CHAPTER II

THE LABOUR THEORY OF VALUE: ANALYTICAL DEVELOPMENT AND APPLICATION
II.1 Introduction

II.1.1. Having taken a bird's eye-view of the socio-economic conditions in the earlier half of nineteenth century Britain, we shall now proceed to discuss in this chapter certain issues in classical political economy. These are basic to a study of the 'Ricardian Socialists' in as much as they help us to grasp the state of analytical developments in political economy of that time and the use that the 'Ricardian Socialists' made of them. In particular, we discuss the development of the doctrine of value - the labour theory of value - that was to hold sway and remain increasingly at the centre of controversy in that period.

II.2 On the Notion of Value

II.2.1 To appreciate the 'labour theory of value' we need first to consider the category of 'value' itself and its historical emergence. The question of value arose at a certain stage of the development of society when production was undertaken more and more, and primarily for exchange and not for the producer's own consumption, products thus becoming 'commodities'. As such a 'commo-
dity' is a product produced for exchange by labour, while its value is the measure of its worth in exchange. Commodities have a two-fold form, as objects of 'utility' and 'depositions of value'. (Marx, 1954, p. 54). Commodities, therefore, possess besides their use-value, their value form as well. The exchange value (as distinct from use-value, which represents utility) is the outward form of value.

II.2.2 The emergence of labour theory of value in a sense coincides with the development of generalized commodity production. As a theory it finds early formulations with William Petty in the second half of seventeenth century England, i.e. in the period of rising capitalist order. Nevertheless, the basic idea of 'exchange value' linked with the labour content prevailed in a rudimentary form even earlier. It is convenient, therefore, to study the operation of the law of value by classifying 'exchange' into two periods, that of 'simple exchange' (i.e. barter) and 'generalised exchange' (i.e. exchange of commodities for money).

II.3 Labour as a creator of Value

II.3.1 In man's intuition, the idea of labour as the
source of value has always been linked with his relationship to nature. Man has continuously engaged himself in nature - either in cooperation with it or in conflict, to produce his means of subsistence. Labour as an active agent in production and thus labour as 'cost' was recognized from the earliest times as the basis of exchange. So, once the exchange of commodities appeared as an inevitable result of the development of the productive forces in society, a theory emerged that individuals exchanged their commodities one for another on the basis of labour expended on the respective commodities. The theory held a practical appeal especially when the economy was simple and labour mostly direct. Moreover, the direct producers owned the means of production as well as carried out exchange and appropriated revenues directly. Thus, the existence of: (a) very simple means of production (made almost entirely by direct labour alone); (b) very simple exchange-relations (confined to a limited number of commodities); (c) almost full knowledge on the part of the persons about each other's costs of production in general, suggested that exchange of commodities in practise would be on the basis of labour embodied. Engels points out that, under this kind of simple commodity production where the producers worked under 'the eyes of each other', 'not only was the labour-time spent on these products the only
suitable measure for the quantitative determination of the values to be exchanged: no other was at all possible". (Engels' Supplement to Capital, Volume Three, in Marx, 1959, p. 897). Further, he argues that the peasant and artisan were not "so stupid as to give up the product of ten hours' labour of one person for that of a single hour's labour of another?". (Engels' Supplement to Capital, Volume Three, in Marx, 1959, p. 898).

II.3.2 However, the simple economy of the pre-capitalist period had to give way to that of the dynamic, expanding economy of capitalism following an active penetration of money and merchant capital into the economy, along with swift changes in the methods of production. This marks the period of 'generalised exchange' which necessitates a corresponding formulation of a theory of value, and makes "political economy an independent science". (Marx, 1954, p. 344). This according to Marx, primarily dates from William Petty during the "period of manufacture" in Britain. (Marx, 1970, p. 52)

II.3.3 Till the time of Petty, although labour was fundamentally understood as 'cause' or 'source' of value, there was still no clear cut idea and a proper understanding of 'labour' in relation with 'value'. The expansion
of the market and the change in the basis of production from 'production for consumption' to 'production for the market' which was accompanied also by a rapid growth in the means of production (i.e. capital), complicated the understanding of 'value' in relation to 'prices'—which were synonymous terms in 'simple exchange'. The price of commodities was earlier believed by mercantilist writers like Nicholas Barbon (see, Meek, 1971, p. 15), to be determined by the factors of demand and supply on the one hand, and their 'usefulness' or 'utility' on the other. Hence, although they believed that labour was 'cause' or 'source' of value, at the same time, they could not differentiate 'value' from 'use value' and mis-took one for another. For example, even Locke who believed that, "for whatever bread is more worth than acorns, wine than water, and cloth or silk than leaves, skins, that is wholly owing to labour and industry;" (cited in Meek, 1973, p. 21), nevertheless at the same time, under mercantilist influence he also thought that "the price of any commodity rises or falls, by the proposition of the number of buyers and sellers ... the want of anything depends upon its necessity or usefulness, as convenience, or opinion guided by phancy or fashion shall determine". (cited in Meek, 1973, p. 22).
II.3.4 Petty, however, did not confine himself to what could be seen on the surface of the existing economy; he rather tried to find out the internal laws of the growing capitalist economy; he was one of the first to deal with the determination of value under capitalism. To determine the value of a commodity, he takes the first step towards the understanding of abstract labour. He clearly says that "If a man can bring to London an ounce of silver out of the earth in Peru, in the same time that he can produce a basket of corn, then one is the natural price of the other" (Cited in Marx, 1963, p. 336). Therefore, as Marx points out Petty, "determines the value of commodities by the comparative quantity of labour they contain" (Marx, 1963, p. 355), and not only does not confuse it with 'market prices', but also tries to explain the deviations of price from value to be the result of the influence of substitute commodities, new commodities, fashion, etc. Thus he says that "This [the law of value] I say, to be the foundation of equalizing and balancing of values; yet in the superstructures and practices hereupon, I confess there is much variety, and intricacy...". (Cited in Anikin, 1975, p. 64). However, as Petty did not clearly formulate the concept of abstract labour, in his analytical study he could not go much further in that direction; rather because the category of profit as a separate income
of a new class was not yet recognised and also because the concept of 'wealth' was not yet separated from 'value', he took 'rent' as the only form of 'surplus value',\(^1\) as well as ended up with a kind of 'adding up' view of value. "All things ought to be valued by two denominations, which is Land and Labour; that is we ought to say a ship or garment is worth such a measure of Land, with such another measure of Labour; for as much as both Ships and Garments were the creatures of Land as men's Labour thereupon: This being true, we shall be glad to find out a natural Par between Land and Labour, so as we might express the value by either of them alone as well or better by both, and reduce one into the other as easily and certainly as we reduce Pence into Pounds". (Cited in Meek, 1973, p. 36 - capitals in the Originals).

II.4 \textbf{Smith and the Labour Theory of Value}

II.4.1 The labour theory of value, as a theory of commodity production under capitalism taking its first steps

\(^1\) Although Petty could see rent as the only form of surplus value as in his time land was still the main subject of labour, it should, however, be noticed that Petty's study of surplus value was much in the manner of the later classical economists as Petty resolved the value-difference between output and input into surplus labour. He takes the example of Corn, divides its value into three main parts: (1) the part which composes the inputs, in this case seeds; (2) the part which represents the subsistence share of the worker and his family and, (3) the surplus or net output. It is, this latter part which
through William Petty in the 17th Century did not, however reach its scientific stage before Smith in the second half of 18th Century who in his Wealth of Nations, could ultimately differentiate 'profit' from 'wages' as a new separate income-share of the Capitalist class. But, the process of the recognition of the profit on capital as the main key to the development of the classical theory of value, was not a simple process; rather it faced certain difficulties along the way. The first difficulty was connected with the differentiation of profit from interest on money and rent on land. It was in the last years of the 17th century and during the 18th century (prior to the appearance of the Wealth of Nations) after capitalism had developed sufficiently that the vital distinction between money (money as a 'hoard') and capital (money utilised in order to secure a revenue) began to be made. Dudley North, for example, made an important study on capital. Although he took capital only in its monetary form (Cf. Marx, 1963, p. 364), his study, however, laid down the foundation for the classical theory of interest which helped in a great degree the later differentiation of profit on capital from interest

Footnote 1 - continuation/

corresponds to the concept of the surplus product and surplus value introduced by Marx. (Cf. Aninkin, 1975, p. 63; also see Meek, 1973, p. 36).
on money. (Cf. Aninkin, 1975, pp. 128-129). In 1961, he wrote, "No Man is richer for having his Estate all in Money, Plate, etc., lying by him, but on the contrary he is for that reason the poorer. That man is richest whose Estate is in a growing condition, either in Land at Farm, Money at Interest, or Goods in Trade." (Cited in Marx, 1963, p. 370, Capitals in the Original). Also in this process a further important distinction was made between capital which was utilised more or less passively (as in the case of the interest on land or money at interest) and capital which was actively utilised (as in the case of investment in trade). The other difficulty in the way of the differentiation of 'profit' from 'wages' which remained to be perceived by Smith himself, was the obscurity created in the field of production. For, as the employers of labour were still themselves from the rank of the direct producers, they used to be actively involved in the process of production, and hence their 'earning' used to be regarded as a sort of 'superior wage' for their own personal efforts rather than as 'profit' on their capital. However, the ideas of the physiocrats in regard to 'surplus' had been essentially primitive, limited only to land and agricultural production and taking the form of 'surplus product'.

2 It was not until Marx that the term 'surplus value' was formulized in a scientific sense.
Smith, therefore, had to advance the physiocratic ideas of 'surplus' by locating it in industry as well. This, in turn, enabled him to begin the application of the labour theory of value to growing capitalist commodity production in England and led him to make a clear distinction between 'profits' of capitalists on capital and 'wages' of the industrial labourers.

II.4.2 Smith ruled out the physiocratic concept of 'sterile labour' in industry, and argued that any labour, industrial labour as well, would be 'productive labour' if it would create value. Hence surplus value is not only created in agriculture but also in industry the concrete form of which should be taken as profit on capital which is entirely different source of income from wages — "The wages of a particular sort of labour, the labour of inspection and direction..." (Smith, 1937, p. 48). He further argues that the "profits of stock" being "regulated by quite different principles" are "altogether different" from wages. For even if the owner of capital be "discharged almost all labour" he would still expect that "his profit should bear a regular proportion to his capital" (Smith, 1937, p. 49).

II.4.3 The first theoretical importance of such a diffe-
rentiation of profit on capital from the other income shares and economic categories was that of making the concept of value subject to laws. The idea of 'natural price' which had been taken since Petty's writings as the monetary exposition of the value of a commodity, could now be determined by Smith in terms of its three components, namely, the average rate of wages, profit and rent. (See Smith, 1937, p. 55). On the other hand, therefore, the 'market price' could also be distinctly defined as "the actual price at which any commodity is commonly sold ... it may either be above, or below, or exactly the same with its natural price". (Smith, 1937, p. 56). This distinction and comparison of the 'Natural Price' with that of the 'market price', in turn, leads Smith to the important conclusion (as a direct result of the subjection of 'natural price' to law) that "the natural price ... is, as it were, the central price to which the prices of all commodities are continually gravitating". For, "different accidents may sometimes keep them [market prices] suspended a good deal above it [natural price] and some times force them down even somewhat below it. But whatever may be the obstacles which hinder them from settling in this centre of repose and continuance, they are constantly tending towards it". (Smith, 1937, p. 58). As such Smith puts an end to the earlier arbitrary factors of demand and supply principle of determination of prices.
II.4.4 With Smith, however, the labour theory of value in its true sense, is confined to "that early and rude state of society which precedes both the accumulation of stock and appropriation of land". (Smith, 1937, p. 47).

It is true, for as he himself confesses, it is only, "in that early rude state of society" that since "the whole produce of labour belongs to the labourer ... the proportion between the quantities of labour necessary for acquiring different objects seems to be ... the only circumstance which can afford any rule for exchanging them for one another". (Smith, 1937, p. 47; emphasis added).

But "as soon as the land of any country has all become private property" and "as soon as stock has accumulated in the hands of particular persons" then "in this state of things ... the whole produce of labour does not always belong to the labourer". For, the labourers on the one hand "must give up to the landlord a portion of ... his labour ... which constitutes the rent of land" and on the other hand "he must ... share it [his labour] with the owner of the stock which employs him" and which in turn constitutes "the profit of their employer upon the whole stock of materials and wages which he advanced" (Smith, 1937, pp. 48-49). Hence, as Smith had no consistent explanation of profits and rents, he consequently tries to determine the value of a commodity by adding up
wages, profits and rent. In other words, as Smith takes capital and land to have their own parts not in 'transformation' of their value, but in 'creation' of value (of a commodity), he therefore predicts the determination of the value of a commodity on the extent that a commodity can command or purchase "the labour of other people" in the market. In his own words: "The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase on command". (Smith, 1937, p. 30). In fact, Smith looked at the exchange of one commodity for another as a relation between things and not that of a relation between people, (See Lenin, 1963, p.46, emphasis in the original), and as such failed to expand his "labour embodied theory of value" of the 'rude state of society' to the modern society of his time. He consequently introduces the 'labour commended theory of value' as a theory which would measure the 'real value' of a commodity 'in this state of things', whereas the 'labour embodied theory of value' which determined the value of a commodity by the labour-time contained in it, would be confined in application to pre-Smithian times. (Cf. Marx, 1970, p. 59), i.e. pre-Capitalist times.
II.4.5 Now, at this stage of the development of the labour theory of value, the question of land, turns out to be one of the basic problems in the way of its progress. For, while Smith had succeeded up to an extent in identifying 'profits', 'rents' and 'wages' as separate revenue categories, he had however, failed to develop a method of dealing with rent in its relation to value. The root of the land problem in the works of political economists up to Smith was that unlike Ricardo and Marx the former looked at the rent as a value determining category. This failure arose because (as we see below) they had failed to distinguish between products of human labour and products of nature and as such between 'value' and 'wealth'.

II.4.6 From his scientific analysis of the 'division of labour' Smith did try to lay down a scientific basis for the abstraction of labour as the source of value.  

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3 Wealth may consist of products of labour as well. But, unlike value which consists solely of the latter, wealth refers also to products of nature.

4 Adam Smith rather unconsciously perceived labour in abstraction, and never openly developed a concept of abstract labour. However, examples can be found which suggest this unconscious abstraction. For example, the opening sentence of his Wealth of Nations: "The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes..." (Smith, 1937, p. lvii)
But, even though he could distinguish between 'exchange value' and 'use value' as far as the meaning of the phrases went, still, he confused the distinction when it came to the determination of exchange value. The fact is, like his predecessors Smith also could not make a "determinate" distinction between value (in the creation of which labour is the sole factor) and wealth (in creation of which as a sum of use values labour and land are both together). This failure in Smith appears as a 'hidden Confusion' in his mind especially in his confounding of 'value' for 'wealth'. For wealth he correctly writes: "A man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences and amusements of human life". (Smith, 1937, p. 34). However, his conclusion for wealth gets confused with value as he incorrectly concludes: "A man must be rich or poor according to the quantity of labour which he can afford to purchase". (Smith, 1937, p. 34). It is, in fact, this confusion that led him to be more convinced with his 'commanded labour' as a 'real measure' of the 'value' of a commodity.

5 In this context, Engels writes that: "(one) should look up Adam Smith or any other authoritative economist of repute to see how much distress exchange value and use-value caused these gentlemen, the difficulty they had in distinguishing the two properly and in expressing the determinate form peculiar to each...". Engels, Appendices in Marx, 1970 pp. 226-227)
in modern time. For this sort of confusion made it possible for him to take the rent of land as one of the categories in the difference between the quantity of 'commanded labour' and the 'embodied labour'; and thus taking it as the use of the objective reasons to explain this difference, as well as providing a concrete justification for his 'labour commanded theory of value'. In other words, had he believed in 'labour embodied' measure of value in all forms of society, he would have to rule out land as a determinant of value, for he would have to recognize that, as its creation needed no labour, it consequently could not come on the way of the determination of value of a commodity. For this reason alone, Smith would have not been able to support his idea of 'commanded labour', at least, as far as the rent of land was concerned.

II.5 Ricardo and the Labour Theory of Value

II.5.1 It was left to Ricardo to draw a clear-cut line between 'value' and 'wealth' and taking 'labour embodied' as the 'real measure' of value of a commodity. His starting point in this distinction was production. He agreed with Smith that "man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences, and amusements of human life". But this, immediately
led him to conclude that "value, then essentially differs from riches, for value depends not on abundance, but on the difficulty or facility of production". (Ricardo, 1951A, p. 273). This conclusion laying down the basis of Ricardo's vital distinction between 'value' and 'wealth', paves the way for the rise of the true classical theory of value. 'Labour' turns out to be the sole creator of value, since land would be taken as a "free gift of nature", and should be considered exactly like any other natural agents - air, heat, etc., whose assistance would add nothing to value (in exchange) of a commodity. (Cf. Ricardo, 1951 A, p. 287). Moreover, by this distinction, the labour theory of value consequently reaches a state of development which provides a scientific frame work - a theory which deals with reproducible products of labour. Even after Ricardo recognized that the simple labour theory of value does not correspond to the capitalist mode of production, there were other difficulties in the way of supplanting Adam Smith's cost of production theory of value with a labour theory of value. These difficulties arose in connection with the emergence of capital - a problem that Adam Smith tried to get around via the 'labour commanded' theory of value.

II.5.2 Ricardo examined the emergence of capital with its two immediate implications, namely, the creation of
the "different circumstances of production" due to the different combinations of "fixed capital" and "circulating capital", and the penetration of profit into the economy. This understanding led him to see why commodities would no longer be now exchanged one for another exactly in proportion to the labour bestowed upon them. (Cf. Ricardo, 1951 B, p. 66). This new circumstance of production, he found might cause commodities to vary in relative values as wages even change if the labour required to produce them remains unchanged. "If the fixed and circulating capitals were in different proportions, or if the fixed capital were of different durability, then the relative value of the commodities produced would be altered in consequence of a rise of wages. (Ricardo, 1951 A, p. 56). Thus he arrives at the conclusion that "different proportions of fixed capital and circulating capital ... and different degrees of durability (of) such fixed capital, introduces a considerable

6 Ricardo finds that the emergence of capital with various degrees of durability in the process of production calls for a 'considerable modification' of the principle which regulates the relative value according to the quantity of labour bestowed on the production of commodities. He thus divides capital into two parts, namely, 'fixed capital' and 'circulating capital', giving the following explanation: "According as capital is rapidly perishable, and requires to be frequently reproduced, or is of slow consumption, it is classed under the heads of circulating or fixed capital". (Ricardo, 1951 A, p.31).
modification to the rule, which is of universal application in the early states of society. (Ricardo, 1951 A, p. 66). However, he never considered this "considerable modification" to violate the operation of the law of value itself.  

II.5.3 To modify the simple labour theory of value, Ricardo maintaining the proposition "that with few exceptions the quantity of labour employed on commodities determines the rate at which they will exchange for each other ..." (Ricardo, 1952 B, p. 279), starts his inquiry not from the measurement of the whole absolute value of the commodities compared, but the variations which from time to time take place in relative value. (Ricardo, 1952 B, p. 279). And hence, he tries to draw the attention of his readers to the effect of the variations in the relative value of commodities, and not in their absolute value. (Ricardo, 1951 A, p. 27). In fact, by this method of investigation, as Marx points out, Ricardo "begins with the determination of the magnitude of the value of the commodity by labour time and then examines

7 In opposition to Smith who asserted the law of value to be violated in modern times on the ground that the produce of labour would be divided between wages, profits and rent, Ricardo argued that "it is not because of this division into profits and wages, it is not because of capital accumulates, that exchangeable value varies, but it is in all stages of society, \footnote{continued}
whether the other economic relations and categories contradict this determination of value or to what extent they modify it. (Marx, 1968, p. 164). Although this approach to the problem of 'modification' in general leads to the examination of "how matters stand with the contradiction between the apparent and the actual movement of the system" (Marx, 1968, p. 166), in the capitalist economy, it however, "omits some essential links and directly seeks to prove the congruity of the economic categories with one another". (Marx, 1968, p. 165). Hence, from the beginning Ricardo not only concerned himself with the value of commodities but also with "wages, capital profit, the general rate of profit and even,... the various forms of capital as they arise from the process of circulation". (Marx, 1968, p. 168). In other words, in fact, Ricardo's main opposition and hence his focus on the 'labour theory of value' was due to Smith's explanation of the rate of profit in terms of 'competition of capital' and in general, to his adding up view of distribution. The problem Ricardo continuously addressed himself to was that of the deter-

[footnote No.7 continuation]

owing only to two causes: one the more or less quantity of the labour required, the other the greater or less durability of capital - the former is never superseded by the latter, but is only modified by it". (Ricardo, 1952 A, p. 377).
mination of the rate of profit and its relation to rents and wages under competitive capitalism.

II.5.4 Ricardo defines the rate of profit in terms of the surplus as follows:

\[ r = \frac{\text{Social (net) product} - \text{wages}}{\text{Social Capital}} \]

Now, in the simple corn model (1815), the right hand side of the above equation consists of homogenous aggregates and the determination of the rate of profit is quite straightforward.

II.5.5 However, once Ricardo leaves the simple one Commodity world, he discovers (Principles, 1817), that a change in wages could bring about a change in relative values because the aggregates on the right hand side above were now heterogenously composed. In such a world, exchange values are no longer related in a simple proportional fashion to labour values and the simple labour theory of value would require to be modified. In trying to do so

8 This relation, at the same time explains the inverse relationship between wage shares and profit rate, as well as, how the conditions of production would set the limit to profits.
Ricardo is confronted with what he regards as a 'circulatory' of argument in the determination of the rate of profit. But as Bharadwaj points out, the problem was not really one of 'circularity', but of 'simultaneity': "... the value of the aggregates depended itself on the rate of profit, the very magnitude to be theoretically determined". (Bharadwaj, 1983, mimeo, p. 9).

II.5.7 However, Ricardo failed to find his proposed invariant standard as a measure of 'absolute value', but in the course of modifying the simple labour theory of value he never deviated from the 'right course' of taking labour-embodied as the rule to govern the relative values of commodities. "I am fully persuaded that in fixing on the quantity of labour realised in commodities as the rule which governs their relative value we are in the right course..." (Ricardo, 1952 B, p. 344). Even he takes it for granted that if one is not able to proceed to modify the simple labour theory of value successfully, this should not be taken as an indication of the inadequacy of the doctrine itself, but as a sign of "the inadequacy of him who has attempted to explain it". (Ricardo, 1952 B, p. 142). Hence, as if to remove any confusion on the basics of the doctrine which may be caused by his earlier attempts to modify the simple labour theory of
value, Ricardo towards the end of his life writes with greater clarity than ever before that: "I may be asked what I mean by the word value, and by what criterion I would judge whether a commodity had or had not changed its value. I answer, I know no other criterion of a thing being dear or cheap but by the sacrifices of labour made to obtain it".

"That the greater or less quantity of labour worked up in commodities can be the 'only cause of their alteration in value is completely made out as soon as we are agreed that all commodities are the produce of labour and would have no value but for the labour expended upon them." (Ricardo, 1951 C, p. 397).

II.5.8 Ricardo died in 1823. His main achievements in the course of his studies in the labour theory of value were:

1. Adopting the labour theory of value, Ricardo could successfully oppose Smith's adding up view which had obfuscated the relation between wages and the rate of profit.

2. Recognising that the source of profit is in production and limits to profits are set by conditions of production.
3. Finding an inverse relation between the share of wages and the rate of profit. The fall of one meant necessarily the rise of the other and vice versa.

4. To pose the problem of relation between labour values and their modifications (prices), and making an attempt to solve it.

II.6 The Labour Theory of Value Between Ricardo and Marx

II.6.1 In the two decades between 1823 when Ricardo died and 1844 when Marx published his Economic and Philosophic Manuscripts of 1844, the labour theory of value had been severely undermined from three angles. On the one hand, this was done by the opponents of Ricardo who openly and outrightly rejected the validity of his theory of value; on the other hand, also by the followers of Ricardo himself who were incapable of continuing his work. The 'modifications' that the latter introduced, not only could not cause any further development in Ricardo's theory of value but rather by weakening it, paved the way for the later emergence of an alternative theory of value, namely, the 'utility based theory of value'. And thirdly it was also undermined by the so-called 'Ricardian Socialists' who converted the scienti-
fic framework of Ricardo’s theory of value into a utopian-ethical one: politicizing its categories, and in the process almost totally missing out the analytical achievements of the labour theory of value.

II.6.? Ricardo died in a period of the rapid development of machinery and manufacture which had sharpened the conflict between capital and labour. Hence, the opponents of Ricardo were, indeed basically against the labour theory of value, because of its class-based explanation of value and distribution rather than because of its ‘logical’ difficulties. In 1832, John Cazenove wrote: “that labour is the sole source of wealth seems to be a doctrine as dangerous as it is false, as it unhappily affords a handle to those who would represent all property as belonging to the working classes, and the share which is received by others as a robbery or fraud upon them”. (Cited in Meek, 1973, p. 124). In the same manner, in America Carey went on against Ricardo for the reason that “Mr Ricardo’s system... tends to the production of hostility among classes and nations. His book is the true manual of the demagogue, who seeks power by means of agrarianism, war, and plunder. The sooner [the lessons which it teaches] come to be discarded the better will it be for the interests of landlord and tenant, manufacturer and mechanic and nations at large".
Thus, some of them like Samuel Read who announced in 1829, "the almost universal rejection of labour as the standard", (cited in Meek, 1973, p. 121), tried to replace this "dangerous doctrine" with one which would bring into harmony the different classes of society. He defended the "productivity theory of distribution" on the basis of which each factor of production (normally there are three 'productive factors': Capital, Labour and Land) would receive its share according to its "productiveness" in the process of production. Such theories were, offered with full awareness as counters to Ricardo's theory of distribution so that the appropriation of profit and rent could be justified.

II.6.3 In the same period on the other hand, the weak position taken by Ricardo's followers also gave an opportunity to the 'dissenters' to strengthen their position. Their strength could easily be seen from what Catterill stated in 1831. If he would repeat the usual arguments against the labour theory of value it would only be because he suspected that "there are some Ricardians still remaining". (Cited in Meek, 1973, p. 122). Ricardo's followers in this period can actually be grouped in two extremes: One group of those like James Mill, McCulloch
etc., amended his theory of value and distribution so drastically that the 'theory' lost its "anti-capitalist flavour". (Cf. Bharadwaj, 1978, p. 25). The other dealt with the Ricardian theory so radically that it was, virtually converted to the doctrine of 'the right of labourer to the whole produce of labour'.

II.6.4 The 'right Ricardians' failed to understand the 'nature' of the difficulties faced by Ricardo in his theory of value and distribution and seeking to restore the labour theory of value formally, they eroded it instead, in content. This erosion, in the first instance, takes place through a process of grossly simplifying Ricardo's theory of value. Being unable to comprehend difficulty arising because of 'capital' in production, and thus unable to pursue Ricardo's explanation of the difficulty, they defended the labour theory of value on the basis of mere verbal evasion. James Mill for example, argues that before the emergence of capital in production, labour time embodied would be the only basis of exchange. However, as soon as capital enters, James Mill resolves the problem in a peculiar fashion. "All capital consists of commodities", and so the "first capital" ever produced must have been the unassisted "result of pure labour" (Mill, 1844, p. 97). As such, its value would be "regulated" by the quantity
of labour, and if the value produced by the "first capital" would be similarly regulated by the value of the "first capital" (which however was regulated by labour) and so on, such "successive productions" would also be regulated in the "last resort" by the "quantity of labour ... (determining) the proposition in which commodities exchange for one another" (Mill, 1844, p. 98). By means of this facile explanation of how the "quantity of labour" determines the exchange value of commodities, James Mill, gets rid of the analytical difficulty which Ricardo faced (in trying to modify the simple labour theory of value),—namely, the change in relative values of commodities, each of which was produced under different compositions of "fixed capital" and "circulating capital" due solely to a change in wage. Thus "not grasping Ricardo's method" they failed to recognize the analytical importance of Ricardo's "invariant standard". As a result the question of "invariant standard" was "either ignored (James Mill) or its 'meaningfulness' denied (McCulloch) or when referred to, the standard is defined [as in the second phase of Ricardo] in terms of a commodity with the same amount of labour embodied in all places and at all times (McCulloch, J.S. Mill)", (Bharadwaj, 1983, mimeo, p. 59).
Thus, the 'right Ricardians' overlooked or underplayed the problems in value theory. James Mill and John Stuart Mill for example begin their discussion from production and distribution rather than value itself, (see, Bharadwaj, 1983, mimeo, p.14, p. 58), and finally try to solve the problem of "exchangeable value". Their analytically weak notions with respect to 'value' problems led to a confusion in their approach to related questions in distribution – namely, the relation between wages and profits which consequently led them to deny the inverse relation between the two categories. They thus referred to a symmetry between profits and wages. (see Bharadwaj, 1983, mimeo, p. 58) which followed directly from their endeavour to strike a symmetry between capital and labour.

For instance, James Mill, makes it as a 'point of fact' that "it does happen, that the capitalist as often as he employs labourers, by the payment of wages, purchases the

The Theoretical Reason given by the Ricardians (for example James Mill and McCulloch) to deny the inverse relation between the share of wages and the rate of profit is based, however, on their proposition of labour 'productivity changes'. In the absence of this proposition, when commodities exchange at their labour-values, they agreed with Ricardo; still, not following Ricardo's assumption of given technical conditions of production, they brought in the question of 'productiveness of labour' and by taking commodities in terms of their 'exchangeable value' concluded as James Mill for example did:

"...no body has ever maintained that profits necessarily rise when wages fall, and fall when wages rise, because it was always easy to see that, by an alteration in productive power, both may rise, or fall together, and also that one may rise or fall, and the other remain stationary", (Mill, 1844, p. 74).
the share of the labourers. When labourers receive wages for their labour, without waiting to be paid by a share of the commodities produced, it is evident that they sell their title to that share. The capitalist is then the owner, not of the capital only, but of the labour also.

If what is paid as wages is included, as it commonly is, in the term capital, it is absurd to talk of labour separately from capital." (Mill, 1844, pp. 94-95). McCulloch is even more direct: "The profits of capital are only another name for wages or prior labour", and thus "the interests of both (capitalists and labourers) are at bottom identical". (cited in Bharadwaj, 1983, mimeo, p. 32).

Such arguments which failed to set forth an adequate link between value and distribution, not only could not explain the problems involved in the 'modification' of the labour theory of value due to the emergence of capital in production, but more importantly they eroded the surplus based content of Ricardo's labour theory of value. Hence, all such ambiguities and confusions provided enough reasons in their own turn, for the rejection of the labour theory of value; at the same time, they paved the way "for the emergence of an alternative theory". (See Bharadwaj, 1983, mimeo, pp. 60-61).

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10 As we have alluded to earlier, "in fact the problem of value was discussed, by the two Mills, after discussing the 'inverse relation' (between the share of wages and the rate of profit)". (Bharadwaj, 1983, mimeo, p. 58; emphasis in the original).
However, the 'left Ricardians' (the so-called 'Ricardian Socialists') were perhaps equally responsible for the eclipse of the Ricardo's theory of value and distribution. Although, unlike the 'right Ricardians', they focussed almost their entire arguments on the question of the sharpening conflict between Capital and Labour, their moralistic understanding of the labour theory of value (crystallized in the utopian doctrine of the right of labour to the whole produce of labour) led them to a total simplification (and sometimes, neglect) of Ricardo's rigorous labour-values based theory of distribution. Moreover, most of them did not persist in their ideas for more than a decade (beyond roughly 1832). They gradually began to deny and abandon their own basic ideas formulated from a 'socialistic' standpoint which in earlier days had been their response to a fierce theoretical and practical challenge that they confronted. The following chapters would examine in detail the contributions of each of the four members of this group - Thompson, Hodgskin, Gray and Bray.