

MARX ON RICARDO ON TIME

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INTRODUCTION

In modern assessments of the relationship between Ricardo and Marx, and, in particular, of the status of Marx's extensive critique of Ricardo, the influence of Piero Sraffa has been considerable. The authenticity of the Sraffian approach to the history of classical economics as a whole, however, has recently been challenged. According to Blaug, the Sraffian interpretation is one of a variety of 'rational reconstructions' in which the structure and techniques of modern analysis are read into the works of authors from an earlier time to the detriment of any real historical understanding. In particular a core version of classical economics is identified in the writings of the leading figures of classical political economy which is taken to include an exogenously given technology, aggregate social product and real wage. As Blaug summarises the procedure:

“We assume that perfect truth is found in *Production of Commodities*, and then we read backward, finding Sraffa in much of Ricardo and Marx, although much less in Smith and Mill, and forget about almost everything else in classical economics because it will not fit the Procrustean bed of the interpretation.” (1999: 215)¹

In an article which examines the Sraffian interpretation of the whole history of classical economics, Blaug argues that “Smith, Ricardo and Mill aside, it is when [the Sraffians] consider Marx that we come face-to-face with the historical misrepresentation of technology as an exogenous variable in classical economics.” Insisting on the importance of labour process analysis in Marx's theory, Blaug takes exception to the Sraffian interpretation because “Marx did not take as given the ‘technical conditions of production’”. (221)

In a similar vein, Peach (1999) has forcefully rebutted the Sraffian version of the history of economics, placing particular emphasis on the manner in which central elements of the works of Smith, Ricardo and the whole classical tradition are disregarded. In the case of Marx, logic reaches breaking point for, as Peach notes:

“It may be granted that Marx was also a *kind* of surplus theorist. But as anyone remotely acquainted with Marx's writings will be aware, *his* surplus theory was developed in terms of *his* labour value categories. How then can he be enlisted in a tradition which rejects *all* labour theories?” (1999:458 emphasis in original)

Neither Blaug nor Peach has any particular sympathy for Marx, both taking as their standpoint the search for an 'historical reconstruction' of the history of economic thought. For our purposes it should simply be noted that both authors provide clear evidence of the distortion of Marx's ideas as part of a systematic Sraffian 'rational reconstruction' of the history of economics.

It is worth contrasting their views with those recently expressed by Samuel Hollander. Hollander examines the hypothesis that Sraffa, in his introduction to Ricardo's *Principles* and in *The Production of Commodities*, was imposing a specifically Marxian 'rational reconstruction' upon classical economics in general and upon Ricardo's thought in particular. Hollander cites Bronfenbrenner's view that “Sraffa was a Marxist, a refugee from Mussolini's Fascist regime.... Since Marx professed himself

¹ An early example is provided by Kurz (1980-1: 603) who argues that “Smith's explanation of profits is based upon the surplus approach, which can be traced back to Quesnay's *Tableau Economique* (1758); taken up by Smith, Ricardo and Marx, this approach was finally given a logically coherent form by Sraffa (1960).”

an admirer of Ricardo – as nearly a disciple as Marx could ever admit being of any predecessor - it may have seemed natural to attribute the same system first to Ricardo, and thence to classical economics in general.”² That Sraffa’s interpretation of Ricardo bore the hallmarks of a rational reconstruction is undeniable. Hollander notes Sraffa’s statement in *The Production of Commodities* that the ‘corn ratio’ interpretation of the early Ricardo, “which is never explicitly stated by Ricardo”³ suggested itself only after Sraffa had developed the concept of a standard commodity and the distinction between basics and non-basics. I do not intend, however, to examine the roots of Sraffa’s interpretation of Ricardo as such, nor do I dispute that Sraffa’s reading of Marx may have coloured his view of Ricardo. My purpose is rather to argue that the Sraffian interpretation of the relationship between the theories of Ricardo and Marx is not a simple, one-way street in which a fundamentally Marxian framework is imposed upon Ricardo’s thought, as Hollander appears to believe. Rather, the blurring of the distinction between the works of Ricardo and Marx by Sraffa⁴ has also led to a rational reconstruction of Marx’s work, which bears little relation to his theoretical framework. Sraffa’s view, cited by Hollander, that “Marx published the *Capital* [sic] in which his critique of capitalism is entirely based upon Ricardo’s theory of value”⁵, is surely as revealing about Sraffa’s view of Marx as it is of his interpretation of Ricardo. Hollander cites Porta’s judgement, that: “Sraffa [chose] to disguise Marx in a Ricardian garb”⁶, without noting that, if true, those who followed Sraffa’s lead would likely confuse the identities of *both* authors.

Hollander’s contribution does not claim to consider in detail the various attempts by Sraffian authors to assess Marx’s own extensive writings on Ricardo. We should be aware though, that while for some, the aim of the Sraffian project appears to be to construct a bridge between Marx and Ricardo, there is a group of authors sympathetic to Sraffa’s approach who have wholeheartedly rejected Marx’s critique of Ricardo, finding in Ricardo’s value analysis a clarity and consistency which has evaded a body of less committed interpreters.⁷

According to Steedman (1982), Marx’s criticism of Ricardo’s value theory turned upon “a mere verbal muddle on Marx’s part”. Marx, it seems was imposing his own rational reconstruction on Ricardo, by falsely interpreting Ricardo’s value categories as though they were his own.⁸ In a similar vein, Caravale (1991) argues that; “most of Marx’s criticism of Ricardo – in the light of contemporary analytical results based on Sraffa’s work (and of course, on Bortkiewicz’s writings before him) – appears devoid of content.” More recently Feess has advanced the view that Marx “could not understand the basic concepts – or even the basic questions – Ricardo was dealing with.”(1998: 277) claiming “The chapter ‘On Value’ in Ricardo’s *Principles* is shown to be a consistent and rigorous treatment of the determinants of prices of production.”(Ibid 291)

In this paper I will argue that there is a fundamental difference between the value theories of Ricardo and Marx, and will address it from the standpoint of their respective treatments of ‘time’ – a subject that has been mostly neglected in the secondary literature. Two kinds of time are at issue. The first is ‘labour time’ or working time. According to Marx, it is a subject that Ricardo ignores. I will discuss that question in the next section paying particular attention to the historical aspects of the issue. The other variety of time could be labelled ‘capital time’, whether conceptualised in terms of a capital structure of

²Bronfenbrenner (1989) cited in Hollander (2000: 193.)

³ Works I: xxxi

⁴ Sraffa, of course, was not alone in this. Hollander (2000: 192 fn8) notes Dobb’s view that Sraffa rehabilitated ‘the Marx-Ricardo approach to problems of value and distribution’

⁵ Hollander (2000:221) As a summary of Marx’s project this is incorrect. *Capital* is not a critique of capitalism as such but rather an attempt to uncover the laws of motion of capital through a *critique* of political economy

⁶ Hollander (2000:193)

⁷ On this point see De Vivo (1982:87-88)

⁸ Steedman argues that due to Marx’s ‘misinterpretation’, “the differences between, Ricardo and Marx have, perhaps as a result, been somewhat exaggerated.” (1982: 115)

different dates, or time within the circuit of capital. That theme will form the basis of the third section. In the final section I will attempt to draw some conclusions.

SECTION 2

According to Marx, writing in *Capital*, there is a serious defect at the heart of Ricardo's theoretical framework in that he assumes working time to be constant - "He recognises no change either in the length of the working day or in the intensity of labour, so that with him the productivity of labour becomes the only factor."⁹ Let us examine the validity and significance of Marx's argument for it forms the basis of a fundamental difference between the two authors in their approach to questions of value.

In the evolution of his critique of Ricardo, from the *Economic and Philosophic Manuscripts of 1844* onwards, it appears that Marx was not immediately aware of the issue himself, for he repeatedly refers to Ricardo's measure of value as being based upon 'labour-time', despite Ricardo's consistent use in the *Principles* and elsewhere of the ambiguous phrase 'quantity of labour', which could either denote 'hours of labour' or 'number of workers'. As I shall argue below, Ricardo was not concerned with the question of working time and it plays no part in his economics.

It is only in the *Theories of Surplus Value* written between 1861-3 that Marx's clear break with Ricardo on this point is firmly established. While still crediting Ricardo with a measure of value based upon labour time, Marx introduces into his critique the idea that Ricardo takes working time to be fixed. It may be instructive for our appreciation of Marx's method to first consider the process whereby Marx was led to this understanding.

By far the greatest proportion of Marx's extensive commentary on Ricardo's work represents an 'immanent' critique of his theory and method, in an attempt to draw out and develop what Marx saw as contradictions in his thought. There is here, however, the danger of creating a simplistic view of Marx's approach. In asserting the centrality of Marx's 'immanent critique', it is important to note that when identifying flaws in Ricardo's system, Marx did not see those antinomies as simple logical faults. They were, in part at least, the necessary reflection of the difficulties inherent in comprehending a changing reality at a time when economic society itself was in the process of a profound transformation. This relativist reading of the nature of economic theory is not, of course, confined to Marxist authors. To take a single example, Malthus's biographer, Patricia James, echoing John Stuart Mill, points out that: "[T]he differential theory of rent could never have been formulated except by economists writing in early nineteenth-century Britain, where the land was almost entirely cultivated on a three-tier system practised nowhere else, except on a small scale in parts of Holland and Belgium"¹⁰ Marx, was clearly alert to this issue, accusing classical political economy of having an 'ahistorical' standpoint. When discussing Ricardo's work, he expresses the same philosophical position in that: "English conditions are the only ones in which modern landownership, i.e., landownership which has been modified by capitalist production, has been adequately developed."¹¹ Whether or not Marx's treatment of the complex relation between theory and history is considered satisfactory, this element in his outlook must be kept in mind when considering his critique of political economy.

Marx's avowed approach, with its insistence upon historical context, sits uneasily with the notion of a purely immanent critique. However radical, such a method must inevitably remain within the theoretical confines of classical political economy. How then should we appraise Marx's reading of Ricardo on this score? According to one author, either the logical or the historical modes of critique could have been applied:

⁹ Marx (1976) p660

¹⁰ James (1979) p279 According to O'Brien, just over 80% of the annual value of agricultural land, as estimated for tax purposes, was held by tenants in the first decade of the nineteenth century. Cited in Hueckel(1976) p 131.

¹¹ Marx (1969) vol 2 p238

“In the so-called historical mode of critique of previous theories, they are collated with the same historical facts on the basis of which they were created. For instance, if Marx had chosen the historical mode of critique of Ricardo’s theory, he would have had to compare this theory with facts of Ricardo’s time - that is the facts of capitalist development of the late 18th-early 19th century...Yet this mode of critique assumes that the facts themselves have been studied well or must be studied well, whereas in this case the facts were not studied or comprehended scientifically, moreover they had not been even collated and summed up. Under these conditions, the historical method of critique was apparently inexpedient...Therefore Marx preferred the so-called logical mode of critique.”¹²

If this view is accepted, what should we make of Marx’s argument that Ricardo ignores the working day? Ricardo’s analysis was predominantly agricultural in nature and as Marx himself conceded, in agriculture, the extension of labour-time - i.e. the augmentation of absolute surplus value - is only possible to a limited degree. As Marx was aware “One cannot work by gaslight on the land.”¹³ If the question of working time was simply not an issue when Ricardo was writing, it is difficult to imagine how it could form part of an immanent critique. Did Marx then effectively import the issue illegitimately into his reading of Ricardo, a purely ‘rational reconstruction’, based upon his own detailed studies of factory legislation during a much later phase of industrialisation? To answer this question, it is important first to establish that Marx’s economic writings do contain the fragments of a systematic empirical critique of Ricardo based upon an historical outline of the period. Wherever possible, Marx drew upon the historical evidence available to him, to check the results of his logical critique. It may be argued that Ricardo was no empiricist, and that it is illegitimate to assume that his mainly deductive theoretical system was drawn from, and can be tested directly against, the economic history of his time, as Marx attempts to do. On the other hand, Ricardo’s analysis was closely tied to the policy issues of the day. In his study of the empirical content of Ricardian economics, for example, Blaug argues that: “the body of doctrine which Ricardo bequeathed to his followers rested on a series of definite predictions about the course of economic events which were subject to empirical verification in the strictest sense of the term.”¹⁴ In a similar vein, De Marchi expresses the view that, whilst Ricardo was sceptical of the empirical approach to the *discovery* of economic laws, he believed that even his most abstract analysis “retained a high degree of explanatory correspondence to reality.”¹⁵ Notwithstanding the abstract nature of Ricardo’s framework, the *Principles* is replete with references to the economic circumstances of his time. Indeed Ricardo was quite content to support his argument in places with reference to parliamentary speeches and reports made in the same year that the first edition was published, and he was clearly of the opinion that his theoretical propositions reflected contemporary conditions and were capable of influencing policy legislators.

Let us first remind ourselves why the variability of working time is central to an understanding of the differences in the value - theoretical framework of the two authors. It is clearly not the sole distinction. The contrast between Marx’s approach, based upon the dual categories of concrete and abstract labour on the one hand, and Ricardo’s notion of embodied labour, on the other, has been well documented in the literature. For Ricardo, the ‘quantity of labour’ served principally as an approximate measure of value that allowed him to generalize his analysis from the ‘corn calculations’¹⁶ of the *Essay on Profits* to the full model in the *Principles*. According to Marx however:

“Ricardo...investigated neither the origin of surplus value nor absolute surplus value and therefore regarded the working day as a given magnitude...therefore, *his law* - that surplus value

¹² Ilyenkov (1982) p203

¹³ Marx (1969) Vol IIp20

¹⁴ Blaug 1956 p41

¹⁵ De Marchi 1970

¹⁶ By the time of writing of the *Essay on Profit*, Ricardo was already well aware of the problems of such ‘corn calculations’ as a result of Malthus’s promptings

and wages (he erroneously says profit and wages) in terms of exchange value can rise or fall only in *inverse* proportion - *is incorrect*.” (emphasis and parentheses in original)¹⁷

There is one notable passage early in the *Principles* that does refer directly to working hours. In the first section of the Chapter, *On Value*, Ricardo cites the well-known hunting example from the *Wealth of Nations*, quoting Smith: “ It is natural that what is usually the produce of two days’, or two hours labour, should be worth double of what is usually the produce of one day’s, or one hour’s labour.”¹⁸ Ricardo, however, immediately reverts to the ambiguous phrase ‘the quantity of labour’ when, in the subsequent passage, he asserts the superiority of this measure of value over Smith’s alternative standard of ‘labour commanded’. In the 1815 *Essay on Profits*, the meaning of an increased ‘quantity of labour’ is clear:

“If the money price of corn, and the wages of labour, did not vary in price in the least degree, during the progress of the country in wealth and population, still profits would fall and rents would rise; because *more labourers* would be employed on the more distant or less fertile land, in order to obtain the same supply of raw produce; and therefore the cost of production would have increased, whilst the value of the produce continued the same.”¹⁹ (emphasis added)

In formulating the more complex structure of the *Principles*, Ricardo essentially retained the same conception. Thus, in a key passage in the chapter ‘On Profits’, for example, he argues that with a decline in agricultural productivity, the corn price will rise due to an increase in the ‘quantity of labour’:

“ [T]he farmer on new land would probably be obliged to *employ an additional man*, and therefore to pay an additional sum of 25*l.* for wages; and the farmer on the old land would be obliged to pay precisely the same additional sum of 25*l.* for rent; without which additional labour, corn would not have risen, nor rent have been increased.”²⁰

Clearly, then, when Ricardo argues for the ‘quantity of labour’ as the regulator of relative values he means the number of labourers. Marx notes Ricardo’s argument later in the *Principles*, that: “The labour of a million of men in manufactures, will always produce the same value” commenting that, “this is wrong, or is only true where the same normal working day – taking into account the various difficulties etc. in different branches of labour – has been generally established”²¹ How should we regard Ricardo’s apparent indifference to the issue of working time? According to Steedman, “it remains clear that Ricardo was well aware that ‘a day’s labour’ is not an unambiguous phrase” but he “does not discuss such changes explicitly”²², and there is evidence to support this view, some of which is presented below. His isolated remarks on the subject, however, are *not* incorporated into his theoretical system. Nowhere, for example, in the *Principles*, does Ricardo consider the possibility that the fall in the profit rate induced by declining agricultural productivity could be offset by longer working hours.²³

Marx’s study of the historical evidence, beginning in the *Theories of Surplus Value* and carried through in summary form into *Capital*, appears to have developed in parallel with, and also cross-fertilized, his theoretical work on Ricardo. Drawing upon an array of sources, including the movement of wheat prices, the operation of the Poor Laws and the writings of Ricardo’s contemporaries, Marx sought to overturn Ricardo’s theories of rent, money, pricing and distribution²⁴. In particular Marx challenged

¹⁷ Marx (1969) Vol 2 p408.

¹⁸ Ricardo (1951-73) Vol 1 p13

¹⁹ Ricardo (1951-73) Works II p18

²⁰ Works I:111-2 Emphasis added.

²¹ Marx (1969:414)

²² Steedman (1982:147)

²³ While variability in working time *is* central to Marx’s theoretical outlook, we do not seek to impose upon Ricardo, Marx’s conceptual framework. Ricardo neither had, nor sought, a theory of exploitation.

²⁴ In his critique of Ricardo’s monetary theory, Marx readily acknowledged his debt to Tooke’s empirical study of the *History of Prices* for example.

Ricardo's lack of appreciation of the significance of the length and intensity of the working day. Thus in *Capital* we read that:

“ In the period between 1799 and 1815 an increase in the price of the means of subsistence led in England to a nominal rise in wages, although there was a fall in real wages, as expressed in the quantity of the means of subsistence they would purchase. From this fact, West and Ricardo drew the conclusion that the diminution in the productivity of agricultural labour had brought about a fall in the rate of surplus value, and they made this assumption (which was purely a product of their own imagination) the starting point of important investigations into the relative magnitudes of wages, profits and ground rent. But as a matter of fact surplus-value had at that time increased both in absolute and in relative magnitude, thanks to the increased intensity of labour, and to the prolongation of the working day which had been forced upon the workers.”²⁵

The same argument appears in scattered places throughout Marx's economic writings.²⁶

The most important source for Marx's assertion was the evidence presented in the two parliamentary reports published in 1814 on the Corn Trade and described by Marx as: “so far the most valuable and almost unexploited contributions to the history of wages in the 19th century”²⁷ Witnesses before the committees confirm the increasing practice of task or piece work in agriculture, which was associated with ‘greater industry’ - an increased intensity of labour and longer hours.²⁸ In addition, the increasing employment of women and children in agriculture during the war years, the ‘petticoat harvests’, has been widely noted.²⁹ The clearest evidence on the trend towards longer working hours in both agriculture and textiles, is contained in the Lords Committee report. There are consistent statements from several witnesses linking wages to hours of work. Rising corn prices during the war years had tended to lower real hourly wages and induced longer working hours from labourers attempting to sustain the weekly wage basket. Thus, for example, Thomas Joyce, a cloth manufacturer informed the committee:

“When wheat was extremely dear two years ago, we suffered them (manufacturers of piece-work) to work extra hours, to make it better for them; instead of leaving work on Saturday in the morning, we suffered them to keep on working the whole day, and to come in early in the morning.”³⁰

Empirical evidence in support of this principle was provided for the committee by other witnesses³¹ including Lord Lauderdale, who demonstrated the inverse relationship between rising grain prices and the lower labour cost of weaving muslin during the years 1790-1814, in consequence of a lengthening of the working day. Thus Lauderdale argues;

“In dear years a working manufacturer, finding himself deprived of his usual enjoyments, is naturally excited to greater industry, and is desirous of working extra hours, for the purpose of obtaining those comforts he has been accustomed to; and this disposition in the manufacturers must naturally increase the supply of labour in the market; for example, supposing in any

²⁵ Marx (1976) p665-6

²⁶ The principal sources are, Marx (1969) p133-5,408,459-60, Marx(1976) p665-6, 698,829-30.

²⁷ Marx (1981) p765

²⁸ See e.g. the evidence of Birkbeck and Joyce, Lords Committee Reports respecting Grain and the Corn Laws (1814) pp27-8

²⁹ E.L. Jones (1964-5) p323

³⁰ op cit p28 In the most authoritative study of the history of working hours during this period, Bienefeld confirms that in the domestic trades; ‘The hours of work varied inversely with the level of real wages.’ p27.

³¹ Patrick Milne M.P., a Scottish landowner, elucidates the same principle in evidence before the committee: “I have always considered that when grain and other provisions rose, both manufacturing and agricultural labour fell; on the contrary when provisions and grain fell, manufacturing and agricultural labour rose; the reason's obvious: Supposing there are in any one parish 100 labourers, who are able to do the work of that parish, if provisions rose, those labourers will do double work; of course, there being only a certain demand for labour, the labour falls.” op cit p50

country, there existed a thousand manufacturing labourers, who on an average worked an eight hour day, it is obvious that the stock of manufacturing labour per week would be 48,000 hours of labour. If in a dear year, the desire of securing their usual enjoyments induced them to work ten hours a day, the stock of manufacturing labour would become 60,000 hours per week; and if the demand for it remained the same, the value of it, on all general principles must inevitably fall.”³²

Lauderdale argues that the same mechanism applies equally in agriculture and manufacturing where task work is employed.³³ It is clear that Ricardo had read the Lords Report, as he confirms in correspondence with Malthus.³⁴ Indeed, several of the witnesses were prominent public figures and included Ricardo’s own land agent, Edward Wakefield. The parliamentary reports certainly made an impact on Malthus. Firstly, in his 1815 pamphlet on the Corn Laws, *An Inquiry into the Nature and Progress of Rent*, Malthus writes that:

“With regard to the unusual exertions made by the labouring classes in periods of dearness, which produce the fall of wages noticed in the evidence, they are most meritorious in the individuals, and certainly favour the growth of capital. But no man of humanity could wish to see them constant and unremitted...I own I do not see, with pleasure, the great extension of the practice of task work. To work really hard during twelve or fourteen hours in the day, for any length of time, is too much for any human being.”³⁵

Marx notes Malthus’s argument, adding:

“All honour to Malthus that he lays stress on the lengthening of the hours of labour, a fact to which he draws attention elsewhere in his pamphlet, whereas Ricardo and others, flying in the face of the most notorious facts, make invariability in the length of the working day the groundwork of all their investigations.”³⁶

Malthus carries the link between falling real wages and a lengthening of working hours, forward into his main works. The mechanism is introduced, for example, as an addition into the 1817 edition of the *Essay on the Principle of Population*.³⁷ In the first edition of the *Principles of Political Economy*, published in 1820, Malthus even gives *prima facie* support for Marx’s contention that it served to sustain the rate of profit during the war period from 1793 -1813. Thus he writes that:

“The increasing practice of task-work during these twenty years, together with the increasing employment of women and children, unquestionably occasioned a great increase of personal exertion; and more work was done by the same number of persons and families than before...I am inclined to think, therefore, that the increased rate of profit from 1793 to 1813 did not arise so much from the diminished quantity of agricultural produce given to the labourer’s family, as from the increase in the amount of agricultural produce obtained by the same number of families.”³⁸

³² *ibid* p85

³³ This principle was certainly not new. Adam Smith recognised that: “Masters of all sorts, therefore, frequently make better bargains with their servants in dear than in cheap years, and find them more humble and dependent in the former than in the latter. They naturally, therefore, commend the former as more favourable to industry.” (Wealth of Nations Book I viii para 48)

³⁴ Letter to Malthus 30 Aug 1814. Ricardo added the comment, “but how ignorant the persons giving evidence appear to be of the subject as a matter of science.” As the evidence covers a wide array of subjects, it is not certain what issue Ricardo referred to.

³⁵ Works of Malthus Vol. 7 p139

³⁶ Marx (1976) p666 fn7 As the Ricardo correspondence was unavailable to Marx, he would not have known that Ricardo had also seen the Parliamentary Reports.

³⁷ Malthus (1989a) Vol. 1 p434

³⁸ Malthus (1989b) Vol. 1 p322-4

In his extensive *Notes on Malthus's Principles of Political Economy*, Ricardo typically ignores Malthus's several references to this issue. On one occasion Ricardo does respond to Malthus's argument, demonstrating his awareness of the link between wages and working hours. Expressing his concern, based upon popular opinion at that time, that rising living standards among the labouring class would lead to a preference for leisure or 'indolence', Malthus cautions: "That the necessity of employing only a small portion of time in producing food does not always occasion the employment of a greater portion of time in procuring conveniences and luxuries." Ricardo's reply is unequivocal: "Certainly not, if the choice be in the power of the labourers, in which case their wages must be high, or rather they must be well paid for their work. As certainly yes, if labour be low, and the choice be in the power of the capitalists."³⁹

In a letter to Malthus dated 21 October 1817, six months after the publication of the first edition of his *Principles*, the same mechanism is outlined by Ricardo but on this occasion with a clear recognition that working hours must have an impact on profits. Ricardo writes:

"I make profits and wealth to depend on the real cheapness of labour, and so do you, for you say that the evils of a dearth will often be more than counteracted as regards wealth by the great stimulus which it may give to industry. I say the same for I contend that the evils of a dearth fall exclusively on the labouring classes, that *they perform frequently more labour not only without receiving the same allowance of food and necessaries, but often without receiving the same value for wages or the same recompense in money whilst everything is dearer. When this happens profits which always depend on the value of labour must necessarily rise.*"⁴⁰ (emphasis added)

To repeat however, this principle of variable working time plays no part in Ricardo's theoretical system in the *Principles*.

It was not in agriculture, but in the newly emerging textile factories that the issue of working hours took on the greatest social significance. Social historians have carefully documented the attempt by employers to eradicate customary habits of work and to inculcate new forms of labour discipline⁴¹. The Act of 1819, restricting the hours of children, followed upon the Report from the 'Select Committee on the State of the Children employed in the manufactories of the United Kingdom' established by Peel in 1816. The list of witnesses contained the names of many leading industrialists, including Josiah Wedgwood, Richard Arkwright and Robert Owen. Once again, Ricardo was familiar with the report,⁴² even arranging to despatch a copy to his friend and fellow economist, Trower. In Bienefeld's history of working hours, the evidence presented to that Committee represents a most important primary source on conditions at the time, leading Bienefeld to conclude that: "The textile mills that sprung up in the last quarter of a century ran roughshod over the customary hours of employment and introduced working days of thirteen, fourteen and even more hours."⁴³

To summarise, Marx's critique of Ricardo on working time appears to have some substance. During the period in which Ricardo was writing, the variability of hours in agriculture and in the textile factories was discussed in pamphlets and noted in parliamentary reports. Ricardo was familiar with those reports, their evidence was incorporated in the principal works of his closest co-thinker, Malthus, and

³⁹ Ricardo. Works Vol II p349

⁴⁰ Letter to Malthus 21 October 1817

⁴¹ In particular the abuse of child labour was a central cause of concern at the time. Thus Pollard writes: "The thrill of horror felt by present-day readers at the treatment, the hours of work and nightwork, the conditions of life which were then considered fit for pauper children, were shared by many contemporaries: the factory agitation in the years to 1819 was no idle whim, and the children were not 'free' workers in any normally accepted sense."

S. Pollard (1965) p165

⁴² Ricardo (1951) Vol 7 p146. Opposition to the Bill from the House of Lords appealed to "that great principle of Political Economy, that labour ought to be left free." Blaug 1958 p 213

⁴³ Bienefeld (1972) p20 The view that conditions for factory textile workers were representative of the general trend in all industries has been challenged by Hopkins (1982)

correspondence between them suggests that Ricardo was at least aware of the link between wages and hours. As Steedman, in his defence of Ricardo, has argued: “As for Marx’s specific complaint that Ricardo does not recognize changes in the working day or in the intensity of labour, it is not clear how one can say more than that Ricardo does not discuss such changes explicitly.”⁴⁴ Whilst this ambivalent conclusion may be true, what is clear is that these factors play no part in Ricardo’s analysis.

Given the clear recognition by Ricardo of the variability of working time, and its potential impact on profits, what are we to make of the fact that any consideration of the issue is absent from his theoretical system in the *Principles* and from his theory of value in particular? It appears to constitute a significant ‘silence’ in his work. One possible explanation lies in the fact that longer hours could have been associated, for Ricardo, merely with periods of ‘dearth’ caused by poor harvests and therefore relegated to the status of short - run phenomena which could be safely ignored in his overall long - run analysis.⁴⁵

There are several problems with this solution. First, the whole period in question was one of generally rising food prices. During the war years, fourteen out of twenty two harvests were deficient,⁴⁶ and, from the historical evidence, rising prices during this period appear to have been instrumental in stimulating the process of rapid enclosure and high farming, which lies at the core of Ricardo’s analysis. The separation of long - and short-run influences is therefore problematic. In Ricardo’s work, the short-run was regarded as being of variable duration, depending upon the context⁴⁷. Second, the link between wages and hours was recognised by political economists well beyond the period in question, with the implication that the mechanism was of more general historical application than the mere exigency of a period of war. Thus, for example, Nassau Senior, writing of the English worker in 1830, could argue that: “When wages fall, they endeavour to increase their earnings by more assiduous labour.”⁴⁸ Evidence for the continuing existence of such a relationship into the mid - nineteenth century, based upon Factory Inspectorate Reports, is provided by Marx himself: “It is a genuinely known fact that the longer the working day in a branch of industry, the lower the wages are...the low level of the price of labour acts here as a stimulus to the extension of the labour-time.”⁴⁹

Third, the issue of increased working hours in agriculture does not appear to have arisen simply as the result of a temporary series of poor harvests. It was part of a deeper and more profound change on the land involving an upheaval in traditional social relationships. In his classic study, E.P.Thompson argues that: “[E]nclosure and agricultural improvement were both, in some sense, concerned with the efficient husbandry of the time of the labour force.” For Thompson, enclosure and the growing labour surplus at the end of the eighteenth century faced agricultural labourers with the alternatives of partial employment and the Poor Law, or submission to a more exacting labour discipline as a result of “a greater sense of time-thrift among the improving capitalist employers.”⁵⁰

This conception of the period, with its emphasis on the transformation of work practices, is not confined to those sympathetic to Marx. J.D.Chambers, a critic of Marx’s view of enclosure, has remarked that the labour force in the Industrial Revolution was not only very much larger, but was worked very much harder.⁵¹

⁴⁴ Steedman (1982) p147

⁴⁵ As Ricardo cautions: “In making labour the foundation of the value of commodities, and the comparative quantity of labour which is necessary to their production, the rule which determines the respective quantities of goods which shall be given in exchange for each other, we must not be supposed to deny the accidental and temporary deviations of the actual or market price of commodities from this, their primary and natural price.” Ricardo (1951) Works Vol I p88.

⁴⁶ Armstrong op cit p.56

⁴⁷ For a discussion of this issue, see De Marchi (1970) p263

⁴⁸ Senior, Three Lectures on the Rate of Wages (1830) cited in Coats (1967)

⁴⁹ Marx (1976) p688

⁵⁰ Thompson (Past and Present No.38) p78

⁵¹ Chambers (1972) p149. It has been estimated that as in the process of industrialisation average annual working hours rose from 3000 in the mid -eighteenth century to 4000 in the early nineteenth. See Tranter 1981: 220

The purpose of this section is not to arraign either Marx or Ricardo before the court of history, in an attempt to provide an empirical test of their respective theories. Such an exercise, requiring a more detailed examination of the period, taking into account regional variations and the experience of the different sectors of the economy, lies beyond the scope of this paper. Certainly Marx never claimed to have provided a comprehensive historical rebuttal of Ricardo's model. His investigations rather took the form of marginal notes, not intended for publication, which served as a check on the results of his more substantial theoretical endeavours. Nevertheless those investigations are important, and for several reasons. First, they establish that, in his critique of Ricardo, Marx was not indifferent to the historical context. The force of his criticism of Ricardo's theory of value on the question of working hours would surely have been lessened had Marx adduced no evidence to support his argument, as the notion of a purely 'immanent critique' requires. Whatever significance is placed on Marx's empirical investigations, it is certainly difficult to support the view of Morishima and Catephores that: "for Marx...value was reduced to a logical category deprived of empirical historical reality."⁵²

Second, they also have potentially important repercussions for Ricardo's theoretical framework. Malthus, as we have seen, was of the opinion that increasing hours and intensity of work were of sufficient importance to affect the course of the rate of profit during that period. Finally, they help in clarifying the substantive difference between Marx and Ricardo on the key question of value and should alert us to the problem, inherent in modern mathematical treatments of the authors' 'models' in particular, of the undifferentiated use of the term 'quantity of labour'. Marx's investigations led to his more extensive studies in *Capital* of the whole question of the production of 'absolute surplus value'.

SECTION 3

Before making an assessment of the development of Ricardo's value theory, and his treatment of the 'time structure of capital' with its primary emphasis on the problems posed by the existence of different ratios of fixed and circulating capital, it will be useful to consider Marx's own treatment of the *same* subject. In value debates, it has been more common to compare the difficulties that Ricardo encountered on this score, with the separate issues that arise in Volume III of Marx's *Capital*, due to the existence of capitals with different organic compositions. This has, at times, led to a considerable confusion, with a tendency to conflate the structure of the two authors' arguments.

Marx appears to have studied the subject of fixed and circulating capital for the first time in late January and February 1858, in Notebooks V and VI of the *Grundrisse*. At about the same time, Marx sought practical assistance from Engels on the question, asking in correspondence: "Can you tell me how often you renew the machinery, in your factory for example?"⁵³ In the notebooks, Marx considered the circuit of capital in motion through its different forms, giving an initial abstract determination of the fixed/circulating distinction. Thus:

"As the subject moving through all phases, as the moving unity, the unity-in-process of circulation and production, capital is *circulating* capital : capital as restricted into any of these phases, as posited in its *divisions*, is *fixated* capital, *tied-down* capital."⁵⁴(emphasis in original)

For Marx, the 'fixation' of capital, arising from whatever source within the overall circuit of capital was perceived as a barrier for capital, a limit to the production of new value and an obstacle to be overcome. On the basis of his reading of Ricardo⁵⁵ and others, Marx also demonstrated his awareness of the various sources of those fixations. Interruptions to the production process, the duration of the production process, the need for the product to lie idle (e.g. wine production), time to bring the product

⁵² Morishima and Catephores (1975) p317

⁵³ Marx letter to Engels, 2 March 1858 (Marx and Engels : Letters on Capital 1983:52)

⁵⁴ Marx (1973:621)

⁵⁵ Marx illustrate his point with a simple example taken from Ricardo : "If one imagines two workers who exchange with each other, a fisherman and a hunter; then the time which both lose in exchanging would create neither fish nor game." (ibid 632)

to market and different proportions of fixed and circulating capital within the production process are each identified in turn.⁵⁶ Their common feature, according to Marx was that they represented 'not-labour time' i.e. time when no surplus labour is being created and capital is delayed in its return to the 'money form'. Consequently:

“The maximum realization of capital, as also the continuity of the production process, is circulation time posited as = 0.” and further: “*Circulation without circulation time* – i.e. the transition of capital from one phase to the next at the speed of thought – would be the maximum.”⁵⁷

Whatever the source of the fixation, within the whole circuit of capital, it represented a loss for capital, according to Marx. Taking the example of an individual capital A, whose circulation time is interrupted for whatever reason, Marx argued:

“This capital A would regard the smaller new value which it could produce as a positive loss, just as if it had so many more outlays to make in order to produce the same value. It would thus charge relatively more exchange value for its products than the other capitals, in order to share the same rate of gain. But this could take place in fact only if the loss were distributed among the other capitals.”⁵⁸

Thus, in the process of the equalization of the rate of profit, the general rate of profit, conceived as a rate per period of *time* was reduced. When Marx considered Ricardo's treatment of the question in the *Theories of Surplus Value*, the same conception was retained, although far more attention was given to a critique of Ricardo's position, rather than to an exposition of his own approach. In the second volume of *Capital*, Marx again insists that the effects of fixed capital must be understood within the context of the overall framework of the formation of the rate of profit⁵⁹. Thus he writes:

“When the social surplus value is distributed between the capitals invested in different branches of industry, differences in the various times for which the capital is advanced (for example, varying lifespans in the case of fixed capital) and different organic compositions of capital (thus also the different circulations of constant and variable capital) have similar effects in the equalization of the general rate of profit and the transformation of values into prices of production.”⁶⁰

Thus, the existence of fixed capital (or other forms of 'fixation' within the overall circuit of capital), however necessary to the production process, will result in a lower average rate of profit per period. The formation of a general rate of profit will occur through branches of industry with above average degrees of 'fixated' capital being compensated by a higher price. According to Marx, this was not understood in the writings of the classical economists:

“But what political economy sees is only the appearance, i.e. the effect of the circulation time on the valorization process of capital in general. It conceives this negative effect as positive, because its results are positive. It sticks all the more firmly to this illusion, as it seems to provide it with the proof that capital possesses a mystical source of self-valorization that is independent of its production process and hence of the exploitation of labour, and derives rather from the

⁵⁶ *ibid* 602

⁵⁷ *ibid* 629 – 631

⁵⁸ *ibid* 546

⁵⁹ Marx had enhanced his understanding of the subject of fixed capital, forms of depreciation, maintenance costs and wear and tear, through an empirical study of the first industry to engage large quantities of fixed capital, the railways. Marx drew in particular on the 1867 Royal Commission on Railways. *Capital II*:248 et seq.

⁶⁰ *ibid* 294

sphere of circulation. We shall see later how even scientific economics let itself be taken in by this illusion.”⁶¹

It would perhaps be more accurate to say that a number of the key figures involved in the value debates in Ricardo’s time were confused by the issue, rather than that they simply accepted the ‘appearance’. Ricardo’s most loyal supporter, J.R. McCulloch, for example, attempting to defend the labour measure of value when confronted with the apparent increase in value resulting from the maturing of wine adopted the ‘labour [embodied in capital]-goes-on-working’ explanation. Natural processes, set in motion by labour, were themselves labour and added value to the product.⁶² In opposition to that view however, Marx quotes James Mill’s *Elements of Political Economy*: “...time does nothing. How then can it create value? Time is a mere abstract term. It is a word, a sound.”⁶³

Marx felt that he was able to reach his conclusion that the impact on the rate of profit was negative because he had a theoretical conception of how a general rate of profit was formed. In contrast, he argued that Ricardo ‘smuggled in’ a general rate of profit in the first chapter of the *Principles*, when discussing the determination of value by labour without realising that a number of intermediate steps were needed. Marx’s conclusion is stark: “Ricardo has no means for determining a general rate of profit”⁶⁴ Consequently, when Ricardo was forced to address the problems arising from capitals with different structures, he turned to the device of an invariable measure of value, which, according to Marx, “was simply a spurious name for the quest for the concept, the nature, of value itself, the definition of which could not be another value.”⁶⁵ Let us briefly outline the development of Ricardo’s attempts to wrestle with the issue.

Following the publication of the *Essay on Profits* (1815) and having already fixed upon the quantity of labour as a measure of ‘the difficulty or facility of production’, it was in October 1816, while working on the first edition of the *Principles* that Ricardo first noticed the ‘curious effect which the rise of wages produces on the price of those commodities which are chiefly obtained by the aid of machinery and fixed capital.’ (1951-2:VII: 82) Ricardo’s ‘pure’ labour measure of value was clearly compromised by the presence of fixed capital. Commodities produced by different proportions of fixed and circulating capital, and by fixed capitals of varying durability posed a problem. Ricardo had, prior to this, already discussed the idea of an ‘invariable standard’ of value in his writings on currency⁶⁶ and the concept was introduced into the first edition of the *Principles* in a particular way. He assumed that the money commodity was produced entirely by a constant quantity of ‘unassisted labour’, which would be invariant to changes in distribution.⁶⁷ If wages rose, all other commodities employing some fixed capital would fall in price in terms of the constant monetary measure.

In support of Marx’s critique we should note that in every example in the first edition of the chapter *On Value*, Ricardo simply assumes a given rate of profit, usually 10 %, applied across all ‘industries’, without any clear explanation of its determination. In the first numerical example in the *Principles*, Ricardo seems to be unsure of the implications of his own assumed standard of value. He takes two ‘industries’ with identical ratios of fixed to circulating capital (in money) earning an arbitrary rate of profit of 10 per cent. Following a rise in wages, he tells us that the two commodities;

“...would sell for the same money...they would therefore be at the same relative value, and profits would be equally reduced in both trades. The prices of the commodities would not rise,

⁶¹ *ibid* 204

⁶² For a fuller discussion see O’Brien 1970 Chapter 8. O’Brien discusses McCulloch’s later ‘volte-face’ on this issue.

⁶³ Marx 1972: 86

⁶⁴ Marx 1969: 427

⁶⁵ Marx 1972: 134

⁶⁶ *Proposals for an Economical and Secure Currency*. Works IV: 58

⁶⁷ Works I: 63

because the money in which they are valued is by supposition of an invariable value, always requiring the same quantity of labour to produce it.” (Works I: 55)

Ricardo’s conclusion is invalid. For the prices to remain constant when distribution changes, the money commodity would have to be produced not by a given quantity of ‘unassisted’ labour, as he assumes, but by a technique having the same ratio of fixed to circulating as the two goods.⁶⁸ The second example in the chapter On Value raises a separate issue. Let us consider it in order to appraise Ricardo’s logic. Two commodities have different ratios of fixed to circulating capital, measured in monetary terms. Circulating capital consists entirely of wages paid in advance. The fixed capital is assumed to have a ten-year life. Ricardo then assumes initially a common rate of profit of ten per cent, which is applied to the circulating capital and to the fixed capital by means of an annuity to take account of both depreciation and profit on the capital.⁶⁹ The ‘value’ of each goods is thus derived.

RICARDO’S PRINCIPLES (1ST EDITION)⁷⁰

Initial conditions

	Fixed Capital (1)	Circulating Capital (2)	To replace capital with profit at 10%		Value
			(1)*	(2)	
Hunter	£150	£50	£24.40	£55	£79.40
Fisherman	£50	£150	£8.13	£165	£173.13

After 6 % rise in wages

	Fixed Capital (1)	Circulating Capital (2)	To replace capital with profit at 4%		Value
			(1)*	(2)	
Hunter	£150	£53	£18.49	£55.12	£73.61
Fisherman	£50	£159	£6.16	£165.36	£171.52

* By the annuity method where the annual charge is given by $P_m \cdot \frac{r(1+r)^n}{(1+r)^n - 1}$

where P_m is the original price of the fixed capital; n is the life of the fixed capital; and r is the profit rate.

Ricardo then assumes a six per cent wage rise to demonstrate that “although neither of these commodities should require more labour for their production, yet their relative value will be altered.” (I: 57) The increase in circulating capital costs will, Ricardo tells us, lead to a fall in the profit rate from ten to four per cent, and new ‘values’ are calculated on that basis. Both commodities have fallen in price and the exchange ratio between them has changed.

How should we interpret this example? First, it is by no means clear why a 6 % rise in wages should lead to a fall in the profit rate from 10 to 4 %. According to Hollander⁷¹, the unspoken assumption in

⁶⁸ Peach (1993:161) notes the same problem.

⁶⁹ According to Steedman(1982:121), important elements of Marx’s ‘misinterpretation’ of Ricardo may have stemmed from the fact that Marx had studied only the third edition of the *Principles*. This is incorrect. Marx was also familiar with the second edition. In fact, Ricardo’s example (which was omitted from the third edition of the *Principles*) drew from Marx the comment that: “On this occasion (Ricardo) slips into the anachronism of allowing the primitive fisherman and hunter to calculate the value of their implements in accordance with the annuity tables used on the London Stock Exchange in 1817.” (Marx: 1970:60). Marx was familiar with Say’s French translation of the 2nd Edition and it is cited in his bibliography.

⁷⁰ Ricardo (I: 56-8)

Ricardo's reasoning is the existence of a third commodity produced by unassisted labour (and hence, by assumption, invariable in value). If in the production of that commodity, wage costs are £200, producing a revenue of £220 and hence a profit rate of 10 %, a wage increase of 6 % would raise circulating capital to £212 and reduce the profit rate to £8/£212 or approximately 4 %. That profit rate would then determine the profit rate in the other 'industries'. The price of the other commodities would fall, following a rise in wages, relative to the unchanged value of money. This may have been Ricardo's intention and goes some way to rescue his example, but it is by no means obvious why some arbitrary third commodity should serve as standard of value in place of Ricardo's assumed money commodity. Perhaps sensing the difficulty, Hollander continues:

“Alternatively, we might assume that gold is the third commodity; an output of 220 ounces requires a circulating capital of 200 oz. so that the rate of return is 10 per cent while subsequently 212oz. are required giving a return of (approximately) 4 per cent.” (ibid)

Astutely, Hollander recognizes that there is little sense in attempting to determine the rate of profit in the gold industry, (where gold is the monetary medium) through a price equation whose variables are already expressed in monetary units. Instead, therefore we have physical inputs and outputs but with no means of transition from ounces of gold to money prices. The 'price of money' has no obvious meaning. As Marx notes in his discussion of Ricardo's theory of cost-price:

“The *price* of the commodity which serves as a measure of value and hence as money, does not exist at all, because otherwise, apart from the commodity which serves as money I would need a second commodity to serve as money – a double measure of values.”⁷²(emphasis in original)

If Hollander's interpretation of what was in Ricardo's mind is accurate, we should also note that the change in the general rate of profit (though not its original level) is now determinate, based on conditions of production in the industry employing only unassisted labour. Ricardo then applies that rate to the total capital, fixed and circulating, in all other sectors. In the subsequent example, that is precisely what Ricardo does. Taking two extremes, one commodity produced by fixed capital alone, the other, employing the same amount of capital on unassisted labour, and assuming an initial 10% rate of profit, Ricardo examines the effect of a wage rise. As the commodity produced by direct labour alone would not change in price, the new lower profit rate is calculable and can also be applied to the fixed capital employed in producing the other commodity whose price will therefore fall.⁷³

In the period leading to the publication of the second edition of the *Principles* in 1819, Ricardo was involved in debate with Torrens.⁷⁴ Torrens had pointed out to Ricardo that not only fixed capitals but also circulating capitals could be of unequal durability, (which was identified with 'different times it takes to market')⁷⁵ In the chapter 'On Value' in the new edition, it led to Ricardo's concession that:

“the circulating capital may circulate, or be returned to its employer, in very unequal times. The wheat bought by a farmer to sow is comparatively a fixed capital to the wheat purchased by a baker to make it into loaves. One leaves it in the ground, and can obtain no return for a year; the other can get it ground into flour, sell it as bread to his customers and have his capital free to renew the same, or commence any other employment in a week.”⁷⁶

In itself, wheat is inherently perishable, but to the farmer it is a part of his outlay from which he will obtain no return for a year. Is it then circulating or fixed capital? According to Marx, the problem arises

⁷¹ (1979:199 fn 17)

⁷² Marx (1969: 201)

⁷³ See Works I:59

⁷⁴ Works IV: 305-318

⁷⁵ Sraffa. Introduction. Works I :xlii

⁷⁶ Works I: 53 fn 1

due to Ricardo's tendency to confuse the natural properties of the different forms of capital with their socially determined place within the overall circuit of capital. Thus Marx argues that whilst the physical durability of their use values is a factor, it is not the essential issue:

“The more or less fixed character of the means of labour is a function of their degree of durability, i.e. of a physical property. According to their durability, they are worn out more quickly or more slowly...and thus function for a longer or shorter time as fixed capital. But it is in no way simply this physical property of durability which leads them to function as fixed capital. In metal works, the raw material is just as durable as the machines with which it is processed.”⁷⁷

One further example from Ricardo's response to Torrens is significant for understanding the nature of the qualifications that Ricardo was making to the 'simple' labour theory. Ricardo assumes that one employer hires five men to work for a year in producing iron, which is sold at the end of the year at a profit. The total revenue is sufficient to hire six workers the following year and this process of accumulation continues, with an additional worker each year, for twenty years, yielding at the end of that year a revenue of £100. Another employer, with the same initial capital, also hires five men to work for the first year only, planting acorns on rent-free land. At the end of twenty years, the wood should also be worth £100, Ricardo tells us, in order to produce the same profit on equal capitals despite the fact that “the whole quantity of labour realized in the wood is only that of 5 men for a year, that employed on the iron very considerably exceeds the labour of 100 men employed for a year. Here then are two commodities of equal value one of which is the production of more than five times the quantity of labour employed on the production of the other.”⁷⁸

It is the familiar 'wine in the cellar' problem that exercised the minds of a number of Ricardo's contemporaries and it is fundamentally unsolvable. For two different and irreconcilable principles behind the determination of relative values are being presented. The one that equal capitals employed for the same length of time must have the same rate of profit, the other that relative values are determined by quantities of labour.

In addition to Torrens questioning, Ricardo continued to meet persistent criticism from Malthus on the same issues during this period. In a letter to McCulloch in June 1820, Ricardo was to 'show signs of weakening'⁷⁹:

“I sometimes think that if I were to write the chapter on value again which is in my book, I should acknowledge that the relative value of commodities was regulated by two causes instead of by one, namely, by the relative quantity of labour necessary to produce the commodities in question, and by the rate of profit for the time that the capital remained dormant, and until the commodities were brought to market”⁸⁰ adding that, “all the exceptions to the general rule” could be reduced to one of time”⁸¹

According to Sraffa, 'this conception was the one to which he finally adhered' and the recognition of the 'time-profiles' of capital was much more in evidence when the third and final edition of the *Principles* appeared in 1821. The simple numerical exercises from the first edition (cited above) were excised, and in their place in section four of the chapter *On Value*, Ricardo introduced two-period examples that took explicit account of the impact on relative values of the different time-structure of production processes. In this new approach, Ricardo explained that:

⁷⁷ Marx 1978: 298

⁷⁸ Works IV: 312.

⁷⁹ Sraffa. Introduction. Works I: xxxix

⁸⁰ *ibid*

⁸¹ *ibid*

“The difference in value arises ..from the profits being accumulated as capital, and is only a just compensation for the time that the profits were withheld.”⁸²

The elements of an abstinence theory of profit had crept into Ricardo’s analysis in the *Principles*. Profits were now to be added to compensate those capitals having a longer production process in order to ensure equal profit rates. The contrast with Marx’s own analysis of the negative impact of fixed capital on profitability could not be more complete.

Ricardo’s ‘cost of production’ approach was in stark contrast to his ‘pure’ labour theory. There is no suggestion that Ricardo consciously abandoned the latter in favour of the former. Indeed he retained a “philosophical attraction”⁸³ to it until the end of his life. Nevertheless, the dichotomy formed the basis for Marx’s extensive critique of Ricardo’s theory of cost-price in the second volume of the *Theories of Surplus Value*. While Marx’s proposed solution to the problem is distinctively his own, we should be clear that there is nothing inherently Marxist in asserting that the two principles are fundamentally in conflict. On this point we can agree with Peach that “Marx’s interpretation of Ricardo can be located within an interpretative tradition that extends back to Ricardo’s own time”⁸⁴. As noted above, Ricardo’s own contemporaries were perplexed by the issue and the question of whether Ricardo held a ‘labour value’ or ‘cost of production’ theory has been central in the long debate over Ricardo’s legacy down to the present day, his many interpreters emphasising one or other approach.⁸⁵ To take a single example, Hollander summarises Schumpeter’s view of Ricardo’s problem as follows:

“Schumpeter emphasized that Ricardo did in fact maintain that profits were a ‘just compensation of waiting’, and concluded that the system contained a ruinous internal contradiction since profits were also treated by Ricardo as a residual: ‘We have then “profit” determined by “wages” (in general, uniquely). If thereupon we declare, as Ricardo did, that the same profits are a ‘just compensation’ (i.e. obviously a price) of waiting his system seems to become overdetermined: a quantity that is determined already is being subjected to an additional condition.’”⁸⁶

Naturally enough, authors in the ‘orthodox’ tradition, such as Alfred Marshall, wishing to establish a Ricardian lineage for neo-classical economics have emphasised the ‘cost of production’ element in Ricardo’s work. Conversely, Sraffa has defended the ‘no retreat from the labour theory’ interpretation. The attitude of some authors writing in the Sraffian tradition does not fit easily into either camp. Feess, for example, finds Ricardo’s approach to value and ‘cost of production’ perfectly consistent, and Marx’s critique devoid of content. Noting the distinction between Ricardo’s two standards, Feess argues that Ricardo “employed the two available standards of value and chose whichever suited him to treat the matter at hand. He followed neither the labour theory of value, nor did he stick to prices of production (sic), nor did he confuse these concepts. He used both and did so at distinct steps of his argument. And he had to do so since he realized very well that the two properties were exclusive.”⁸⁷ It is an interpretation based upon an omniscient Ricardo which finds little support either in the original texts or in the extensive secondary literature, which documents Ricardo’s long and tortuous struggle with his value problems.

Steedman’s position is that Marx was wrong on the question of Ricardo’s treatment of value and cost-price. Steedman notes several passages in the *Theories of Surplus Value* where Marx criticises Ricardo for identifying the two terms. Only in the exceptional case that commodities are all produced with the same ‘capital structure’ will the identity hold (irrespective of any change in the wage rate). But according to Steedman, Marx is wrong since Ricardo treated the two terms as synonyms.⁸⁸ Steedman achieves this reconciliation by denying that Ricardo ever held a ‘simple’ labour standard of value:

⁸² Works I: 37

⁸³ The phrase is suggested by Peach 1993

⁸⁴ *ibid* 19

⁸⁵ For a recent careful outline see Peach 1993 Ch 1

⁸⁶ Hollander 1979; 267fn 205

⁸⁷ Feess 1998: 278

⁸⁸ Steedman 1982:117 The identical position is advanced by Caravale 1991:183

“In the first chapter of his *Principles*, entitled ‘On Value’, it is clear that Ricardo does *not* use the term ‘value’ to mean either the amount of labour required for the production of a commodity or that amount of labour divided by the corresponding amount for a unit of gold, the money commodity. Thus the very first words of that chapter, the heading to section I, read ‘the value of a commodity, or the quantity of any other commodity for which it will exchange’ (Principles p11)”

Unfortunately Ricardo’s meaning is here obscured as Steedman has abbreviated the quotation.⁸⁹ The full sentence from Ricardo reads:

“ 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.”(Works I :11) (emphasis added)

Having rejected the idea that Ricardo held a ‘simple’ labour measure of value, Steedman argues that “for Ricardo, then, the terms value, cost of production and natural price were simply synonyms, all meaning what Marx was later to call ‘cost price’ in Theories of Surplus Value, or ‘price of production’ in Volume III of Capital.”⁹⁰

The logic of Steedman’s position then, is that Ricardo held a ‘cost of production’ rather than a labour value theory⁹¹ Steedman does not defend Ricardo against Marx’s point directly based upon Ricardo’s own work. Rather he informs us that; “Now, with the benefit of hindsight and of the work of Dmitriev, Bortkiewicz and Sraffa, we can see clearly that Marx’s criticism of Ricardo on this score was ill-judged.” This is a ‘rational reconstruction’ of Ricardo, as Steedman clearly points out, although on the basis of the results of these modern interpreters and, apparently without irony, he concludes in the same paragraph that Marx’s critique of Ricardo is not reliable since we see him: “[W]orking out his own theories, while ostensibly discussing the theories of others.”⁹²

CONCLUSION

This paper began by examining the notion that Sraffa and his followers have produced a rational reconstruction of Ricardo's ideas based upon a Marxian reading. It has been argued that this is an oversimplified conclusion which does not help to explain why authors from within the same school of thought have overwhelmingly rejected Marx's critique of Ricardo. In an attempt to gain a clearer understanding of the issues involved, I have examined a defining characteristic of their respective outlooks, the treatment of time, an issue which receives scant attention in the Sraffian literature. Time occupied a central role in the value analyses of both

⁸⁹ See Oakley 1985, Vol. 2:310 fn.28. According to Oakley: “It was not Marx who left the ‘verbal muddle’ to be sorted out, but rather it was Ricardo.”

⁹⁰ op cit 117 In the passages cited by Steedman where Ricardo does identify value and cost of production, Ricardo is addressing a different issue entirely. Malthus had misunderstood Ricardo’s ‘cost of production’ to mean wage costs only. Ricardo was correcting him that it also included profit. In that sense, Ricardo insisted, value and cost were the same. But Ricardo’s response to Malthus does not address, much less resolve, the substantive issues arising from the presence of capitals having different time structures.

⁹¹ It is inadmissible to state, however, that Ricardo’s ‘cost of production’ has the same meaning as Marx’s cost-price/price of production. According to Marx, the latter can only be calculated once the total surplus value and general rate of profit are determined. Marx’s argument against Ricardo was precisely that he had no means for doing this, due to the faulty structure of his theory.

⁹² op cit 125

Ricardo and Marx, but in very different ways. For Marx, capital's drive for the maximum prolongation of working time- the 'time of labour', went hand in hand with its striving to minimise overall circulation time - 'the time of capital'. For Marx, of course, the former set the limit to the total surplus value produced, whilst the latter played a subsidiary role in the distribution of that surplus value through the formation of an average rate of profit. In contrast, I have argued that Ricardo's indifference to the question of working time introduced serious ambiguities into his theory of value and that Marx's critique on this score is largely justified. Ricardo's lack of clarity over the idea of the 'quantity of labour' as a 'measure of value', and his primary focus on the distinction between fixed and circulating capital, led him step by step towards an essentially mercantile conception of time. Time within the sphere of circulation came to be treated as an independent source of profit. Looked at in this perspective, the theories of Marx and Ricardo are not merely different, they are diametrically opposed.

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