

# Labour theory of value

*Gilbert Faccarello\**



Ricardo first stated his labour theory of value in print in the first edition of his *Principles of Political Economy, and Taxation* (1817, Ricardo 1951-73 [hereafter referred to as ‘Works’]: I). This theory was, in his opinion, ‘a doctrine of the utmost importance in political economy; for from no source do so many errors, and so much difference of opinion in that science proceed, as from the vague ideas which are attached to the word value’ (ibid.: 13). Since then, the theory attracted much attention and generated lively controversies, mainly for three reasons. First, this theory was openly opposing what Adam Smith had stated in his *Inquiry into the Nature and Causes of the Wealth of Nations* ([1776] 1976), especially because Ricardo was maintaining that Smith’s assertion that all prices vary with a change in wages, and in the same direction, was erroneous. Second, some commentators — Torrens in particular — stressed the fact that Ricardo’s developments on the subject were flawed. Third, subsequent to the publications of Karl Marx’s *Zur Kritik der politischen*

---

\* Panthéon-Assas University, Paris. Email: gilbert.faccarello@u-paris2.fr. Homepage: <http://ggjjff.free.fr/>. Published in *The Elgar Companion to David Ricardo*, Heinz D. Kurz and Neri Salvadori (eds), Cheltenham: Edward Elgar, 2015.

*Ökonomie* (1859), the first and third volumes of *Das Kapital. Kritik der politischen Ökonomie* (1867 and 1894) and Kautsky's edition of *Theorien über den Mehrwert* (1905–10), Ricardo's theory of value was typically read through a Marxian lens. This, however, conferred a special theoretical and political bias to the debates until the edition by Piero Sraffa, with the collaboration of Maurice Herbert Dobb, of *The Works and Correspondence of David Ricardo*, from 1951 onwards.

The first debates involved, for instance, in correspondence as well as in print, Thomas Robert Malthus (1820, 1823), James Mill (1821), Robert Torrens (1818, 1821), John Ramsey McCulloch (1818, 1825), Samuel Bailey (1825) and John Stuart Mill ([1823] 1986; 1848). After Marx, the most interesting contributions were certainly published by Vladimir Karpovitch Dmitriev ([1904] 1974) and Laudislaus von Bortkiewicz ([1906–07] 1971). But the literature is immense and cannot obviously be summarized here (for contrasting views on value, see, for example, J. Hollander, 1910; Biaujeaud [1933] 1988; Sraffa in Works, I: xiii–xliv; S. Hollander, 1979; Caravale and Tosato, 1980; Garegnani 1984; Caravale, 1985; Peach, 1993; De Vivo 1994; Mongiovi 1994; Henderson and Davis, 1997; Kurz and Salvadori, 2007, 2013; Kurz, 2011; King, 2013, and the references quoted in all these studies). In the following, we concentrate on the main features of Ricardo's texts as they can be interpreted today and synthetically presented.

## A quest for standards

From the beginning of his reflections as an economist, Ricardo had been confronted with the problem of finding standards in order to understand economic phenomena properly. As is well known, the first confrontation was with monetary questions during the Bullionist Controversy. One of the problems then was to analyse the evolution of prices. But prices are expressed in monetary units, for example, the pound sterling. When the price of a commodity increases or decreases, what is the origin of this change? Is it a real cause, which takes place in the production process

of the commodity, or a monetary cause, that is, a variation of the value of the currency — or a mix of the two? Now, how to assess the variation of the value of the currency unit? This unit being defined as a definite amount of gold, its value is expressed in terms of this standard. In a gold standard regime with perfect convertibility, the value of the currency, that is, the inverse of the price of gold in the gold market, is stable and approximately equal to that given by the mint price. In a regime of inconvertibility, the value of the currency depends on its quantity and the difference between the price of gold in the market and its mint price is the principal sign of a depreciation or appreciation of the currency. This analysis is, of course, only possible, Ricardo stressed, because the currency and the monetary standard have been carefully distinguished.

If the value of money is stable, the evolution of a money price is thus only due to a real cause. But which one: a cause modifying the value of the commodity or the value of gold (the monetary standard)? Hence, the first problem Ricardo had to face and tried to solve was to find a measure of value that would allow one to assess, when relative prices change, the cause of this variation. Would it not be desirable, he asks, to find a commodity that would itself be invariable in value and to adopt it as the monetary standard? In Ricardo's view, this question was fundamental and he tried to answer it in his subsequent writings.

Ricardo was still debating the question of an adequate measure of value in 1823 in his last drafts of 'Absolute Value and Exchangeable Value' (Works, IV: 361–412), critically scrutinizing the opinions of Malthus, Torrens, James Mill and McCulloch. It is, however, important to note that, from the outset, Ricardo was perfectly aware that the search for a perfectly invariable (monetary) standard in terms of a real commodity amounts to looking for a will-o'-the-wisp: no commodity is invariable in value. The real problem was instead to find a commodity that could form the best approximation to an ideal standard. In 1810–11, in *The High Price of Bullion, a Proof of the Depreciation of Bank Notes*, he justified the choice of the precious metals, gold and silver, on an empirical basis:

Strictly speaking, there can be no permanent measure of value. A measure of value should itself be invariable; but this is not the case with either gold or silver, they being subject to fluctuations as well as other commodities. Experience has indeed taught us, that though the variations in the *value* of gold or silver may be considerable, on a comparison of distant periods, yet for short spaces of time their value is tolerably fixed. It is this property, among their other excellencies, which fits them better than any other commodity for the uses of money. Either gold or silver may therefore, in the point of view in which we are considering them, be called a measure of value. (Works, III: 65n; original emphasis)

Ricardo thus had to face a second problem. The search for a good monetary standard led him to search for another standard, an invariable standard of value. But in what does the value of a commodity consist; how is it determined? Ricardo's views on these questions evolved over time. Broadly speaking, he first accepted Smith's ideas on the matter but then changed his opinion during the controversy about the renewal of the Corn Laws and in the course of the writing his 1815 pamphlet *Essay on the Influence of a Low Price of Corn on the Profits of Stock* (Works, IV: 9–41). However, in spite of this evolution, his general approach was well defined from the outset and remained unchanged afterwards. He clearly had in mind the idea that the natural value of a commodity depends on the difficulty of its production, and that while utility is an essential aspect for a commodity, this utility is not the measure of value.

In 1810–11, again in *The High Price of Bullion*, he spoke of gold and silver having 'like other commodities, an intrinsic value which is not arbitrary but is dependent on their scarcity, the quantity of labour bestowed in procuring them, and the value of the capital employed in the mines which produce them' (Works, III: 52). In the same period, in his 'Notes on Bentham's "Sur les prix"', he declared: 'I like the distinction which Adam Smith makes between value in use and value in exchange. According to that opinion utility is not the measure of value' (ibid.: 284). The same words are again to be found in the different editions of the *Principles* in the opening chapter 'On Value' (Works, I: 11–12). There Ricardo

specified that the theory of value does not concern the two extreme cases of free or non-reproducible goods, and monopolized commodities. The term ‘scarcity’ used in 1810 as well as in 1817 simply means that the commodity is not a free good: ‘In speaking then of commodities, of their exchangeable value, and of the laws which regulate their relative prices, we mean always such commodities only as can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint’ (ibid.: 12). It is to be noted, moreover, that, like Smith, Ricardo admitted that demand could influence prices, but market prices, which in the end gravitate around natural prices (ibid.: 88–92).

Finally a third important problem arises when dealing with the question of value. It is clear that Ricardo’s main interest lay in the determination of ‘exchangeable value’, ‘relative value’, ‘comparative value’ or ‘proportional value’ of commodities — which are all interchangeable phrases Ricardo used more or less frequently. But does not an exchange ratio presuppose a quantitative comparability of the commodities, their ‘intrinsic value’ as Ricardo wrote in 1810, a phrase that is again to be found in the *Principles*, especially in passages on money, but that is also replaced, in the same *Principles*, with ‘absolute value’? This last appellation was to be almost exclusively used later in 1823 in the drafts on ‘Absolute Value and Exchangeable Value’ — where ‘real value’ also appeared with the same meaning, as in Ricardo’s correspondence, with Hutches Trower in particular, together with ‘positive value’. This question of an intrinsic, real or absolute value of commodities, first intimately linked to the determination of their exchange ratios and expressing value in terms of an invariable standard, was still important in Ricardo’s last thoughts.

## Towards a labour theory of value

After the Bullionist Controversy Ricardo had another occasion to develop his views on value. He actively participated in the debates around the

renewal of the Corn Laws and fought in favour of a free external grain trade. His views were stated in his 1815 *Essay on Profits* and in the correspondence that preceded and followed its publication. As is well known, his arguments involved his views on the distribution of income between rents, profits and wages and his aim was to show that ‘the interest of the landlord is always opposed to the interest of every other class in the community’ (Works, IV: 21). More specifically, supposing an increasing population and the consequent extension of the cultivation of agricultural products — ‘corn’ — to land of always poorer quality, the value of corn was bound to rise, entailing a rise in sum total and rates of rent, in the value of the real wages and a fall in the rate of profits in agriculture and in all other activities: ‘I am only desirous of proving that the profits on agricultural capital cannot materially vary, without occasioning a similar variation in the profits on capital, employed on manufactures and commerce’ (ibid.: 12n).

It is at this point that Ricardo felt again the necessity to tackle the problem of value. To prove his assertions, he not only had to make use of Malthus’s theory of rent, but he also had to ascertain that the values of all other commodities outside agriculture would not follow the price of corn — or only in a moderate way to take into account the variations in the prices of raw products. ‘It has been thought that the price of corn regulates the prices of all other things. This appears to me to be a mistake’ (ibid.: 21n). This is the reason why, once more, he referred to a value based on the conditions of production. In competitive markets and for reproducible commodities, ‘the difficulty or facility of their production will ultimately regulate their exchangeable value’ (ibid.: 20), that is, prices gravitate around the costs of production, ‘the general profits of stock’ included (ibid.: 20n).

Ricardo, however, did not develop the theory of value in the *Essay* further. When analysing what was happening in agriculture and developing the theory of rent he supposed that corn was the standard of value and in the two famous tables (ibid.: 17) showing the progress of rent and the evolution of profits, all data are expressed in terms of quantities of

corn: the capital invested on each piece of land is ‘of the value’ of a certain amount of corn (ibid.: 14), and the cost of production is ‘estimated in corn’ (ibid.: 21n). This circumstance, together with the absence of any clear and widely used theory of value in the *Essay*, gave rise to the statement by Piero Sraffa that underlying Ricardo’s reasoning was a ‘corn model’ based on the hypothesis that, in agriculture, the inputs and the outputs were homogeneous and consisted of ‘corn’ (Works, I: xxxi–xxxii). It was thus possible ‘at the cost of considerable simplification’ to determine the rate of profit in agriculture in real terms, ‘without the need of a method for reducing to a common standard a heterogeneous collection of commodities’ (ibid.: xxxii) — this rate imposing itself in turn on all other activities. By contrast, the adoption of a labour theory of value in the *Principles* could allow a determination of the profit rate ‘in society as a whole instead of through the microcosm of one special branch of production’ (ibid.). While the hypothesis of a homogeneity between inputs and output could be found in some authors more or less at the same period and could implicitly refer to the Physiocrats, the effective presence of this hypothesis in Ricardo’s *Essay on Profits* is questionable and gave rise to some lively debates (see, for example, S. Hollander, 1979, 1995; Faccarello, 1982; Garegnani 1982; Skourtos, 1991; Kurz 2011; Kurz and Salvadori 2013, and the references quoted in these studies). But it is certainly true that a ‘corn model’ can form a possible logical framework — among others — to interpret statements like ‘it is the profits of the farmer which regulate the profits of all other trades’ (Ricardo to Hutches Trower, 8 March 1814, Works, VI: 104) and express Ricardo’s underlying and lasting conviction that the distribution of income could be explained in purely physical terms (Kurz 2011).

The final step towards the adoption of a labour theory of value was made by Ricardo when, encouraged by James Mill and developing the ideas set out in the *Essay on Profits*, he was working on his *Principles of Political Economy and Taxation* (1817). Here, he eventually found an unambiguous expression for the ‘difficulty of production’, ‘the real foundation of exchangeable value’ (Works, I: 25): the total amount of labour

directly and indirectly necessary to produce a commodity. Whatever the state of the society and the degree of the division of labour:

still the same principle would hold true, that the exchangeable value of the commodities produced would be in proportion to the labour bestowed on their production; not on their immediate production only, but on all those implements or machines required to give effect to the particular labour to which they were applied. (Ibid.: 24)

Of course, labour itself is not homogeneous, and an hour's work in one profession is difficult to compare with an hour's work in another because of the difference of skills and intensity. But, for Ricardo, the problem was easy to solve — as it had been for Smith before him. The scale of remunerations 'adjusted in the market with sufficient precision for all practical purposes' could be a good guide, and, 'once formed, is liable to little variation' (ibid.: 20) — Marx later reconsidered the problem and made a clear distinction between what he called 'abstract labour', the homogeneous 'substance of value', and different kinds of non-comparable 'concrete labour'; but as regards the scale to be established between 'simple' or unskilled and 'complex' or skilled labour, he 'solved' the problem in the same way as Ricardo did. Ricardo supposed, moreover, that the average skill and intensity is always approximately the same in one profession, thus allowing a comparison of the value of a commodity across time — especially if the periods are not too distant: 'at least . . . the variation is very inconsiderable from year to year, and therefore, can have little effect, for short periods, on the relative value of commodities' (ibid.: 22). And at this point Ricardo asserted that only the analysis of relative values and their possible evolution matters:

As the inquiry to which I wish do draw the reader's attention, relates to the effect of the variations in the relative value of commodities, and not in their absolute value, it will be of little importance to examine into the comparative degree of estimation in which the different kinds of human labour are held. (Ibid.: 21–2)

## Absolute value, relative value and the measure of value

It seems that Ricardo had found what he was looking for: the total labour ‘bestowed’ on a commodity is the measure of its value and the exchange ratios between commodities are determined by the relative amounts of labour expended to produce them and bring them to market. This is the reason why the search for an invariable measure of value could logically somewhat vanish here: to see the cause of a variation in relative prices, it was enough to look at the amounts of labour bestowed. But, of course, it could still be useful to find a commodity the production of which would always require the same total quantity of labour. Once this commodity was adopted as standard of value, any change in prices could immediately and unambiguously be interpreted as originating in the conditions of production of the commodity under consideration.

Ricardo, however, remarked immediately that things are not so simple. In conditions of free competition, as Turgot and Smith had already insisted, the principle of the uniformity of the profit rate — or of a stable scale of rates according to the different degrees of risk and so on inherent in the various activities — is essential. Normal or natural prices must reflect this profit rate. As a consequence, the total quantities of labour bestowed on commodities no longer determine the relative prices of commodities alone and the labour theory of value, only just formulated, had to be amended. As a consequence, too, the search for an invariable measure of value is rekindled: variations in relative prices may be also caused by changes in distribution and not only by changes in quantities of embodied labour.

Ricardo was, from the outset, perfectly conscious of the problem. In the first edition of the *Principles*, 1817, he stressed this fact and tried to tackle it thoroughly. While, on the one hand, he asserted many times that ‘labour is the foundation of all value’ and the relative quantities of labour ‘determine’ the relative prices, he recognized on the other hand that the accumulation of capital necessarily ‘introduces a considerable modification to the rule’ dictated by the labour theory of value, which was

true ‘in the early states of society’ (Works, I: 66). ‘Besides the alteration in the relative value of commodities, occasioned by more or less labour being required to produce them, they are also subject to fluctuations from a rise in wages, and consequent fall of profits’ (ibid.: 53). The explanation of this effect of the distribution of income on the exchange ratios is due to the fact, Ricardo stressed, that (1) capitals invested in different sectors exhibit different proportions of fixed and circulating capital and (2) the fixed capitals are of ‘unequal duration’. In this context, whenever wages are modified and the rate of profit changes as a consequence — all other things being equal, in particular the quantities of labour bestowed upon commodities — the relative prices of commodities must vary in order to restore the uniformity of the profit rate in all activities.

While clear and unambiguous, the analysis of the first edition of the *Principles* presents two features that somewhat limit its generality. The first is that Ricardo felt that the division of capital between fixed and circulating is ‘not essential’ and that ‘the line of demarcation cannot be accurately drawn’ (ibid., 31: 52n). And in fact, in the numerical examples he advanced in order to study the effects of a change in the distribution of income on relative prices, he supposed that the entire circulating capital consists solely in wages: the influence of the proportions of fixed and circulating capital and of the durability of the fixed capital was thus easier to illustrate.

The second feature is that Ricardo chose a peculiar measure of value: he supposed the monetary standard being always produced with the same quantity of labour but without any ‘fixed’ capital: ‘I am supposing money to be of an invariable value; in other words, to be always the produce of the same quantity of unassisted labour’ (ibid.: 63). This is precisely the measure of value Malthus would have proposed later and that Ricardo would have rejected. But this choice allowed Ricardo to establish a result ‘of such importance to the science of political economy’ (ibid.: 61) that reinforced his anti-Smithian position: when wages rise, all money prices fall (!):

It appears, then, that in proportion to the quantity and the durability of the fixed capital employed in any kind of production, the relative prices of those commodities on which such capital is employed, will vary inversely as wages; they will fall as wages rise. It appears too that no commodities whatever are raised in absolute price, merely because wages rise . . . but that all commodities in the production of which fixed capital enters, not only do not rise with a rise of wages, but absolutely fall. (Ibid.: 62–3)

The discussions that followed the publication of the first edition of the *Principles* — especially with Malthus and Torrens — induced Ricardo to rework his first chapter on value. In the third and final edition, 1821, three main points are to be noted.

First of all, Ricardo, while sticking to the idea that the labour bestowed ‘is really the foundation of the exchangeable value of all things’ (ibid.: 13), stressed again the fact that the existence of fixed capital ‘introduces a considerable modification to the rule’ (ibid.: 38; cf. also 30). As before, the causes were the different proportions between fixed and circulating capital and the different durability of fixed capital: to which he added a third, namely, ‘the unequal rapidity with which it is returned to its employer’ (ibid.: 38).

But Ricardo showed some hesitation: he was keen to minimize the quantitative aspects of the problem and noted that the relative quantities of labour still ‘almost exclusively’ determine the exchange ratios and their variations (e.g., ibid.: 12, 20). While these ratios are ‘not exactly’ given by the labour bestowed (ibid.: 34), the deviation is supposed to be ‘minor’ (ibid.: 42) and it would thus be ‘incorrect to attach much importance to it’ (ibid.: 36). He justifies his point of view first on the basis of some numerical examples that, in his opinion, show that ‘this cause of the variation of commodities is comparatively slight in its effects . . . Not so with the other great cause . . . namely, the increase or diminution in the quantity of labour necessary to produce them’ (ibid.: 36; cf. also 45). Second, he also remarked that the causes that modify the rate of profit are not permanently in action and act on the long period

while those who change the quantities of labour bestowed ‘are of daily occurrence’ (ibid.: 36). He reiterated his points subsequently (cf., for example, Works, IV: 368). The labour theory of value could thus be considered as an approximate solution to the problem of relative prices and their variations. But Ricardo honestly always considered this problem as not fully settled, as becomes clear in his correspondence with James Mill, McCulloch, Malthus and Torrens and in his manuscript fragments on ‘Absolute Value and Exchangeable Value’.

The second point to be stressed is that, in the second and third editions of the *Principles*, as noted above, Ricardo was still struggling with the definitions of fixed and circulating capital (Works, I: 31). Here too, the numerical examples mainly suppose that circulating capital consists solely of wages. In a fragment on Torrens, however, dated 1818, he tried to solve the problem and, in a way, to put the definition in accordance with his examples: it appears, Ricardo wrote, ‘that every thing is fixed capital which is employed on production except that which resolves itself into wages’ (Works, IV: 312). In the manuscript, the sentence is deleted, nevertheless, had he maintained it, Marx’s definition of constant and variable capital would have been identical to Ricardo’s distinction between fixed and circulating capital (cf. Sraffa in Works, IV: 306). But Ricardo never fully abandoned this idea. In his 1823 manuscript, he was still writing of the various ‘proportions in which immediate labour and accumulated labour enter into different commodities’ (Works IV: 379), thus opposing again labour to the material means of production.

This problem of definition notwithstanding, the consequences of the existence of the different kinds of capital on the relative values of commodities are now better analysed and in a more general way. This is also due to the fact that Ricardo abandoned his previous simplifying definition of a monetary standard produced with a constant quantity of unassisted labour. As a result, relative prices could be said to vary in both directions as a result of a change in wages and the profit rate:

The degree of alteration in the relative value of goods, on account of a rise . . . of labour, would depend on the proportion which the fixed capital bore to the whole capital employed. All commodities which are produced by very valuable machinery, or in very valuable buildings, or which require a great length of time before they can be brought to market, would fall in relative value, while all those which are chiefly produced by labour, or which would be speedily brought to market would rise in relative value. (Works, I: 35)

Finally the third point to note regards the measure of value. The invariable standard of value must not only be produced with an unchanged quantity of labour, it must also be invariable when the wage and the profit rates vary: these conditions of course ‘disqualify any commodity that can be thought of from being a perfectly accurate measure of value’ (ibid.: 44). If by some unlikely chance a commodity could be found that satisfies the first requirement, it would nevertheless be a perfect measure of value only ‘for all things produced under the same circumstances precisely as itself, but for no others’ (ibid.: 45), that is, for commodities produced with the same proportion of labour to the different kinds of capital. In another words, the neutralization of the influence of the distribution of income amounts to say that the relative price of those commodities is simply equal to their relative labour value.

Now it is possible to find out a more precise meaning for Ricardo’s phrase: ‘under the same circumstances precisely as itself’. Using a decomposition in dated quantities of labour — utilized by Ricardo in an elementary way but specified later by Dmitriev, Bortkiewicz and Sraffa — suppose two commodities  $a$  and  $b$  produced in  $m$  and  $n$  periods respectively,  $p_i$  being the money price,  $L_\tau$  a dated quantity of labour,  $r$  the rate of profit and  $w$  the money wage rate ( $i = a, b$  and  $\tau = m, n$ ):

$$p_i = (1 + r)L_{1i}w + (1 + r)^2L_{2i}w + \dots + (1 + r)^\tau L_{\tau i}w$$

The relative price of the commodities is thus given by:

$$\frac{p_a}{p_b} = \frac{(1+r)L_{1a}w + (1+r)^2L_{2a}w + \dots + (1+r)^mL_{ma}w}{(1+r)L_{1b}w + (1+r)^2L_{2b}w + \dots + (1+r)^nL_{nb}w}$$

$$\frac{p_a}{p_b} = \frac{L_{1a} + (1+r)L_{2a} + \dots + (1+r)^{m-1}L_{ma}}{L_{1b} + (1+r)L_{2b} + \dots + (1+r)^{n-1}L_{nb}}$$

Let  $\lambda_i = L_{1i} + L_{2i} + \dots + L_{\tau i}$  be the labour value of commodity  $i$ . It is easy to see that  $\frac{p_a}{p_b} = \frac{\lambda_a}{\lambda_b}$  if and only if (i)  $r = 0$  or (ii) the following

conditions are realized simultaneously:  $m = n$  and  $\frac{L_{1a}}{L_{1b}} = \frac{L_{2a}}{L_{2b}} = \dots = \frac{L_{ma}}{L_{nb}} = \alpha$ ,  $\alpha > 0$ . Condition (i) is trivial and irrelevant; condition (ii), extremely restrictive, expresses Ricardo's statement.

Ricardo asserted again, however, that the situation was not without a way out. In the first place, as the effects of a change in the distribution on relative prices are supposed to be quantitatively slight, and if it is supposed further that gold is approximately produced over time with the same difficulty of production, gold would constitute 'as near an approximation to a standard measure of value as can be theoretically conceived' (ibid.). In the second place Ricardo stressed the fact that this would be all the more true if gold could be considered as produced with an 'average' proportion of capital 'so nearly equally distant from the two extremes, the one where little fixed capital is used, the other where little labour is employed, as to form a just mean between them' (ibid.: 45–6). In this way the variations of wages and profits could possibly compensate each other and gold be 'a standard so nearly approaching to an invariable one'. This is what Ricardo supposed as an openly simplifying device — 'I fully allow that money made of gold is subject to most of the variations of other things' — in order to facilitate his enquiry: 'the advantage is, that I shall be enabled to speak of the variation of other things, without embarrassing myself on every occasion with the consideration of the possible alteration in the value of the medium in which price and value are estimated' (ibid.: 46). Significantly enough Marx, confronted with

an analogous problem in his theory of prices of production in Book III of *Capital*, adopted a similar solution, imagining an ‘average branch of production’ where the labour value of the commodity could equal its price. Later on, Sraffa (1960, Chapters IV and V) reconsidered the question and imagined a composite ‘standard commodity’ the price of which is invariable with respect to changes in the distribution of income.

To conclude, it is worth noting again that, at the end of his life, Ricardo was still struggling with the concept of real or absolute or positive value. On the one hand, he almost gave a physiological flavour to it when, in his 1823 drafts, he asked: ‘Have we no standard in nature by which we can ascertain the uniformity in the value of a measure?’ His answer was positive: ‘labour is that standard. The average strength of 1000 or 10,000 men it is said is nearly the same at all times’ (Works, IV: 381). On the other hand, and as a consequence, some expressions could be interpreted as a tendency to strictly separate the two concepts of absolute and exchangeable value. On 4 July 1821, he wrote to Trower that ‘I do not, I think, say that the labour expended on a commodity is a measure of its exchangeable value, but of its positive value’ (Works, IX: 1). He went on:

You say if there were no exchange of commodities they could have no value, and I agree with you, if you mean exchangeable value, but if I am obliged to devote one month’s labour to make me a coat, and only one weeks labour to make a hat, although I should never exchange either of them, the coat would be four times the value of the hat; and if a robber were to break into my house and take part of my property, I would rather that he took 3 hats than one coat. (Ibid.: 2)

Ricardo did not develop this idea further, however. He returned to his discussions with Malthus, Torrens, J. Mill and McCulloch. His sudden death left the debated questions unsolved.

## See also:

Demand and Supply; Invariable Measure of Value; Labour and Wages; Natural and Market Prices; Ricardo's Emancipation from Smith's Theory of Prices; Surplus.

## References

- Bailey, S. (1825), *A Critical Dissertation on the Nature, Measures, and Causes of Value, Chiefly in Reference to the Writings of Mr Ricardo and his Followers*, London: Hunter.
- Biaujeaud, H. ([1933] 1988), *Essai sur la théorie ricardienne de la valeur*, Paris: Sirey; reprint, Paris: Economica.
- Bortkiewicz, L. von ([1906–07] 1971), 'Wertrechnung und Preisrechnung im Marxschen System', *Archiv für Sozialwissenschaft und Sozialpolitik*; 1906, XXIII(1), 1–50; July 1907, XXV(1), 10–51; September 1907, XXV(2), 445–88; reprint in L. von Bortkiewicz, *La teoria economica di Marx e altri saggi su Böhm-Bawerk, Walras e Pareto*, Turin: Einaudi, pp. 5–104.
- Caravale, G. (ed.) (1985), *The Legacy of Ricardo*, Oxford: Basil Blackwell.
- Caravale, G. and D. Tosato (1980), *Ricardo and the Theory of Value, Distribution and Growth*, London: Routledge.
- De Vivo, G. (1994), '(Mis)interpreting Ricardo', *Contributions to Political Economy*, 13, 29–43.
- Dmitriev, V.K. ([1904] 1974), *Экономические очерки* [*Ekonomicheskie ocherki*, Economic Essays]; English translation, D.M. Nuti (ed.), *Economic Essays on Value, Competition and Utility*, Cambridge, UK: Cambridge University Press.
- Faccarello, G. (1982), 'Sraffa versus Ricardo: the historical irrelevance of the "corn-profit" model', *Economy and Society*, 11(2), 122–37.
- Garegnani, P. (1982), 'On Hollander's Interpretation of Ricardo's Early Theory of Profits', *Cambridge Journal of Economics*, 6(1), 65–77.
- (1984), 'Value and Distribution in the Classical Economists and Marx', *Oxford Economic Papers*, 36(2), 291–325.

Henderson, J. and J.B. Davis (1997), *The Life and Economics of David Ricardo*, Dordrecht: Kluwer Academic Publishers.

Hollander, J.H. (1910), *David Ricardo: A Centenary Estimate*, Baltimore, MD: Johns Hopkins University Press.

Hollander, S. (1979), *The Economics of David Ricardo*, Toronto: The University of Toronto Press.

— (1995), ‘Sraffa’s rational reconstruction of Ricardo: on three contributions to the Cambridge Journal of Economics’, *Cambridge Journal of Economics*, 19(3), 483–9.

King, J.E. (2013), *David Ricardo*, London: Palgrave Macmillan.

Kurz, H. D. (2011), ‘On David Ricardo’s Theory of Profits: The Laws of Distribution Are “Not Essentially Connected with the Doctrine of Value”’, *The History of Economic Thought*, 53(1), 1-20.

Kurz, H.D. and N. Salvadori (2007), *Interpreting Classical Economics. Studies in Long-Period Analysis*, London: Routledge.

— (2013), ‘On the “vexata questio of value”. Ricardo, Marx and Sraffa’, in L. Taylor, Z. Rezai and Th. Michl (eds), *Social fairness and economics. Economic essays in the spirit of Duncan Foley*, London: Routledge, 213-227.

Malthus, T.R. (1820), *Principles of Political Economy, Considered with a View to their Practical Application*, London: John Murray.

— (1823), *The Measure of Value Stated and Illustrated, with an Application of it to the Alterations in the Value of the English Currency Since 1790*, London: John Murray.

McCulloch, J.R. (1818), ‘Mr Ricardo’s theory of exchangeable value vindicated from the objections of R. [paper signed M.]’, *The Edinburgh Magazine and Literary Miscellany*, III, November, 429–31.

— (1825), *The Principles of Political Economy, with a Sketch of the Rise and Progress of the Science*, Edinburgh: William and Charles Tait/London: Longman and Co.

Mill, J. (1821), *Elements of Political Economy*, London: Baldwin, Cradock and Joy.

Mill, J.S. ([1823] 1986), 'Malthus's measure of value', *Morning Chronicle*, 5 September, in A. and J. Robson (eds) (1986), *Collected Works of John Stuart Mill*, Vol. XXII: *Newspaper Writings, December 1822–July 1831*, Toronto: University of Toronto Press/London: Routledge and Kegan Paul, pp. 51–60.

— (1848), *Principles of Political Economy, with Some of their Applications to Social Philosophy*, London: John W. Parker.

Mongioli, G. (1994), 'Misinterpreting Ricardo. A review essay', *Journal of the History of Economic Thought*, 16(2), 248–269.

Peach, T. (1993), *Interpreting Ricardo*, Cambridge, UK: Cambridge University Press.

Smith, A. ([1776] 1976), *An Inquiry into the Nature and Causes of the Wealth of Nations*, The Glasgow Edition of the Works and Correspondence of Adam Smith, eds R.H. Campbell, A.S. Skinner and W.B. Todd, Oxford: Clarendon Press.

Skourtos, M. (1991), 'Corn models in the classical tradition: P. Sraffa considered historically', *Cambridge Journal of Economics*, 15(2), 215–28.

Sraffa, P. (1951), 'Introduction' in *The Works and Correspondence of David Ricardo*, Vol I, Cambridge, UK: Cambridge University Press, xiii–xliv.

— (1960), *Production of Commodities by Means of Commodities. Prelude to a Critique of Economic Theory*, Cambridge, UK: Cambridge University Press.

Torrens, R. (1818), 'Strictures on Mr Ricardo's doctrine respecting exchangeable value [paper signed R.]', *The Edinburgh Magazine and Literary Miscellany*, III, October, 335–8.

— (1821), *An Essay on the Production of Wealth. With an Appendix, in Which the Principles of Political Economy are Applied to the Actual Circumstances of this Country*, London: Longman, Hurst, Rees, Orme and Brown.