Condillac, “On Value and Trade” (1776, 1798)

“Value is not so much in the object as in how we esteem it, and this estimation is relative to our needs: it grows and diminishes, just as our need itself grows and diminishes.”

Étienne Bonnot, Abbé de Condillac (1714-1780)

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Editor’s Introduction

Étienne Bonnot, Abbé de Condillac (1714-1780) was a French priest, philosopher, and economist and a member of the French Academy. He was an advocate of the ideas of John Locke and a friend of the encyclopedist Denis Diderot. His work on Commerce and Government (1776) appeared in the same year as Adam Smith’s Wealth of Nations. Although he is regarded as a Physiocrat he developed several new ideas about subjective value theory and the mutual gains from exchange which were ahead of his time and provoked many in the classical political economy tradition to criticise him. Among these were Frédéric Bastiat and Jena-Baptiste Say.

This extract is composed of two parts (which we have edited for length). The first is his opening chapter on “The Basis of the Value of Things”. The second is his chapter 6 “How Trade Increases the Mass of Wealth”. What is important about these chapters is that Condillac promotes a radically new and different subjective theory of value which has some striking similarities to that put forward by the Austrian economists during the Marginal Revolution of the 1870s. Instead of seeing “value” as an objective measure of “wealth” which embodied some concrete amount of something like “labour” or “utility” Condillac saw it in a very personal and hence “subjective” sense of a person’s “opinion” or “judgement” about whether the object being valued was more or less useful or important to fulfilling that person’s needs and wants. Hence these opinions or judgements varied from place to place and from time to time.

The second part on the wealth generating aspect of trade was also provocative to the classical economists as they believed that wealth was created by agriculture (exclusively according to the Physiocrats) or industrial production. Trade and commerce was merely the transfer of already created wealth from one place to another and did not add to the “stock” of wealth of a nation. Condillac argued that since the two parties to an exchange valued the money and goods in question differently, the seller of a good preferring to have the customer’s money than the good, and vice versa, then they both befitted from engaging in trade, and hence new wealth was created in the process.

“Value depends, they add, on the particular estimation each person makes of goods and consequently it will for ever vary. So it varies: is there anything which has an invariable value? I say therefore that in individual exchanges value is the particular estimation each person makes of goods; and I add that it is the general estimation that society itself makes of them, if we consider it in the markets where all end up agreeing on a measure to settle the respective value of goods, that is, the value they are given when they are considered against other goods.”
“On Value and Trade” (1776, 1798)¹

First Part: Elementary Propositions
On Commerce, Determined According to the Assumptions Or Principles of Economic Science

1. The Basis of the Value of Things

Let us assume a small tribe which has just been established, which has brought in its first harvest, and which, since it is isolated, can only subsist on the product of the land it cultivates.

Let us also assume that after setting aside the necessary seed corn, they have a hundred muids [a ancient measure of volume] left; and that with this quantity, they can wait for a second crop without fear of scarcity.

Carrying on with our assumption, for this amount to remove all fear of scarcity, it must be enough not only for their needs, but also to relieve their fears. Now, that can only be found in a certain degree of abundance. Indeed, when people judge in line with their apprehensions, what would suffice at a pinch is not enough; and they only believe they have enough in what is to a certain extent abundant.

The quantity which remains for our tribe, once the seed corn has been deducted, therefore makes, for this year, what we call abundance. Consequently if they have some muids more, they are in surplus and they would be in dearth if they had some less.

If a people could judge, exactly, the relationship between the quantity of corn it has, with the amount needed for its consumption, this known relationship would cause it always to know, with the same precision, whether it was in abundance, surplus, or dearth.

But it cannot judge this relationship precisely: because it has no way of informing itself exactly, either of the amount of corn it has, or of what it will consume. It is all the less able to do so, as it could not store the corn without waste, and the exact amount of this waste is by its nature unpredictable. If it estimates it then it is only roughly, and on the experience of several years.

However, in whatever way it judges the relationship, it is always true to say that the tribe believes that it is in abundance, when it thinks it has a sufficient amount of grain to set aside all fear of running out of it; that it believes it is in surplus, when it thinks it has more than enough to meet all its fears; and that it believes itself in dearth, when it thinks it only has a quantity which is inadequate to set aside its fears.

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If, instead of a hundred muids, our tribe, after deducting seed corn, had two hundred, it would have a hundred which would be of no use for its consumption between one crop and another; and if it took no care over storing this surplus grain, the corn would ferment and go bad, and what was left of it would be useless for the following years.

Several consecutive years of a large harvest would do nothing but embarrass our tribe with a useless surplus, and it would soon happen that they sowed less land.

But harvests which are inadequate for the needs of the tribe will create awareness of the need to store the corn when there is a surplus. A way to do this will be sought, and when it is found, the corn that is useless in years of surplus will become useful in years of dearth.

The hundred muids which the tribe has not consumed, and which it has known how to store, will make up the shortfall in several years when all that is left for its

consumption, after seed corn has been deducted, is sixty or eighty muids.

Properly speaking there will no longer be a corn surplus, once it is known how to preserve it, because what is not consumed in one year can be consumed in another.

If our tribe was surrounded by other tribes, cultivators like itself, it would not have the same need to keep corn in granaries; because, by giving the surplus that it had in some other commodity, it could obtain for itself surplus corn from another tribe. But we have assumed it to be completely isolated.

We have two kinds of needs. One set follows from our makeup: we are created to need food, or to be unable to live without nourishment.

The other kind follows from our customs. Something which we could do without, because our constitution does not make it a need for us, becomes necessary by custom, and sometimes as necessary as if we had been constituted to need it.

I call natural the needs which follow from our constitution, and artificial those which we owe to habit formed by the use of things.

A wandering horde lives on the fruits which the land produces naturally: on the fish it catches, on the animals it kills hunting; and when the area it covers no longer provides its subsistence, it moves elsewhere. In this form of life we only see natural needs.

Our tribe can no longer wander. It has created for itself the need to live in its chosen place. It has made itself a need of the abundance which it finds in the fields it cultivates, and the bounty of the fruits it owes to its labour. It is not satisfied with hunting the animals which can provide its food and clothing, it raises them, and tries to increase their number to meet its consumption.

There you have a type of life in which we notice artificial needs, that is to say, needs which arise from the habit we have formed of satisfying natural needs by chosen methods.

You can see that these first artificial needs separate themselves as little as may be from natural ones. But you can also foresee that the tribe will form others which will move ever further from natural needs. That is what will happen when our tribe, having made progress in the arts, wants to satisfy its natural needs through more multifarious and refined ways. There will even come a time when the artificial needs, by dint of moving away from nature, will end up changing it completely and corrupting it.

The first needs which our tribe creates for itself are of the essence of the social order, and this would cease if these needs themselves ended. So one is thus justified in considering them as natural. Because if they are not so for the wandering savage, they become so for man in society, for whom they are absolutely necessary. That is why I shall from now on call natural not only the needs which follow from our makeup, but also those which are a consequence of the constitution of civil societies; and I shall understand by artificial those which are not essential to the social order, and without which, in consequence, civil societies could continue to exist.

We say that a thing is useful when it supplies some of our needs; and that it is useless when it meets none of them, or when we can do nothing with it. Its utility is therefore founded on the need we have for it.

“Following this utility, we esteem it more or less, that is to say we judge whether it is more or less adapted to the uses to which we want to put it. Now this estimation is what we call value. To say that a thing has value is to say that it is, or that we think it is, good for some purpose.”

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The value of things is thus founded on their utility, or, which comes to the same, on the need we have of them, or, which again comes back to the same, on the use we can make of them.

As our tribe creates new needs for itself, it will learn to use for its tasks things of which it made nothing previously. It will therefore give in one time period value to things to which it gave none in another.
In abundance, need is felt less because people do not fear being without. For the opposite reason, people feel need more in scarcity and in dearth.

Now, because the value of things is based on need, it is natural that a more strongly felt need gives things a greater value, and that a less pressing need gives them less value. The value of things therefore grows with scarcity and decreases with abundance.

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Value can even diminish in abundance to vanishing point. For instance, a surplus good will be without value every time one can do nothing with it, since then it would be completely useless.

Such would be a surplus in corn, if one considered it with reference to the year in which it does not contribute to the quantity needed for consumption. But if one considers it with reference to the following years, when the harvest may not be adequate, the surplus will have a value, because one judges that it could be part of the quantity required for the need one will have of it.

This need is distant. For that reason it does not give a good the same value as a present need. The latter makes one feel that the good is absolutely necessary now, and the other simply makes one judge that it could become so. One flatters oneself that it will not become necessary; and with that prejudice, as one is led not to foresee the need, one is also led to give less value to the good.

Greater or lesser value, the utility being the same, would be based simply on the degree of scarcity or of abundance, if this degree could always be known precisely; and then one would have the true value of each good.

But this degree can never be known. It is therefore chiefly on the estimation that we have of it that greater or lesser value is based.

If one assumes that a tenth of the corn needed for the tribe’s consumption is lacking, nine-tenths would only have the value of ten if one estimated the scarcity accurately, and if one saw for certain that it really was only of a tenth.

That is just what one does not do. Just as people are complacent in abundance, so they are fearful in scarcity. In place of the tenth which is the shortfall, they judge that there are two-tenths, three-tenths or more deficient. They believe themselves to be at the point where corn will be completely unavailable; and the shortfall of a tenth will produce the same terror as if it were of a third or a half.

Once opinion has exaggerated the dearth, it is natural that those who have corn think to keep it for themselves; in fear of running out, they will set aside more of it than they need. It will therefore happen that the dearth will be really total, or near enough, for some of the tribe. In this state of affairs it is clear that the value of corn will grow in proportion to the exaggerated opinion of the dearth.

If the value of things is based on their utility, their greater or lesser value is thus based, the utility staying the same, on their scarcity or their abundance, or rather on the opinion we have of their scarcity and their abundance.

I say “the utility staying the same” because one has enough appreciation that, in supposing them equally rare or equally abundant, one judges them of more or less value, depending on whether one judges them more or less useful.

There are things which are so common that although they are very necessary, they seem to have no value. Such is water, it is found everywhere, people say, “It costs nothing to get it for oneself, and the value which it can gain through transport is not its value but only the value of the carriage costs.”

It would be amazing if one paid carriage costs to get oneself something valueless.

A good does not have a value because it has a price, as people suppose, but it has a price because it has a value.

I say therefore that, even on the banks of a river, water has value, but the smallest possible, because there it is in finitely surplus to our needs. In an arid place by contrast it has a huge value, which one assesses according to how far away it is and the difficulty of getting hold of it. In such a case a thirsty traveller would give a hundred louis for a glass of water, and
that glass of water would be worth a hundred louis. For
value is not so much in the object as in how we esteem
it, and this estimation is relative to our needs: it grows
and diminishes, just as our need itself grows and
diminishes.

As one judges that things have no value when one
has assumed they cost nothing, one judges that they
cost nothing when they cost no money. We have much
difficulty in seeing the light. Let us try to put some
precision in our ideas.

Even if one gives no money to obtain a thing it has
a cost if it costs work.

Now what is work?

It is an action, or series of actions, with the aim to
gain from them. One can act without working: that is
the case with idle men who act without making
anything. To work is therefore to act to obtain a thing
one needs. A day labourer whom I employ in my
garden works to gain the wage I have promised him;
and one must state that his work begins with the first
blow of the spade: because if it did not begin with the
first, one could not say where it began.

Following these preliminary reflections, I say that
when I am far from the river, water costs me the action
of going to get it; action which is work, since it is
accomplished to get me something I need; and when I
am at the river edge, water costs me the action of
leaning over to get it; I agree that the action is very
little work: it is even less than the first blow of the
spade. But then again does not the water have only the
smallest possible value at that time?

The water therefore has the value of the effort I
make to get it. If I do not go to get it myself, I will pay
for the work of the man who brings it to me; it is then
valued at the wage I will give; and consequently the
 carriage costs give it a value. I give it this value myself,
since I judge that it is worth these carriage costs.

You would be astounded if I said that air has a
value; and yet I must say so, if I reason consistently. But
what does it cost me? It costs me every effort I make to
breathe it, to change it, to renew it. I open my window,
I go out. Now each of these actions is work, very light
work in truth, since the air, even more abundant than
water, can only have a minute value.

I can say the same of light, of those rays which the
sun spreads so profusely on the surface of the land: for
it certainly costs us an effort or money to turn it to all
our uses.

Those whom I contest consider it a great error to
base value on utility, and they say that a thing cannot
have value unless it has a certain degree of scarcity. A
certain degree of scarcity! Now that I do not understand. I
can conceive that a thing is scarce, when we judge
that we do not have as much of it as we need for our use;
that it is abundant, when we judge that we have all we
need of it, and that it is in surplus, when we judge
that we possess it beyond our needs. Finally I can conceive
that a thing of which one makes nothing, and of which
nothing can be made, has no value, and that on the
other hand a thing has value when it has utility; and
that if it did not have a value by its utility alone, it
would not have a greater value in scarcity, and a lesser
in abundance.

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Value being based on the opinion we hold of the utility of things, and the utility of things itself resting on the need we have of them, we must distinguish a natural value which only assumes natural needs, and an artificial value which only assumes artificial needs. Corn, for example, has a natural value among our tribe, because we assume that all the citizens have naturally the same need of it. But diamonds, if their use should be introduced among them, would only have an artificial value, since such a need, useless at least to society, could only be that of some individuals.

Natural value is directly the same for all, because it is the value of things absolutely essential to the support of society. On the other hand, artificial value, which is very great for some people, would not be in itself worthless for the others; but, because wealthy people will only get goods of an artificial value in so far as they give in exchange goods of natural value, it is a consequence that artificial value becomes, at least indirectly, a real value for everybody. So it is that things which are useless to the vast number of people end up being of general utility when they are considered the equivalent of something essential to all.

Value, of whatever kind, natural or artificial, thus exists principally in the opinions we hold of the utility of things; and one should not say with the économiste writers, that it consists in the exchange relationship of one thing and another: that would be to suppose, with them, that the exchange preceded the value; this would reverse the order of ideas. Indeed, I should not make any exchange with you, if I did not judge that the article you were handing over had a value; and you would make no exchange with me, if you did not judge likewise that what I was selling you has a value.

The object of a science is properly a problem which, like every problem to resolve, has as givens [données] knowns and unknowns. In Economic Science, the knowns are the means which we understand to be appropriate for obtaining abundance in certain forms, the unknowns are the means we still need to discover to obtain abundance in every way; and it is clear that, if the problem can be resolved, it is for the knowns to make the unknowns known to us.

This very complex problem comprises a large number of others each of which will give us new difficulties if we do not analyse them methodically; and we shall find ourselves, as has happened to all governments, falling into gross errors with each solution we think it right to proffer.
But the order that analysis prescribes is, firstly, to concern ourselves with the knowns, because, if we do not begin by determining them, it will be impossible to determine the value of the unknowns. Secondly, it requires us to look, among the knowns, for that which must be the principal one; because, if the principal known is not determined, one will not determine the others. Therefore let us look for it.

Among the means of obtaining abundance, I see first the cultivation of the land. But, if agriculture seems to begin before trade, it is certain that it cannot improve itself except in so far as trade establishes itself and spreads. Perfected agriculture, that is to say, agriculture which is bound to procure the greatest abundance, thus assumes trade. Trade assumes exchanges, or, as is basically the same thing, purchases and sales: the purchases and sales assume that things have a price and the price assumes that they have a value.

So there are the knowns; however confused they still are, I can at least see clearly in what order they initially present themselves; and that order, which I had to start by revealing, shows me the value of things as the first idea which needs to be determined and developed. From that point, the further forward I go, the more clearly I see my goal; because, from one chapter to the next, I shall always clear some unknowns, and one problem solved will bring forward the solution of a new problem. I may have carried out this plan badly: but it is none the less true that you will only deal properly with Economic Science in so far as you use my language, or correct it following my method, which is the only one.

This chapter will act as a basis for this work, which is why I have drawn it out perhaps to excess. However, I must allow myself another observation: it is essential. In the current prejudice that definitions are the sole principles which can spread enlightenment, people think that they understand a word when they have seen what is called the definition; and, because they suppose that I myself am also making definitions, they will think they understand, for example, the word value, as soon as they have read what I say about it, at the very moment that I begin to analyse it. They will therefore rush to make objections which they would not have made if they had waited until the analysis was completed. That is what happened to those writers who thought they were refuting me, and who did not understand me at all.

If, in making definitions, one has the advantage of saying everything one wishes to say in just one proposition, it is that one is not saying everything necessary, and often one would be better to remain silent. Analysis does not pride itself on such brevity; as its aim is to develop an idea which must be grasped from different viewpoints, it can only succeed in so far as it has the word scrutinised in all the senses which show up all the concomitant ideas. We shall require several more chapters before we have finished analysing the word value, or at least before we have removed from it all the vague ideas that are attached to it, and which often make the language of Economic Science unintelligible.

6. How Trade Increases the Mass of Wealth

We have seen that trade, which consists in the exchange of one article for another, is carried on chiefly by merchants, traders and dealers. Let us now try to understand the utility which society draws from all these men who have set up as agents between producers and consumers; and to that end, let us look at the source of wealth and the course it follows.

Wealth consists in an abundance of things which have a value, or, which comes to the same, in an abundance of things that are useful because we need them, or finally, which is again the same, in an abundance of things which are used for our food, for our clothing, for our housing, for our comforts, for our pleasures, for our enjoyment, in a word for our use.

Now, it is the earth alone which produces all these things. It is therefore the sole source of all wealth.

Naturally prolific, it produces by itself and without any work on our part. Savages, for instance, live off the fecundity of lands which they do not cultivate. But they need for their consumption a vast extent of land. Each savage can consume the product of a hundred arpents. Then again it is hard to imagine that he will always find plenty in that space.

It is that the earth, left to its own natural fecundity, produces everything indiscriminately. It is especially fecund in things which are useless to us and of which we can make no use.

If we make ourselves masters of her fecundity, and obstruct certain products to encourage other products,
the land will become fertile. Because if we call land which produces plentifully and all at hazard **fertile**, we call land which produces plenty and to our wishes **fertile**.

It is only by observation and work that we will succeed in curtailing certain products and enabling other products to grow. We must discover how the land produces, if we want to multiply exclusively things for our use and eradicate all the rest.

The collection of observations to this end makes the theory of a science called **agriculture**, or cultivation of the fields; and the work of the settler who daily follows these observations constitutes the practice of this science. I shall call this practice **cultivation**.

The settler thus multiplies things which are for our use, which have a value, and the abundance of which makes what we call wealth. It is he who digs the ground, who opens the spring, who makes it spurt forth; it is to him that we owe abundance.

What then do we owe to merchants? If, as everyone supposes, one always exchanges a product of a uniform value against another product of the same value, one multiplies the exchanges in vain; it is clear that afterwards, as before, there will always be the same accumulation of values or of wealth.

But it is false that in exchanges one gives equal value for equal value. On the contrary, each of the contracting parties always gives a lesser value for a greater value. People would recognise that fact if they thought precisely, and you can already understand it from what I have said.

A woman whom I know, having bought a piece of land, counted out the money to pay for it, and said: “However, I am very happy to have a plot of land for that.” There was very true reasoning in that artlessness. One can see that she attached little value to the money which she kept in her strongbox, and that, in consequence, she was giving a lesser value for a greater one. From another standpoint, the man who was selling the land was in the same position and he was saying: “I have sold it well.” In fact he had sold it for thirty or thirty-five deniers. Thus he too reckoned on having given less for more. There is the position of all those who make exchanges.

Indeed, if one always exchanged equal value for equal value, there would be no gain to be made for either of the contracting parties. Now, both of them make a gain, or ought to make one. Why? The fact is that with things only having value in relation to our needs, what is greater for one person is less for another, and vice versa.

“Indeed, if one always exchanged equal value for equal value, there would be no gain to be made for either of the contracting parties. Now, both of them make a gain, or ought to make one. Why? The fact is that with things only having value in relation to our needs, what is greater for one person is less for another, and vice versa. The advantage is reciprocal”

The advantage is reciprocal, and there you have no doubt what made them say that they gave each other equal value for equal value. But they have lacked consistency: since, precisely from the fact that the advantage is reciprocal, they should have concluded that each gives less for more.

People have said, you are confusing the value of things with the motive that leads to their exchange. Probably, and with reason, indeed value is the sole motive which can persuade me to act. What other could I have?

Value depends, they add, on the particular estimation each person makes of goods and consequently it will for ever vary. So it varies: is there anything which has an invariable value? I say therefore that in individual exchanges value is the particular estimation each person makes of goods; and I add that it is the general estimation that society itself makes of them, if we consider it in the markets where all end up agreeing on a measure to settle the respective value of goods, that is, the value they are given when they are considered against other goods.

“Value depends, they add, on the particular estimation each person makes of goods and consequently it will for ever vary. So it varies.”
But we must not confuse, as people are always doing, this measure of value with value itself. Properly speaking it is only the price which has been regulated in the markets by the rivalry of the sellers and buyers. For example, there will be general agreement that a barrel of wine is worth a muid of corn, which means that the one is the price of the other. So, if I want a muid of corn I must give a barrel of wine, and you will conclude, with reason, that it is not my particular judgement that fixes the price of corn; but it is none the less true that it fixes its value, and it alone fixes it. Because, once more, in such an exchange it is for me alone to judge the value the corn has for me; it only has one following my own estimation; and, although the market price sets the law for me, it is clear that I only give a barrel for a muid because I judge that the muid is worth more to me than the barrel. I should never end if I wanted to reply to all the objections of certain writers who, because one does not follow them, seem to want, from pique, not to understand what one is saying to them.

The error into which people fall on this subject comes above all from the way one talks of things which are traded, as though they had an absolute value; and that as a result people reckon that it is a matter of justice, that those who make exchanges give each other equal value for equal value. Far from noting that two contracting parties give each other less for more, people think, without much reflection, that that cannot be; and it seems that for one person always to give less, the other would have to be stupid enough always to give more, which one cannot suppose.

It is not the things necessary for our consumption that we are considered to put on sale: it is our surplus, as I have noted several times. We want to give up something which is useless to us to get ourselves something which we need: we want to give less for more.

The surplus of the settlers: there you have what supplies all the basis for commerce. The surplus is wealth, so long as they can find an outlet for it; because they procure for themselves something that has value for them, and they hand over something which has value for others.

If they were unable to make exchanges, their surplus would stay with them, and it would have no value for them. Indeed, surplus grain, which I store in my barns without being able to exchange it, no more represents wealth to me than the grain which I have not yet pulled from the ground. So I will sow less next year, and I shall be none the poorer for having a smaller crop.

“Now merchants are the channels of communication through which the surplus runs. From places where it has no value it passes into places where it gains value, and wherever it settles it becomes wealth. The merchant therefore in a way makes something out of nothing.”

Now merchants are the channels of communication through which the surplus runs. From places where it has no value it passes into places where it gains value, and wherever it settles it becomes wealth.

The merchant therefore in a way makes something out of nothing. He does not till, but he brings about tillage. He induces the settler to draw an ever greater surplus from the land and he always makes new wealth from it. Through the meeting of the settler and the trader abundance spreads all the further, as consumption grows in proportion to the products, and reciprocally products increase with consumption.

A spring which disappears into rocks and sand is not wealth for me; but it becomes such, if I build an aqueduct to draw it to my meadows. This spring represents the surplus products for which we are indebted to the settlers, and the aqueduct represents the merchants.
Further Information

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FURTHER READING

Other works by Condillac: <oll.libertyfund.org/person/4630>.


*“The distinctive principle of Western social philosophy is individualism. It aims at the creation of a sphere in which the individual is free to think, to choose, and to act without being restrained by the interference of the social apparatus of coercion and oppression, the State.”*

[Ludwig von Mises, “Liberty and Property” (1958)]

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Another useful sampling of the contents of the OLL website is the collection of weekly *Quotations about Liberty and Power* which are organized by themes such as Free Trade, Money and Banking, Natural Rights, and so on. See for example, Richard Cobden’s “I have a dream” speech <oll.libertyfund.org/quote/326>.

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