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The True Idea of Value (1844)*

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Value: Here we have one of those words that everyone uses and no one defines—the greater the ignorance of its true meaning and the carelessness with which it is employed, the more difficult it is to use correctly. A remarkable peculiarity constantly presented by language has not been sufficiently examined: Namely, even though language seems abandoned to whims, to ignorance, to carelessness—in sum, to everything that would make it fit to give up on entirely, or at least rob it of any presumption of accuracy—it nevertheless usually has a wondrous store of good sense, and often a store of very fine distinctions. Above all when dealing with those words that are, so to speak, the currency of society because of their connections and points of contact with all types of objects, we find stored up in words that good sense, that precise and profound reason, simple and above dispute, that the Author of nature was pleased to pour out generously on societies, in a way as wise and judicious as it is unappreciated.

When trying to explain the true meaning of a word, determining its precise boundaries and the objects and relations it refers to, we must take that word on its own, isolated from whatever could obscure or confuse its meaning. We must begin by examining the most usual meaning in its simplest and most natural applications, and then look at the word's other uses. In this way, we almost always discover a fine gradation of meanings—quite varied, yes, but joined at the trunk and branching out spontaneously.

Without experiencing it firsthand, it is difficult to imagine the clarity, the distinction, the accuracy that ideas receive from this examination; for the examination and analysis of words is at the same time the examination and analysis

of ideas. In very general words we commonly find the expression of some primal idea from which all others have their origin; and there are questions in which, when the primal idea is precisely defined, other ideas are clarified, ordered, and linked together with wondrous ease. Then the intellect feels the full scope and strength of the principle *sigillum veri simplex—simplicity is the character of truth*.[1]

Without proceeding thus, it is hardly possible to reach a profound knowledge of things, and we run great risk of building systems in the air rather than establishing solid truths. We commonly accept scientific ideas from definitions we find in various authors. A respectable name, an authoritative and confident tone, dazzling clarity, an appearance of analysis, false smoothness of language—these can break down our spirit of impartiality and independence, and we blindly accept a false explanation of some idea on which an entire scientific system is often based. If common usage goes against our meaning, we reject that common usage as unfounded and unreasonable. And when we realize that despite our philosophy the world continues to follow its usual course without altering its language, we complain of the routine and preoccupation that, in our view, all other men are plagued by.

When our primary point of view is mistaken, it is impossible for everything related to it not to appear to us altered, disfigured, and confused. And since we usually have a hard time detaching ourselves from our own conceptions—especially if we have concluded that there is something new and important in them—we bend the underlying principle to fit all the secondary propositions and any applications we want to reason to.

With these considerations in mind, let us proceed to the explanation of the word that forms the object of the present discourse.

A thing's value is subject to increase or decrease and can be compared with the value of other things. This increase or decrease in values, and the relation known through comparison, are things that can be assessed with greater or lesser accuracy. We perform such assessment constantly in all our plans and projects, in all our contracts, and in almost all our actions. To form an estimative judgment of an object, we must always choose a point of comparison; without this it would be impossible to establish anything about a given thing. This is as indispensable as it is little noted. To make it clear and indisputable, we will observe that we have this point of comparison continually present in all the judgments we form. These judgments, and the words that express them, vary as the points of comparison they refer to vary. A few examples will make the meaning and truth of these reflections evident.

To aid understanding, we will pause before two propositions that seem paradoxical. They are the following: *Nothing is great save the infinite; nothing is small save nothingness. Everything is great save nothingness; everything is small save the infinite.* I am not trying to appeal to subtleties, but only to common sense, to the most normal and commonplace language. An enormous boulder is very large, but when and how? When the rocks around it are compared to it. But when you consider the vast mountain range in which it lies, the boulder becomes something small; and if you calculate the length, the height, or the volume of those mountains, you will not even notice the boulder but disregard it as an insignificant quantity. If the mass of the earth is calculated, then the vast mountain ranges become atoms; the globe in turn is reduced to a very small quantity if compared to the space contained in the solar system; and the solar system itself is no more than a point if we consider the vastness of the universe. A small pond is nothing compared to the ocean; it is very large if we take a tiny droplet of fluid as our point of comparison. This drop of fluid is a sea of great vastness for insects that can only be seen with the help of a fine microscope; and those imperceptible insects have great mass if compared with the tiny parts that form their limbs. This example, which on its own suffices to bring to mind many others, proves beyond doubt our need for a point of comparison in forming quantitative judgments of objects. This is why we go in search of a standard of measurement whenever we want to fix our ideas.

And what standard shall we choose in order to assess things' value? First it is necessary to know what value is. Destutt-Tracy[2] said that the measure of things' value is the labor required. And since labor must also have its own value, he added that labor has two values: one natural and necessary, and consequently fixed as far as the thing's nature allows; the other conventional, circumstantial, and variable. In order to explain in what the first consists, observe that every worker[3] engaged in labor has to satisfy certain needs while the labor is in progress. If these are not satisfied, the labor will cease. Thus one's labor represents the sum of the means necessary for satisfaction, and this sum is the natural and necessary measure of the value of labor. The second value is the utility that labor produces. These ideas appear so clear, pure, and analytical that they seemingly leave nothing to be desired, and this is so when we only look at objects superficially; but going a little deeper we will see clearly that Destutt-Tracy was completely mistaken. I don't mean to say that there is nothing worthy of note in his ideas and that he didn't at least have some notion of the right way. He did not go beyond that point, however; and thus, following a wayward path, he confounded valuable truths with errors, even absurd ones.

Observing the usual and even the etymological meaning of the word *value*, we may note that in it—and in all the words that come from it or spring from a common root—the idea of profit, utility, aptitude, ability in something, is always involved in some form or other. Examine its meaning in the original Latin, and then consider the meaning in our own language.[4] "That is valid, that is not valid, that has no value, it is valuable to me, valuation, valid, invalid, man of valor, valiant, valorous."[5] This is the same root, extended to things of widely different categories, but always encompassing the idea of profit, utility, aptitude, ability in something—that is, the relation of a means to an end, a connection of the latter to the former.

At first blush this idea appears vague, perhaps even confused. Nevertheless it is radiant, full of light; it is a rough stone that only needs to be polished. The analysis I am about to begin will lead me to the following proposition: *The value of a thing is its utility*. By utility here I mean the thing's capacity to satisfy our needs; and in the word *needs* I include those that are natural, artificial, true, apparent, great, or small, thus counting among them comforts, preferences, pleasures, whims, and so on.

To pose the question on simpler grounds, I ask: How do we assess the value of food? What things are taken into consideration to determine our judgment? Healthfulness, flavor, smell, appearance—all in relation to utility for us. Two individuals have to make a change in their diet—what will they look at? Health, age, preference, whims, and other such things. We have to judge which of two meals is better than the other—what will we focus on? On what I just said or on what it costs? If whoever has prepared the meal has done his job poorly, though spending a considerable sum, with great toil and labor, and the meal still has less utility than another less expensive one—could he [really] affect a preference for the value of his own, citing his labor and expenses? According to Destutt-Tracy, though, the meal's natural and necessary value would be the labor required—a false and absurd idea, rejected by good sense. Torn from its scientific soil and cast amid cheerful guests, it could not but suffer ironic banter.

It would be easy to apply the same considerations to clothes and to anything else subject to evaluation, but anyone can see the extent of possible applications of these ideas. The fundamental error on this point is in confusing *cost* with *value*—these are words that signify very different ideas, ideas that are sometimes proportional but other times quite disparate. In the complicated world of social relations they often have a certain delicate interdependence, which can bring with it great confusion and lead to grave ambiguities. The aforementioned author [Destutt-Tracy] fell into considerable error, surely by not being inquisitive enough or precise enough when delineating these ideas. Yet this is one of the most basic

ideas of political economy, and it will be hard to move forward without stumbling unless we have a clear understanding of this point as our guide.

How different *cost* and *value* are, and how false it is to say that the natural and necessary value of all things and of labor is what they cost. We don't need science to say this, but common and everyday language, any man's good sense, a child's instinct.

This is something that *costs me a lot* and *is worth nothing.* Anyone who has invested his labor or his money fruitlessly will naturally say this. Nevertheless, if there has been a lot of labor involved, there must be a great deal of *necessary and natural* value, if we hold to the above-named economist's definitions. It seems impossible to offer a proposition in clearer contradiction with the simplest notions, with the most usual and common language. From this it would follow that the labor of a man who has drawn up or built a machine that can yield great benefits would have a necessary and natural value equal to the labor of another who spent the same amount of time, with equal toil and work, constructing a trinket of trifling importance.

What is wealth? Everything whose purpose is to satisfy our needs; the author [Destutt-Tracy] says this himself. The wealthiest is whoever has things of greatest value; thus the measure of value depends on utility. Of course, it is true that a worker has needs and that these are satisfied in labor. It is true that the means for satisfying these needs must either be products of the labor itself or come from elsewhere. But what does this have to do with the constitution of the labor's value, or that of the object of the labor? Let us say that a necessary condition for lasting labor, if we want the labor to continue, is the satisfaction of the needs of the worker who labors. This is a plain and simple truth. But if from here we go on to measure things' value by the sum of these needs, we commit a great falsehood that can well be described in the harshest terms.

We will not deny that the cost of labor may in some cases contribute to an increase in the thing's value, but its true value is always accidental and never depends on this.

To clarify such a complicated subject, we will recall what we have already established, namely that the only measure of a thing's value is the utility it has. Extending and applying this definition, we will shed light on all of this.

If utility *is the only measure* of a thing's value, how is it that a precious stone is worth more than a piece of bread, a comfortable garment, or even a well-built and pleasant house? It is not hard to explain. Since a thing's value is its utility or capacity to satisfy our needs, the more necessary it is for their satisfaction the more value it will have. We must also consider that if the number of these means increases, the need for any one of them in particular decreases, since if we can

choose among many no single one is indispensable. This is why there is a necessary dependence, a proportion between the increase or decrease of value and the scarcity or abundance of a thing. A piece of bread has little value, since there is a great abundance of bread; this is because value is necessarily related to the satisfaction of our needs. But narrow the circle of abundance and the value rises quickly, reaching untold levels. This phenomenon is seen in times of scarcity and becomes more noticeable in every way amid the calamities of war, in a town beset by a prolonged siege. Then a loaf of bread can be worth one ounce of gold, ten, ten thousand if hunger reaches its limit. Why? Because that particular loaf of bread's relation with the satisfaction of a basic need is heightened. The value of gold then falls quickly, and can even be reduced to zero. Why? Because it becomes useless; it serves no purpose, *it has no value* to satisfy our needs. If it still has any value left, it is because of the chance that it could be useful and could have value in its own right once the siege has passed.

From everything established up to this point, we can infer that an object's value consists in the degree to which the satisfaction of our needs depends upon it. Therefore, the more *important* and more *urgent* the need, and the more *necessary* that object in particular is to satisfy it, the greater the object's value. In a way we could say, speaking mathematically, that value is in direct proportion to importance, need, and urgency and in inverse proportion to the abundance of means for satisfying need.

Given the nature of things in general and the nature of society, it is evident that these *factors*—importance, urgency, and abundance of means—are subject to many variations. Moreover, given that these are in the last analysis assessed by the judgment of men, they will necessarily be influenced by the weather, the season, social status, particular dispositions, certain classes and individuals, fickleness, whims, fashions, and a thousand other circumstances impossible to enumerate completely but easy to note in order to illustrate a long process if necessary. This is exactly what occurs, for it must occur thus.

Now we are going to see if it is possible to express the relation between cost and value with an equal degree of clarity. It is undeniable that the needs of a worker engaged in labor have to be fulfilled, and we can easily conclude that this has to influence the cost. To delineate these ideas well, I will observe that this truth, evident as it is, is nonetheless poorly presented since it offers as a general principle what is no more than an application to a particular case. It is necessary to sustain the laborer, but it is also necessary to sustain the ox that pulls the plow, the mule that makes the lever turn, the horse that pulls a carriage. Likewise it is necessary to repair the machine part that is wearing out or deteriorating; to cover, as it were, the needs of the machine. Thus, if we observe well,

we can say, generalizing this truth, that one must conserve the instrument to be able to work. Or, to speak more generally and accurately, *in order for the production of the effect to continue, the cause must be conserved.* Seen in this light, the proposition appears neater, clearer, and simpler: It meets with fewer problems and specific objections; it allows for easier and wider application; and it better lends itself to observations. And by placing man's labor in the line of other causes, it greatly simplifies the question and avoids errors and ambiguities.

But this is insufficient to give these ideas the clarity they need, or that they are capable of. We must observe besides that it is not enough simply to seek the conservation of a cause—the cause must be provided if it is not readily available, and in many cases it is even necessary to produce it. It would be a mistake, then, not to account for the cost that this can imply; in that case science would disregard considerations that the most uncouth man does not forget in practice. Animals are needed for transport, for instance, and one must not only tend to their upkeep but also care for their reproduction. Thus it is necessary that all the costs incurred in raising them be part of the calculation. When water is needed for the movement of some machine, and it is not immediately at hand, it is necessary to bring it in from a certain distance; this will incur costs that have to be accounted for.

If there is to be an effect, it is necessary for a cause to exist, be *applied*, and be *conserved*; thus is the matter expressed neatly and succinctly. Let us move on.

It is no less evident that anyone who wants to avail himself of the effect must be concerned with the *production, application, and conservation* of the cause, or at least involve someone who is. We are not speaking of this in regard to equity and justice, since, as can be seen, we have deliberately left moral considerations aside—we are speaking of the necessity implied by the physical nature of things itself. For it is quite clear that if someone needs bread and does not want to concern himself with working the land, sowing, cultivating and harvesting the grain, grinding the wheat, collecting the flour, or baking the bread—and does not want to give compensation to others to take on the task for him—he will go without eating, and whether he likes it or not he will have to come to his senses, beset by hunger.

Having established these truths, so simple and so rooted in everyday experience that they can hardly be called a theory, let us proceed to the criterion of their application. We will thus perceive their fruitfulness and truth more clearly, seeing how they match what the common course of society offers us.

A certain quantity of fabrics of one kind or another is needed each year in order to fulfill a country's needs. For greater simplicity let us suppose that the entire production process is to take place in the same country. What will happen?

It is necessary to obtain raw materials, prepare them, manufacture them, and put them in a state and in a place that is suitable for the buyer who needs them. What conditions must the buyer meet in order to receive the portion of fabric that he needs? Whatever has been the cost of putting the cloth in his hands. And why? Because if he cannot cover the expense necessary to get the raw material in hand, the raw material will not be had. If he cannot cover the expenses of the construction, maintenance, and movement of the machines for the manufacture, arrangement, transport, and placement of the cloth, the cloth will not be in the shop or the warehouse and whoever needs the fabric will not find it when he looks for it. Thus it is necessary that the buyer consent to pay the amount required of him to cover all this. From that point on the breeding and upkeep of the animals used there will be on his account, in proportion to what he has spent. He will also have to pay for their harnesses. He will have to feed the laborers and their families, covering at least their most basic expenses; he will also have to contribute a little—or perhaps a lot—to the maintenance and enlarging of the factory workers' housing; he will have to sustain their families in cleanliness and comfort; he will have to fund the luxury and the whims of the merchant who takes on great enterprises; and he will have to sustain, at least in modest decency, the craftsman who has built the machines. Neither can we forget the amount he owes so that the clever man who supplied the idea doesn't fade away from starvation and thus find himself compelled to cease his profitable work.

But do not all these considerations constitute value by their very cost? No—and to make this evident, imagine that a new supply of products appears on the market, equal in quality but lower in price due to the new competitors' improvement of the manufacturing process. Then the first will have to adjust to the price of the second, for otherwise they will sell nothing. The product, nevertheless, still costs them the same; but even in their own eyes it will not have the same value. They will naturally say, "We lose *x* amount of money on account of this competition." Why? Because now that they are no longer necessary, needs can be satisfied in another less costly way. If one of them had to fix the price of a product, everyone would laugh if he set it at the old price just because it costs him the same as it did before. Another example: Imagine that there is a rare type of cloth with a certain trait, say an excellent color that is difficult to produce. There is a dyer who happens to discover a very inexpensive ingredient that with a very simple application perfectly produces the desired color. How much is his cloth worth? The same as the others. How much does it cost him? Almost nothing. Thus there is no logical connection between what an object costs and what it is worth. There is an artist who works wonders with great ease. How much are they worth? Of course, as much as and more than others' works. And how much

do they cost him? Nothing: a game, a pastime. But some will tell us, "They don't cost him anything, but they cost the buyers something, and that's where value is!" What inconsistency! Buyer, why do you pay such a high price? "Because [the product] is very good and it's worth it." Do you see how cost is the result of value, and how value exists prior to cost? "Oh, it's not that it's worth that much, just that he's asking for that much." Then why do you pay it? Why don't you go somewhere else? "Because it's not as good anywhere else." In other words, if you already had this one you would not trade it for a different one. "Exactly." Well, then, when you say "better" you mean that yours is worth more, and that you would demand compensation if you had to trade it away.

Notes

* Jaime Balmes, "Verdadera Idea del Valor," *La Sociedad* 22 (September 7, 1844): 445–54.

1. All italics are in the original text. All notes have been added by the translator.

2. Antoine Louis Claude Destutt, Comte de Tracy (1754–1836) was a French Enlightenment aristocrat and philosopher.

3. The Spanish is *ser animado*, lit. "animated being," which has a broader range of meaning than "worker." However, "worker" reads more fluidly in English and fits the context.

4. In this case, Spanish, though Balmes's explanation and examples here also work well enough in English.

5. I loosely translated some of the items on this list so as to preserve the etymological connection to *value*, since this relation is what Balmes is trying to highlight. For instance, the Spanish word *valer* means "to be worth" or "to be good for," while I have used *has value* and *is valid*. Likewise the word *valimiento* means "protection," while I have written *valuation*.