill of 1832. The story of this national event is too familiar to require re-telling here. But an examination of Bailey's part in it is useful in revealing another facet of his diversified character. A careful appraisal of his activities during this period is important for an additional reason as well, however. For some currency has obtained on the opinion that his failure in the two elections for which he was a candidate was due to the "prejudice of practical men against 'theoretical' politicians...",<sup>1</sup> an opinion for which John Holland probably was in large measure responsible.<sup>2</sup> The task, therefore, is to examine in some detail the actual part which Bailey played in these elections, in order to discover whether or not his poor showing was due in fact to his being the "theoretical politician" lacking appeal for the "practical men."

It will be acknowledged immediately that what has been learned so far of his life and manner tends to convey the impression of what may be

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1 DNB, II, 409. The Encyclopedia Britannica, III, p. 247, noted that Bailey was of "... too retiring a disposition, and had too much of the philosophical politician about him to win the admiration or suffrages of an ordinary body of electors."

2 Regarding Bailey's failures in the two elections, Holland had said that "His want of success was obviously ascribable to several causes; with a political creed so welcome and complacent toward the crowd, few persons appear less affable and approachable than Mr. Bailey. This peculiarity may be largely due to the logical severity of his studies; a circumstance itself little calculated to render him a popular orator, or to allow him to assume those flexible attitudes, which may be right or wrong, but at all events are so important in electioneering strategies. Moreover, he derived no advantages from the reputation of piety, or the outpourings of benevolence." Tour of the Don, pp. 253-54.

called his rather reserved bookishness. What is known of his earlier school years supports this, and his associates at the Bank almost universally remarked of his stern business manner. Nor did anything he undertook at the Literary and Philosophical Society appear to change this impression. At the same time, it may be admitted that in few of the situations he has been found thus far was there any particular call for more ingratiating gaieties and moods. That is, in his round of pursuits it seems clear that Bailey simply conducted himself in a manner which he deemed appropriate. The Bank and Philosophical Society were occasions for serious and deliberate thought and action, as far as he was concerned. Thus, he can hardly be blamed for shunning the more trivial appearances, which he probably saw as wasting his, as well as other peoples', time. It is clear enough that he was direct and determined in his behaviour. He devoted his exclusive abilities to whatever engaged his attention, because he had acquired the facility of pursuing a line of endeavour or thought without giving in to distractions. His field of interest was not necessarily narrow, but once having chosen to investigate a subject within it, he saw no reason to encumber himself with irrelevancies. To many, this concentration was equivalent to inaffability.

Bailey's first appearance of any importance on the Sheffield political stage was in direct application of the doctrines he had put forward in the Formation and Publication of Opinions. Already in 1824 Lord Milton had presented the Sheffield petition to Commons abjuring religious per-

secutions.<sup>1</sup> When, therefore, the issue finally came to a head upon Peel's and Wellington's announcements of a measure to remove civil disabilities on account of religious faith and worship, Bailey was on hand in February, 1829, to argue forcefully for the cause of Catholic Emancipation. His speech gives the lie to what sort of "theoretical politician" he really was. He made a few light-hearted jests at the fears and violent apprehensions of the conservative factions opposing emancipation; he argued that the temper of the times would not permit or tolerate a reversion to the "dark night of ignorance"; he added to the unjustness of religious restraint the additional unpopularity of expensive military establishments in Ireland; he pointed out that delay on this issue forestalled those other measures, such as retrenchment and reform, for which the people were eagerly waiting; he tabulated the names of the political greats, like Burke, Fox, Pitt, Canning, and Brougham, who, through the years, had passed from "illiberality to concession"; and, finally, in his conclusion he left his hearers with a good, ringing laugh at the expense of the other side.<sup>2</sup> Now Bailey at this time was by no means a seasoned political campaigner. But it seems difficult to deny to him his perception of certain necessary tenets in the politician's dogma, viz. taxes, retrenchment, improvement over the status quo, and appeal to authority. It will appear subsequently that Bailey rarely, if ever,

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1 Chapter XII, *supra.*, pp. 557-58.

2 Independent, 21 February, 1829.

in his actual campaign left these fundamental points to pass "theoretically" over the heads of his audiences.

At any rate, Bailey's efforts in behalf of Catholic Emancipation were rewarded later on. In May, 1829 he appeared as first speaker at a meeting of congratulatory addresses to the Duke of Norfolk, who had recently taken his seat in Parliament and had had his previous privileges restored to him.<sup>1</sup>

In February of the following year, when the tempo of the Reform agitation had begun to quicken, Bailey again appeared before the citizens of Sheffield. The occasion was a public meeting held for the purpose of petitioning Parliament to grant the elective franchise to Sheffield. It so happened, however, that the nation was passing through a business depression at the time. Thus, there were present at this meeting a number of people who sought to turn it from its declared purpose and to petition, instead, for direct measures of relief in place of the vaguer suffrage objectives. Bailey replied to this argument, holding that it was to Sheffield's greater interest to be strong on this occasion, to keep company with Birmingham, Manchester, and Leeds, and to settle for nothing less than the franchise. Once this was obtained, he thought it would then be possible to pass on to the other problems of additional

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<sup>1</sup> Independent, 16 May, 1829.

reform, retrenchment, tax reductions, freer trade, and so on. He questioned the advisability of deviating from measures of true benefit to Sheffield in favour of doubtful short-term expediencies. After some discussion, the meeting voted and passed the resolution urging the extension of the elective franchise to Sheffield.<sup>1</sup>

In the late summer of 1830 the two Yorkshire reform Members, Lord Morpeth and the then Henry Brougham, were returned to Parliament. The sign which this portended prompted Bailey to publish a small pamphlet entitled A Discussion of Parliamentary Reform (London: 1830), which he dedicated, as he said, "to the Freeholders of the County of York, who recently distinguished themselves by the independent exercise of the elective franchise, without expense to the men of their choice...." This pamphlet is important for two reasons. First it sets down Bailey's own political credo and practically formalizes the essential points around which he was subsequently to conduct his political ventures. In a sense, therefore, it was a means of proclaiming his own platform in case the Sheffield electors should decide to act upon it at some propitious juncture. Although he later denied that he wrote this pamphlet with his eye on the Sheffield seat,<sup>2</sup> when he did come out as an active candidate, he generally referred to the pamphlet as embodying all of his political beliefs and requested his listeners to consult it in their own interest.

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1 Independent, 20 February, 1830.

2 The Speeches of Samuel Bailey, February 6th, 1834. fol. 18-1, Dept. of Local History, Sheffield City Libraries.

In the second place, the pamphlet constitutes the nucleus around which Bailey constructed a much more ambitious presentation of his political philosophy in his later Rationale of Political Representation (London: 1835).<sup>1</sup> It is therefore useful to consider the development of his political thought during the five years separating the two works.

Bailey began his argument in the Parliamentary Reform by a review of the progress of opinion on the subject of reform. The instant election he took as an example of the change in the "moral sentiments" of the public, wherein the idea was evidently growing that public officials should exhibit the same sort of moral conduct in their public duties as was expected of them in their private intercourse. Anachronistic sinecures, he said, were an example of the sort of thing which had persisted, but which people were no longer reconciled to accepting.<sup>2</sup> The present mode of conducting elections, characterized by "bribery, fraud, falsehood, drunkenness, and riot" was another case in point,<sup>3</sup> and the well-known inequities in the distribution of the franchise was a conclusive example of the state of affairs which was no longer tolerated.<sup>4</sup>

His next step was to appraise what he considered to be defects in the House of Commons. It was admitted, he began, that the House of Commons was a representative body. The question was, however, whom it rep-

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1 He had made one or two observations on political and governmental matters in the second essay of the Pursuit of Truth, pp. 150-52, but they were by no means comprehensive.

2 Parliamentary Reform, pp. 3-4.

3 Ibid., p. 7.

4 Ibid., p. 9.

resented. "The idea of deputation then involves the power of election and the power of removal; and if it is proper and expedient in any country to have a house of deputies, it is proper that they should be deputed by the men whose interests they have to superintend, and be liable to be removed at stated times by their constituents."<sup>1</sup> On this view, therefore, he thought it was sufficiently clear that the House of Commons defected. First, one half of it was elected by less than two hundred individuals, and the remainder of the members were not generally responsible to those who had returned them. Second, the duration of the elected body was not within the control of the electors. It was out of this review of conditions that Bailey then proceeded to fashion his own set of political principles.

So far as Commons failed to represent a sufficiency of those whose interests it controlled, he saw as a solution the principle of universal suffrage. He admitted that absolutely universal suffrage was clearly an ideal but limiting case, and that it was, therefore, necessary to prescribe some limitation on the suffrages say, of illiterates, mental defectives, and so on. He recognized that this admission immediately involved him in the problem of degree of limitation and, accordingly of where the line should be drawn between (1) the more intelligent electorate and (2) the electorate which represented the universal will.<sup>2</sup> He gave

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1 Ibid., p. 12.

2 Ibid., pp. 16-17.

no solution to this problem, although he did urge that the right of suffrage ought to be extended to women, since it was wrong to assume that their interests were necessarily co-extensive or identical with those of their male relatives.<sup>1</sup> On balance, it is clear that Bailey preferred the wider, to the narrower electorate, but that he recognized that it was impossible to give a precise delineation of its size and components.

The same problem of degree appeared in his discussion of the duration of Parliaments. His first suggestion was for annual Parliaments, but he appreciated that such a brief period might prove unworkable through its continual disruption of the organizational lines and channels. If that were the case, the duration could be extended gradually, keeping in mind that "... the duration of parliaments ought to be so short as to keep up a lively sense of responsibility in the minds of the representatives."<sup>2</sup>

The last important principle Bailey considered was that of the ballot. His argument was that, inasmuch as a majority principle for deciding public matters had been accepted, it necessarily followed that a voter had to be assured that his vote would result in the election of his chosen candidate, provided his vote were in the majority. The only way this result could be brought about was by invoking the secret ballot.

The present system is productive of the immorality of enticement and intimidation, to an incalculable extent. It gives rise to a

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1 Ibid., pp. 19-20.

2 Ibid., p. 24.



double immorality: it induces the candidate to make unjustifiable inroads on the independence of electors, to be guilty of attempting to allure or overawe their suffrages, to bribe or menace them out of the course prescribed by the public good; and, on the other hand, it effects the degradation of the electors, by influencing them to give their votes in opposition to their sense of duty, and therefore, to violate their consciences.<sup>1</sup>

Having set down these essential points, Bailey concluded his essay with what he conceived to be a model address by a candidate to his constituents. Such a candidate, he said, would appear before the electors, after the close of the annual session. He would come forward not to solicit votes, but to submit his claims for examination to the voters. He would call upon them to consider his "integrity and abilities"; he would ask them to consider whether or not those qualities would promote the "public good." He would not encourage anyone to vote for him if the voter was convinced that another candidate could better serve the public; he would "rejoice" if, after careful scrutiny of the claims of all the candidates, the electors chose one whose abilities and zeal could better serve the country than his own.<sup>2</sup>

In December of 1830 Bailey was once again present with the other Sheffield Reformers at a public meeting held in Paradise Square. By this time the Whig cabinet had been formed under Earl Grey with the avowed intention of bringing in a Reform Bill. Bailey clearly reflected the general optimism and confidence in the outcome when he told the crowd that it was hardly necessary for him to re-state the familiar and well-

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1 Ibid., p. 36.

2 Ibid., pp. 43-44.

known reform principles. The cause of reform had been definitely established, he declared. The prospects looked bright; the majority of the nation was for it, as were large numbers of intellectuals and the press. Even the Government, he added, "... have placed themselves on the rail-road of reform; if they move at all, they must move straight forward, and I trust the power of public opinion -- excited at high pressure if need be, -- will send them rapidly to the goal."<sup>1</sup> He cautioned his audience to beware of the opponents of reform, who might seek to exploit minor differences among reformers themselves and suggested that the best way to expediate the passage of the Bill was to support the Ministry completely. He finished his remarks on the optimistic note that, before long the people of Sheffield would see their own candidates before them on the hustings. The meeting wound up with the passage of another petition urging a shorter Parliament, extension of the franchise, alteration of the method of vote-taking, and such various other measures as would ensure full, free, and equal representation for the people of Sheffield.<sup>2</sup>

Needless to say, Bailey's "rail-road of reform" did not maintain the fast schedule he had hoped for, encountering, as it did, some rather difficult sections at the hands of the Tory opposition. The frequent public meetings during the period to show support for the Ministers of

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1 Independent, 4 December, 1850.

2 Ibid.

the Grey cabinet were, therefore, re-routed when the King dissolved Parliament on 22 April, 1831. The immediate objective of the Sheffield reformers then became to bring about the re-election of the Yorkshire reform members. Bailey played his usual part in the speechmaking at a public dinner held for the candidates.<sup>1</sup> He helped to establish a "Sheffield Patriotic Fund" for the purpose of transporting electors to York in order to vote.<sup>2</sup> He joined, and was a Councillor of, the Sheffield Political Union, whose declared objective was reform. He was present at most of the public meetings convened during this period.<sup>3</sup> His pamphlet on reform was before the public and was discussed in an Independent editorial.<sup>4</sup>

With the return of the Government in the summer of 1831, Sheffield immediately set about finding its candidates, in order that they be on hand as soon as the Reform Bill was passed. On the 26th of August a deputation headed by Dr. A. Knight presented itself to John Parker, son of Hugh Parker, the Sheffield magistrate and banker, and requested him to offer himself as a candidate in lieu of his father's refusal to do so. Parker's rather breathless and involved reply made it quite clear that

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1 Independent, 30 April, 1831.

2 Ibid., 7 May, 1831.

3 Cf. Independent, 15 January, 1831; 29 January, 1831; 12 February, 1831; 15 March, 1831.

4 The editor observed that the pamphlet was written by Bailey and that it contained his usual "sound information and eloquent reasoning." The work would, he thought, give a great impetus to the cause of reform by preserving the same spirit of inquiry which Bailey had manifest so well in the Formation and Publication of Opinions. Independent, 15 January, 1831.

he would be only too happy to accede to the request and that in doing so he would well serve the commercial and business interests who had sought him out.<sup>1</sup> On the following day, the Independent commented on Parker's requisition and noted that "Samuel Bailey, T.A. Ward, Henry Walton, H. Gally Knight, J. Rimington, and B. Stoads" were being referred to as possible candidates as well. So far as it could judge, the newspaper thought that "public feeling" favored Bailey, "... whose writings and business-like habits and well-known principles fully prove his fitness for the high station to which we doubt not his fellow-townsmen will raise him." T.A. Ward was also mentioned as having high favor, and some steps apparently had already been taken to prepare a requisition to him.<sup>2</sup> The events which followed upon this situation are of some importance in understanding Bailey's conduct in the ensuing election, so it will be necessary to consider them in some detail.

T.A. Ward was, of course, a familiar figure in Sheffield. He had been brought up in his father's mercantile concern and subsequently carried on the business himself. He was an ardent Reformer and became president of the Sheffield Political Union, which he had helped to found. His Radicalism was of a rather more earthy variety than Bailey's, which gave him considerable popularity with the lower classes in Sheffield. At all events, a requisition was eventually addressed to him, as the Independent

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<sup>1</sup> The Poll Book; containing a correct list of the Electors who Polled; distinguishing the Candidates for whom they voted; also the Names of the Registered Voters who did not Poll in the First Election of Members for the Borough of Sheffield, December 13 and 14, 1832. (Sheffield: 1833), p. 3.

<sup>2</sup> Independent, 27 August, 1831.

had intimated. But if his chances of being elected seemed good,<sup>1</sup> it is also clear that Ward had some second thoughts as to the feasibility of his serving as Member for Sheffield. He told Hunter that he lacked the necessary property qualification; if he disposed of his business, his independency of means might not be secure; he was a widower, and the demands upon his time in London might cause great disruptions in the care of his family.<sup>2</sup>

In any case, a week later public opinion had reduced the six original candidates to two, beyond Parker, who had already accepted. These were, of course, Ward and Bailey. With Parker already certain, the problem seemed simple enough, for Ward and Bailey were close enough in their principles and attitudes to command the votes of almost identical electors. Therefore, it was merely a matter of deciding between the two men. In the event, however, this problem became considerably more involved. The Independent correctly appraised the situation:

It is manifest, however, that since Mr. Parker, in compliance with a requisition which spoke the feelings and wishes of almost the whole town, declared his intention to become a candidate, another only is needed; and as the admirers and supporters of Mr. WARD and Mr. BAILEY are the same, it would be most impolitic and absurd to divide the interest which, united, would be able to return either, but might otherwise be defeated by some other candidate... Their present relative situation is this. A requisition to Mr. WARD was set on foot last week. This step would at once have decided the

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1 Ward, Op., cit., p. 297. "I have been told that I shall have a requisition addressed to me, and that I may depend upon 8 out of 10 voters." T.A. Ward to Joseph Hunter, 27 August, 1831.

2 Ibid., p. 297.

mutual friends of both parties to forgo any previous intention of inviting Mr. BAILEY to offer himself, but it was understood that Mr. WARD could not at present determine whether he should accept the call of the requisition or not, and that even the presentation of the document would not be sufficient to induce him to decide the important question, till the nearer approach of the time of election. It was necessary, therefore, for those who had not already signed the requisition to him, to prepare one also for Mr. BAILEY, in order to avert as far as possible the inconvenience that would arise from Mr. WARD's hesitation, should he afterwards resolve not to become a candidate. Such a requisition is therefore now in the course of signature. -- We believe, however, that when the time of election shall arrive, one of those gentlemen will leave the field open to his friends, since, if both should become candidates, both might be defeated by some other person, not possessed of a tithe of their qualifications.<sup>1</sup>

The events which were soon to follow fairly well accorded with the Independent's predictions. Four days later a deputation headed by John Watson, a brother of Bailey's co-director at the Bank, presented the requisition to Bailey.<sup>2</sup> In a clear reference to Ward's hesitancy, Bailey said that he would "unreservedly" accept the request. He pointed out that he considered himself to have certain qualifications best suiting him to represent Sheffield and its interests. He had long been engaged in various kinds of public and private business in Sheffield and thus possessed some knowledge of its local problems and needs. And he had been, for a large part of his life, occupied with the study of "principles of national policy" on which the "momentous questions" of the day were necessarily determined.<sup>3</sup> He said that he was impressed with

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1 Independent, 3 September, 1831.

2 Poll Book, pp. 4-5.

3 Ibid., pp. 6-7.

two "fundamental doctrines" which he would pursue with all his capacities if he were elected, viz. "... that all political power without exception, whether in the hands of Kings, Ministers, Representatives, or Electors, is rightfully held only for the public good..." and "... that the same principles of moral rectitude, the same rigid adherence to equity and abstinence from encroachment on the rights of others, which are required in private life, ought to mark all political transactions whether between a government and the people, or between one nation and another."<sup>1</sup> He concluded by thanking the deputation for the "high honour" they had conferred upon him by their "unsolicited offer" to support him.<sup>2</sup>

On the 10th of September the copies of the requisition to Bailey, and his acceptance of it, were published on the front page of the Independent. The day's editorial referred to Bailey's requisition and noted that the number of signatories would have been larger had more time been available. After a quotation from Bailey's speech of acceptance, the editor declared that the Independent would think of him "... as our future representative with pride and exultation." A reference was made to Ward's position, stressing again the awkward situation which would arise if Ward belatedly should decide to become a candidate and expressing the hope that he would not "weaken the cause by division," especially in view of the fact that Bailey would never have been called if Ward had

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1 Ibid., pp. 6-7.

2 Ibid., p. 7.

earlier declared his intention to stand.<sup>1</sup>

One week later a requisition was formally presented to Ward. He accepted it with the conditions hitherto mentioned. The Independent noted in somewhat cool tones that Ward "... adheres to the course which we understood he had determined upon, viz. to postpone for the present giving a decisive answer to the invitation." It admitted that Ward's postponement was the cause for presenting the requisition to Bailey, but claimed that "public duty" had prescribed a "different course" from merely sitting idly by until Ward made up his mind what he wanted to do.<sup>2</sup> This "different course" was a reference to the activities of the fourth candidate who had entered the field in the meantime. He was James Silk Buckingham.

Buckingham was a widely travelled writer and lecturer who had undertaken a crusade in 1829 against the East India Monopoly. He espoused free trade and generally moderate political measures.<sup>3</sup> His activities were sufficiently well-known to the Sheffield vicinity for the Sheffield Iris to urge, on 13 August, 1829, the election of "the man to whom in all likelihood Great Britain will be mainly indebted for the freer intercourse with the eastern world." From that time on, Buckingham's campaign against the East India Company's monopoly had been expanded into a course of lectures on the essentials of his political creed, which sought free

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1 Independent, 10 September, 1831.

2 Independent, 17 September 1831.

3 R.E. Turner, James Silk Buckingham (London: 1934), p. 246.



trade, the abolition of slavery, and the usual generalities of "national happiness" and "universal peace." By August of 1831 this broadside had been turned into an explicit campaign for the benefit of the Sheffield electors, urging them to choose one local man to serve their particular interests, and one man of wide experience and knowledge to serve less restricted, but no less beneficial, ends.<sup>1</sup> Lest the Sheffield electors have any doubts about whom he had in mind to fill the latter parliamentary role, Buckingham took two hours to explain to them his own views on the duties, qualifications, and requirements of parliamentary representatives.<sup>2</sup> The Sheffield Mercury took Buckingham's lectures as an overt invitation to candidature.<sup>3</sup>

It is evident now that the success which attended Buckingham's sorties in the political field was the factor which had moved the supporters of Parker, Ward, and Bailey to their respective courses of action. Buckingham's imperialistic and free trade tirades had obviously appealed to the monied interests, and the number of "A Co's" signatory to his requisition bears this out. Moreover, his style of oratory was popular with the lower classes, who were charmed by his readiness to confront any and all real or imaginary abuses.<sup>4</sup> With Buckingham apparently

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1 Ibid., pp. 246-47.

2 Independent, 6 August, 1831.

3 6 August, 1831.

4 J. Hunter, Hallamshire, ed. A. Gatty (London: 1896), p. 179. Cf. also Philo Veritas, A Letter to John Sanson, Esquire, the Master Cutler, and the Returning Officer for the Borough of Sheffield on the proceedings of the recent Election (Sheffield: 1835), p. 4.

Ward, who had introduced Buckingham to James Montgomery, thought him "amiable" and a "... most fluent, conversational speaker, clear, sarcastic, and argumentative, but not possessing the highest species of oratory - the power of moving the feelings and affections of his auditors." Peeps into the Past, p. 295.

moving along at a great clip, and with Parker already a certain candidate, the supporters of Ward and Bailey had agreed, as has been pointed out, that overtures would first be made to Ward. If he accepted, nothing would be forthcoming to Bailey; if he demurred, their weight would swing in behind Bailey. In either case, it was clearly necessary for them to act quickly in order to damp down the velocity Buckingham had built up. As the editorials in the Independent had made clear, however, Ward's hesitation forced the liberal Ward-Bailey supporters to proceed simultaneously with two entries. Thus, the situation on September the 17th, when Buckingham acceded to his deputation's request to become a candidate,<sup>1</sup> was that Parker and Bailey were poised opposite Buckingham. Ward was hanging fire.

It was in these circumstances that Sheffield found itself when the House of Lords refused to pass the Government's Reform Bill in October, 1831. A cholera epidemic during the winter of 1831-32 smothered much of the Sheffield reform agitation, so that it was not until early May, 1832 that the Sheffield Reformers were again heard, petitioning the King to create a sufficient number of Peers to ensure the passage of the Reform Bill through the Lords.<sup>2</sup> In the meantime, Buckingham cleverly had kept himself in the public eye by spending the winter in Sheffield, giving lectures on India at the Music Hall.<sup>3</sup> Bailey, of course, was busy with

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1 Independent, 17, September, 1831.

2 Independent, 5 May, 1832.

3 He also spent some time experimenting with the slope and position of the demand curve for tickets to his lectures. His procedure was to make an advance sale of 2/6d. for each ticket; when the sale seemed below his expectations, he would alter the original contract by admitting one guest free with each ticket holder. As might be expected, this procedure let him in for some adverse criticism. Turner, op. cit., p. 243.

the affairs at the Bank. He also devoted a considerable amount of time during the winter to the problem of the cholera epidemic and to the establishment of a Public Dispensary in Sheffield.<sup>1</sup>

With Wellington's failure to form a cabinet and Lord Grey's recall in May, 1832, the Reform Bill was assured of its passage through Lords. June, therefore, saw Sheffield making preparations for a celebration befitting the occasion. On the 9th day of that month, immediately after the Reform Bill had been passed by the House of Lords and in the midst of general optimism, the Sheffield Reform party was plunged into complete consternation when Ward published an eloquent acceptance of the requisition which had been tendered to him nine months before.<sup>2</sup> The Independent pointedly observed that Ward had accepted the invitation given to him "some time ago."<sup>3</sup> With four candidates now in the field, a contest was inevitable. From this time on, the campaign began in earnest.

Bailey soon published an open letter, between the lines of which it is not difficult to see an implied reference to Ward's actions.

The length of time [he said] which has elapsed since invitations were publically given to several individuals to become Candidates for the Representation of Sheffield, seems to render it proper, if not necessary, that you should be explicitly informed, now that you are at last happily invested with the Elective Franchise, whether the intentions of those who accepted such invitations, continue the same.<sup>4</sup>

1 Independent, 12 November, 1831, 21 January, 1832, 28 April, 1832.

2 Independent, 9 June, 1832. Ward's diary, Peeps into the Past, p. 298, has the entry: "June 9, Crossed the Rubicon." Turner, op. cit., p. 200 claimed that Bailey and Parker followed Ward in announcing themselves. Clearly, their announcements had been made the previous September.

3 Independent, 9 June, 1832.

4 Independent, 16 June, 1832.

He declared that his own sentiments remained unchanged from the time he had first accepted his requisition and restated once again that:

... the corn laws, the East India and bank monopolies, negro slavery, the obstacles to the dissemination of knowledge, the wasteful expenditure of our financial system, the state of Ireland, the defects of our civil and criminal laws, are subjects requiring all the extensive knowledge and coolness of judgement which can be brought to their consideration. On these momentous topics, I scarcely need inform you, I agree with the majority of my fellow townsmen being on the side of freedom against monopoly, of liberty against oppression, of knowledge against ignorance, of economy against extravagance, of equity against justice.<sup>1</sup>

Ward's platform was generally the same as Bailey's. He championed liberty and reform. He urged the abolition of tithes, of the China monopoly, of slavery, and of taxes on knowledge. As President of the Sheffield Political Union he had considerable popularity with the working classes. He enhanced this by urging the improvement of the worker's position, correction of municipal abuses, and use of the secret ballot. Like Bailey, he declared that he was opposed to a personal canvass for votes.<sup>2</sup> Ward's committee apparently had fewer compunctions on this score, however. For having made the explicit request to all candidates to refrain from a canvass,<sup>3</sup> in the following week it made a complete about-face. The Independent brought forward conclusive evidence that Ward's supporters were making personal solicitations.<sup>4</sup> In fact, shortly

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1 Ibid.

2 Ward, Peeps into the Past, p. 298. Ward to Joseph Hunter, 24 August, 1832.

3 Independent, 16 June, 1832.

4 Independent, 23 June, 1832.

before the actual polling, his Committee claimed that 1700 pledges had been given to Ward by the electors.<sup>1</sup> Whether Ward himself sanctioned these activities may be questioned, for his own honesty and integrity had rarely been compromised. But his Committee probably saw their candidate's late entry into the field as a source of extraordinary measures.<sup>2</sup> Huckingham, of course, had been canvassing "wholesale" from the very beginning.<sup>3</sup>

By the end of June it had become clear that it was too costly for Bailey's committee to abstain from making a general canvass. Accordingly, the committee, of whom Edward Smith was Chairman, published in the Independent, 30 June, 1832, the statement:

Mr. Bailey's Committee having received an official communication, that the friend's of the other Candidates have commenced a general Canvass, respectfully inform the electors of Sheffield, that they will sit daily, at the Committee Room, at the Commercial Inn, Hay Market, Sheffield, until the Canvass be completed. They will be happy to receive the assistance of friends of that Gentleman, and to register their votes. The Electors are also respectfully informed, that they will be waited upon as early as possible.

The Independent itself deprecated the initiation by Ward's committee of a personal canvass, and praised Bailey and Parker for having refrained from undertaking one as long as possible. The following month, the Independent, came out in "official" support of Parker and Bailey as its

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1 Philo Veritas, op. cit., p. 5.

2 The writer of a letter to the Sheffield Mercury, 16 June, 1832, made a well-worded protest against an attempt by Ward and the Political Union to usurp the Cutler's Company and Magistrates from their rightful place at the head of a procession organized in celebration of the passage of the Reform Bill. Whether Bailey wrote this letter or not cannot be ascertained. But it was signed "A.B.," a designation Bailey is known to have used sometimes.

3 Philo Veritas, op. cit., p. 4.

choice for Sheffield's representatives.<sup>1</sup>

During this period Bailey had been attending almost weekly meetings connected with the election. While his committee undertook a canvass of sorts, he himself remained opposed to a personal solicitation, upholding the sentiments he had published in the Reform pamphlet. He continued to reiterate his claim that all a candidate should ask of the electors was that they know of his qualifications and program and that they base their choices on this information. He gave a light, stimulating toast to the great mind of Bontham at a dinner in June celebrating the passage of the Reform Bill.<sup>2</sup> At the end of the same month he spoke on the injurious effects of the existing corn laws and urged the imposition instead of a fixed counter-vailing duty. He also protested against the Bank of England monopoly and the advantages it unfairly derived from the absence of competition. He referred to the usual items of negro slavery, the East India Monopoly, economy and retrenchment, and had to deny a report that he did not espouse the Christian faith.<sup>3</sup> A few weeks later Buckingham's supporters circulated a handbill attacking Bailey's religious principles and quoting (probably without understanding) the Edinburgh Review as authority for Bailey's disbelief in miracles.<sup>4</sup> Cholera again

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1 Independent, 14 July, 1832.

2 Independent, 23 June, 1832.

3 Independent, 30 June, 1832.

4 Cf. Chapter XII, *supra*, p.579. In a letter to Joseph Hunter, 30 September, 1832, Ward observed that Buckingham's supporters "... speak ill of Bailey as a Deist." Peeps into the Past, p. 299.

interrupted the campaign activity during the summer and autumn, and Bailey's committee announced that it would suspend its canvass until nearer election time.<sup>1</sup> Bailey busied himself with the usual duties at the Bank, an election to the Board of Health,<sup>2</sup> a petition protesting the wrongs done Poland by Russia,<sup>3</sup> and work involved in founding a Mechanics Institute for Sheffield.<sup>4</sup> Finally, when Parliament was dissolved in December, he published a long letter restating his old positions on the corn laws, the Bank of England charter, the currency, abolition of tithes, taxes on knowledge, and the East India monopoly.<sup>5</sup> A few days after this, along with the other candidates, he had his final opportunity to confront his constituents.

The nomination of the various candidates took place at the hustings situated opposite the Corn Exchange in the Hay Market. Early on the morning of December 12th the different groups of supporters began to demonstrate for their favorites. Rosettes and favors were displayed signifying particular allegiances; yellow was for Ward, orange for Parker, pink for Buckingham, and green for Bailey. About ten o'clock the Master Cutler, Mr. Thomas Dunn, read the order calling together those persons interested in the election of Members to represent Sheffield in the en-

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1 Independent, 21 July, 1832.

2 Independent, 28 July, 1832.

3 Independent, 8 September 1832. 15 September, 1832.

4 Independent, 20 October, 1832.

5 Ibid., 8 December, 1832.

suing Parliament. After speaking generally on the duties and obligations of electors, the problems confronting representatives, and the proper conduct in the instant proceedings, Mr. Dunn then inquired if any gentleman had a candidate to propose. Dr. Arnold Knight came forward to nominate John Parker, to the accompaniment of "groans" by the crowd. Joseph Read's seconding of Knight's motion was greeted with "great disapprobation."<sup>1</sup> Then Edward Smith, Bailey's committee chairman, came forward and said, "Fellow Townsmen, I beg leave to present to you Samuel Bailey, of Burn Greave, as a fit and proper person to represent this borough in the ensuing Parliament, and I do hereby nominate him accordingly. -- (Loud Cheers.)"<sup>2</sup> After Smith's motion was seconded by William Fisher, Ebenezer Elliott proposed T.A. Ward, who was duly seconded. Then William Vickers proposed, and Mr. Ibbotson seconded Buckingham, "... amidst tremendous cheers and waving of hats."<sup>3</sup>

The candidates then were requested to speak to the assemblage in the order proposed. Parker, who was a Whig, came first and spoke "amidst hisses and groans, and cheers from his friends, which continued during the whole time...." He continued on at greater length than any of the other speakers, touching on the cause of additional reform, inequities in the former system of representation, triennial elections, the ballot, simplification of the legal system, codification of a system of punish-

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1 Poll Book, p. 16.

2 Ibid., p. 16.

3 Ibid., p. 17.



ment, reformation of the Church Establishment, abolition of slavery, national finance and commerce, free trade, revision of the corn laws, and peace. After this encyclopedic performance, he answered some questions put to him about tithes, the currency, and the East India monopoly, and then "... resumed his seat amidst groans, hisses, and cheers."<sup>1</sup>

Bailey was next to speak, having taken the oath on the necessary property qualification. His speech dealt with several items which, as he said, he had not previously considered in his earlier addresses to the electors. He took it that his audience was aware of his Reform pamphlet and his stand on questions of general interest. He thus went directly into a discussion of the inequitable regressivity of the window tax. He suggested that the assessed taxes should be lowered and that a system of graduated property taxes be substituted instead. He inveighed against the system of impressment, which he conceived to be in the same moral error as negro slavery. On the same line he recommended an improvement in the working conditions of child "slavery" in the cotton and woolen industries. He urged that capital punishment be abolished in even more cases than had been achieved by the work of Romilly and Mackintosh. On international relations, he thought that they were best confined to the exchange of "commodities and knowledge." He agreed, however, that when a strong nation transgressed upon a weaker one, "moral duty" required interference by a third in order to protect the transgressed.

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1 Ibid., pp. 17-22.

The remainder of his speech was directed toward proving his particular qualifications to be a Member of Parliament. He made two points. First, he stressed the time-consuming nature of a Member's duties and activities in London. For this he allowed that he was well prepared, having his whole time at his disposal and being financially independent. His second point was in the nature of a reply to a person who had written a letter charging that he would be unable to hold his own in the rough-and-tumble of a Commons debate and that, therefore, he would be unable to "... subdue or overawe opposition into a calm."<sup>1</sup> Bailey replied to this that he felt not the least awed or intimidated before men of "rank and talent," and that he objected to having Members of Parliament all cut to fit the same Procrustian bed of identical capacities and abilities. He cited Ricardo as an example of a Member who lacked eloquence in his speeches, but who, nevertheless, was heard with respect and attention when he spoke. Repeating once again his request that the electors honor him only with their "perfectly free and unbiassed choice," Bailey set up a nautical metaphore --

I have nailed the green flag to the mast of the good ship Emerald, and intend to keep up the battle to the latest moment; and whether I have to contend with a gallant 74 from the dockyard of the House of Orange, or a tight built brig from the Park, or a fast sailing Indiaman from Calcutta (loud applause) I will not resign the contest while a friend stands by my side, or a plank remains above water --

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<sup>1</sup> Independent, 8 December, 1832. The writer was Buckingham.  
Cf. Philo Veritas, op. cit., p. 35.

and resumed his seat to the accompaniment of "hearty cheers" and "great applause."<sup>1</sup>

It is difficult, of course, to evaluate the "loud cheerings" and "great applause" which appeared at intervals while Bailey spoke. There is no way of knowing how completely or strongly they represented the feelings of the crowd, or more importantly, the E 10 Freeholders. But at the very minimum, it is hard to give much credence to the charge that Bailey was the "theoretical politician," unable to appeal to the sympathies and interests of "practical men." Once again his speech reads like the sort of thing which politicians have expounded ever since the first, whoever he was, sought to give his audience the much-abused and hoary "few simple facts." Whether or not Bailey looked like a "logical proposition" when he delivered his addresses cannot be known, of course. But the things he said were certainly not so "theoretical" as to be uninteresting or unappealing to the voters. If he was not the most popular candidate with the general crowd, he was, at any rate, invariably treated with respect by them.<sup>2</sup>

T.A. Ward followed Bailey on the speaker's stand and repeated the substance of his previously declared political position. Buckingham came last. After passing once more over his own political ground in much the same fashion as the other speakers, he brought off what was

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1 Poll Book, pp. 22-25.

2 Philo Veritas, op. cit., p. 36.

doubtless the major oratorical triumph of the day -- at the expense of Bailey. His speech deserves to be recorded at length.

In fertility of his wit, the exuberance of his fancy, and largely creative powers of his fine imagination, Mr. Bailey gave you a beautiful and happy designation of the several candidates, as ships of different classes and kinds. In the first place he mentioned 'a man of war, from the dock-yards of the House of Orange,' 'a tight little brig from Sheffield Park,' 'and the fast-sailing East Indiaman from Calcutta.' Now, although I do not pretend to be an oracle of naval metaphors, yet I think you will give me credit for possessing a sufficient knowledge of salt water affairs to explain this. In the first place then, 'a man of war' is generally employed for intimidation or force, and I think you will admit that is a very proper designation for Mr. Parker, as a man of war is generally supposed to carry a great weight of metal, and is therefore well calculated to represent the moneyed interest of the town. He next spoke of 'a tight little brig from Sheffield Park,' which was probably spoken without considering the full extent and meaning of the expression; for when the oracles of old were inspired, they often spoke what they did not understand themselves, though it was understood by others, and modern oracles may sometimes do the same; 'Tight little brig,' then, is one that will never spring a leak and will stand all weathers and all storms, which is in no danger of being foundered or shipwrecked, and perhaps Mr. Ward may yet prove the truth and force of this designation given to his little vessel. Mr. Bailey next honours me with a designation of which I am more proud than all the rest, and for which I return my very most hearty thanks, that of the 'fast-sailing East Indiaman of Calcutta.' Yes, Sirs, they have found that I have sailed too fast for them already. And, by and by, they will find that my fast-sailing qualities will place me higher in the poll, than the man of war with all her metal, may now think possible. But there is something more in a fast-sailing East Indiaman. An East Indiaman, you know generally carries the richest freight of all the ships that navigate the seas; and with fast-sailing thus combined, a cargo of rich and varied kind. I only hope that I may be found to possess this happy combination, and then, I need not fear the issue. The honourable gentleman, however, did not designate himself, and therefore I will take the liberty to supply this slight omission, by furnishing a maritime comparison for him also, and rate him in his proper class of shipping. I consider Mr. Bailey, then, to resemble a steam vessel but the engine kept at too low a pressure. The steam is too difficult

to get up -- there is want of fire; and although when the weather is fine and the water smooth, and bright sunshine cheers the sky, he would make a good cruiser on rivers and smoother waters -- yet, bring him out into the boisterous ocean -- set him to sail upon the sea of strife and contention -- bring the chilling night air upon his frame as well as the day, and he would be utterly lost in the conflict.<sup>1</sup>

Thus Buckingham on himself and his rivals.

The speechmaking completed, Mr. Dunn then proceeded to call for a show of hands for the respective candidates. About 30,000 people were gathered at the time in the Hay Market, although only 3,600 Sheffield citizens actually possessed the £ 10 Freeholder qualification entitling them to vote. The call for Parker was answered with a "very inconsiderable number." When Bailey's name was mentioned, there appeared to be a "trifling majority" over Parker's votes. The announcement of Ward "... was greeted by a show of hands, amounting at least to 14,000 or 15,000." Buckingham's name then was read, and at this "... the show of hands was immense."<sup>2</sup> Mr. Dunn then proclaimed that the Sheffield electors had chosen Ward and Buckingham as their representatives in the Reform Parliament. When quiet was eventually restored, Bailey and Parker came forward and, as was expected, demanded a poll. The Master Cutler thereupon announced that polling would take place for two days on the Thursday and Friday following, and the town undertook to prepare itself for the political festivities.

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1 Poll Book, pp. 32-33.

2 Poll Book, p. 33.

The polling commenced at 9 o'clock Thursday morning. Throughout the day Buckingham led the town poll, but by evening, when the outlying townships had made their returns, Parker stood at the head. Buckingham was next, followed by Ward, with Bailey last. At the close of the polls on Thursday, each candidate spoke to the assembled crowd, expressing his confidence in the following day's outcome. Bailey proclaimed his ignorance of the present state of the poll, and allowed that it was unimportant, since one day's activities were, in his view, no criterion of two. He took the opportunity of refuting a charge by an "anonymous slanderer"<sup>1</sup> that his physical condition was bad and called upon his doctor's records to corroborate his claim. He assured the people that he would keep the poll open to the latest time permitted by law, acting on the maxim "nil desperandum - never despair," and sat down amid the familiar "hearty cheers."<sup>2</sup>

By the time the polls closed on Friday the town was in such an agitated state that the respective committee chairmen agreed to dispense with speeches by their candidates in the hopes that the demonstrators would disperse. The hope was unfounded, however. That evening the non-electors proceeded en masse to the house of a Mr. Palfryman, who was a friend of Parker, had served as a sort of campaign manager for him and privately had acted as his solicitor, and began to bombard the

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1 Who was Buckingham. Cf. Philo Veritas, op. cit., p. 35.

2 Poll Book., pp. 34-35.

premises with stones and other missiles. The arrival of the patrolling constabulary and soldiers raised the disturbance into a full-fledged riot in which six people were killed and several were injured. On Saturday afternoon at 1:30, all speeches having been abandoned in light of the events of the previous evening, Mr. Dunn paramptorly announced the results.

Parker . . . . .	1,516
Buckingham . . . . .	1,498
Ward . . . . .	1,210
Bailey . . . . .	815

The voting figures are, of course, conclusive. Each elector was entitled to two votes. In the event approximately 432 electors failed to vote at all, leaving a possible total number of votes of roughly 6,000 for the 3,500 registered voters. Out of the 3,000 actually voting, Buckingham was able to secure 428 "plumpers," i.e. electors who used only one of their two votes. The total number of plumpers for the other candidates was substantially less than this. There is probably nothing to be gained by conjecturing on the result "if" all the electors had voted and "if" all had voted for two candidates. Possibly the 400-odd who did not vote at all might have distributed their choices in such a way as to modify the actual result; possibly, if Buckingham's plumpers had voted for another candidate as well, the outcome might have been different. But it is clear enough, that without knowing the background circumstances of these 800 votes which were not exercised at all, little can be gained in second guessing.

On the other hand, it is worthwhile to point out the fact that Ward's and Bailey's total number of votes bore out the fear which the Independent had expressed before the election, namely that if both Ward and Bailey entered the campaign, both might be defeated by a third candidate who could slip between them. As the truly Radical candidates, Ward and Bailey had enough votes between them to put either one at the head of the poll. When the situation is seen in this light, however, it is difficult not to make a strong presumption for Bailey's defeat on Ward's dilatory tactics in the face of the open agreement made between his and Bailey's mutual supporters. Doubtless Bailey was too much of a gentleman to make an explicit charge of this nature against Ward. But in his letter of thanks to the Sheffield electors immediately after the election it is possible to find a slightly self-righteous tinge of complaint which may be related to Ward.<sup>1</sup>

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1 "Having been originally invited to become a Candidate under circumstances highly honourable to me, and having endeavoured throughout to conduct the contest in an upright, peaceful, and orderly manner, I have at least the satisfaction of being able to look back upon it without self-reproach...." Independent, 22 December, 1832.



Some, but certainly not very much weight may be given to the argument that Bailey's failure was due to his "unapproachable manner" or to the "aloofness" of the "theoretical politician." Personal considerations may, of course have influenced the choices of some of the electors.<sup>1</sup> The far more likely division of votes would seem to have been between the definite Radical candidates, Ward and Bailey, and the two others representing the business and commercial interests of the town. Thus, the Radical forces were divided when Ward refused to make a definite answer to the requisition originally presented to him. Once Bailey had been asked and had committed himself, it was impossible for him to withdraw, given his honesty and integrity and conviction that, having been

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1 Leader suggests that the Bailey firm's practise of the truck or "stuffing" system of wage payments was responsible for Bailey's poor showing. Regarding the payment in kind, it was said that the firm had "... rightly or wrongly, the reputation of largely carrying on the obnoxious system -- and the unpopularity that incurred lasted so long after the system fell into desuetude, that the defeat of Mr. Samuel Bailey, at the first Parliamentary election for Sheffield, was attributed by some in close touch with public sentiment, to the prejudice still existing in the minds of the townsfolk against the race of factors to whom he had belonged." Sheffield in the 18th Century, p. 111.

John Bailey had been a staunch defender of the stuffing system and had argued that it was not detrimental to the Sheffield outlery trade. Independent, 18 March, 1820. Cf. also Leader, History of the Company of Cutlers in Hallamshire, I, 282. Sheffield Daily Telegraph, 19 January, 1870. Samuel did not make a formal pronouncement one way or the other, although he had seemed to suggest earlier that a law outlawing the system seemed to violate that freedom of bargaining which was a "grand principle of political economy...." Cf. Questions, pp. 95-96.

asked, it was his duty to his requisitioners to comply.

If to all this is added the fact that both the principal Sheffield newspapers, the Independent and the Mercury, openly supported Bailey, there is a strong presumption that the election results turned on something more than mere personality considerations. Although the Sheffield electors may have been swayed in part by oratorics, it is surely giving them credit for minimal intelligence and perception to claim that they all were beguiled in the face of reason. Sheffielders were probably no less aroused over reform than any other section of the country. Of the four candidates, only Buckingham was not a reformer. That he should have defeated both of the outright reform candidates seems to find a sounder explanation in the split of the Reform bloc rather than in Bailey's personality.

## 4.

Two years after this first defeat Brougham reviewed Ebenezer Elliott's Corn Law Rhymes, in the course of which he observed that:

The men of Sheffield were not more wanting in discernment than in a proper pride of their townsmen, when they preferred, at the last election, the speeches of Mr. Buckingham to the sterling merits of 'the Bentham of Hallamshire.' For the sake of Montgomery and Elliott, we trust that its poets have a better chance than its metaphysicians and political economists of being prophets in their own country.<sup>1</sup>

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1 Edinburgh Review, LX (October, 1834), 92. Elliott had dedicated one of his poems, "Withered Wild Flowers," to the "Author of the Essay on the Formation and Publication of Opinions -- The Bentham of Hallamshire..." Corn-Law Rhymes; The Splendid Village; The Village Patriarch; Love, and other Poems (London: 1834) II, 236.

Brougham's trust was not to be long in the testing, however. Shortly after his return from a "tour of pleasure,"<sup>1</sup> Bailey once again became involved in politics. The dismissal of the Melbourne Ministry by the King in November followed by the Duke of Wellington's temporary government, had raised the probability of a general election. In anticipation of this, Parker and Buckingham once more offered themselves to the electors. Ward made a firm declaration not to stand again, so that the forces which previously had divided themselves against Parker and Buckingham were now available for another candidate. The Independent<sup>2</sup> noted that a requisition was once again being drawn up to secure Bailey's candidature. It cautioned his supporters to beware, however, lest his coming forward prejudice the status of the incumbent liberal Members by enabling some Tory candidate to slip between. This advice apparently was well taken, for the following week Bailey's friends took the sensible step of securing signatures to a requisition in order to make morally certain that he would have enough votes to ensure his election. The Independent briefly reviewed Bailey's qualifications and re-affirmed its support of him if and when he came forward. It remarked that he was at work on the Rationale of Political Representation and concluded with the hope that "the electors of Sheffield would honour themselves and benefit

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1 Ward, Peeps into the Past, p. 304.

2 6 December, 1834.

their country by returning such a man" who, in their opinion, was the "beau ideal of a senator and a statesman."<sup>1</sup>

On the 20th of December Bailey addressed a statement to the local newspapers indicating that notwithstanding the anticipated requisition, he would not stand actively as a candidate. He gave two reasons for his decision. First, he did not want to disturb the town again by a contest, implying that he judged the feeling sufficiently evenly distributed over the three possible candidates that a show of hands would be inconclusive and, therefore, that a poll would be necessary. Second, he insisted that he did not want to split the ranks of liberals and reformers and, thereby, give an advantage to the enemies of the good cause.<sup>2</sup> Although the Independent assured Bailey that by this time it had become clear that there would be no reason to fear a Tory candidate in Sheffield, he retained his declared position. In deference to this, his friends met a few weeks later to form themselves into a "Bailey Society," not, as they said, "... with a view to the present election, but to watch the progress of events, and prepare the way for the gentlemen's return to Parliament, whenever a suitable opportunity shall present itself."<sup>3</sup>

This "suitable opportunity" was not long in appearing, however.

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1 Independent, 13 December, 1834.

2 Independent, 20 December 1834. The Spectator, II (13 December, 1834), 1179, had remarked, erroneously, that "Mr. Samuel Bailey has offered himself, and for the credit of Sheffield, we trust he will be returned. It is really a disgrace to see that independent community prefer any man in England to their excellent, enlightened, and accomplished townsman."

3 Independent, 2 January, 1835.

Within a few days, as Leader pointed out, "... the current of public opinion flowed so strongly in favor of their candidate, that they found they must either relinquish their prospective character and act by nominating Mr. Bailey without his consent, or the cause would be taken out of their hands, and he would be put in nomination by others."<sup>1</sup> These "others," of whom Leader had spoken, were a group of Sheffield publicans and victualers, who had determined to cast Buckingham. They were resentful of his strong affiliations with the Temperance Movement and the fact that he had held the Chairmanship of the "Drunken Committee" in the preceding session of Parliament. In this state of affairs, the only course open to Bailey's original supporters was to join forces with the publicans. Hence, on the 8th of January, 1855, after Parker and Buckingham had been nominated, Mr. William Fisher nominated, and Mr. Thomas Dunn seconded, Bailey as a candidate without his consent.<sup>2</sup>

The circumstances of the first election were virtually repeated. The Master Cutler called for a show of hands for the respective candidate. Buckingham and Bailey were the obvious choices of the crowd. Parker, naturally, demanded a poll. Two days later, without Bailey having uttered a word in his own cause, the Master Cutler declared the state of the poll to be:

Parker . . . . .	1,607
Buckingham , . . . .	1,554
Bailey . . . . .	1,424

1 Leader, Reminiscences of Old Sheffield., p. 299.

2 Philo Veritas, op. cit., pp. 10-11.

In deference to those who had voted for him Bailey appeared at the declaration of the results and said that he had felt "bound in honour" not to become a candidate, and neither by "word," "deed," "whisper," nor "insinuation" had he assumed that character. To the objections of his opponents that he should have made explicit his intention of declining the seat had the electors actually chosen him, he replied that it was not his intention of declining if such had been the case. The choices of the electors were, he thought, entirely their own and they were not required to confine their votes exclusively to those who openly had solicited them. Nor was he required to demur receiving their votes out of a suspicion that their motives or characters might not be "proper," i.e. tainted with "publicanism."<sup>1</sup> Buckingham was highly incensed that Bailey should have appeared at this time to deliver an address so "studiously prepared"<sup>2</sup> and spent a large portion of his subsequent speeches at the Music Hall abusing, castigating, and criticizing the behaviour of Bailey and his Committee during the course of the campaign.<sup>3</sup>

The breakdown of the voting figures is revealing. In the earlier election the Bailey-Ward contingent had managed roughly 2,000 out of the 5,036 votes actually cast. This 5,035 did not include the 400-odd

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1 Leader, Reminiscences of Old Sheffield, p. 330. Hunter, op. cit., p. 179. Gatty, op. cit., p. 257.

2 Philo Veritas, op. cit., p. 3.

3 Ibid., pp. 7-9. This attack by Buckingham after the event was evidently undertaken by him in order to destroy Bailey's chances in any future engagement.

who failed then to vote at all, but did include the 428 single-vote plumpers Buckingham had secured. In the present election 4,585 votes were recorded. Bailey increased his individual total by about 600 over the 1832 number. His 1,424 votes were a decline of approximately 600 from the total both he and Ward had managed in 1832. The other candidates also increased their 1832 totals, Parker by roughly 100 votes and Buckingham by 56. Although it is not known how many electors failed absolutely to vote in this election, one significant fact may be taken to account for the smaller over-all total of votes cast for the entire three candidates and for Bailey's own total. In the present election Buckingham secured 995 plumpers, double the number he had obtained in 1832. This roughly accounts for the decline of 400 votes from the total 1832 to the total 1835 figure. This, in turn would suggest that probably the number of people actually voting was somewhere near the 3,000 mark of the earlier election. At the same time, the number of Buckingham's plumpers casts some light on Bailey's showing. Assuming that only half of Buckingham's plumpers had cast their other vote for Bailey, this would have made his individual total approximately the same as the 2,000-odd he and Ward had managed in 1832. One quarter of Buckingham's plumpers would have placed Bailey in one of the seats, even allowing Buckingham's total vote to remain the same. All of which goes to suggest that the figures formally declared at the poll may disguise some important facts. Buckingham, of course, is the key figure.

The newspapers of the period of the election have little to offer as a possible explanation of the result, in contrast with the Independent's prediction of the 1832 result. However, one recount of the proceedings seems to make clear the movements which underlay the voting figures.

... The poll lasted two days. Mr. E. Smith, Mr. Dunn, Mr. W. Fisher, Mr. Palfreyman, and perhaps another or two, met the evening before the poll to make the final arrangements. Mr. Dunn said, 'Let us put out all our strength the first day, bring every voter we can to the poll, and gain such a position that on the second day doubtful men will come to us as the winning side.' Mr. Palfreyman said, 'Not so. On the first day let us show that we can hold our own, but keep in reserve a large body of our certain men for the second day, and then bring them forward with overwhelming effect.' Unfortunately the policy of not putting the best foot foremost prevailed. At the end of the first day Mr. Buckingham's friends saw that their candidate was in danger. Between the close of that day's poll and the second day's polling Mr. Buckingham's friends made an effort of desperation. Men and women worked for four-and-twenty hours with unremitting ardour. The constancy of the voters who had been supposed certain for Mr. Bailey was shaken, and so many of them forfeited their pledges that Mr. Bailey's friends were again defeated.<sup>1</sup>

That this explanation appears to have considerable merit is supported by the fact that at the end of the first day's poll Buckingham led Bailey by only 50 votes.<sup>2</sup> It seems clear enough that the round-the-clock effort of Buckingham's supporters was directed, not so much toward securing additional votes for their candidate, as turning those who had already made their pledges to him into absolutely certain plumpers.<sup>3</sup>

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1 Leader, Reminiscences of Old Sheffield, p. 336. This account was given to Leader by Thomas Dunn.

2 Independent, 15 September, 1881.

3 The "ardour" of Buckingham's workers was sufficiently strong that most people considered Norfolk Row, in the center of Sheffield, as a most hazardous gauntlet to be run during the election. Cf. Philo Veritas, op. cit., pp. 52-53.



At the end of the first day it must have been evident to them that the only way Buckingham could beat Bailey was by using the plumping device. The success of this plan emerges clearly from the actual figures. When Buckingham's plumping strategy is combined with the obvious tactical error on the part of Bailey's Committee, it is plain enough that Bailey once again was more the victim of poor strategems on the part of his backers than of a "want of sympathy" with his electors.

There is no point, of course, in disputing the fact that Bailey was well and truly beaten on both occasions; the figures are clear enough on that. But it does seem but elementary justice to attribute his failures to reasonable causes. In light of what has been adduced above, little can be accorded the view that, because he was a "theoretical politician," he was unable to secure the confidence of his townsmen. His political creed was sufficiently plain and unambiguous to appeal to all but the "lunatic fringe." Beyond that, it would test all credence to allow that so lucid and clear a writer could befuddle or confuse his auditors in direct address. His speeches certainly testify the contrary. His conduct in the first campaign demonstrated that he possessed the ability to place himself on whatever level was required at the moment. In the second "campaign" it is perhaps true that he did not seize the feeling of the crowd and, therefore, helped in his own defeat by refusing to appear in his own behalf. But his own adherence to the strict code of public behaviour he held, certainly must have been apparent to the citizens of Sheffield. At any rate, he had made it clear enough

that, if he were chosen to represent them, he willingly would have gone to London. Tait saw Bailey in the proper perspective when it remarked that

if the common, but most foolish fallacy, that a philosopher must be an indifferent statesman, required practical and emphatic contradiction, it obtained if from Mr. Bailey's conduct during his two unsuccessful contests for representation of Sheffield. The clear insight there shown by him into our present complex and threatening social relations, marked him as one who would strengthen, in no ordinary degree, the cause of his adoption.<sup>1</sup>

## 5.

Two years later Bailey was still sufficiently attractive to his friends to be the object of their initial overtures preceding the general election at the outset of the reign of Queen Victoria. The financial fortunes of Buckingham had experienced rather rougher weather than the "fast-sailing Indiaman from Calcutta" could safely handle, and on the 14th of February, 1837, he had published a letter in the Sheffield press declaring the necessity of his resignation as Member for Sheffield. The Sheffield Reform Association followed up John Stuart Mill's lament that Bailey had not been returned,<sup>2</sup> and offered the candidature to him in the

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<sup>1</sup> Tait's Edinburgh Magazine (June, 1835), 419. The writer of the article suggested that one of the Scottish constituencies might secure the same "praise" and "honour" as had been bestowed on Dundee and Kilmarnock by sending Bailey to Parliament to join Sir Henry Parnell and Dr. Bowring.

<sup>2</sup> It was regrettable, said Mill, that Bailey "... has not yet obtained the opportunity he sought, of proclaiming in the House of Commons the great principles which this work [*i.e.* The Rationale of Political Representation] will contribute so largely to diffuse. That he failed to obtain that opportunity is anything but creditable, all circumstances considered, to the electors of the great and important town for which he offered himself as a candidate. We trust that, ere long, some liberal constituency will claim for itself the honour which his own townsmen knew not how to appreciate." London Review, I (July, 1835), 270-71.

almost unanimous expectation that he would now come forward to receive the office which twice before had been denied him.<sup>1</sup> Bailey, however, had apparently had enough of politics by this time, and he notified the Association to that effect.<sup>2</sup> The Reform Association then entered into communication with several possible candidates and finally came to an agreement with H.G. Ward, then M.P. for St. Albans.<sup>3</sup> Ward, along with Parker, was subsequently returned with a large majority over the Tory candidate in July, 1837.<sup>4</sup> Clearly, Bailey could have taken the Sheffield seat at this time. But for whatever reasons he may have had, he determined that the national political stage would not see him. Thereofterward he betook himself into that other public sphere where his successes had been more immediate and lasting.

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49 1 J. Parker, Chapters in the Political History of Sheffield, 1832-  
 (Sheffield: 1844), p. 17.  
 2 Sheffield Register, 22 February, 1837.  
 3 Parker, op. cit., p. 17.  
 4 The results: Parker .... 2,166; Ward .... 1,976; Thornly .... 655.

## CHAPTER XIV

### BIOGRAPHY: III

When Samuel Bailey had refused the seat for Sheffield which had been offered him in 1837, he had virtually determined the remaining course of his life. His round of activities thenceforward was to be confined pretty much to his ministrations at the Bank, to his participation in the activities of the Literary and Philosophical Society, and to his writings. This latter, in particular, was to become the great center of his interests, and what remains to be told of his life is, in large measure, a chronology of the works which he published from this time on. The pattern of his private life in Sheffield remained generally as it had been. His public life, however, all but ceased except, perhaps, for his work with the Town Trust. He was no longer to be found on the speaker's platform when Sheffield petitioned for additional reform,<sup>1</sup> or for incorporation,<sup>2</sup> or for the repeal of the Corn Laws.<sup>3</sup> He doubtless felt that his views were, or should have been, known on these questions and that he could add little to them. Rather than devote his time to preparing public speeches, he could better spend it in speculations in his study. The public would benefit when he chose to publish these thoughts.

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1 Independent, 16 December, 1837.

2 Independent, 6 January 1838.

3 Ibid., 2 February, 1839.

## 1.

In March, 1835, Bailey published the Rationale of Political Representation, which presented his more mature thoughts on the subject of the earlier pamphlet on reform. For present purposes it is convenient to take his work as consisting of two main parts. One, which has already been discussed elsewhere,<sup>1</sup> dealt with the scope of governmental activities, or what Bailey had termed the "tactics" of the legislative assembly. The other, which will be taken up here, was concerned with what he designated as the "constitution" of representative government.<sup>2</sup> His argument, roughly, was to analyze the nature of the representative body, to judge how well or ill it fulfilled the utilitarian dictum, and to make recommendations on the basis of such conclusions. The relations between the representative and electoral bodies and the manner and conduct of elections could then be appraised on a similar utility basis. While the tactics and composition of the representative body would, in many instances overlap, Bailey's emphasis lay less on Benthamite "morality" -- how the legislature ought to act -- than on the composition of that body and the effect which this produced on the general welfare and happiness.

Bailey's series of arguments in the Rationale rested on two fundamental tenets. First, he took it that his field of investigation could

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<sup>1</sup> Supra., Chapter XI, pp. 510 ff.

<sup>2</sup> Rationale, p. 15.

properly be considered as a science. The parts of the "system of political representation," he said, were "... susceptible of explanation on determinate principles."<sup>1</sup> These principles, in turn, depended on the "principles of human nature,"<sup>2</sup> which could be isolated and related in such a way as to form a foundation for subsequent reasonings. This method of proceeding, obviously, was akin to the position he had taken in the Pursuit of Truth, viz. that it was possible to generalize principles of behaviour from a number of external and introspective observations, and that these generalizations were operative from past to present and from present to past on the assumption of Uniformity of Causation.<sup>3</sup> Second, he took it as "a proposition which scarcely requires proof" that utility was to be the principle on which the very existence of government depended, since utility was equated with happiness, which was equated with truth.<sup>4</sup>

Once these points were extant, Bailey then appealed to a "principle of human nature" by which, he declared, men would "... in the majority of cases, prefer their own interests to that of others, when the two are placed in competition."<sup>5</sup> From this it followed that "... the interest of the community at large will be uniformly consulted, only when they have the regulation of their own affairs."<sup>6</sup> This, in turn, led him to

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1 Rationale, pp. 10-11.

2 Ibid., p. 15.

3 Ibid., pp. 18-30.

4 Ibid., pp. 45, 47, 65-66.

5 Ibid., p. 69.

6 Ibid., p. 69.

the conclusion that the representative form of government would best approach the utilitarian end. Pure democracy proved unwieldy in administration and execution; pure despotism curtailed the individual's happiness in the interest of the ruler's. In the representative system, however, the "public good" was ensured without promoting the "private interests" of the representative himself by the "simple expedient" of making the office of the legislator or statesman dependent upon the "will of the people." Accordingly, the representative's interest "... is forced into coincidence with theirs."<sup>1</sup>

Having thus exposed what John Stuart Mill approvingly termed the "fundamental truth" of a "need of popular representation,"<sup>2</sup> Bailey then moved on to consider the various features of the representative body so established. He argued on the utilitarian assumption, that decentralization of the legislative function would increase public welfare. Since the supreme Legislature could not deal with local problems as well as local bodies, and since only the supreme legislature could manage affairs of national scope and magnitude, there was a clear case, he thought, for a division of legislative labor.<sup>3</sup> The national body might, he believed, provide general regulations, define the powers of subordinate bodies, and stand as an ultimate court of final appeal in disputes. But a

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1 Ibid., pp. 70-71.

2 London Review, I (July, 1835) 343. An extract of Mill's review is reprinted in his Dissertations and Discussions (Boston: 1868), I, 418-21.

3 Rationale, pp. 86-88.

"district assembly" could more properly take up the problems of "roads, bridges, prisons, court-houses, and assessments...."<sup>1</sup>

As for the actual process of Legislation, the attitude he had manifest in the Formation and Publication of Opinions emerged most forcefully. Legislation required a careful examination of the grounds upon which it was proposed; it needed a collection of facts and data; it demanded careful and considered discussion of the inferences from such data. The problem, therefore, was almost identical with that of forming and publishing an opinion.<sup>2</sup> Bailey's recommendations, accordingly paralleled those he had made in the earlier work. Free discussion and debate would help to arrive at sounder and more truthful conclusions than could be obtained by the exertions of "closet controversialists."<sup>3</sup> Regulations for the professed good of the community could only attain that object by exposing their features to the examination of the public through debate in the supreme assembly.<sup>4</sup>

Bailey then referred to the need for publicity of the proceedings of the supreme assembly in order to establish that proper responsibility existed between representatives, their own electors, and the country at large.<sup>5</sup> That is, the electors had delegated their fundamental authority and rights to the representative; in order to preserve them they were

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1 Ibid., pp. 93-94.

2 Ibid., pp. 103-4

3 Ibid., pp. 104-6

4 Ibid., p. 113.

5 Ibid., pp. 144 ff.



entitled to pass judgement on the manner in which the representative had discharged their trust.<sup>1</sup> But this function could only be performed satisfactorily if the electors were freely and fully informed of the activities undertaken by their delegated representative.

The utilitarian rule, he thought, could be called upon to aid, but by no means give quantitative precision to, the determination of the number of members who ought to compose the legislative assembly. The procedure he suggested was, first, to determine the functions the legislature was to perform; second, decide how many members were necessary to perform it; and third, divide the country into the appropriate number of electoral districts necessary to secure that number of members.<sup>2</sup> The problem again was the familiar one of choosing between extremes and could only be decided, he admitted, by reference to the "peculiar circumstances."<sup>3</sup>

A discussion of the proper qualifications for a representative then followed, during the course of which Bailey reached the conclusion that the only qualifications to be made the subject of legal enactment were (1) age and (2) freedom from other occupation.<sup>4</sup> This latter led him to suggest that providing a salary for representatives would assist in obtaining the best available minds free from "private cares."<sup>5</sup>

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1 Ibid., pp.124 ff.

2 Ibid., p. 160.

3 Ibid., pp. 166-67.

4 Ibid., p. 179.

5 Ibid., pp. 193-94

The length of parliaments was another problem of degree, he admitted, since if they were too short, satisfactory work would be prematurely interrupted, and if too long, responsibility to the electors would be abrogated. Bailey thought that three years might prove acceptable as a starter for the duration of the legislative assembly, thus extending the time period he had recommended in the Reform pamphlet.<sup>1</sup> He was clear, at any rate, that the prerogative of executive dissolution of Parliament should be discontinued, since a law setting the length of that body would have been made with the fullest public good as its object. An abbreviation of such a term would serve no public end, therefore.<sup>2</sup>

The next subject which Bailey analyzed was the electoral body itself. He took some pains over the possibility that the individual might differ from the community interest. In his own election speeches and in the Reform pamphlet he had expressed the prescription that the electors should give their votes for the "public good." Yet, at the same time, he had admitted that an individual or partial interest might conceivably diverge from the interest of the community. This possibility, of course, was the stumbling block which Bentham had left to his successors,<sup>3</sup> and about all that Bailey could do with it was to suggest that the prevalence of partial interests might be resolved by granting universal suffrage.<sup>4</sup> Even uni-

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1 Ibid., p. 203.

2 Ibid., p. 208.

3 Cf. Stephen, op. cit., I, 314-15.

4 Rationale, pp. 219-20.

versal suffrage would not solve the problem completely, however, for he recognized that majority would be bound to prevail over minority interests.<sup>1</sup> He gave no answer to this question, beyond concluding rather weakly that such a possible instances of majority over minority interest would probably be "comparatively rare," being usually "fiscal and commercial regulations." In the most governmental measures, on the contrary, he thought that all classes and individuals would have a "common interest."<sup>2</sup> An elector might, he admitted, seek to secure his own interest by accepting or giving a bribe for that purpose. But the gain from such a practice would be smaller, he believed, than the gain from general acts of the government in the interest of the public good, and if all electors were fully aware of this, they would probably adopt the latter alternative.<sup>3</sup> He was unable to support this observation with any proof, however. The best that he could do was to urge that by making the suffrage as wide as possible, the likelihood of corrupting any of the electorate would be minimized. This conclusion, then, was substantially the same as that of the earlier pamphlet on the matter of individual versus community interests.

This same problem of degree cropped up once more when Bailey sought to discuss the matter of electoral qualifications. Restrictions of this nature were directed toward providing an electorate intelligent enough

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1 Ibid., pp. 221-22.

2 Ibid., pp. 222-23.

3 Ibid., pp. 224.

to understand, and vote for, the general interest of the country. Universal suffrage, accordingly, would admit the possibility of controlling the legislature out of ignorance, but limitation of universal suffrage would involve the danger of control by partial or individual interests.<sup>1</sup> Therefore, some compromise between the two limits was obviously required. Bailey suggested that it might be possible to find a portion of the electoral body whose partial interest might be identical with that of the country as a whole, and that no community harm would be done by restricting suffrage to them. After appraising several criteria by which such a class might be found, he came up with the suggestion that, for his England at any rate, property, or taxes levied thereon, would provide a rough indication of intelligence and an identity of individual and social interests.<sup>2</sup> An age qualification might assist in arriving at the requisite degree of intelligence, but the property qualification was probably better.<sup>3</sup> On the qualification of sex, he proved, by resorting to the criterion of utility, that there was no ground for denying women suffrage.<sup>4</sup> This merely followed the position he had taken in the earlier Reform pamphlet.

The remainder of the Rationale dealt with elections, the method of taking votes, canvassing, and so on. Bailey repeated in substance most of the things he had said before and embellished them with obvious references to his own experiences in the 1832 election. He made no innova-

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1 Ibid., p. 228.  
 2 Ibid., p. 234.  
 3 Ibid., p. 236.  
 4 Ibid., pp. 236-42.

tions over his earlier viewpoints in urging the secret ballot as a means of avoiding elector submission to "sinister interests."<sup>1</sup> He retained opposition to personal solicitations on the part of candidates.<sup>2</sup> Extraction of promises and pledges from candidates by voters likewise fell before his axe of utility, sharpened as it was by the libertarian attitudes of the Formation and Publication of Opinions.<sup>3</sup> The raucous proceedings at Sheffield were unquestionably in his mind when he protested against "popular excitement" during elections, by which the electors were prevented from carrying out their "deliberation and decision."<sup>4</sup>

When the Rationale appeared in public, Tait described it glowingly as a "... book of TRUTH -- the sum of the reflections of a clear and powerful mind, working on topics of the highest interest to mankind; and there is no class or society of mankind among whom free institutions and free thoughts are in a state of development, who may not, and will not, be instructed by it."<sup>5</sup> John Stuart Mill likewise praised it in the London Review,<sup>6</sup> although, as was his wont, more of the article was devoted to Mill than to Bailey. Whether Bailey's book exerted any great degree of influence on contemporary thinking is difficult to say. Most of the elements in it had been promulgated by Bentham some time before, as Bailey

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1 Ibid., p. 290.

2 Ibid., p. 307.

3 Ibid., pp. 323-24.

4 Ibid., pp. 331-32.

5 Tait's Edinburgh Magazine, (June, 1835), 419.

6 London Review, I (July, 1835), 341-71.

himself had acknowledged. On the other hand, it was a much more readable book than most of Bentham's publications, being expressed in Bailey's usual clear and unambiguous style. Bailey admitted that what he had written in the Rationale was by no means a complete and systematic theory of government. But he seems to have been impressed with the fact that the subject of political representation per se had not been treated exclusively from the standpoint of the utilitarian philosophy.<sup>1</sup> And in this he was probably correct. For it is possible to take the work as another in Bailey's line of endeavours turned toward clearing the area around first and elementary principles. It was another of his attempts to formulate the basic concepts clearly and to show on what grounds useful inductions and deductions could be made. It was consistently in line with his conviction that political or social phenomena, as deriving ultimately from mental states, could be organized into a body of principles and, therefore, raised to the status of scientific inquiry. This conviction of his had never waned from the time he had first displayed it in the Formation and Publication of Opinions. Indeed, it was to grow stronger as it appeared again and again in his subsequent works. And Professor Bain has probably not overstated the case when he claimed that "after Bentham and the Mills, no man of their generation was better grounded in logical methods, or more thorough in his method of grappling

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1 Rationale, p. 11.

with political and other questions, than Samuel Bailey."<sup>1</sup>

2.

In 1837 Bailey brought out the small pamphlet, The Right of Primogeniture Examined, on the occasion of a Bill offered by Mr. Ewert, M.P. for Liverpool, to abolish the right of primogeniture. Bailey considered the objections to Ewert's bill, which he supported, in light of the utilitarian criterion. In generally the same manner as he had dealt with the matter of class representation in the Rationale, he showed that arguments supporting primogeniture in order to preserve the aristocratic classes and to ensure the stability of the British form of government, were without substance. Any "remote political tendencies" of Ewert's bill were not to be adduced by its opponents as determinants of its impropriety; the influence of one class was not to be permitted to maintain itself at the clear expense of the general welfare.<sup>2</sup> There might be cases, he admitted, where it would be necessary to weigh up the more remote effects on general happiness of certain particular class regulations and to place these against immediate concerns and interests. But, in the present issue, no evidence had been forthcoming to show that the remote injuries were greater than the immediate benefits of the bill.

In the case before us it is the happiness of families -- one of the most sacred objects in the eye of a wise legislator --

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1 A. Bain, John Stuart Mill. A Criticism (London: 1882), p. 47.  
 2 Primogeniture, pp. 29-31.

which requires that some law should determine with exactness the distribution of the property of a man who before death has neglected or omitted to direct the distribution of it himself. As it is simply for the good of the family that the state is called upon to interpose at all, its enactments must be shaped accordingly, and if, in consequence of wise laws of succession, the estates of the aristocracy, hitherto kept together in masses, should be broken into smaller parts, should the influence of that class be thereby impaired, and some modification of the constitutional powers be required to meet the change, every step in this process is by the supposition taken in strict pursuance of the legitimate object of government, and cannot, therefore, be deprecated, except by those who think that the welfare of the many should be made subordinate to the importance of the few.<sup>1</sup>

Obviously, the validity of Bailey's argument depended on the willingness with which one could accept his judgement that a re-distribution of property would increase the sum total of community happiness. This judgement, of course, depended ultimately on the tacit, conventional, Benthamite assumption that each man's capacity for happiness was to be counted as equal.<sup>2</sup> This assumption, however, was part and parcel of Bailey's thinking and he had used it before in suggesting a redistribution of property by means of a graduated property tax.<sup>3</sup>

In the same year the Primogeniture was published, Bailey brought out the Money and its Vicissitudes in Value,<sup>4</sup> and followed it, in 1840, with the pamphlet, A Defence of Joint-Stock Banks and Country Issues.<sup>5</sup> The details of both of these works have been taken up elsewhere. But

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1 Ibid., pp. 36-37.

2 Cf. Robbins, Theory of Economic Policy, pp. 179-80.

3 Cf. Chapter XIII, supra., p. 624.

4 Cf. Chapter IX, supra., p. 385.

5 Cf. Chapter X, supra., p. 446.



it seems clear that the Sheffield Banking Company was undoubtedly a factor in prompting him to adopt the positions taken in those works.

## 3.

In 1839 Bailey turned once again to philosophy and published the anonymous Letters of an Egyptian Kafir on a Visit to England, in search of a religion, Enforcing some neglected views regarding the duty of Theological Inquiry, and the Morality of Human Interference with it.

(London: 1839)<sup>1</sup> This work was in the line of the Formation and Publication of Opinions in arguing against blind acceptance of theological dogma and in pleading for the moral duty of free inquiry into religious, just as in other, beliefs. Bailey's method was to teach a lesson of analogy in which an Egyptian infidel, who had experienced the virtues of the positivistic, scientific method of the western world, questioned the veracity of the Koran and the religion of Mahomet. Having lived in England, this Egyptian Kafir had determined not to remain among those who merely held a "... blind and traditional belief in theological doctrines." The Kafir had evidently read the Formation and Publication of Opinions and

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1 Alexander Ireland observed, (Notes and Queries), IX (March, 1878), 183.) "The author never included this in the list of his published works... The book is extremely scarce, in consequence of the whole impression having been destroyed by fire, except about fifty copies. In a letter in my possession, in Bailey's own handwriting, he says: - 'The work was never in the hands of a bookseller, although a few copies were dispersed amongst reviews, etc. I believe there are not more than twenty-five copies in existence, except what I have in my hand.' (January 28, 1847.)"

the Pursuit of Truth, for it appeared to him that,

...if the destiny of mankind is really to be affected by their opinions in this important subject, if religion is really of consequence to their welfare here and here after, it is a palpable neglect of the duty man owes his Maker, as well as treason against his own happiness, to remain passive in acquiescence in what may happen to have been taught to him by nurses, priests, and preceptors; without a diligent examination, on his part, of the grounds on which their doctrines rest.<sup>1</sup>

Beside the English thinkers, the Egyptian Moslems were "mere children" in the matter of formulating the principles of physical investigation; consequently, the Moslems did not know how to apply correct principles of investigation to other fields of inquiry.

The practices of rejecting mere gratuitous hypotheses, of demanding facts, of requiring every step of reasoning to be clearly exhibited, of looking for perfect precision in the use of terms, of discarding rhetorical illusions and mere phrases, of scouting pretensions to infallibility or exemption from rigorous research, are all prevalent here, all recognized as indispensable in physical research, and cannot possibly be confined to the department of material philosophy. They will necessarily be extended to moral inquiries....<sup>2</sup>

The Egyptian Kafir received no notice in the reviews, probably because the edition was so limited. A dubious claim to fame for it may be found in the erratic Joseph Blanco White's observation that Bailey's description of the Kafir's religious experience strongly resembled his own.<sup>3</sup>

From this time on most of Bailey's publications were in the field

1 Egyptian Kafir, pp. 6-7.

2 Ibid., p. 134. This, and some other passages from the Egyptian Kafir were quoted in the second edition of the Pursuit of Truth (London: 1844), pp. 25, 185, 272-73.

3 Notes and Queries, IX (March, 1878), 164.

of psychology or metaphysics.<sup>1</sup> In 1842 he published his first work under his own name. This was A Review of Berkeley's Theory of Vision, designed to show the unsoundness of that celebrated speculation (London: 1842). The subject is one which psychologists and physiologists even today have not entirely settled, and to follow Bailey very deeply into his argument would occasion a greater digression than time and space at present afford. In brief, however, Bailey took the doctrine of belief as an immediate, involuntary consequences of perception, which he had propounded in the Formation and Publication of Opinions, and applied it to the Berkeleyan theory of vision. Berkeley's theory, as set down in the Essay Towards a New Theory of Vision (Dublin: 1709), held that optical sense responses alone failed to constitute the complete visual experience. Rather the whole of that experience derived from those optical responses taken in conjunction with another sense, viz. the sense of "touch." Direct ocular sensations consisted of colors only, but perception of depth, or "outness," obtained only when the mind made judgements or inferences about the relations between visual sensations and tactual sensations. In consequence, therefore, Berkeley's theory posited that spatial, or depth, perception was not directly given in the process of vision, but came instead from a mental interpretation of the other sensation of touch allied with the

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1 Th. Ribot, Contemporary English Psychology (London: 1873), deals with Bailey's metaphysics and psychology in comparison with those of the Mills, Bain, Spencer and others.

visual experience.

It was against this position that Bailey directed his strictures. In his view, "outness" or space was perceived directly. "... Outness," he said, "is just as much perceived by the sight as by the touch; or, in more accurate language, ... when a picture is formed on the retina, the object is seen to be external as directly and immediately, as the object is felt to be external when an impression is made on the skin or muscles."<sup>1</sup> He adduced several experiments made with young children and small lower animals to support his position.<sup>2</sup> Berkeley, he added, had not succeeded in making clear how the sensation of touch, and, therefore, "outness," was transferred into a visual sensation, and vice versa.

Let there be a thousand repetitions of the internal feeling with the external sensation, and all that can be affected will be that one will invariably suggest the other. Berkeley's theory, however, demands more than this. He maintains, that because the internal feeling has been found to be accompanied by the external one, it will, when experienced alone, not only suggest the external sensation, but absolutely be regarded as external itself; or rather, be converted into the perception of an external object.<sup>3</sup>

Nothing, said Bailey, that was given in the arguments by Berkeley and his followers constituted a sufficient proof of the impossibility of "seeing distance" or perceiving "outness."<sup>4</sup> When Berkeley's theory was tested in practice and experiment it failed to support its conclusions;

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1 Berkeley's Theory of Vision, pp. 28-29.

2 Ibid., pp. 28, 149 ff.

3 Ibid., pp. 20-21.

4 Ibid., pp. 235-36.

"... metaphysical investigation and physiological inquiry have given the same answer, and alike served to confirm the universal belief of mankind in the direct visual perception of the three dimensions of space."<sup>1</sup>

Bailey's book was reviewed by Professor Ferrier<sup>2</sup> and John Stuart Mill.<sup>3</sup> Both reviews were unfavorable to Bailey's point of view. Ferrier charged that "... there is nothing in whole history of philosophical criticism analagous to the blunder of his [Berkeley's] reviewer."<sup>4</sup> The "blunder" he took to be this, that Bailey had misread Berkeley in attributing to him the conversion of a tactual sensation into the perception of an external object by association and the subsequent identification of the visual with the external object.<sup>5</sup> This was an erroneous interpretation of Berkeley, said Ferrier, because "outness" was to be distinguished into "visible outness" and "tangible outness." The former meant external to the mind; the latter was simply tactual experience. The former could not be seen to be external; it could only be suggested as such through the sensation of touch. Hence, Bailey had failed to appreciate correctly what Berkeley had maintained.

It is not necessary to attempt to plumb the metaphysical depths of this matter, nor is it likely that any positive solution would be

1 Ibid., pp. 237-38.

2 Blackwood's Edinburgh Magazine, II (June, 1842), 812-30, reprinted in Ferrier, Lectures on Greek Philosophy and Other Philosophical Remains (London: 1866) II, 291-347.

3 Westminster Review, XXXVIII (October, 1842), 318-36, reprinted in Dissertations and Discussions, II, 162-91.

4 Philosophical Remains, p. 335.

5 Ibid., pp. 336-37.

immediately forthcoming in the endeavour. So far as Professor Ferrier's charge is concerned, however, it appears that Bailey had the better of the dispute. For Bailey had seen that Berkeley's position on vision had led him into a contradiction, and had pointed out that in his later works Berkeley had abandoned the notion of an external existence.<sup>1</sup> Since Berkeley's earlier formulations did not stand up under his own later critical scrutiny, there is a presumption at least that Bailey, and not Professor Ferrier, was his better interpreter on this point.<sup>2</sup>

As might be expected, John Stuart Mill chose to defend Berkeley's theory which, as he pointed out, had been accepted by all the important English philosopher-psychologists, including, of course, his father.<sup>3</sup> Mill's criticism of Bailey was confined to the theory of vision itself and did not enter into possible ramifications of it in Berkeley's overall system of thought. His judgement was that Bailey had failed to show that Berkeley's theory was wrong, that he had not succeeded in demonstrating that the evidence supporting Berkeley's theory was false, that his own experience accorded with Berkeley's presentation, and that, therefore, Bailey had not demolished Berkeley after all. Beyond this, said Mill, Bailey was wrong in requiring Berkeley to show how one sensation of color, derived from unaffected sight, could be converted into the per-

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1 Berkeley's *Theory of Vision*, pp. 33-34.

2 J. Wild, *George Berkeley. A Study of His Life and Philosophy* (New York: 1936), pp. 105-8, agrees that Berkeley later abandoned the theory of the *New Theory of Vision* because he was unsatisfied with it.

3 *Dissertations and Discussions*, pp. 162-63.

ception of an external object as a result of the tactual experience. The perception of the external object, he claimed, was merely a "judgment" inferred from the sensation of color which, in the past, had always been associated with the tactual experience.<sup>1</sup> In addition to this, however, Mill waved the red flag to Bailey by charging him, of all people, with having failed clearly to perceive and express Berkeley's doctrine and with having erected a "rampart of words" which prevented him from effectively coming to grips with the essence of Berkeley's theory.<sup>2</sup>

It would appear that the weight of modern opinion seems to lie more with Mill, and, therefore, the earlier Berkeley, than with Bailey. That is, contrary to Bailey's theory that depth was perceived immediately through visual sense, it is thought today, with some reservations, to derive from the complex operation of a number of sense factors, including the kineasthetic, the sensations of retinal disparity, the color and brightness of objects, the previous or acquired knowledge of spatial arrangements, and the perspective effects of shadows, relief, and so on.<sup>3</sup> So that if Bailey had the edge in finding a logical error in Berkeley's theory, and, therefore, in overcoming Ferrier's objections; yet, Bailey was wrong in basing on that error his own conclusion that depth perception obtained without the assistance of the other senses.

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1 Ibid., p. 171.

2 Ibid., pp. 164-169.

3 Cf. M.D. Vernon, A Further Study of Visual Perception, (Cambridge [England]: 1952), pp. 91 ff.

At all events, both articles by Ferrier and Mill aroused Bailey in much the same manner as had the review of his Critical Dissertation. And in the following year he published A Letter to a Philosopher in Reply to Some Recent Attempts to Vindicate Berkeley's Theory Vision and in further elucidation of its Soundness (London: 1843). In the Letter to a Philosopher Bailey took exception to Mill's review<sup>1</sup> on the ground that Mill had used several expressions which derogated his understanding, and that Mill had not succeeded in overthrowing the arguments put forward in Berkeley's Theory of Vision. Mill replied again in the Westminster.<sup>2</sup> Nothing was added to the viewpoint he had put forward in the first review, although Mill did take the trouble to answer Bailey's complaint of a hostile tone, remarking that:

We were so entirely unconscious of having laid ourselves open to this kind of reproof, as to have flattered ourselves that the style and tone of our criticism on a single opinion of Mr. Bailey bore indubitable marks of the unfeigned respect which we entertain for his general powers; nor are we aware of having shown any other 'bluntness,' 'confidence,' or 'arrogance,' than are implied in thinking ourselves right, and, by consequence, Mr. Bailey wrong. We certainly did not feel ourselves required, by consideration for him, to state our difference of opinion with pretended hesitation.<sup>3</sup>

Privately, Mill had referred to Bailey's Letter to a Philosopher and had told Professor Bain that "the tone of it is peevish. But Bailey is, I

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1 Professor Bain recorded that Mill had told him he had written the article in three days during a weekend in the country. Bain, John Stuart Mill, p. 76.

2 Westminster Review, XXXIX (May, 1843), 491-94. Reprinted in Dissertations and Discussions, II, 192-97.

3 Dissertations and Discussions, p. 196.



know, of that temper -- or rather I infer it from sundry indications."<sup>1</sup>

Like Mill, Professor Ferrier replied to Bailey's Letter to a Philosopher.<sup>2</sup> He sought to prove that Berkeley had denied the existence of two-dimensional, equally with three-dimensional, space. In this way, he thought to get around Bailey's earlier charge that Berkeley had been inconsistent in admitting two dimensions to be visual experience, while denying three dimensions to that same experience.<sup>3</sup> The validity of Bailey's charge is admitted by Professor Wild.<sup>4</sup> Since both Bailey and Professor Ferrier were able to find passages in Berkeley to support their claims, and since it is accepted that Berkeley himself was moving away from this inconsistent position and toward his final goal of intellectual, instead of immediate sensory, constructions;<sup>5</sup> it is impossible to decide definitely between them. On the basis of the Essay Towards a New Theory of Vision alone, however, Bailey apparently had the edge in his dispute with Ferrier.

## 4.

On the 11th of January, 1842, Samuel's brother, John, died at his home in Cheltenham.<sup>6</sup> In his later life John had experienced a rather

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1 Bain, John Stuart Mill, p. 76.

2 Blackwood's Edinburgh Magazine, LIII (June, 1843), 762-70. Reprinted in Philosophical Remains, II 361-77.

3 Cf. Berkeley's Theory of Vision, pp. 130-31, 132-47.

4 Cf. Wild, op. cit., pp. 96, n. 101, n.

5 Wild, op. cit., pp. 101-5.

6 Independent, 15 January, 1842. Cheltenham Locker-on, 15 January, 1842.

violent religious conversion and at the time of his death he is said to have believed completely in the "righteousness of Christianity" and in the "full assurance of his personal election to eternal life."<sup>1</sup> His will provided for a number of bequests to various missionary societies, relatives and friends, the disposal of his property in trust for his wife, Mary Anne Bailey -- except for his "gold watch, chain, seal and fob" which went to his close friend, James Montgomery -- and the appointment of his brother, Charles Salt and Henry Bowyer, of Cheltenham, as executors. From this time on Bailey made one or two trips a year to Cheltenham to administer his brother's estate in behalf of his sister-in-law.

In 1844 he brought out the second edition of the Pursuit of Truth.<sup>2</sup> The second essay, "On the Progress of Knowledge," remained as before, except for certain verbal alterations. The first essay, "On the Pursuit of Truth," was completely revised, however. Not only did it again enter into the problem of the duty of free inquiry and the process to be used, but also it expanded these matters to take in such things as duties toward others in relation to the pursuit of truth, the problem of public communication of the results of inquiry, what governments should do in relation to teachers and other researchers in order to promote the attainment of truth, how an individual ought to apply himself in examining and judging the evidence obtaining from God. The expanded version of the

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1 Holland and Everett, op. cit., p. 97, n.

2 The Pursuit of Truth and on the Progress of Knowledge (London: 1844).

earlier essay represented one more movement by Bailey toward his goal of a systematic morality whose final objective was utility or truth.

The next time Bailey appeared in print, after the second edition of the Pursuit of Truth, was in the somewhat unusual guise of poet. The medium by which he completely reversed his literary field was the anonymous Maro; or, Poetic Irritability (London: 1845).<sup>1</sup> Mr. R.E. Leader has told how a few years after Bailey's death, his brother, J.D. Leader, by chance obtained a small book of poems and found by "conclusive proof" that Bailey was the author of the "astonishing production."<sup>2</sup> The reason why this work by Bailey was "astonishing" was because it dealt with the struggles of a rising young author and the love of a woman who supported him through his early difficulties. Despite the remonstrances of friendly critics, the youthful writer insisted on publishing his immature and unpolished work. The sale, of course, was minimal, the ten copies actually sold having been purchased by the lady herself. The writer's realization of her love and understanding eventually led to marriage, by which he was saved from a possible life of dissolution and despair brought on by his early failure. The similarity of Maro to the fourth of the "Hours after Tea" articles is apparent immediately.<sup>3</sup> The intriguing question is, however, why Bailey, at the age of 54, should have taken up this

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1 Misprinted in DNB, II, 411, as "Poetic Sensibility."

2 R.E. Leader, "Literature and Archeology in Sheffield a Hundred Years Ago," *op. cit.*, p. 222.

3 Cf. Chapter XII, supra., pp. 540-41.

particular subject once more. It may have been nothing more than his personal determination to vary his field of interest from the deeper works in which at the time he was generally involved. On the other hand, it may have been a sentimental return to a subject which had entertained him twenty years before. Whatever the cause, the production itself was such as never to secure poetic immortality for Bailey. And Gatty was coldly truthful in observing that "... the sale of it probably equalled that of his hero's first appeal to the Muses...."<sup>1</sup>

In January, 1843, Parker and Shore's Bank collapsed, spreading consternation throughout the city, as well as among the Bank's own customers and depositors. Bailey signed a declaration by the "merchants, manufacturers, and other inhabitants of Sheffield," proclaiming confidence in the remaining Sheffield Banks, just in case anyone's thoughts were wandering.<sup>2</sup> All that was eventually salvaged from Parker and Shore's wreckage was 13s. 1½d in the pound.<sup>3</sup> However, the one man's poison was not long in becoming the other's meat. In the week following the old bank's failure, Bailey's bank reported a substantial increase in new customers and the Annual Report for 1844 specifically stated that an "important" increase in business had been due to Parker and Shore's collapse.<sup>4</sup> The political upheavels on in the Continent in 1848, and the concomitant economic dis-

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1 Gatty, Sheffield: Past and Present, pp. 244-45.

2 Independent, 21 January, 1843.

3 Leader, The Sheffield Banking Company, p. 45.

4 Ibid., p. 41.

ruptions in England, accordingly found the Sheffield Banking Company in a position to face the difficulties with relative equanimity.

In February, 1848, the last member of Bailey's family, his sister Ann, passed away. This left to Samuel only John's widow as a near relative. Thus alone, he began to devote himself more and more to his serious writing. In 1851 he published the first edition of The Theory of Reasoning. The work itself is a critical review of the merit of the old scholastic, syllogistic logic, and an attempt to show that as a satisfactory theory of reasoning the syllogism was empty without recourse to inductive procedures. Of course, Mill had preceded Bailey by ten years in subordinating demonstrative, to inductive reasoning and had gone beyond him in formalizing the principles of the inductive logic.<sup>1</sup> Bailey gave his own argument a differentiating "twist" by designating induction as "contingent reasoning," in order to stress the nature of that process of reasoning which inferred a general law from observation of one or a number of facts or phenomena.<sup>2</sup> Demonstrative, or deductive, reasoning was helpful, he thought, in its stressing of class attributes, but by itself he claimed that it could not disclose any new or unknown facts not already contained in the major premise and, consequently, in the conclusion.<sup>3</sup> He was clear therefore, that no science could be based on mere syllogistic or demonstrative reasoning alone.<sup>4</sup> Those sciences which appeared to depend upon

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1 Cf. Mill, A System of Logic, Book II, Ch. VI; Book III.

2 S. Bailey, The Theory of Reasoning, (1st. ed. London: 1851), Chapter II, pp. 7-32.

3 Ibid., pp. 39-40.

4 Ibid., p. 44.

demonstrative reasoning exclusively could be shown to be contingent in reality. Although their form was demonstrative, their substance was contingent. And it was this fact which permitted the discovery of new facts and new truths, something the syllogism alone was unable to accomplish.<sup>1</sup> Although Bailey's general argument was accepted by Mill,<sup>2</sup> it did nothing to advance logic beyond the point Mill had taken it.

A second edition of The Theory of Reasoning was published the following year.<sup>3</sup> It was unchanged from the first edition, except for minor verbal corrections. In the same year Bailey collected together some of the papers he had read before the Sheffield Literary and Philosophical Society and published them as Discourses on Various Subjects; Read before Literary and Philosophical Societies (London: 1852). In 1853 he served for the last time as President of the Literary and Philosophical Society. In the same year he supported in characteristic fashion a cause upon which he had bestowed much energy, namely the establishment of free public libraries in Sheffield. He read a paper on the subject before the Philosophical Society<sup>4</sup> and had this published for more general distribution.<sup>5</sup> A year later, the rural privacy of the family homestead having been invaded by the outward expansion of the town, he removed to "Norbury," which was situated about a mile further out on the Barnsley Road. Norbury

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1 Ibid., Chapter IV, particularly pp. 51-55.

2 MILL, System of Logic, p. 154, n.

3 The Theory of Reasoning (2d. ed., London: 1852)

4 Minutes, 4 February, 1853, p. 312.

5 On Free Public Libraries, a Paper Read before the Sheffield Literary and Philosophical Society (Sheffield: 1853).

was a large, formidable, gray stone house, settled on the crest of a hill commanding a fine view northward over the valley.<sup>1</sup>

By this time the pattern of Bailey's later years had been set. The Bank doubtless had the greatest claim upon his "public" time; the Town Trust and the Literary Society had less and less. Alone at the quiet Norbury, except for his few servants, the picture of the old bachelor is drawn complete, even to the characteristic invitation to spend Christmas dinner in the company of one or two old friends.<sup>2</sup> In this secluded and leisurely interval, then, he was able to devote his time to completion of his most mature philosophical work. The first, second, and third series of the Letters on the Philosophy of the Human Mind were published respectively in 1856, 1858, and 1863. In these letters Bailey undertook to comment on and criticize the body of mental philosophy current at the time. Since this subject was essentially psychology, and since Bailey had already made most of his major points at one place or another in his previous writing, it is only to be expected that the Philosophy of the Human Mind contained little that was novel. He dealt with such well-known matters as methods of investigation, sense affections, willing, theories of perception, causation, and so on. And although these had been familiar subjects under his pen, it is clear that he wanted this one final opportunity to

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1 See Plate III, p. 720.

2 Ward, Peeps into the Past, p. 332.

out them before the reading public.<sup>1</sup>

It would unduly protract an already over-long account to consider in any detail the matters which Bailey took up in these three volumes. One thing which does emerge from them, with perhaps greater clarity than in his other works, was his attempt to straddle the realist-idealist controversy which had run through so much of his writing. He declared:

1. That the objects of human knowledge are of two kinds, external existences and events perceived through the organs of sense, and internal states and operations, or in other words mental existences and events; which two classes comprise everything we actually know:
2. That our ideas are representative of the objects belonging to one or the other of these two classes; and other ideas than these we have none, although we have the power of putting them together in new combinations of endless diversity.<sup>2</sup>

The weight of his thinking appeared to come down on the side of empirical realism, although he obviously was not prepared fully to abandon "mental existences," which clearly implied a sort of idealism or nominalism. When to this is added the fact that Bailey held that the existence of external objects could neither be proved nor disproved, but was a "primary fact" or "primary mode of consciousness" unresolvable into anything else,<sup>3</sup> it is evident that there was ground, as Professor Bain has point-

1 Cf. his unusually revealing remarks in the "Introductory Letter," S. Bailey, Letters on the Philosophy of the Human Mind (1st Series, London: 1855), pp. 2-3.

2 S. Bailey, Letters on the Philosophy of the Human Mind 2d, Series, London: 1858), p. 18.

3 Bailey, Philosophy of the Human Mind, 1st Series, pp. 139-41.



ed out, for a more satisfactory explanation of these things than Bailey had given.<sup>1</sup>

The third series of the Philosophy of the Human Mind was concerned mainly with problems of morality and re-stated positions which have already been considered. However, if it were necessary to select one

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1 A. Bain, Mental Science (New York: 1888), p. 212. John Stuart Mills observations on Bailey are also worth noting. In a letter to Bain, 6 December, 1867, concerning the forthcoming edition of his father's Analysis of the Human Mind, Mill referred to Bain's suggestion to re-read Bailey. "I have not found any help in Bailey for dealing with Nominalism, though he objects to the same parts in my father's exposition which I object to. I have, however, derived some benefit from reading again Bailey's four volumes; but how very shallow he is! He not only cannot seize any of the less obvious applications of the principles of Association, but is unfeignedly unable to make out what the writers who speak of such things can possibly mean. Yet at the same time, how plausible! He has scarcely his equal in skimming over the hollow places in philosophy, and putting a smooth face on unsolved difficulties. If he had been in the Forum at the time of Curtius he would not have leaped into the gulf, but would have thrown a platform over it, by which people might walk across without noticing it. When he attempts to confute those who are trying to resolve difficulties which he does not see, he usually does it by formally stating and developing at great length some elementary truth which he fancies to be all there is in the matter. As elementary truths are very often lost sight of, these elaborate enforcements of them are in many cases useful, but are seldom at all germane to the particular controversy. The best thing about him (excepting his chapter on moral sentiments) is that he is a decided supporter of the "experience hypothesis"; but he is so in a way, and in a sense, peculiarly his own. What used to be called the mundus intelligibilis, consisting of all the obscurer notions which have wearied and divided metaphysicians, he disposes of by maintaining that the intelligible world is perceived through the senses. Why puzzle ourselves about the necessity of any of our beliefs? Necessity is a quality of outward parts, and can be seen. We see that the theorems of geometry are necessary. How absurd to seek for an explanation or a definition of Cause! We see one thing cause another." Letters of John Stuart Mill, ed. by H.O.R. Elliot. (London: 1910), II, 97-99.

characteristic which stood forth most prominently from any other during the entire series, it would doubtless be Bailey's frequent assertions of the conviction he had long held, namely, that without a true science of the mind little advance in human welfare could be expected. His valediction is clearly in this line of thought.

Our great achievements are only triumphs of material science and mechanical art, while in all that constitutes moral progress, in the cognisance of what is purely internal, in the knowledge of the dependence of mental causes and effects, and their connection with physical circumstances; of the nature and varieties of intellectual and emotional processes; of the true character and use of evidence on which so immense a superstructure must always rest; of the wisest modes of individual and social procedure so as to insure all practible happiness to every human being; of the best methods of cultivating the nature of every man so as to bring out his capabilities and make him no unworthy specimen of his race -- in the knowledge of all such things, and above all, in the appreciation of what is purest and noblest in spirit and in conduct, we have comparatively speaking made scarcely a perceptible advance.

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The discrepancy, too, between our rapid strides in physical science, and our tardy progress in moral and intellectual knowledge and its application; in the science of human nature and human welfare; seems to become every day wider and more conspicuous. We are truly, as it has been said by some one, 'immersed in matter.' If civilization may be compared, as it sometimes is, to a rising tide with its alternative advances and retrocessions, it would be difficult to show, as far as morality, mental refinement, and general happiness are concerned, that it is not in the present state at a very low ebb.<sup>1</sup>

In such a state of affairs, he went on to say, it was surely folly to deny energies and efforts turned toward research and inquiry into mental

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1 Philosophy of the Human Mind, 2d. Series, 276-77.

science. The route ahead was clear and plain.

With regard to my special subject, the philosophy of the mind, which must always constitute the foundation of non-physical science of every description, I venture to repeat the prediction that no great progress will be made by those who prosecute it, and that they will continue to move in a circle, until they consent to do what successful physical inquirers do, namely, to dismiss all figurative statements of fact, all fictitious entities and occurrences, all abstractions except as mere forms of expression, all hypotheses but such as may be professedly put forth in the character of tentative suppositions; and to confine themselves to real objects, actual events, literal statements, and rigorous conclusions.<sup>1</sup>

In 1862 Bailey tried his hand in a completely new direction, and in that year published a work as remarkable, in its way, as Maro had been almost twenty years before. This was On the Received Text of Shakespeare's Dramatic Writings and its Improvement, (London: 1862), I, undertaken, as he explained in the Preface, as a diversion from "abstruser studies" and subsequently involving him in almost as much "diligent research" and "patient thought" as investigations into value, metaphysics, vision, or reasoning. The work was an attempt to re-arrange and re-interpret on etymological bases certain passages from Shakespeare's more important works. It is to be assumed, of course, that Bailey was in complete seriousness when he undertook this project. But whether the infirmities of his years had begun to tell, whether the conditioning of metaphysical treatises had had its way, whether the channels of his mind were too deep, Shakespeare was certainly an inappropriate place for him to implement his penchant for greater precision in linguistic

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<sup>1</sup> Ibid., pp. 279-80.

expression. And the Saturday Review was not too harsh with him in objecting with controlled irony that:

Lady Macbeth's taunt 'From this time, such I account thy love,' is improved by Mr. Bailey into 'From this time I account thy liver,' as if Macbeth had been an East Indian nabob and Lady Macbeth a West-end physician. The liver, however, as Mr. Bailey explains, was conceived to be the seat of courage or cowardice. Shakespeare possibly would have expressed himself as Mr. Bailey thinks he did if, instead of being Shakespeare, he had been Samuel Bailey of Sheffield. He would have been precise as to the ... physiological seat of the emotions."<sup>1</sup>

Bailey's mental science probably did stand in need of greater precision of expression, as he had many times claimed. But it is doubtful if his researches on this heading could, by their very nature and conception, contribute much utilitarian happiness in the appreciation of Shakespeare's masterpieces. It is an interesting insight into Bailey's character, however, that he, at least, was not above thinking that even great literature could be improved by cleansing it of abstract, figurative, and florid expressions.

##### 5.

Although he was well into his seventies when his last volume of Shakespeare's Dramatic Writings was published<sup>2</sup> the signs were beginning to appear that the tempo of his activities was slowly coming to a halt. In 1863, with perhaps a mixture of gratitude and solicitude,

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<sup>1</sup> Saturday Review of Literature, XXIX, 177.

<sup>2</sup> On the Received Text of Shakespeare's Dramatic Writings and its Improvement (London: 1863), II.

the shareholders of the Bank subscribed for a portrait of him to be painted in oils. This was duly placed in the waiting room of the George Street premises.<sup>1</sup> Four years afterward, for the first time since its founding, Bailey was not elected a vice-president of the Literary and Philosophical Society.<sup>2</sup> The absence of any reference to him in the Society's records after 1864 suggests that by this time his participation in its activities was minimal, if at all.

No public notice of him is recorded in the Sheffield area from the time of publishing the second volume of the Shakespeare work until his death. He had evidently become infirm, although still able to carry on with his duties at the Bank. In December, 1869, a heart ailment made its appearance, which, at his age, seemed to portend that the end was not far off. His doctor, Jonathan Barber, attended him and, with some care, succeeded in rallying him to such an extent that he was able to take his customary place as Chairman of the Board at the Bank for the first two weeks in January. His feebleness was evident to his colleagues, however, and several expressed doubts that they would see him in that

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1 Sheffield Register, 1 July, 1863. A letter from G.W. Parker to R.E. Leader, 27 March, 1917 (Leader Collection - fol. 150, Dept. of Local History, Sheffield City Libraries.) states: "Mr. Bailey's portrait at one time hung in the anteroom. One day I found James Poole, the artist, who then lived in Ecclesall, standing before the portrait. 'Do you know,' he said, 'that you have a very valuable picture here: and that it is being shockingly neglected? Irrespective of the portrait that picture is worth five hundred pounds. I should like to speak to the manager.' He did, and the portrait was carefully cleaned, and transferred to what was considered a safer situation." This portrait at present hangs in the Board Room of the George Street branch of the National Provincial Bank. Cf. Plate IV, infra., p. 721.

2 Minutes, 8 January, 1867.

position the following week. However, on Monday, the 17th of January, he considered himself sufficiently restored in strength to take a drive in his carriage. Although this was subsequently abandoned, on the following day he was well enough to resume his usual habit of rising at six o'clock in the morning. A short time after a servant had delivered hot water to his room, he recalled her and told her that he was having some difficulty breathing. He said, however, that he thought it insufficiently serious to call Dr. Barber and, even while talking with the servant, began to feel better. The servant left upon his declaration that he would ring for her if he needed any help. When he failed to come downstairs, she returned to his room and found him there upon the floor, he having evidently passed away while dressing.<sup>1</sup>

At Bailey's specific request, the funeral was of a private nature, simple and devoid of any pomp. The hearse was followed by one funeral carriage containing his executors, William Fisher and J.H. Barber, his solicitor, H.W. Watson, and Dr. Barber. Three or four private carriages of his friends and associates at the Bank, the Town Trust, and the Literary Society, made up the remainder of the procession. After the Rev. T.W. Sale had read the service, the polished oak coffin, encased in another of lead, was confined to the family vault in Attercliffe Old Chapel Cemetery.<sup>2</sup>

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<sup>1</sup> Independent, 19 January, 1870. Sheffield Daily Telegraph, 19 January, 1870.

<sup>2</sup> Cf. Plate V, infra., p. 722.

Bailey's will was proved by H.E. Watson on the 9th of February, 1870, upon the affirmation of his executors. It provided for legacies of £ 2000 to the Sheffield General Infirmary, £ 1,000 to the Sheffield Dispensary and Hospital, £ 500 to the Sheffield Lancastrian Boys School, £ 500 to the Sheffield Lancastrian Girls School, £ 500 to the Aged Female Society, and £ 1,000 to the Sheffield Literary and Philosophical Society. The remainder realized from the disposal of his real and personal property not previously bequeathed, he left to the Town Trust. This ultimately realized the surprising sum of £ 101,626. 10s<sup>1</sup> Although Bailey's generosity was clearly disclosed in these gifts, it was somewhat characteristic of him to prescribe in his will that the Town Trust might invest his money in any course lawfully open to them and might use the proceeds from such an investment "... for such objects of public utility in Sheffield or for such other Charitable purposes (not being of an ecclesiastical nature) ... as it deemed fit."

In other bequests he left to his sister-in-law, Mary Anne Bailey, the property which had earlier been left him in trust by John. She also received all of his "jewelry, watches, trinkets, wearing apparel, linen of every description and prints and pictures in frames (except the said portrait of myself)<sup>2</sup> and all my letters and manuscripts of all kinds...."<sup>3</sup>

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1 Leader, Records of the Burgery of Sheffield, p. xlii.

2 This is a reference to the portrait by Poole, which Bailey left to the Literary and Philosophical Society. Cf. Plate VI, infra., p. 723.

3 Cf. Appendix "B" for matters bearing on this MS material, Infra., pp. 700-7.

J. H. Barber and William Fisher each received £ 150, in addition to the sums forthcoming to them in their offices as executors. All the officers and employees of the Bank received sums equal to a quarter of their yearly salaries obtaining at the time he died. His male and female servants were given suits of mourning, in addition to £ 10 per year of service for males over twenty-one. The female servants received £ 6 for each year of service over that age, and all the younger ones received £ 3 for each year they had worked for him.

Thus ended the appearance on the Sheffield stage of the man whom Gatty said was not distinguished for "open-handed generosity,"<sup>1</sup> and whom John Holland claimed had no reputation for the "outpourings of benevolence."<sup>2</sup> These cursory judgements were, of course, pertinent examples of the kind of reasoning against which Bailey himself had so strongly inveighed. They manifest that neglect of careful and patient inquiry, that investigation of the fullest facts, which Bailey had so many times abjured. One may agree with Leader that Bailey's outward demeanour probably contributed to hasty evaluations of this kind.<sup>3</sup> But such generalizations surely do Bailey less than elementary justice. Of course, he did have the facility of disciplining himself to whatever extent the nature

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1 Hunter, Hallamsire, ed. Gatty, p. xxxi.

2 Holland, Tour of the Don, p. 253.

3 Leader, "Literature and Archeology in Sheffield a Hundred Years Ago." op. cit., p. 221. "By the few of us who remember his mein of frigid detachment, the personality recalled is that of a severely-austere man, with no graciousness of manner, unapproachably aloof. The dry reasoning of his books, unfolded in sentences of impassive precision, accords perfectly with his outward aspect."



of the immediate task before him required. To others this doubtless made him aloof and unapproachable. But when one recalls his speeches and conduct in the elections, it is clear that he was able to unbend to whatever degree was demanded by the conditions of the moment. Those who could not read or understand his books thought him a complete ascetic, but in doing so they conveniently overlooked the social compassion which was contained within them. Those who thought him penurious conveniently overlooked the time and money he gave to the many Sheffield charities and organizations.<sup>1</sup>

The absence of a diary or of any correspondence is, of course, a distressing stumbling-block to a thoroughly accurate evaluation of Bailey. From what has been said, however, it is clear that it was the pattern of his later years which most vividly fixed itself in the minds of his contemporaries and, accordingly, influenced their judgements of him.<sup>2</sup>

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1 His bank manager, J.H. Barber, once declared that "... any notion that Bailey was a miser or parsimonious was a mistake. His accounts were kept with perfect accuracy up to within two days of his death, and his expenditure came to quite £ 1000 a year...." Independent, 4 May, 1887.

Another little-known incident bears this out. Ebenezer Rhodes, a local cutler, with a great penchant for writing, Peak Scenery (London: 1818-23), Yorkshire Scenery (London: 1826), The Derbyshire Tourists Guide and Travelling Companion (London: 1837), so neglected his business that he went bankrupt. He died considerably in debt in 1839, leaving a wife, two widowed daughters with children, and four unmarried daughters. Between them, Sir Francis Chantry, James Montgomery, and Bailey raised enough money to provide for the unfortunate Rhodes Family.

2 Cf. Gatty, Sheffield: Past and Present, p. 245. "For many successive years we used constantly to meet him on the road betwixt Ecclesfield and Norbury, where he latterly lived and died, seated in his open carriage, wrapped in a cloak, and always alone -- meditating, no doubt, on more things in heaven and earth than were dreamed of in Horatio's philosophy." Or, p. 244, "His writings were too abstract and profound to be popular, and were like the man himself, who with cold manners and methodical address was esteemed by the few who came in contact with his clear intellect over business, whilst he remained 'caviare to the millions' outside."

But the impression which has been received from an over-all review of his life and work is something different. There is no question that he was sufficiently self-disciplined to refuse to waste his time and efforts on what he thought to be superfluous or trivial pursuits. This, obviously, stamped him as "unapproachable" or "ascetic." But it is clear now that in whatever he undertook, Bailey acted with diligence and serious and sincere intent. If he could not devote himself wholly to his work in that way, he refused to take it up. At the Literary Society, for example, he spoke only when he had something valuable to contribute, a determination which less perspicuous people misunderstood. His conduct during the elections is in line with this trait, for he expressly refused to indulge the time of his audience in that thin and empty banter which merely deceived them with form in the place of substance. At the Bank, he similarly devoted himself exclusively to the matters at hand. Yet, to his friends, whose self-command was perhaps less well developed, he appeared to be "without compassion." As a Utilitarian, Bailey's "calculations" enabled him to avoid the frivolities in acting in pursuit of what he conceived would conduce to the ultimate happiness of the greatest number. He may have erred in diminishing peoples' "happinesses" through failing to pander to their non-rational appetites, but he clearly thought to add to those "happinesses" (whether they knew it or not) by not wasting their time on the inconsequential. This is more, at any rate, than may be said of those who were shaken with his alleged ungraciousness.

In the final analysis, however, the memory of Bailey which persisted was that of the stony-hearted philosopher. So that notwithstanding an occasional lament of his neglect,<sup>1</sup> the only public recognition accorded the "Bentham of Hallamshire" is the presence of his portrait in the Sheffield Town Hall, and the solemn toast received in silence at the festive board of the Town Trust:

"To the pious memory of our benefactors -- Lord de Furnival, William Birley, and Samuel Bailey."

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1 Independent, 11 May, 1887. "As a fellow townsman it is impossible not to feel that a wrong is being done to a great local genius. Samuel Bailey has been treated with silent neglect, although with the money he has left behind him the town is being reconstructed, and in some parts, almost re-created."

Another complained that "he gave over £ 100,000 to the Town Trust, the largest benefaction it has ever received; and what has the town done in recognition? To the discredit of the citizens let it be said, there is not a town pump or even a horse trough to perpetuate his memory."  
Local Notes and Queries, op. cit., I, 267.

## APPENDICES

## APPENDIX "A"

### AUTHOR OF WESTMINSTER REVIEW ON THE CRITICAL DISSERTATION

Up to the present time no authentication of the authorship of the Westminster Review article on the Critical Dissertation has been forthcoming. G.L. Nesbitt's Benthamite Reviewing. The First Twelve Years of the Westminster Review (New York: 1934) is the most comprehensive effort along this line. But Mr. Nesbitt searched in vain for the editorial records of the Westminster. Therefore, he had to resort to biographies and letters to verify the authorship of such articles as he was able to include in his list. Mr. Sraffa did not encounter anything about this article in any of the Mill-Ricardo papers he worked through,<sup>1</sup> nor was it the subject of any known correspondence between Ricardo's friends after Ricardo's death. Nothing about the article appeared in any of the other likely places except for Henry Higgs' suggestion that James Mill might have written it.<sup>2</sup> In private communications to the writer both Professor Viner<sup>3</sup> and Professor Hayek<sup>4</sup> expressed the belief that James Mill had written the review. The writer's own researches likewise failed to turn up any definitive evidence bearing on the authorship of the article. Thus, the only means left to establish its authorship was to trace contextual and stylistic similarities in the article and other known writers of the period.

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1 Letter of 21 September, 1953.

2 "Samuel Bailey," Encyclopedia of the Social Sciences, II, 388. Higgs gave no reason for choosing Mill, however.

3 Letter of 5 March 1954.

4 Letter of 9 March, 1954.

## 1.

So far as context is concerned, the first person suggested is, of course, James Mill. The writer of the Westminster article took obvious pains to vindicate certain passages in Mill's Elements from the charges which Bailey had made against them. Bailey himself had noted that the writer of the article seemed to be so "peculiarly sensitive" in Mill's behalf as to undertake a "laboured defense" of him.<sup>1</sup> In addition, the reviewer was obviously determined to prove that Bailey's criticisms of Ricardo were essentially matters of form, and not substance. Bailey's attack, he said, lay "... on some of Mr. Ricardo's forms of expression ..." but Ricardo's doctrine still remained unimpaired.<sup>2</sup> It is unnecessary to insist on the well-known fact that Mill was prepared to take Ricardo's pronouncements ex cathedra and to accept them even more literally than Ricardo himself.<sup>3</sup> The writer of the Westminster article woodenly refused to see anything at all in Bailey's strictures,<sup>4</sup> revealing the same sort of a priori dogmatism that was so characteristic of Mill.

One other general contextual similarity seems to point toward James Mill. There is a remarkable parallel between the references to authors

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1 Letter to a Political Economist, p. 80.

2 Westminster Review, V (January, 1826), pp. 57-59, 160, 163, 165, 166, 167. All succeeding references in this Appendix will be to this number and volume of the Westminster.

3 Cf. e.g. "There is not a single proposition [in the Principles] the proof of which I think is not irresistible." Mill to Ricardo, 18 November, 1816, VII, p. 98. See also, Chapter II, supra., p

4 Cf. Chapter VII, supra., p

quoted in the Westminster article and the readings which John Stuart Mill's circle undertook at Grote's. For example, the Westminster writer quoted Whately's article on logic in the Encyclopedia Metropolitana.<sup>1</sup> He then referred to Aldrich's Oxford Text Book of Logic<sup>2</sup> and made a reference to Hobbes' Logic.<sup>3</sup> Now after reading Ricardo's Principles, James Mill's Elements, and Bailey's Critical Dissertation, Mill's reading group took up Aldrich, DeTrieu, Whately, and finally, Hobbes.<sup>4</sup> The appearance of most of the books read at Grote's in the Westminster article suggests that the author of the latter was either one among, or closely related to, the reading circle.

Professor Viner has pointed out to the writer<sup>5</sup> that the reading of Whately's Logic at Grote's makes it possible to date the reading of Hobbes. The first published edition of Whately's work appeared in 1828. Since Hobbes followed Whately on Mill's reading-list, the Westminster reviewer obviously had not derived his familiarity with Hobbes as a result of the readings at Grote's. This would eliminate the possibility that any of the "economists" in the group<sup>6</sup> had written the article, although Professor Schumpeter had suggested that J.S. Mill was the author.<sup>7</sup>

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1 Westminster Review, p. 157.

2 Ibid., pp. 160-61.

3 Ibid., p. 161.

4 Mill, Autobiography, pp. 120-22.

5 Letter of 5 March, 1954.

6 e.g. William Ellis, Eyton Cooke, George Graham, J.A. Roebuck, or even J.S. Mill himself. Cf. Mill, Autobiography, pp. 96-97, 121.

7 J.A. Schumpeter, Economic Doctrines and Method, tr. R. Aris, (London: 1954), p. 118.

However, in 1825 James Mill was in the midst of writing his Analysis of the Human Mind,<sup>1</sup> and it would have been natural for him to suggest to his son for reading at Grote's a work which he would have explored in his own researches.

Beyond Ricardo, Hobbes was the author to whom the Westminster reviewer showed the most indebtedness. He called upon Hobbes to help him in an alleged refutation of Bailey's use of the notion relative and the concept of relation. "He [Bailey] makes vast use of the word 'relation.' But it is very evident to us, that he does not know what it means. Is he acquainted with Hobbes' profound remark, that there is nothing relative but terms? With all his metaphysics, we will give him a month to explain what is meant by relation."<sup>2</sup> The passage in Hobbes to which the writer referred is in the second chapter, "Of Names," where it was laid down:

Sixthly, of names, some are absolute, others relative. Relative are such as are imposed for some comparison, as father, son, cause, effect, like, unlike, equal, unequal, master, servant, etc. And those that signify no comparison at all are absolute names. But, as it was noted above, that universality is to be attributed to words and names only, and not to things, so the same is to be said of other distinctions of names; for no things are either unequivocal or equivocal, or relative or absolute.<sup>3</sup>

James Mill's deep admiration for Hobbes has already been well established.<sup>4</sup> And he adopted Hobbes' position on relative and relation in his Analysis of the Human Mind.<sup>5</sup> This is the same approach adopted in the Westminster

1 Bain, James Mill, p. 203. Mill, Autobiography, pp. 68-69.

2 Westminster Review, p. 161.

3 T. Hobbes, Computation of Logic, ed. Sir W. Molesworth, (London: 1859), I, 23.

4 Halevy, op. cit., p. 445.

5 Mill, Analysis of the Human Mind, II, 86-88.



article, where it was objected against Bailey that

Concerning the subject of relations the logicians have distinguished the following particulars; 1. Relatio; 2. Subjectum; 3. Relatum; 4. Correlatum; 5. Fundamentum; 6. Terminus. And of so much importance to the understanding of the relatio are the other particulars included in the enumeration, that the following is their rule for its definition:

Relatio definitur, subjecto, relato, correlato, fundamento, et termino. When these things have separate names, the case is in general clear, and easily understood. In the case of value, it so happens, that the relatio, and the fundamentum, have not two names, but unfortunately one and the same name. By the authors who think they have done something great for political economy, when they have told us, that value is exchangeable value, and a relation, these two meanings are confounded in almost every page. We ask them, if value be the relatio, to tell us what is the fundamentum. Let them do so, and they will probably discover, that they have less ground, than they thought, of complaint against Ricardo and his followers.<sup>1</sup>

The meaning which is to be applied to the relation of value in respect to the "relatio" and the "fundamentum" of the above passage, particularly in the case of the quantitative measurement of value, may once again be found in Mill's Analysis of the Human Mind,<sup>2</sup> which evidently

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1 Westminster Review, p. 163.

2 "On what account, then, is it we give to any thing the name Quantus? As a standard by which to name another thing Tantus. The thing called Quantus, is the previously known thing, the ascertained amount, by which we can mark and define the other amount. Leaving out the connotation of Quantus, which is some one individual body, Quantitas merely denotes such and such an amount of body. Quantitas, if it was kept to its original meaning, would still connote Tantitas; just as paternity connotes filiality. But in the case of Quantity, even this connotation is dropped; it is used not as a relative abstract term, but an absolute abstract term; and is employed as a generic name for any portion of extension, any portion of weight, of heat, or anything else, which can be measured by a part of itself." Mill, Analysis of the Human Mind, II, p. 58.

derived much from Hobbes again.<sup>1</sup> The effect of this was to show that the quantitative relationship of value in the final analysis came down to a "fundamentum" or "absolute" (in Hobbes' nominalist sense). So that in the immediate point at issue, this merely provided philosophical backing for Mill's contention that cost of production was the "regulator" or "standard" of value. Mill, like the author of the Westminster article thought that value had to be traced to a fundamental cause.<sup>2</sup> It is not surprising, then, to encounter the sneer in the article at "... the writers who resolve the principle of value into a relation; and then imagine they have enlightened the world."<sup>3</sup>

Another matter which suggests the hand of the author of the Analysis of the Human Mind in the Westminster article is the stress laid in both works on precision in expression. Mill devoted a good portion of the Analysis to what he called "Naming," and this involved making clear the meanings and implications of terms and expressions, both etymologically and grammatically.<sup>4</sup> When it is recalled that the Westminster review would have been written midway through the Analysis of the Human Mind, it is not difficult to visualize their author pointing out to Bailey that

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1 Cf. T. Hobbes, Six Lessons to the Savilian Professor of Mathematics, ed. Sir W. Molesworth, (London: 1839) VII, 191-96, 237-39.

2 Westminster Review, pp. 170-71. Cf. Chapter VII, supra., pp. 301-3.

3 Westminster Review, p. 161.

4 Mill, Analysis of the Human Mind, I, Ch. IV, pp. 127-222; Ch. IX, pp. 294-317; II, Ch. XIV, pp. 1-175.

they [i.e. the writers of the 'exchangeable-value school'] would have performed a better service, than that of cavilling at Mr. Ricardo because he used the word value in a new sense, at the same time that he used it in the old, had they taught us how to dispense with a word which it is so very difficult to use with the requisite precision. It is a great pity that the word exchange is so unmanageable a word; otherwise it would have been highly convenient to have made from it a word to express value in exchange exclusively and definitely. Exchangeability would not do, because it has a passive signification. Exchangeivity would have the proper signification; but then it is an awkward word. It might, by dropping the ex be softened to changivity; and would, if the public were reconciled to it, be exceedingly useful. We should then speak of the changivity of commodities instead of their value. We should call them changive, instead of valuable, and should talk of degrees of changivity, regulator of changivity, measure of changivity, and so on.<sup>1</sup>

While on the subject of language it is possible to attach some weight to one illustration used by the Westminster writer in regard to the introduction of unusual expression and terminology into a science. He had argued that economics was a science which did not demand excessive "innovations" in language, and he chose to contrast this with chemistry, in which, he said, there was a "pre-disposition to admit such "innovations."<sup>2</sup> Now there is no particular reason why chemistry should have been selected to exemplify this point; any of the other natural or physical sciences would have served equally well. In James Mill's case, however, there was the well-known and long-standing friendship with Thomas Thomson, Professor of Chemistry at the University of Glasgow.<sup>3</sup> John Stuart Mill thought most highly of Thomson's work<sup>4</sup> and it is likely

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1 Westminster Review, p. 163.

2 Ibid., p. 168.

3 Bain, James Mill, pp. 27-29, 156-62.

4 Mill, Autobiography, p. 17.

that his father was equally well acquainted with it, as well as the discipline from which it emanated. It would have been natural, therefore, for James Mill to insert a "ohemical" illustration for his point about scientific expression.

From this point it is possible to pass on to more strictly economic contextual signs suggesting toward James Mill. One matter which it is possible to trace directly to Mill was the reviewer's conviction that Ricardo had used value in "two senses" "erowedly."<sup>1</sup> Although the author of the Westminster article believed that Ricardo had employed the term value in such a way that no confusion resulted, he also thought that Ricardo had been too sanguine in trying to introduce "... more precision into the language of political economy, by giving a technical meaning to the word 'value.'<sup>2</sup> He doubted whether Ricardo's choice of the term "value" was the best possible one to signify that "peculiar and technical sense" he had in mind.<sup>3</sup> Now it is known that Mill thought he could expound the principles of political economy without becoming involved in the difficulties surrounding the word value.<sup>4</sup> So that when he considered the subject in the first edition of his Elements "exchangeable" or "relative" value was the only kind explicitly dealt with.<sup>5</sup>

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1 Westminster Review, pp. 156-59.

2 Ibid., p. 158.

3 Ibid., p. 158.

4 Ricardo to McCulloch, 17 January, 1821, VIII, p. 337.

5 Cf. Chapter VII, supra., pp. 273-75.

Moreover, when John Stuart Mill debated with Torrens on the measure of value he made the same points which later appeared in the Westminster article, viz. that Ricardo's application of a "peculiar technical" sense to the term "value" would cause "ambiguity" and lack of "precision," and that James Mill thought it best to confine "value" to "exchangeable value only."<sup>1</sup> It is reasonable to suppose that the John Stuart Mill of the Torrens debate was a faithful interpreter of his father's views.<sup>2</sup>

One other point reinforces this conclusion. James Mill's inability to understand the implications of resolving cost of production into "simpler elements" and its bearing on the measure of value difficulty has already been noted.<sup>3</sup> The Westminster writer was one with Mill in this, for he refused to enter the "controversy" of whether or not cost of production could be "resolved" into "simpler elements."<sup>4</sup> He was willing to lump Ricardo, McCulloch, and Mill together as believing that capital could be reduced to a simpler element.<sup>5</sup> And this was on a level with James Mill's known inability to see the difficulties which Ricardo had understood.<sup>6</sup>

There remain two other points of economic doctrine in the Westminster

1 Westminster Review, p. 169. Mill, Two Letters, p. 15.

2 Cf. Chapter VIII, supra., pp. 335-36. Chapter VII, supra., p. 275.

3 Chapter VII, supra., pp. 306-9.

4 Westminster Review, p. 167.

5 Ibid., p. 167.

6 Ricardo to Malthus, 3 August, 1823, IX, p. 325. "As far as I have yet been able to reflect upon McCulloch's and Mill's suggestion [that physical be equated with machine labor] I am not satisfied with it. They make the best defense for my measure but they do not really get rid of all the objections."

article which may be related to James Mill. One of these is the reviewer's attitude toward the orthodox Ricardian relationship between wages and profits. It has been seen that Bailey had made strenuous and successful objections to the wages-rise-profits-fall argument.<sup>1</sup> The Westminster writer commented thus on the chapter in which Bailey had made these criticisms of Ricardo:

The object of this chapter is, to shew that Mr. Ricardo committed an error, when he stated that as wages rise, profits fall. This author begins by defining a rise or fall of wages, to be an increase or decrease in the quantity of commodities given for labour. Now, in this meaning of the terms rise or fall of wages, neither Mr. Ricardo nor any body else ever maintained, that as wages rise or fall, profits fall or rise. Mr. Ricardo distinctly maintained the contrary. This author labours under a perpetual ignoratio elenchi.<sup>2</sup>

Where Ricardo "distinctly" made the "contrary" of the proposition in dispute it is impossible to discover. In any case, it has been seen that almost alone among the Ricardians, James Mill took the trouble in the first edition of his Elements to try to make clear the sense in which profits were functionally related to wages.<sup>3</sup> Mill's position was identical with that in the passage just quoted.

The other economic doctrine in the Westminster article which seems to point to James Mill is the reviewer's insistence that "Mr. Mill" took demand as the "cause" of value.<sup>4</sup> The reviewer then added that "cost

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1 Chapter VI, supra., pp. 233-35.

2 Westminster Review, pp. 164-65.

3 Cf. Chapter VIII, supra., pp. 333-38.

4 Westminster Review, pp. 168, 171.

of production, by preventing demand from raising value above its own level, limits and determines value; and, therefore may, with great correctness, be denominated the Regulator of Value."<sup>1</sup> Mill's argument, which was unchanged through the three editions of the Elements, was that "demand creates, and the loss of demand annihilates, supply."<sup>2</sup> So that "... the relative value of commodities ... depends upon demand and supply, in the first instance; but upon cost of production, ultimately; and hence, in accurate language, upon cost of production entirely. .... Cost of production, then regulates the exchangeable value of commodities."<sup>3</sup> The connection between the Westminster article and the Elements is obvious.

One final matter of contextual significance may be mentioned. At the very end of his article the Westminster writer sought to soften the vigor of his strictures on Bailey. After noting that Bailey's lack of success as a Ricardian critic was probably due to his not having discharged long enough the "functions of a learner," he said: "We predict, that at a future time, we shall have a much more agreeable task to perform, that of bestowing upon him [Bailey] a large measure of well merited applause."<sup>4</sup> Six months later James Mill reviewed the second edition of Bailey's Formation and Publication of Opinions<sup>5</sup> Inasmuch as the

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1 Ibid., p. 168.

2 Mill, Elements, 1st ed., p. 67.

3 Ibid., pp. 68-69.

4 Westminster Review, p. 172.

5 Cf. Chapter XII, supra., p. 546.

Formation and Publication of Opinions had been out in the first edition since 1821, James Mill undoubtedly knew of it. By January, 1826, therefore, when the review of the Critical Dissertation was given, Mill could already have been selected to review Bailey's other book, thus explaining the hint of the "well merited applause" he was soon to receive in the Westminster.

## 2.

In passing from the examination of the context of the Westminster article it is possible to bring up one or two points on the matter of style which seem to suggest James Mill. There is first of all the obvious strong tone and language in which the article was written. Bailey's work was deprecated because it took two hundred, instead of twenty, pages to deal with the subject, and this great length was charged against Bailey as an " 'effectual veil of fallacy.' " <sup>1</sup> The Critical Dissertation displayed a "great expenditure of metaphysics, not very valuable," "many words in very comely phrase," but "to no little purpose." <sup>2</sup> Bailey was credited with having shown a "very inadequate and shallow view" of his subject in pouring "contempt" upon Ricardo. <sup>3</sup> The chapters of the Critical Dissertation revealed one after another "mere logomachy," <sup>4</sup> the

1 Westminster Review, p. 157.

2 Ibid., 158-59.

3 Ibid., p. 160.

4 Ibid., p. 164.



"came fighting with a shadow," "the same ignoratio elenchi."<sup>1</sup> Bailey was described as a "language-master,"<sup>2</sup> a "juvenile author,"<sup>3</sup> who had the "art, in great perfection, of imposing upon himself,"<sup>4</sup> and who indulged an "idea of his own superiority," due "solely to his own imagination."<sup>5</sup> Bailey, said the reviewer, imputed to Ricardo "the confusion which reigns only in his own brains."<sup>6</sup> Bailey's book was a "boastful volume"<sup>7</sup> devoted to " 'much ado about nothing.' "<sup>8</sup>

Professor Bain has pointed out that this use of strong language was characteristic of James Mill in his battles in behalf of whatever cause he defended or espoused.<sup>9</sup> It is instructive, therefore, to compare the Westminster article with Mill's Fragment on Mackintosh.<sup>10</sup> It is unnecessary to venture into the background of this remarkable work, which Mill first wrote out in 1830.<sup>11</sup> But there is as much dogmatic energy spent by Mill in defending Hobbes, Helvetius, Bentham, and James Mill from Sir James' Dissertation on Ethical Philosophy as there was in defending Ricardo and James Mill from Bailey's Critical Dissertation. The

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1 Ibid., p. 168.

2 Ibid., p. 168.

3 Ibid., p. 172.

4 Ibid., p. 170.

5 Ibid., p. 166.

6 Ibid., p. 168.

7 Ibid., p. 171.

8 Ibid., p. 172.

9 Bain, James Mill, p. 424.

10 References are to the London: 1870 edition.

11 Cf. Bain, James Mill, pp. 348, 374, 415-18, 253.

same confidence in an established organon is displayed in both the Fragment and the Westminster article. There is the same distinctive, high-velocity criticism in each production, so that even similar expressions appear in them. For example, in the Fragment Mill used the word "jargon" at frequent intervals.<sup>1</sup> In the Westminster Bailey was twice held up as writing "jargon."<sup>2</sup> Moreover, when Mill was writing a polemic or disputation, his style tended to become short, rapid, and staccato. This was undoubtedly good for rhetorical effect. But in Mill's case it gave rise to an excessive use of the semi-colon. In the same connection, this kind of critical breathlessness prompted Mill to string together his clauses and sentences with a large number of "ands" and "buts." He invariably used one or the other as a transitional adverb after a period, or as a coordinating conjunction after a semi-colon. This style naturally kept up the pace of Mill's delivery. But it is fairly easy to spot. It is obviously impossible to cite each instance of this stylistic peculiarity, but the following quotations may give some idea of the effect. From the Fragment Mill says:

One would imagine that this is what he does suppose, by what he says about the resemblance of the principles of jurisprudence to pure mathematics. But if this be what he understands by the principles of jurisprudence, jurisprudence has no such principles; and his definition of the art of legislation, therefore, is that it applies nothing to something; viz. to the circumstances of a people.<sup>3</sup>

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1 Mill, Fragment on Mackintosh, pp. 46, 78, 98, 109, 113, 141, 194, 217, 221, 263, 264.

2 Westminster Review, p. 162.

3 Mill, Fragment on Mackintosh, p. 144.

And from the Westminster article:

To this commodity, answering thus extensively the purpose of a test, in all changes of value, Mr. Ricardo thought that the name of Standard of Value might not improperly be applied; and that it might be considered as invariable; not surely invariable in its own purchasing power; that is a meaning which no one can for a moment suppose was applied to it by Mr. Ricardo; but invariable in its accuracy as a test to mark the variations in the purchasing power of other commodities.<sup>1</sup>

As a final instance of one of Mill's stylistic peculiarities, it is possible to find in the Westminster article several cases of the old-fashioned negative which Mill is known to have used frequently.<sup>2</sup> For example, the Westminster writer at one place used the expression "which we have thought it was not."<sup>3</sup> Later on he protested that Bailey "says not one word."<sup>4</sup> And still further on he introduced a question with the phrase "is not this...."<sup>5</sup>

### 3.

In the final analysis, then, the total effect of what has been adduced above seems to point strongly toward James Mill as the author of the Westminster article on Bailey's Critical Dissertation. While each of the separate arguments brought forward would not of itself constitute a proof of this authorship; yet, when they are taken all together the

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1 Westminster Review, p. 160.

2 Bain, James Mill, p. 426. Sraffa, Ricardo's Works, I, xxi.

3 Westminster Review, p. 158.

4 Ibid., p. 162.

5 Ibid., p. 170.

case becomes more imposing and impelling. At any rate, until more definite proof comes to light, the conclusion which has been reached helps to shed some light on an hitherto obscure point in the development of economic thought.

## APPENDIX "B"

### THE BAILLEY MSS

Although the search for Bailey's MSS proved unrewarded, it may be worthwhile to relate its details in the chance hope that some future inquiry might thereby be stimulated.

Other than the obvious inference that a mass of papers would naturally accumulate in the process of publishing some twenty-odd volumes and in the course of a fairly active business and political life, the most suggestive indication that Bailey in fact left MSS is in his own will. In the will, which was drawn up, signed, and witnessed on 1 October, 1860, Bailey stated: "I bequeath all my jewelery, watches, trinkets, wearing apparel, linen of every description, and prints and pictures in frames (except the said portrait of myself) and all my letters and manuscripts of all kinds to the said Mary Anne Bailey absolutely, but I hereby request her to dispose of such of them as I shall hereafter give directions to her about." Mary Anne Bailey was Samuel's sister-in-law and only surviving relative at the time the will was drawn up. So far as the will itself was concerned, he never gave her any "directions" regarding his papers and other items, although instructions of this nature may have been passed verbally by him. Bailey's library was probably sold in the disposal of the remainder of his personal estate. It was impossible to verify this, however.

At the time of Samuel's death Mary Anne Bailey was living at 5, Pittville Lawn, Cheltenham. 5 Pittville Lawn had been left in trust by

John Bailey to his brother for Mary Anne Bailey's use. As executor, Samuel in his turn left the house to her when he died. Mary Anne Bailey's estate was relatively small at the time of her death on 17 January 1880. 5 Pittville Lawn was left by codicil to one Robert John Shepherd, St. Olave's Infirmary, Rotherhithe, London, and the remainder of Mary Anne Bailey's estate, less a legacy of £ 50, was left to her niece, Eleanor Miriam Slatter, wife of James Slatter of Evesham, Worcester.

In order to find out whether or not Bailey's papers had ever moved from Sheffield to Cheltenham in the disposal of the estate, the firms of solicitors concerned in the witnessing and proof of Samuel's will were contacted. Bailey's will had been witnessed by Messrs. Walter and Charles H. Jessop, Solicitors, Cheltenham. Walter Jessop died in 1885, and Charles died in 1918. Although the firm of Jessop and Sons, Solicitors, still practices in Cheltenham, inquiries addressed to them were unrewarded. The present partners, Walter H. and Charles H. Jessop both began practice after the earlier Jessops had died. Since it was the firm's policy not to retain papers older than the present century, they were unable to secure any information relative to the earlier Jessops' activities in connection with Bailey's will.<sup>1</sup>

Samuel's will was proved at Wakefield on the 9th of February, 1870, upon the affirmation of his executors, James Henry Barber and William Fisher, the younger. The extracting solicitor was Mr. Henry Edmund

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1 Letter of 16 September, 1983.

Watson. Mr. Watson was head of the firm which served as solicitors to the Sheffield Banking Company. The Watson firm practised in Sheffield up until the last war, and one of its partners was the grandson of Henry Edmund Watson. However, during the air raids on Sheffield in December, 1940, the firm's premises were almost completely destroyed and most of the documents were lost.<sup>1</sup> Although the firm now practises in Sheffield as Watson, Esam, Barber and Brayshaw, inquiries addressed to them proved unfruitful.

Mary Anne Bailey's will was proved on 17 November, 1980 at Gloucester on the affirmation of her cousin, Charles Best, the sole executor. Mr. Walter Jessop and his clerk, William Jewell, of Cheltenham, served as witnesses to Mary Anne Bailey's will. Although William Jewell did not die until 1926, the present partners of the Jessop firm had no information of Jewell or of any recollections he might have had concerning Mary Anne Bailey's estate. The extracting solicitor of Mary Anne Bailey's will was one Joseph Martin of Pershore, Wores. Inquiries to practising solicitors in Pershore disclosed that none had taken over Martin's practise and that his firm apparently had gone out of existence upon his death.<sup>2</sup> It was therefore impossible to obtain any information bearing on the actual contents of Mary Anne Bailey's personal estate.

In an effort to follow up any descendants of Mary Anne Bailey, in-

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1 Letter from Mr. R.L. Craig, 8 September, 1953.

2 Letter from Messrs. March and Edwards, Pershore, 25 September, 1953.

quiries were addressed to the Evesham Public Librarian, Mr. C.W. Huddy, concerning a family of Slatters mentioned in Mary Anne Bailey's will. Mr. Huddy discovered that a Mr. A.M. Slatter, who had died in 1949, was survived by his widow.<sup>1</sup> An inquiry to Mrs. Slatter revealed that she knew nothing of the Eleanor Miriam Slatter mentioned in Mary Anne Bailey's will. Mrs. Slatter kindly requested her sister-in-law, Eleanor Slatter, to look out for any evidence that Bailey's papers might have come to Evesham by way of Mary Anne Bailey and the Eleanor Miriam Slatter mentioned in the will.<sup>2</sup> Nothing came of these searches, however. According to Mr. Huddy, the local directories of the period around 1880 failed to mention the James Slatter, husband of Mary Anne Bailey's niece. This made it appear unlikely that any family of Slatters, other than the one contacted, had survived in the Evesham area. Accordingly, it was necessary to abandon the search there.

It was impossible to trace the Robert John Shepherd to whom Mary Anne Bailey had left 5 Pittville Lawn. Inquiries to the present occupants of 5 Pittville Lawn were not answered.

Although none of the investigations thus far recounted definitely established that any MSS or letters existed, beyond Bailey's statement in his will, conclusive proof on this point emerged from a somewhat different direction. In the Spring of 1873 a brief sketch of Samuel Bailey, along

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1 Letter of 25 February, 1953.  
2 Letter of 8 March, 1953.



with a few bibliographical data, appeared in Notes and Queries over the signature of "Alexander Ireland, Inglewood, Bowdon, Cheshire."<sup>1</sup> After eulogizing Bailey's character and intellectual ability, as manifest in his published works, Ireland had concluded:

If the Editor of 'Notes and Queries' considers that a list of Mr. Bailey's works would be of interest to its readers I shall be glad to furnish one, having all the volumes and pamphlets written by him in my possession. I am told that he left a quantity of manuscript matter. A uniform edition of his writings, including a selection from his manuscripts, would be a fitting memorial of this admirable thinker and manly advocate of the right and duty of free inquiry.<sup>2</sup>

Now Alexander Ireland was a considerable literator, in addition to having served as editor of the Manchester Examiner from 1846 to 1886.<sup>3</sup> Although the editor of Notes and Queries accepted Ireland's offer of a list of Bailey's works, it was not presented until 1878, when it appeared accompanied by a somewhat expanded biographical sketch of Bailey.<sup>4</sup> By this time Ireland's proposed uniform edition of Bailey's works had evidently passed the planning stage. For he now remarked, "all his [Bailey's] writings, including a selection from his unpublished manuscripts, which I believe are numerous, might be comprised in seven or eight volumes. I have reason to know that the prospectus of such an

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1 Notes and Queries, XI (May, 1873), 384-85.

2 Ibid., p. 385.

3 Ireland published a number of books, among which the best known was probably his Book-Lovers Enchiridion, A Treasury of Thoughts on the Solace and Companionship of Books, gathered from the writings of the greatest thinkers, from Cicero, Petrarch, and Montaigne, to Carlyle, Emerson and Ruskin (London: 1888). He was also a personal friend of Ralph Waldo Emerson and was, indeed, instrumental in bringing Emerson to England on a lecture tour in 1847-48. Cf. "Alexander Ireland" DEB, Supplement, III, 33.

4 Notes and Queries, IX (March, 1878), 182-85.

edition will soon be issued."<sup>1</sup> The plan never in fact materialized, of course.

In both this and the 1873 quotation given above, Ireland had referred to the fact that Bailey had left a quantity of MSS and papers, which he believed were "numerous." The form of his expression indicates that Ireland probably had never put his hands on the papers; otherwise, he would have known definitely whether they were "numerous" or not. On the other hand, he could hardly have declared publically his intention to publish extracts from Bailey's papers unless he were certain that such papers existed and would be accessible to him. That he possessed such an assurance seems clear from his remarks on the more intimate biographical details included in the 1878 article. This information, came to Ireland from one whom he called a "surviving relative."<sup>2</sup> This could only have been Mary Anne Bailey, for Samuel outlived all the members of his own immediate family, none of whom had married except John. There was no issue from John and Mary Anne Bailey's marriage. But if this is true, and if Ireland was in contact with Mary Anne Bailey between 1873 and 1878, then the Bailey MSS and papers must have been in existence, and probably in Mary Anne Bailey's possession at that time.

In an effort to discover whether Alexander Ireland had ever actually seen or possessed the Bailey papers after 1878, a search was made for

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1 Ibid., p. 183.

2 Ibid., p. 182.

his literary remains. No information was turned up in Bowdon, Cheshire, where Ireland lived at the time of the Notes and Queries articles. However, Ireland's will had stipulated that "thirty volumes to be selected from his library" should be bequeathed to his "five children." An apparently promising discovery was the fact that one of those children was Dr. John Ireland, the composer. In reply to an inquiry addressed to him, Dr. Ireland disclosed that he was extremely young when his father died in December, 1894. Accordingly, no books or papers ever came into his hands. Since all the remaining members of Dr. Ireland's family were dead, it was impossible for him to provide any information about what had happened to his father's papers.<sup>1</sup>

Toward the end of his life Alexander Ireland had come into financial difficulties. His library was sold by Messrs. Sotherby, Wilkinson and Hodge on 13 March, 1883. The sale catalog listed no items by Samuel Bailey, and the part of Ireland's library which was purchased by T.R. Wilkinson, and presented by him to the Manchester Public Libraries, contained only works by, or relating to, Lamb, Hazlitt, Eunt, Carlyle, and Emerson. Mr. Sidney Horrocks, Librarian of the Manchester Public Libraries, in providing this information<sup>2</sup> noted that Mr. C.W. Sutton, a former Chief Librarian of the Manchester Public Libraries and personal friend of Ireland, believed that a mass of Ireland's papers and correspondence

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1 Letter of 4 May, 1953.

2 Letter of 11 May, 1953.

had been sold by him to the British Museum. The papers to which Mr. Sutton had referred appear to be some letters of Hunt, Carlyle, Cobden, Emerson, and a MS of Emerson's address "Aspects of Culture."<sup>1</sup> Nothing related to Bailey is contained in them, however.

So far as Bailey's publishers were concerned, little assistance was forthcoming. Of R. Hunter, St. Pauls Churchyard, who did most of Bailey's early publishing, no trace whatever could be found. Nor was it possible to discover anything regarding James Ridgway, Fleadilly, or Effingham Wilson. The most promising possibility was Messrs. Longmans, Green, and Company, Ltd, who had taken over Bailey's publishing in 1844. In the event, however, they were unable to divulge any information concerning Bailey's MSS or papers due to the destruction of their records during the air raids of 1940.<sup>2</sup>

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1 British Museum, Add. MSS. 33, 515.

2 Letter of 11 March, 1952.

## APPENDIX "C"

### RAILEY'S PURSUIT OF TRUTH

Several sources<sup>1</sup> have credited the review of Bailey's Essays on the Pursuit of Truth to James Mill. However, by July, 1829, when the review appeared, both Mills had left the Westminster.<sup>2</sup> Moreover, a writer in Notes and Queries<sup>3</sup> pointed out that the complete Westminster article was reprinted in Col. Perronet Thompson's Exercises, Political and Others. (London: 1842),<sup>4</sup> thus clearly establishing the authorship.

The passages in Bailey's Pursuit of Truth which Thompson had described as a sort of "Review of Reviews" appear to be those found in Chapter VII, "On the Spirit in which we ought to communicate and receive the results of Inquiry," of the first essay. There, for example, Bailey had urged:

... I have only one request to make, that the existence of an error may be shown, not merely asserted; and that any fallacy in reasoning may be directly pointed out, rather than not by counter-arguments drawn from different premises. When any train of reasoning is fairly laid down before us, if it involves an error the fallacy may be detected and exposed. For any such detection then I shall be grateful. I am willing to review, to discuss, to analyze again any principle which I have maintained, and should rejoice to emancipate myself from any illusion.

Should any one intermix his exposure of my errors with opprobrious language, it will be to his own detriment and disgrace; but it shall not prevent me from taking advantage of his perspicacity to clear my understanding from inaccurate perceptions. While I shall do my best to seize the truth of his arguments, I shall also in the same

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1 E.g. Sir Leslie Stephen, "Samuel Bailey," Dictionary of National Biography, II, 410. Rev. A. Catty, Sheffield: Past and Present, p. 244. British Museum General Catalog, "Bailey, Samuel."

2 Bain, James Mill, p. 312. Halevy, op. cit., p. 463.

3 4th Series, XII. (October: 1873), 316.

4 I, 152 ff.

spirit of fairness endeavor to appreciate and exhibit in its true colours, that unfortunate junction of malignancy of disposition with intellectual power of which he had afforded the melancholy spectacle.<sup>1</sup>

In the final analysis, Bailey added, it appeared that

the whole duty on the subject [of receiving the results of inquiry] indeed, may be comprised in one word -- justice. This is what every critic ought to give, and more than this a man ought not to wish to receive. The general presumption in favour of an author's intentions, in the absence of all evidence to the contrary, should obtain for him the courtesy due to a laudable attempt, and secure him from all imputations of bad motives, but not shield his speculations from scrutiny. There is nothing incompatible between thorough esteem for the moral and even intellectual qualities of his mind, and a full conviction of the inaccuracy of his views and the unsoundness of his arguments; -- nothing inconsistent between respect for the one and a free exposure of the other.<sup>2</sup>

Bailey's own somewhat casual remarks in the Preface of the first edition of the Pursuit of Truth may have occasioned some obscurity as to whether or not Col. Thompson's judgement about the final chapter of the first essay was correct. That is, whether indeed it had been provoked by the "petulance of criticism."<sup>3</sup> On the one hand, Bailey himself had stated in the Preface, which he dated March, 1829, that "the greater part of the volume indeed was written out for the press four or five years ago, since which it has had the benefit of repeated scrutiny and revision."<sup>4</sup> This "four or five years ago," taking March 1829 as the base, would place the writing of the essay in 1824 or 1825, which clearly would have been

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1 Pursuit of Truth, 1st ed., pp. 101-2.

2 Ibid., pp. 104-5.

3 Cf. Chapter VII, supra., p. 260.

4 Pursuit of Truth, 1st. ed., p. viii.

before the Critical Dissertation had been reviewed in the Westminster.

On this reckoning, then, Col. Thompson's judgement would be wrong.

On the other hand, earlier in the Preface<sup>1</sup> Bailey had remarked that the first essay had been written by him in response to a suggestion made regarding his other Essay on the Formation and Publication of Opinions. This "suggestion" was clearly that which James Mill had made in his review of the second edition of the Formation and Publication of Opinions.<sup>2</sup> This stimulus to write having occurred six months after the review of the Critical Dissertation, the "petulance of criticism" may well have been in Bailey's mind when he undertook the Pursuit of Truth. This, of course, would confirm Col. Thompson's viewpoint.

In the absence of any positive proof one way or the other, there is one additional matter which seems to support that latter position, viz. that Bailey did have the review of the Critical Dissertation in mind when he was writing the first essay on the Pursuit of Truth. In 1844 he published a second and revised edition of the Pursuit of Truth. In it the third essay of the first edition, "Essay on the Uniformity of Causation, explaining the Fundamental Principle of All Evidence and Expectation," was suppressed. However, some years later in the Letters on the Philosophy of the Human Mind Bailey quoted several lengthy passages from the essay on causation, explaining, as he said, that it was

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1 Ibid., pp. iii-iv.

2 Westminster Review, VI (July, 1826), 1-23. Cf. Chapter XII, supra., p. 573.

"out of print, and is not likely to be soon republished."<sup>1</sup> He referred to the essay as having been "published" by him "above thirty years ago" and gave as the specific date of publication "A.D. 1826."<sup>2</sup> Since this essay was never formally "published" by Bailey at that time, it would appear that he meant that he had "written [it] out for the press" in that year, which expression he had used in the Preface to the first edition of the Pursuit of Truth. If this is his meaning, the first essay of the Pursuit of Truth would then have been written after the Critical Dissertation had been reviewed in January of 1826.

In the second edition of the Pursuit of Truth the substance of the above quotations from the first edition was retained. He embellished his remarks on the duty of receiving the results of inquiry and criticism, however, by referring to several cases of philosophic, scientific, and pecuniary loss to the world because of "an illiberal and unjust reception of the communications made to the world by some of its master spirits."<sup>3</sup> On the theme of the "petulance of criticism" he then went on to observe that

these few instances, which might be easily multiplied, suffice to show that a real discouragement is offered to the finest minds by an unjust and ungenerous reception of their labours; and it cannot be doubted that the experience or the apprehension of such treatment, by stifling many brilliant thoughts, comprehensive speculations, and useful discoveries, has kept down the dignity and happiness of mankind below the point to which they might have obtained. But although genius had never yielded a step to such injustice, although by such means no profound train of thinking had been suppressed, no happy

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1 Letters on the Philosophy of the Human Mind, 2d. series, p. 165.

2 Ibid., p. 165, n.

3 Pursuit of Truth, 2nd edition, p. 141.



conception imprisoned in its birth-place, no discovery nipped in the bud, yet assuredly every right feeling demands that the happiness of these benefactors of society should at least be protected from wanton injury. If we cannot find in our hearts to reward their merit, let us at all events abstain from thoughtlessly robbing them of their peace. This is, indeed, not more than our own palpable interest dictates. Even in the present day, it is impossible to tell how much we all daily lose by the reserve of wise and thoughtful men, in keeping back the fruits of long-continued research and meditation, from an apprehension that the prejudice of society and the rancour of criticism might invade that tranquility of mind, for the loss of which no reputation would compensate.<sup>1</sup>

This emphasis by Bailey on intellectual freedom was, of course, part of his down-the-line utilitarianism. But it seems clear that the harshness with which his Critical Dissertation was received caused him great distress. And, as he had implied in the passage quoted immediately above, there was a serious matter to be resolved regarding the effect of such hostile receptions on social happiness which, after all, was the professed objective. It is doubtful if he would have taken the trouble to express himself in this way if, as Col. Thompson had first pointed out, he had not in some way suffered personally from an unfavorable review.

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1 Ibid., pp. 142-43.

APPENDIX "D"

BAILEY BIBLIOGRAPHY

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- Questions in Political Economy, Politics, Morals, Metaphysics, Polite Literature, and other branches of knowledge; for discussion in literary societies, or for private study, with remarks under each question, original and selected. London: R. Hunter, 1823.
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- Essays on the Pursuit of Truth, On the Progress of Knowledge, and On the Fundamental Principle of all Evidence and Expectation. 1st ed. London: R. Hunter, 1829.<sup>2</sup>

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<sup>1</sup>Bailey's signature appears on the title-page of the copy of this work in the Department of Local History, Sheffield City Libraries. Several marginal notes in the text are not in his hand, however.

<sup>2</sup>The copy of this work in the Department of Local History, Sheffield City Libraries, bears Bailey's signature on the title-page. The first essay is revised in his hand as for a second edition. The other essays are untouched, however.

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<sup>1</sup>On the fly-leaf of Edwin Chadwick's copy of this work, now in the British Museum, the following inscription in Bailey's hand appears: "Editor of the Examiner, with the Author's respects."

<sup>2</sup>The copy of this work in the Department of Local History, Sheffield City Libraries, has Bailey's signature on the title-page. Several verbal corrections in pencil and ink by Bailey appear in the text.

<sup>3</sup>The copy of this work in the Department of Local History, Sheffield City Libraries, has Bailey's signature on the title-page and is bound with a paginated sheet of proposed corrections in Bailey's hand. No corrections or alterations appear in the text, however.

<sup>4</sup>On the title-page of the copy of this pamphlet in the Department of Local History, Sheffield City Libraries, may be found: "From the Author" and Bailey's signature. This copy originally belonged to Bailey's friend, William Fisher, of Sheffield.

<sup>5</sup>The copy of this work in the Department of Local History, Sheffield City Libraries, has bound with it the anonymous note in script: "Very scarce-- almost all the copies having been destroyed by fire. An anonymous work by Samuel Bailey of Sheffield author of 'On the Formation and Publication of Opinions.'" The G.H. Davidson, who printed this work for Bailey, was printer for E. Wilson, the publisher of Bailey's Money.

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Letters on the Philosophy of the Human Mind. 2d series. London: Longman, Brown, Green, Longman, and Roberts, 1856.

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<sup>1</sup>The copy of this work in the Department of Local History, Sheffield City Libraries, has on the title-page in Bailey's hand: "Copy corrected for second edition." The text is liberally annotated. See Plate VII, infra, p. 724.

<sup>2</sup>Bailey's signature is found on the concluding page of the copy of this work in the Department of Local History, Sheffield City Libraries.

<sup>3</sup>The copy in the Department of Local History, Sheffield City Libraries, has on the title-page: "By Samuel Bailey of Harbury Sheffield author of Essays on the Formation and Publication of Opinions." This is not in Bailey's hand, although his signature appears on the second title-page.

<sup>4</sup>The copy in the Department of Local History, Sheffield City Libraries, has on the title-page: "Mr. S. Bailey. The Author's copy." There are no textual annotations.

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