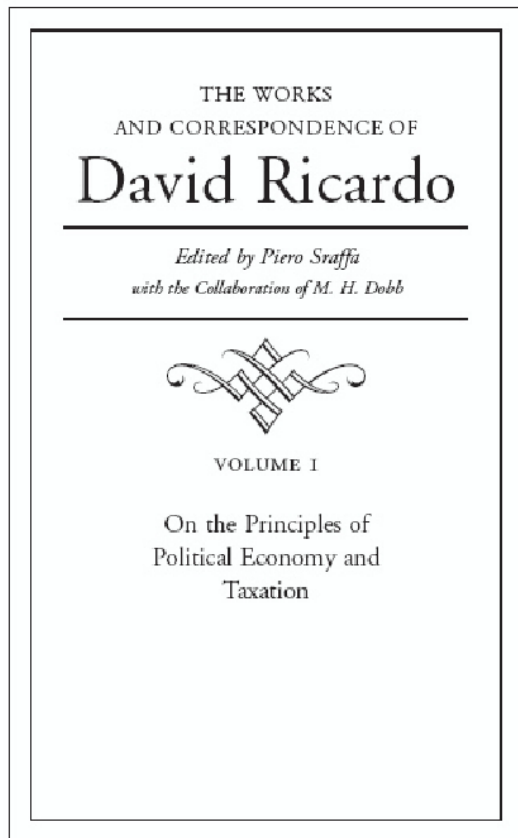


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Introduction to Ricardo's *Principles*  
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## INTRODUCTION

SUMMARY. I. *The Writing of the Principles*, p. xiii. II. *James Mill's Contribution*, p. xix. III. *Arrangement and Subdivision*, p. xxii. IV. *The Chapter On Value in Edition 1*, p. xxx. V. *Principal Changes in Chapter On Value in Eds. 2 and 3*, p. xxxvii. VI. *Edition 2*, p. xlix. VII. *Edition 3*, p. liii. VIII. *The Present Edition*, p. lx.

### I. *The Writing of the Principles*

THE plan from which the *Principles of Political Economy, and Taxation* originated had taken shape soon after the publication of the *Essay on the Influence of a Low Price of Corn on the Profits of Stock* in February 1815. At first Ricardo's intention (at James Mill's suggestion) had been merely to produce an enlarged version of the *Essay*. As he writes to J.-B. Say from his country house, Gatcomb Park, in August 1815: 'Mr. Mill wishes me to write it over again at large', adding immediately, 'I fear the undertaking exceeds my powers'.<sup>1</sup> Mill, however, as he tells Ricardo in the same month, is determined to give him no rest till he is 'plunged over head and ears in political economy'.<sup>2</sup> Six weeks later (on 10 October) the larger book is already being treated by Mill as a definite commitment: 'I expect you are by this time in a condition to give me some account of the progress you have been making in your book. I now consider you as fairly pledged to that task.'<sup>3</sup> On the 29th of the same month Ricardo is writing to Trower of his determination to 'concentrate all the talent' he possesses upon the subject on which his opinions 'differ from the great authority of Adam Smith, Malthus &c.<sup>ab</sup>', namely 'the principles of Rent, Profit and Wages'. 'For my own satisfaction I shall certainly make the attempt, and perhaps with repeated revisions during

<sup>1</sup> Letter of 18 August 1815, below, VI, 249. Cp. Grenfell's reference in a letter of 1 August 1815 to 'the work which you have in Contemplation on the Corn Trade' (below, VI, 242), which was no doubt an allusion to an

enlargement of the *Essay* (whose full title refers to the 'Price of Corn' and 'Restrictions on Importation').

<sup>2</sup> Letter of 23 August 1815, below, VI, 252.

<sup>3</sup> Below, VI, 309.

a year or two I shall at last produce something that may be understood.<sup>1</sup> On 9 November we find Mill, in reply to a discouraged letter from Ricardo ('Oh that I were capable of writing a book!'<sup>2</sup>), assuming the role of 'schoolmaster' and commanding Ricardo 'to begin to the first of the three heads of your proposed work, rent, profit, wages—viz. *rent*, without an hours delay'.<sup>3</sup>

Throughout this period Ricardo was held back by difficulties of composition. As he later complained to Malthus, 'I make no progress in the difficult art of composition. I believe that ought to be my study',<sup>4</sup> Trower's help consisted in the not very practical advice to consult Dr Blair's *Lectures on Rhetoric and Belles Lettres*.<sup>5</sup> Mill, however, sent detailed instructions for the writing of the '*opus magnum*';<sup>6</sup> by 22 December 1815 he is waiting 'in anticipation of the MS' which he expects 'soon to receive, as part of the great work'; and in giving further instruction as to the mode of writing he insists always that Ricardo should consider his readers 'as people ignorant of the subject'. Mill also sets him a 'school exercise': to give a proof, step by step, of the proposition which he (Ricardo) had often stated, 'That improvements in agriculture raise the profits of stock, and produce immediately no other effects.' 'For as you are already the best *thinker* on political economy, I am resolved you shall also be the best writer.'<sup>7</sup>

It is remarkable that in these letters of October and November 1815 which give the main headings of the proposed work (Rent, Profit, Wages) there is no reference to Value. This is mentioned for the first time, as a separate subject with which it occurred to Ricardo that he would have to deal, in a letter to Mill of 30 December. 'I know I shall be soon stopped by the word price,' he writes, 'and then I must apply to you for advice and assistance. Before my readers can understand the proof I mean to offer, they must understand the theory of currency and of price.'<sup>8</sup> From this time onwards the problem of Value increasingly troubled him. On 7 February 1816 he

<sup>1</sup> Below, VI, 315–16.

<sup>2</sup> *ib.* 314.

<sup>3</sup> *ib.* 321.

<sup>4</sup> Letter to Malthus, 7 Feb. 1816, below, VII, 19.

<sup>5</sup> Below, VI, 326.

<sup>6</sup> *ib.* 330.

<sup>7</sup> *ib.* 338–40.

<sup>8</sup> *ib.* 348.

writes to Malthus: 'If I could overcome the obstacles in the way of giving a clear insight into the origin and law of relative or exchangeable value I should have gained half the battle.'<sup>1</sup>

In February 1816 he moved to London, whither he brought his papers, some of which he read to Mill while he was there.<sup>2</sup> But in town the work made no progress. 'I may continue to amuse myself with my speculations, but I do not think I shall ever proceed further. Obstacles almost invincible oppose themselves to my progress, and I find the greatest difficulty to avoid confusion in the most simple of my statements.'<sup>3</sup> A month later he is writing: 'My labours have wholly ceased for two months;—whether in the quiet and calm of the country I shall again resume them is very doubtful.'<sup>4</sup>

In July, back at Gatcomb, he resumed work; having (as he writes to Mill) 'little temptation to desert my work for the pleasure of walking or riding, as the weather has been almost uniformly bad', yet not able 'wholly to seclude myself'.<sup>5</sup> But although Ricardo's letters continued 'so much in the old desponding tone',<sup>6</sup> by the middle of August Mill could infer that he must have by that time 'a pretty mass of papers, written first and last upon the subject': papers which Mill asked to have sent to him, arranged by subjects if possible, with 'some indication of what each subdivision is about', or else 'higgledy-piggledy all together'.<sup>7</sup> Despite Mill's insistence, Ricardo delayed sending the manuscript for two months, under the pretext that he must copy it out.<sup>8</sup> Eventually, on 14 October 1816 he sent an extensive draft, covering the ground of the first seven chapters, or the whole of the 'Principles of Political Economy' proper; adding in the letter to Mill in which he announced their despatch, 'I shall now consider the subject of taxation'.<sup>9</sup>

The real reason for the delay was that he had 'been very much impeded by the question of price and value' (as he wrote to Malthus),<sup>10</sup> and that (as he informed Mill) he had 'been beyond measure puzzled

<sup>1</sup> Below, VII, 20.

<sup>2</sup> *ib.* 60.

<sup>3</sup> Letter to Malthus, 24 April 1816, *ib.* 28.

<sup>4</sup> Letter to Malthus, 28 May 1816, *ib.* 36.

<sup>5</sup> *ib.* 54.

<sup>6</sup> *ib.* 58.

<sup>7</sup> *ib.* 60.

<sup>8</sup> Ricardo to Mill, 8 September, and Mill to Ricardo, 6 October 1816, *ib.* 65–6, 73.

<sup>9</sup> *ib.* 82–4.

<sup>10</sup> *ib.* 71.

to find out the law of price.' 'I found on a reference to figures that my former opinion could not be correct and I was full a fortnight pondering on my difficulty before I knew how to solve it.'<sup>1</sup> This important change was evidently connected with the 'curious effect' (to which he called Mill's attention in the same letter) of a rise of wages in *lowering* the prices of 'those commodities which are chiefly obtained by the aid of machinery and fixed capital'.<sup>2</sup>

A letter from Mill of 18 November 1816 written immediately after reading the MS and making 'marginal contents' for his own use, enables us to reconstruct the contents of that MS with the help of the text of the first edition; for Mill's comments touch on the main topics in the order in which they were treated under four heads.<sup>3</sup>

1. 'Your explanation of the general principle that quantity of labour is the cause and measure of exchangeable value, excepting in the cases which you except, is both satisfactory, and clear.'

2. 'Your exposition and argumentation to shew, in opposition to A. Smith, that profits of stock do not disturb that law, are luminous. So are the exposition and argumentation to shew that rent also operates no such disturbance.'

Up to this point Mill finds the argument 'clear, and easily understood'. He continues his comments on the MS as follows:

3. 'At page 79 you begin the enquiry concerning the causes of alterations in the state of wages; and from this to p. 105, I think the topics are somewhat mixed together...I consider the inquiry in these pages as an inquiry not into the causes of change in the rate of wages alone, but the causes of changes in the wages, profits, and rent all together.' This is undoubtedly the part which underwent the greatest alteration before publication; and probably included discussion of that 'curious effect' which had cost Ricardo so much time and thought during the summer and which eventually appeared in the chapter On Value in edition 1. Ricardo no doubt had these pages in mind when he wrote to Mill: 'They are worse than they otherwise would be in consequence of my becoming better acquainted

<sup>1</sup> Below, VII, 83–4. Cp. Trower's reference to the 'two months' lost by Ricardo in ascertaining the error of his own theory (*ib.* 95).

<sup>2</sup> *ib.* 82.

<sup>3</sup> *ib.* 98–9.

with the subject as I have proceeded. Much of what is said in the beginning should be left out or altered to agree with what I think the more correct views which I afterwards adopted.<sup>1</sup>

4. Mill goes on to deal with 'the inquiry concerning foreign trade, which commences at p. 106, and continues to the end'. The propositions which he mentions are: 'That foreign trade augments not the value of a nations property: that it may be good for a country to import commodities from a country where the production of those same commodities costs more, than it would cost at home: that a change in manufacturing skill in one country, produces a new distribution of the precious metals'.

Of the four parts of this draft all but the third can easily be identified in the *Principles* in a form which, from its agreement with Mill's description, appears to be substantially unchanged in the first edition.

Thus the first part, consisting of the statement of the law of value, with its exceptions (rare statues, etc.), will be found below, p. 11 to p. 22.

Of the second part, the statement in opposition to Adam Smith that the law is not disturbed either by the payment of profits or by the payment of rent appears in the passage of edition 1 given below, p. 22–3, note 3; the full argument regarding profits is on pages 22 to 26 (first paragraph) in the chapter On Value; that regarding rent is on pages 67 to 78 (first paragraph) in the chapter On Rent.<sup>2</sup>

And of the fourth part (the enquiry into Foreign Trade) the points noted by Mill will be found, in the same order, as follows: (a) that Foreign Trade does not add to value, below, p. 128 to p. 133 (second paragraph); (b) the theory of comparative costs, below, p. 133 to p. 137 (first paragraph); (c) the redistribution of the precious metals following a change of skill in one country, below, p. 137 to p. 141

<sup>1</sup> *ib.* 82.

<sup>2</sup> So much material (the last part of the chapter On Value) was inserted between the two arguments on profits and on rent that the connection between them was obscured. Indeed, in edition 3 the passage establishing that connection (p. 22–3, n. 3) is

omitted altogether; while, somewhat incongruously, the opening sentence of the chapter On Rent, which presupposes that connection ('It remains however to be considered'), is preserved in all editions. Cp. also p. 78, n. 1.

(third paragraph). This covers rather more than half of the chapter On Foreign Trade in the *Principles*.

On the other hand, the enquiry into wages (occupying page 79 to page 105 of the MS draft), which Mill considered confused with the enquiries into profits and rent, has no exact counterpart in the published work. No doubt the material which it contained, greatly expanded, was partly embodied in the chapter On Value and for the rest distributed over the chapters On Natural and Market Price, On Wages and On Profits.

Having despatched the first parcel of MS and having set to work on taxation, Ricardo by 17 November 1816 had completed and sent to Mill the 'inquiry into the subject of Taxation' (as Mill described it).<sup>1</sup> This part, Mill thought, would require more work than the first one before it was ready for the press: 'you have followed the order of your own thoughts,' and the matter would need re-arrangement so as 'to facilitate introduction into the minds of your readers'.<sup>2</sup>

Up to this point what Ricardo had done was (as he wrote to Malthus) 'rather a statement of my own opinions, than an attempt at the refutation of the opinions of others'.<sup>3</sup> Having finished taxation, he proceeded 'to read Adam Smith once more, to take note of all passages which very much favor, or are directly opposed to my peculiar opinions';<sup>4</sup> he also re-read Say's *Traité d'Économie politique* and Buchanan's commentary on the *Wealth of Nations* and made notes of his own criticisms.<sup>5</sup> These criticisms formed the basis of the group of controversial chapters which follows the chapters on taxation. Finally, at the end of January he read again Malthus's pamphlets on rent and corn, and early in March, while printing was in progress, he sent to Malthus the MS of his last chapter, which contains his comments upon them.<sup>6</sup>

The printing of the *Principles* began at the end of February 1817. At first it went on briskly at the rate of a sheet a day, as Ricardo wrote to Malthus, and by 9 March eleven sheets, out of a total of thirty-eight, had been corrected.<sup>7</sup> In the *Monthly Literary Advertiser* of

<sup>1</sup> Below, VII, 87–8, 106.

<sup>2</sup> *ib.* 107.

<sup>3</sup> *ib.* 115.

<sup>4</sup> Letter to Mill, 17 Nov. 1816, *ib.* 88.

<sup>5</sup> *ib.* 100–1, 115.

<sup>6</sup> *ib.* 120 and 139–40.

<sup>7</sup> *ib.* 140.

10 March it was included in Murray's list of works 'in the Press'. On 26 March, when Ricardo put the last part of his manuscript into the printer's hands, he complained that the latter did 'not proceed regularly at the same even pace'.<sup>1</sup> But he still hoped that it would be out on Monday, 7 April, which appears to have been the date originally fixed for its appearance.<sup>2</sup> However, publication was delayed, and the final date was announced in *The Day and New Times* of Wednesday, 16 April, where the book was advertised by Murray under the caption, 'On Saturday will be published'. The date was confirmed in the same paper of Saturday, 19 April, with an advertisement opening 'This Day will be published' and giving the price, 14s. Since Trower on 28 April wrote to Ricardo from Godalming thanking him for the book 'which arrived a few days ago',<sup>3</sup> it could not have been sent much later than the 19th. We can therefore take this (19 April 1817) as the date of publication.

## II. James Mill's Contribution

John Stuart Mill says in his *Autobiography* that Ricardo's *Principles* 'never would have been published or written, but for the entreaty and strong encouragement of my father; for Ricardo, the most modest of men, though firmly convinced of the truth of his doctrines, deemed himself so little capable of doing them justice in exposition and expression, that he shrank from the idea of publicity'.<sup>4</sup> In a similar strain the obituary, probably written by Ricardo's brother, says that he was 'very reluctant, first to write, and afterwards to publish this work; and it was only by the successive urgings of some of his most confidential friends, but particularly through the influence of Mr. Mill, that he was at length prevailed upon to do so'.<sup>5</sup> These statements, if they are taken to refer to James Mill's influence in stimulating and encouraging Ricardo, are fully borne out by the

<sup>1</sup> *ib.* 145.

<sup>2</sup> *ib.* 147.

<sup>3</sup> *ib.* 148.

<sup>4</sup> *Autobiography*, 1873, p. 27.

<sup>5</sup> *Annual Biography and Obituary, for the Year 1824*, p. 374. M<sup>c</sup>Culloch

makes a similar statement, probably derived from the above, in the numerous versions of his *Life and Writings of Mr. Ricardo* (omitting in the later ones any reference to Mill).



correspondence between Ricardo and Mill.<sup>1</sup> Nevertheless, they are open to misunderstanding. For they have given rise to the view, first advanced by Professor Dunbar, that 'Ricardo's book was written, not for the public eye, but as a statement of opinions made for his own purposes, and that its publication was an after-thought of his friends.'<sup>2</sup> Through its acceptance by Marshall<sup>3</sup> this belief has gained general currency. The Ricardo-Mill correspondence now makes it certain that this opinion is unfounded, and that from the very beginning the idea of publication was present in Ricardo's mind, although from time to time he was beset by doubts as to his ability to achieve his object (as has been shown in several passages quoted above). A typical statement is the following which he made in a letter to Mill when he was in the middle of composition in November 1816: 'I have an anxious desire to produce something worth publishing, but that I unaffectedly fear will not be in my power.'<sup>4</sup>

At the same time it is clear that Mill's contribution to the making of the *Principles* was less than might have been expected from his promises and encouragement. On the theory there is little doubt that his influence was negligible; he had been out of touch with Political Economy for some time<sup>5</sup> and his letters to Ricardo contain little discussion of theoretical issues. Mill's letters of this period are full of advice relating to 'the art of laying down your thoughts, in the way most easy of apprehension'.<sup>6</sup> But despite his repeated assurances that he would see to the order and arrangement ('if you

<sup>1</sup> His obligations to Mill in this respect are summed up by Ricardo in a letter of 2 Dec. 1816: 'If I am successful in my undertaking it will be to you mainly that my success will be owing, for without your encouragement I do not think that I should have proceeded, and it is to you that I look for assistance of the utmost importance to me—the arranging the different parts, and curtailing what may be superfluous.' (Below, VII, 101.)

<sup>2</sup> C. F. Dunbar, 'Ricardo's Use of Facts', in *Quarterly Journal of Economics*, July 1887, vol. 1, p. 475.

<sup>3</sup> 'He was with difficulty induced to publish it; and if in writing it he had in view any readers at all, they were chiefly those statesmen and business men with whom he associated. So he purposely omitted many things which were necessary for the logical completeness of his argument, but which they would regard as obvious.' A. Marshall, *Principles of Economics*, Appendix on 'Ricardo's Theory of Value', 8th ed., p. 813 and cp. p. 761 n.

<sup>4</sup> Below, VII, 88.

<sup>5</sup> Below, VI, 320–1.

<sup>6</sup> *ib.* 321.

entrust the inspection of it to me'<sup>1</sup>) it seems likely that in the main the sequence of topics was left as Ricardo had originally worked through them. In detail however Mill probably did a good deal of work. Here and there a phrase unmistakably characteristic of Mill (such as 'It is a truth which admits not a doubt',<sup>2</sup> 'the nature of the evil points out the remedy',<sup>3</sup> or 'none but the prejudiced are ignorant of its true principles'<sup>4</sup>) provides evidence of his hand. His touch can also be recognised in the polished wording of the Preface<sup>5</sup> and in the long passage on the 'pernicious tendency' of the poor laws.<sup>6</sup>

Among Mill's more humble tasks was probably the compilation of the Index, which in method and clarity of expression is strikingly similar to the Index of his *History of British India*, published later in 1817. It is noticeable that several entries exhibit misunderstanding of the text or radical change of emphasis such as to suggest that they cannot be by the author of the book.<sup>7</sup> At any rate contemporary critics of Ricardo seized upon the contrast between the language of the text and that of the Index, to the disadvantage of the former. Thus, one of them says that Ricardo 'relied for a correction of his deficient perspicuity on his Index, which is clear and minute'.<sup>8</sup> Another, Samuel Bailey, notes: 'the only place in Mr. Ricardo's work, where I have been able to find the expression of the general rule properly qualified, is the Index. He there says, "the quantity of

<sup>1</sup> *ib.* 321.

<sup>2</sup> Below, p. 106. The old-fashioned use of the negative is a peculiarity of Mill, as Bain points out (*James Mill*, p. 426). Another passage in which it occurs (below, p. 64: 'if wages partook not...') shows also other signs of, at least, revision by Mill.

<sup>3</sup> Below, p. 107.

<sup>4</sup> *ib.* 352.

<sup>5</sup> That the first three paragraphs of the Preface are stamped with Mill's 'tone and style' has been noticed by Simon N. Patten, 'The Interpretation of Ricardo', in *Quarterly Journal of Economics*, April 1893, vol. VII, p. 338.

<sup>6</sup> Below, pp. 105–9.

<sup>7</sup> Compare *e.g.* the following entries with the passages referred to: 'Population, increase of, no cause of the rise of rent, 410, 411.' 'Labour, Adam Smith's theory of productive and unproductive labour, considered, 76–77, notes.' 'Value, Effects of payment of rent on value, 64, 65.' 'Smith, Strictures on his doctrine relative to labour being the sole ultimate standard of the exchangeable value of commodities, 16, 17, 416.' The same applies to additions to the Index made in ed. 3: *e.g.* under *Taxes*, entry stating that a tax on rent 'discourages cultivation, 173–5.' (Page-references are to the present edition.)

<sup>8</sup> 'Ricardo on Political Economy', in *Monthly Review*, Dec. 1820, p. 416.

labour requisite to obtain commodities the *principal* source of their exchangeable value.”<sup>1</sup>

The accurate yet free translation of the passages quoted from Say is probably also due to Mill, who had advised against quotation in French.<sup>2</sup>

### III. Arrangement and Subdivision

Thus Mill's promises that, once Ricardo had set down his thoughts on paper, he himself would attend to their proper arrangement may in the event have fallen short of fulfilment. In any case, the result is not such as to do much credit to Mill's passion for system; and the apparent defects in the arrangement of the work as a whole have often been noted by Ricardo's critics.<sup>3</sup>

This arrangement was the direct result of the manner in which Ricardo proceeded in his work. As his letters show, he wrote according to the sequence of his own ideas, without any more elaborate plan than was implied in the heading, 'Rent, Profit and Wages'. Mill, indeed, had instructed him to 'proceed, without loss of time... thinking nothing of order, thinking nothing of repetitions, thinking nothing of stile—regarding nothing, in short, but to get all the thoughts blurred upon paper some how or another'.<sup>4</sup> 'When we have the whole before us, we will then lay our heads together, to see how it may be sorted and shaped to the best advantage.'<sup>5</sup> The three parts in which Ricardo composed it and which he sent separately to Mill correspond to the three groups into which the chapters of the

<sup>1</sup> *A Critical Dissertation on the Nature, Measures, and Causes of Value*, London, Hunter, 1825, pp. 213–14.

<sup>2</sup> Below, VII, 108.

<sup>3</sup> A number of commentators, from De Quincey to Marx, have suggested ways of rearranging the chapters in a logical order. (See 'Dialogues of Three Templars', in De Quincey's *Works*, ed. Masson, vol. ix, p. 53, and Marx's *Theorien über den Mehrwert*, vol. II, 1, pp. 5–6. For several other attempts see J. H. Hollander, *David Ricardo, A Centenary Estimate*, Baltimore, 1910, p. 82.)

<sup>4</sup> Letter from Mill, 14 August 1816, below, VII, 60.

<sup>5</sup> Letter from Mill, 16 Dec. 1816, *ib.* 108–9. It is interesting that it was only at this late stage in the preparation of the book (December 1816) that Mill put to Ricardo the question whether he would 'chuse to include in it a view of the *whole science*': 'Or, whether you will content yourself with those parts of the science which you yourself have improved.' (*ib.* 107.) To which Ricardo replied that it would be easier for him to publish only those parts which had 'particularly engaged' his attention; adding that, if this were favourably received, he might later 'take a view of the whole science.' (*ib.* 112.)

published work naturally fall: the Political Economy, Taxation and the polemical chapters at the end. The arrangement would have been less open to criticism if this division had been made explicitly by means of separate headings. Mill indeed at an early stage had expected such a division to be made, as is shown by a footnote in his *History of British India*, 1817, where he refers to the group of Ricardo's chapters dealing with taxes as 'a Dissertation on the Principles of Taxation'.<sup>1</sup> And Ricardo in a letter to Mill of the same period (December 1816) describes that part of the book to which most of his criticisms of Adam Smith were to be relegated as 'the appendix'.<sup>2</sup>

However, within each of the first two parts the order of the chapters coincides closely with the order in which the topics are treated in the *Wealth of Nations*, as comparison of the chapter-headings shows (see table on the following page).

The only important difference is in the place given to Rent, which was dictated by the necessity for Ricardo of 'getting rid of rent' (as he put it), in order to simplify the problem of the distribution between capitalist and labourer.<sup>3</sup> As a result, unlike Adam Smith, he deals with Rent immediately after Value and before Wages and Profits.

The parallel applies equally to Taxation (see table on p. xxv).

This group of chapters on taxation is followed by Chapter XVII, On Sudden Changes in the Channels of Trade (numbered XIX in ed. 3), the position of which is determined by its arising immediately out of the subject of the removal of capital from one employment to another, discussed at the end of the chapter on Poor Rates.<sup>4</sup> The third, and last, group consists of the chapters commenting upon various doctrines of Adam Smith and other writers, forming 'the

<sup>1</sup> Vol. 1, p. 196, note: 'See a Dissertation on the Principles of Taxation, the most profound, by far, which has yet been given to the world, by David Ricardo, Esq. in his work "On the Principles of Political Economy and Taxation."' This footnote was no doubt inserted in the proofs which Mill was correcting when he received that part of Ricardo's MS (cp. below, VII, 106 and 111).

<sup>2</sup> Below, VII, 100.

<sup>3</sup> Letter to McCulloch, 13 June 1820, below, VIII, 194.

<sup>4</sup> Another question which immediately arises out of this subject (and also lacks any obvious connection with Poor Rates) is that of extending the notion of Rent to include the return on such capital as cannot be withdrawn from the land. This was made the subject of a long footnote attached to the end of the chapter on Poor Rates.

## Political Economy

<i>Adam Smith, Book 1</i>		<i>Ricardo, Ed. 1</i>	
Ch. v	Of the real and nominal Price of Commodities	Ch. 1	On Value
Ch. vi	Of the component Parts of the Price of Commodities		
		Ch. 11	On Rent
		Ch. 111	On the Rent of Mines
Ch. vii	Of the natural and Market Price of Commodities	Ch. 1v	On Natural and Market Price
Ch. viii	Of the Wages of Labour	Ch. v	On Wages
Ch. ix	Of the Profits of Stock	Ch. v*	On Profits
Ch. x	Of Wages and Profit in the different Employments of Labour and Stock <sup>1</sup>		
Ch. xi	Of the Rent on Land		
		Ch. vi	On Foreign Trade

<sup>1</sup> This is treated by Ricardo in the Chapter on Value, in the five paragraphs which were later to constitute Section 11 of this chapter; below, pp. 20–2.

appendix' or a series of critical excursions, with little connection each with the other.

It was only after the whole was written that thought was given to the question of subdivision. As late as 16 December 1816, after receiving the MS both of the Political Economy and of Taxation, Mill asks: 'And how would you arrange it in Chapters and Sections? Think of your Chapters and Sections; and when you have made out a list send it to me'.<sup>1</sup> To this Ricardo replies: 'as for the division into chapters, and sections, I am greatly afraid that I shall be unequal to it.'<sup>2</sup>

Thus the process of cutting up the undivided work into chapters began after writing was completed; indeed, it went on while the printing was in progress, and the last cut was made after the book had actually been printed off. As we shall presently see it is by this late subdividing that the puzzling anomaly of ed. 1, namely the

<sup>1</sup> Below, VII, 107.

<sup>2</sup> *ib.* 112.

## Taxation

<i>Adam Smith, Book V, Ch. II, Part II</i>		<i>Ricardo, Ed. 1</i>	
Of Taxes		Ch. VII	On Taxes
		Ch. VIII	Taxes on Raw Produce
Art. 1st	Taxes upon Rent Taxes upon Rent of Land	Ch. VIII*	Taxes on Rent
Taxes which are proportioned, not to the Rent, but to the Produce of Land		Ch. IX Ch. X	Tithes Land-Tax
		Ch. XI	Taxes on Gold
Taxes upon the Rent of Houses		Ch. XII	Taxes on Houses
Art. 2d	Taxes upon Profit, or upon the Revenue arising from Stock Taxes upon the Profit of partic- ular Employments	Ch. XIII	Taxes on Profits
Art. 3d	Taxes upon the Wages of Labour	Ch. XIV	Taxes on Wages
Art. 4th	Taxes . . . upon every different Species of Revenue Capitation Taxes		
Taxes upon Consumable Com- modities		Ch. XV	Taxes upon other Commodities than Raw Produce
		Ch. XVI	Poor Rates

double numbering of chapters, can be explained; and not, as it would be natural to suppose,<sup>1</sup> by the insertion of additional matter as an afterthought. Of this double numbering there are two instances.

The first instance is that of the chapters On Wages and On Profits, both of which are headed 'Chapter V'. In the table of contents, however, while the former is numbered 'V', the latter appears as 'V\*'. It is unlikely that this duplication was in the MS which was sent to the printer; since presumably Ricardo had made (as Mill had instructed him to do) a list of his chapters, and in such a list duplica-

<sup>1</sup> See Cannan, *A Review of Economic Theory*, p. 243.

tion could scarcely have been overlooked. It can be conjectured, therefore, that in the MS the matter of what are now Chapter IV, On Natural and Market Price, and Chapter V, On Wages, formed a single Chapter IV (presumably entitled 'On Wages') and that they were then subdivided during the revision of the proofs; the title of Chapter IV being altered and a new chapter-division (Chapter V, On Wages) introduced. The close link between these two chapters (which in the first draft sent to Mill had no doubt been among the topics 'mixed together') is shown by the continuity of the argument which in the chapter On Wages opens (and continues for several pages) in terms of the natural and market price of labour. Moreover, the statement at the end of Chapter III (below, p. 87) that he would continue the supposition of the invariable value of gold '*in the following chapter*', must have been written when the two following chapters were undivided, since the 'supposition' is only relevant to the subject matter of what was to become Chapter V, On Wages. Further, it is a typographical peculiarity of the original edition 1 that the text of the last page of the former of these two chapters and that of the first page of the latter (namely pp. 89 and 90 of ed. 1), if put together, form exactly a normal full page (see facsimile opposite). If we assume that they were so joined together in the first proof, the printer could make the subdivision without disturbing the setting of the subsequent pages<sup>1</sup>—at the expense only of making the opening page of the chapter On Wages two or three lines longer (as turns out to be the case) than the opening page of a chapter would normally be. As Ricardo was receiving a sheet of proofs a day,<sup>2</sup> he could not immediately adjust the numbering of the subsequent chapters; and, as he was presumably returning them at once, he would never have the two chapters numbered V simultaneously before him. Thus the duplication would only be detected when the table of contents came to be compiled, after the body of the book had been printed off.

The explanation in the second instance is based on stronger evidence; and it is, indeed, by analogy with this case that our con-

<sup>1</sup> First proofs were in page galley, not in the long galley which is usual at the present time.

<sup>2</sup> Letter to Malthus of 9 March 1817, below, VII, 140.

## CHAPTER IV.

### ON NATURAL AND MARKET PRICE.

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.

In the ordinary course of events, there is no commodity which continues for any length of time to be supplied precisely in that degree of abundance, which the wants and wishes of mankind require, and therefore

[p. 82]

89

then of the exchangeable value of commodities, or the power of purchasing possessed by any one commodity, I mean always that power which it would possess, if not disturbed by any temporary or accidental cause, and which is its natural price.

[p. 89]

## CHAPTER V.

### ON PROFITS.

THE profits of stock in different employments, having been shewn to bear a proportion to each other, and to have a tendency to vary all in the same degree and in the same direction, it remains for us to consider what is the cause of the permanent variations in the rate of profit, and the consequent permanent alterations in the rate of interest.

We have seen that the price of corn is regulated by the quantity of labour necessary to produce it, with that portion of capital which pays no rent. We have seen too that all manufactured commodities rise and fall

\* The reader is desired to bear in mind, that for the purpose of making the subject more clear, I consider money to be invariable in value, and therefore every variation of price to be referable to an alteration in the value of the commodity.

[p. 116]

## CHAPTER V.

### ON WAGES.

LABOUR, like all other things which are purchased and sold, and which may be increased or diminished in quantity, has its natural and its market price. The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution.

The power of the labourer to support himself, and the family which may be necessary to keep up the number of labourers, does not depend on the quantity of money, which he may receive for wages; but on the quantity of food, necessities, and conveniences become essential to him from habit, which that money will purchase. The natural price of labour, therefore, depends on the price of the food, necessities, and conveniences required

[p. 90]

Pages of ed. 1 showing double-numbering of Ch. V.



jecture about the first derives support for its own rather slender foundation. This second case concerns the chapters 'Taxes on Raw Produce' and 'Taxes on Rent' which are respectively numbered VIII and VIII\*, the asterisk appearing *both* in the chapter-heading and in the table of contents. Our suggestion is that these two at one time formed a single chapter (numbered VIII and entitled 'Taxes on Raw Produce') and that they were separated, not in the revision of the proofs, but at a much later stage—after the Index had been compiled and indeed after the book had been printed off: so that the pages affected had to be reprinted, and substituted by the binder in every one of the 750 copies of the edition.<sup>1</sup>

The existence of these 'cancels', as they are called, becomes apparent on examination of copies bound in paper boards as they were originally published. Three leaves are affected (the 6th, 7th and 8th of the sheet 'signed', or lettered, P); that is to say, six pages, including the last two pages of 'Taxes on Raw Produce' and the four pages of 'Taxes on Rent' (pp. 219–224 of edition 1, corresponding to pp. 171–175 below). These three leaves are visibly pasted in, to replace an equal number cut off, the flaps of which jut out between the pages—in some copies so much as half an inch. That they were printed separately from the sheet is conclusively proved by the fact that the first two of them are 'conjugate', that is to say joined together at the back, thus forming a single piece of paper even after the book has been cut—which otherwise would be impossible for the sixth and seventh leaves of an octavo sheet.

The making of a new Chapter VIII\* out of the last four pages of the pre-existing Chapter VIII involved moving forward the text of these four pages to make room for the opening of the new chapter which must be on a fresh page. The repercussion of this displacement would be limited if the last page of the chapter had been partly empty and therefore capable of absorbing it. This appears to have been the case. (See facsimile opposite. As much matter as was removed from p. 220 and p. 221 has been shifted on to p. 224, filling it up

<sup>1</sup> This is the case in all the copies examined. It would be of interest if a copy were to be found in which the binder had failed to carry out the replacement.

## CHAPTER VIII.

### TAXES ON RAW PRODUCE.

HAVING in a former part of this work established, I hope satisfactorily, the principle, that the price of corn is regulated by the cost of its production on that land exclusively, or rather with that capital exclusively, which pays no rent, it will follow that whatever may increase the cost of production will increase the price; whatever may reduce it, will lower the price. The necessity of cultivating poorer land, or of obtaining a less return with a given additional capital on land already in cultivation, will inevitably raise the exchangeable value of raw produce. The discovery of machinery, which will enable the cultivator to obtain his corn at a less cost of production, will necessarily lower its exchangeable value. Any tax which may be

[p. 194]

## CHAPTER VIII.\*

### TAXES ON RENT.

A TAX on rent would affect rent only; it would fall wholly on landlords, and could not be shifted to any class of consumers. The landlord could not raise his rent, because he would leave unaltered the difference between the produce obtained from the least productive land in cultivation, and that obtained from land of every other quality. Three sorts of land, No. 1, 2, and 3, are in cultivation, and yield respectively with the same labour 180, 170, and 160 quarters of wheat; but No. 3 pays no rent, and is therefore untaxed: the rent then of No. 2 cannot be made to exceed the value of ten, nor No. 1, of twenty quarters. Such a tax could not raise the price of raw produce, because as the cultivator of No. 3 pays neither rent nor tax, he would in no way be enabled to raise the price of the commodity produced. A tax on rent would not discourage the cultivation of fresh land, for such land pays no rent, and

[p. 221]

220

only be of the value of a yard and a quarter, or it might be of the value of a yard and three quarters, and therefore rather a different direction might be given to foreign trade. All these inconveniences would not interfere with the value of the exports and imports; they would only prevent the very best distribution of the capital of the whole world, which is never so well regulated, as when every commodity is freely allowed to settle at its natural price.

Although then the rise in the price of most of our own commodities, would for a time check exportation generally, and might permanently prevent the exportation of a few commodities, it could not materially interfere with foreign trade, and would not place us under any comparative disadvantage as far as regarded competition in foreign markets.

[p. 220]

224

furnishing him with the means, either in the shape of a loan, or in the purchase of an annuity for the duration of the lease. Whether distinguished or not, there is a real difference between the nature of the compensations which the landlord receives for these different objects; and it is quite certain, that a tax on the real rent of land falls wholly on the landlord, but that a tax on that remuneration which the landlord receives for the use of his stock expended on the farm, falls on the consumer of raw produce. If a tax were laid on rent, and no means of separating the remuneration now paid by the tenant to the landlord under the name of rent were adopted, the tax, as far as it regarded the rent on the buildings and other fixtures, would never fall for any length of time on the landlord, but on the consumer. The capital expended on these buildings, &c., must afford the usual profits of stock; but it would cease to afford this profit on the land last cultivated, if the expenses of those buildings, &c. did not fall on the tenant; and if they did, the tenant would then cease to make his usual profits of stock, unless he could charge them on the consumer.

[p. 224]

Pages of ed. 1 showing double-numbering of Ch. VIII.

completely; even that was insufficient, with the result that p. 221 is much longer than a normal opening page.)

Thus our hypothesis requires that the discussion of taxes on rent, which now begins on p. 221 (below, p. 173), should originally have begun in the space now blank on p. 220 (below, p. 172). It is in fact verified by an entry in the Index, under *Rent*, 'Tax on rent falls wholly on the landlord' which refers to pp. 220–224 (corresponding to pp. 172–175 below). This, incidentally, shows that the Index had been compiled before Chapter VIII was subdivided.

In the same way we obtain confirmation of the two chapters having been originally one from Index entries which lump them together. (Under *Taxes*, 'Objections against the taxation of the produce of land, considered and refuted, 201–224'—corresponding to pp. 160–175 below. Similarly under *Produce*.)

While therefore it appears that the first of the two instances of double-numbering was due to an oversight, the second turns out to have been deliberate; and we may suppose that it was the discovery of the first case, by then beyond mending, which suggested the second to Ricardo and made it acceptable to the printer.<sup>1</sup>

The correspondence with Mill and the make-up of the book enable us to follow the process of dividing the work into chapters up to the last moment before publication. This process continued even later, in the form of the subdivision of Chapter I into Sections, which was only done in edition 2, and carried further in edition 3, as is described below, p. lii–liii.

#### IV. *The Chapter on Value in Edition 1*

By far the most perplexing as well as most extensive changes in successive editions of the *Principles* occur in the first chapter. A necessary preliminary to a study of these changes is a survey of the formation of the new theory of value out of the fragmentary elements of such a theory which are to be found in the *Essay on the Influence of a low Price of Corn on the Profits of Stock*.<sup>2</sup>

<sup>1</sup> For helpful criticism of the above arguments concerning chapter-numbers the editor is indebted to the late

Professor Cannan to whom they were submitted in 1931.

<sup>2</sup> Generally referred to in these volumes as the *Essay on Profits*.

At first, both in the *Essay* and in Ricardo's letters of 1814 and early 1815, a basic principle had been that 'it is the profits of the farmer that regulate the profits of all other trades'. Malthus opposed him in this view, asserting that 'the profits of the farmer no more regulate the profits of other trades, than the profits of other trades regulate the profits of the farmer'.<sup>1</sup> After the *Essay* this principle disappears from view, and is not to be found in the *Principles*.

The rational foundation of the principle of the determining role of the profits of agriculture, which is never explicitly stated by Ricardo, is that in agriculture the same commodity, namely corn, forms both the capital (conceived as composed of the subsistence necessary for workers) and the product; so that the determination of profit by the difference between total product and capital advanced, and also the determination of the ratio of this profit to the capital, is done directly between quantities of corn without any question of valuation. It is obvious that only one trade can be in the special position of not employing the products of other trades while all the others must employ *its* product as capital. It follows that if there is to be a uniform rate of profit in all trades it is the exchangeable values of the products of *other* trades relatively to their own capitals (*i.e.* relatively to corn) that must be adjusted so as to yield the same rate of profit as has been established in the growing of corn; since in the latter no value changes can alter the ratio of product to capital, both consisting of the same commodity.

Although this argument is never stated by Ricardo in any of his extant letters and papers, he must have formulated it either in his lost 'papers on the profits of Capital' of March 1814<sup>2</sup> or in conversation, since Malthus opposes him in the following terms which are no doubt an echo of Ricardo's own formulation: 'In no case of production, is the produce exactly of the same nature as the capital advanced. Consequently we can never properly refer to a material rate of produce...It is not the particular profits or rate of produce upon the land which determines the general profits of stock and the interest

<sup>1</sup> Ricardo to Trower, 8 March 1814,    <sup>2</sup> See below, VI, 102–5.  
below, VI, 104. Cp. *Essay on Profits*,  
below, IV, 23.

of money.’<sup>1</sup> The nearest that Ricardo comes to an explicit statement on these lines is in a striking passage in a letter of June 1814: ‘The rate of profits and of interest must depend on the proportion of production to the consumption necessary to such production.’<sup>2</sup> The numerical examples in the *Essay* reflect this approach; and particularly in the well-known Table<sup>3</sup> which shows the effects of an increase of capital, both capital and the ‘neat produce’ are expressed in corn, and thus the profit per cent is calculated without need to mention price.<sup>4</sup>

The advantage of Ricardo’s method of approach is that, at the cost of considerable simplification, it makes possible an understanding of how the rate of profit is determined without the need of a method for reducing to a common standard a heterogeneous collection of commodities.

In the *Principles*, however, with the adoption of a general theory of value, it became possible for Ricardo to demonstrate the determination of the rate of profit in society as a whole instead of through the microcosm of one special branch of production. At the same time he was enabled to abandon the simplification that wages consist only of corn, which had been under frequent attack from Malthus, and to treat wages as composed of a variety of products (including manufactures), although food was still predominant among them. It was now labour, instead of corn, that appeared on both sides of the account—in modern terms, both as input and output: as a result, the rate of profits was no longer determined by the ratio of the corn produced to the corn used up in production, but, instead, by the ratio of the total labour of the country to the labour required to produce the necessities for that labour.<sup>5</sup> (But

<sup>1</sup> Letter of 5 Aug. 1814, below, VI, 117–18.

<sup>2</sup> *ib.* 108.

<sup>3</sup> Below, IV, 17.

<sup>4</sup> The feature of calculating the advances of the farmer in corn is singled out by Malthus as ‘the fault of Mr. Ricardo’s table’; since circulating capital did not consist only of corn, but included ‘tea sugar cloaths &c for the labourers’; so that a rise in the relative price of corn would ‘afford a greater surplus from the

land’ (letters of 12, and 14 March 1815, below, VI, 185–7).

<sup>5</sup> See the statement that profits depend upon the ‘proportion of the annual labour of the country [which] is devoted to the support of the labourers’, below, p. 48–9, and ‘the same conclusion’ on p. 126 below. Cp. Malthus’s reference to Ricardo’s criterion of wages as ‘the cost in labour of the labourer’s wages’ and to its connection with the rate of profit, below, II, 249–50.

while the theory that the profits of the farmer determine all other profits disappears in the *Principles*, the more general proposition that the productivity of labour on land which pays no rent is fundamental in determining general profits continues to occupy a central position).

Many years later, an echo of the old corn-ratio theory (which rendered distribution independent of value) can perhaps be recognised when Ricardo in a moment of discouragement with the difficulties of value writes to M<sup>c</sup>Culloch: 'After all, the great questions of Rent, Wages, and Profits must be explained by the proportions in which the whole produce is divided between landlords, capitalists, and labourers, and which are not essentially connected with the doctrine of value.'<sup>1</sup>

Parallel with this ran another theme in the development of Ricardo's thought. At first he had subscribed to the generally accepted view that a rise in corn prices, through its effect upon wages, would be followed by a rise of all other prices.<sup>2</sup> He had not regarded this view as inconsistent with his theory of profit so long as the latter had been expressed in its primitive 'agricultural' form. The conflict between the two however was bound to become apparent in the degree to which he groped towards a more general form of his theory; since the supposed general rise of prices obscured the simple relation of the rise of wages to the fall of profits. Already in the *Essay on Profits*, although his general presentation is still in the 'agricultural' form, he repudiates the accepted view in a footnote: 'It has been thought that the price of corn regulates the prices of all other things. This appears to me to be a mistake.'<sup>3</sup> Elsewhere in the *Essay*, in connection with this question, there are passages which foreshadow his full theory of value and already link it with the theory of profits: 'The exchangeable value of all commodities rises as the

<sup>1</sup> Letter of 13 June 1820, below, VIII, 194; cp. also letters to Mill of 16 Nov. 1820, *ib.* 297, and to M<sup>c</sup>Culloch of 17 Jan. 1821, *ib.* 337.

<sup>2</sup> 'The prices of all commodities must increase if the price of corn be

increased.' (Letter to Malthus, 25 July 1814, below, VI, 114 and cp. 108.) See also Note 3 on Bentham, below, III, 270.

<sup>3</sup> Below, IV, 21.

difficulties of their production increase. If then new difficulties occur in the production of corn, from more labour being necessary, whilst no more labour is required to produce gold, silver, cloth, linen &c. the exchangeable value of corn will necessarily rise, as compared with those things.<sup>1</sup> Further on in the *Essay* he states: 'A fall in the price of corn, in consequence of improvements in agriculture or of importation, will lower the exchangeable value of corn only,—the price of no other commodity will be affected. If, then, the price of labour falls, which it must do when the price of corn is lowered, the real profits of all descriptions must rise'.<sup>2</sup>

All these elements of the *Essay* are taken over into the chapter On Value in the *Principles* with the addition of several new ones, some of which have come to be regarded as the most characteristic of Ricardo's theory, and are there built into a systematic theory of Value, on which are now based the theories of Rent, Wages and Profit.

The turning point in this transition from the *Essay* to the *Principles* was reached when, at the end of 1815, having set to work on the *Principles*, he wrote to Mill: 'I know I shall be soon stopped by the word price' (above, p. xiv). This is the first time that he faces the necessity for a general solution of the problem, instead of being content with dealing with the difficulties of price piece-meal as they arise in particular problems. At once a proper understanding of the matter appears to him as involving: (*a*) the distinction between causes which affect the value of money and causes which affect the value of commodities; (*b*) the supposition of the invariability of the precious metals as a standard of value; (*c*) the opposition to the view that the price of corn regulates the prices of all other commodities. These three things, which are so closely connected in his mind as to be almost identified, are what he calls 'the sheet anchor on which all my propositions are built'.<sup>3</sup>

The distinction between the two types of influences upon value (on the side of money and on the side of commodities) is made possible by Ricardo's treatment of money as a commodity like

<sup>1</sup> Below, IV, 19.

<sup>2</sup> *ib.* 35–6.

<sup>3</sup> Letter to Mill of 30 Dec. 1815, below, VI, 348.

any other. Thus a change in wages could not alter the prices of commodities, since (if the gold mine from which money was obtained were in the same country) a rise of wages would affect the owner of the gold mine as much as the other industries.<sup>1</sup> Hence it was the relative conditions of production of gold and of other commodities that determined prices, and not the remuneration of labour.

The attempt to weave into his general theory the proposition which he had established that a rise of wages does not raise prices, led immediately to his discovery of 'the curious effect which the rise of wages produces on the prices of those commodities which are chiefly obtained by the aid of machinery and fixed capital.'<sup>2</sup> It yielded the triumphant conclusion that, not only was it false that a rise of wages would raise the price of every commodity (as 'Adam Smith, and all the writers who have followed him'<sup>3</sup> had maintained that it would do), but on the contrary, it caused the prices of many commodities *to fall*: a result of which he stressed the 'importance to the science of political economy', although it accorded so little 'with some of its received doctrines'.<sup>4</sup>

The importance which Ricardo came to attach to the principle that the value of a thing was regulated by the quantity of labour required for its production, and not by the remuneration of that labour, reflected his recognition that what his new theory was opposed to was not merely the popular view of the effect of wages on prices but another and more general theory of Adam Smith (of which that effect came to appear as a particular case)—what Ricardo referred to in writing to Mill as Adam Smith's 'original error respecting value'.<sup>5</sup> This latter theory, in brief, was that 'as soon as stock has accumulated in the hands of particular persons' and 'as soon as the land of any country has all become private property', the price of commodities is arrived at by a process of *adding up* the wages, profit and rent: 'in every improved society, all the three enter more or less, as component parts, into the price of the far greater part of

<sup>1</sup> Below, p. 55; and for the case where gold would have to be imported (which would be impossible in the face of a rise of commodity prices), p. 104–5.

<sup>2</sup> Letter to Mill, 14 Oct. 1816, below, VII, 82.

<sup>3</sup> Below, p. 46.

<sup>4</sup> Below, p. 61.

<sup>5</sup> 2 Dec. 1816, below, VII, 100.



commodities.’<sup>1</sup> In other words, ‘wages, profit, and rent, are the three original sources...of all exchangeable value.’<sup>2</sup> Adam Smith speaks also of the natural price varying ‘with the natural rate of each of its component parts, of wages, profit, and rent’.<sup>3</sup>

In the chapter On Value, Ricardo criticises Adam Smith for limiting the rule that commodities exchange according to the amount of labour required for their production to ‘that early and rude state of society, which precedes both the accumulation of stock and the appropriation of land’; ‘as if when profits and rent were to be paid, they would have some influence on the relative value of commodities, independent of the mere quantity of labour that was necessary to their production.’ But, Ricardo adds, Adam Smith ‘has nowhere analysed the effects of the accumulation of capital, and the appropriation of land, on relative value.’<sup>4</sup> (The effect of ‘the appropriation of land’ is left by Ricardo for later consideration in the chapter On Rent, and in the chapter On Value he deals only with the accumulation of capital.) This passage in which he criticises Adam Smith has puzzled readers, since it appears to be ‘flatly contradicted’ (as Cannan put it)<sup>5</sup> by the following sections of the chapter.

It is not until 1818 in a letter to Mill, now first available, that Ricardo states precisely the nature of his quarrel with Adam Smith’s theory and thereby clarifies this passage.

This he does by contrasting his own reading of the matter with that of Torrens. ‘He [Torrens] makes it appear that Smith says that after capital accumulates and industrious people are set to work the quantity of labour employed is not the only circumstance that determines the value of commodities, and that I oppose this opinion. Now I want to shew that I do not oppose this opinion in the way that he represents me to do so, but Adam Smith thought, that as in

<sup>1</sup> *Wealth of Nations*, Bk. 1, ch. vi, ‘Of the Component Parts of the Price of Commodities’; Cannan’s ed., vol. 1, pp. 50, 51, 52. Later however (*ib.* p. 147) this is qualified by the observation that rent enters as an effect, not a cause, of price.

<sup>2</sup> *ib.* p. 54.

<sup>3</sup> *ib.* p. 65.

<sup>4</sup> Below, p. 22–3, note.

<sup>5</sup> *A Review of Economic Theory*, p. 176. The contrast is particularly striking between the headings given in ed. 2 to the respective Sections (II and III–IV) to which Cannan is referring; see the Table of Section-Headings at the end of this Introduction.

the early stages of society, all the produce of labour belonged to the labourer, and as after stock was accumulated, a part went to profits, that accumulation, necessarily, without any regard to the different degrees of durability of capital, or any other circumstance whatever, *raised* the prices or exchangeable value of commodities, and consequently that their value was no longer regulated by the quantity of labour necessary to their production. In opposition to him, I maintain that it is not because of this division into profits and wages,—it is not because capital accumulates, that exchangeable value varies, but it is in all stages of society, owing only to two causes: one the more or less quantity of labour required, the other the greater or less durability of capital:—that the former is never superseded by the latter, but is only modified by it.’<sup>1</sup> The relevance of this statement to certain changes in later editions will become apparent in the next section.

#### V. *Principal Changes in the Chapter On Value in Editions 2 and 3*

It will be convenient to deal with the main changes in the chapter On Value in editions 2 and 3 before we deal with these editions as a whole.

It has come to be a widely accepted opinion about Ricardo that in subsequent editions he steadily retreated under pressure of his critics from the theory of value presented in edition 1. This was the view disseminated by Professor Hollander in his well-known article on ‘The Development of Ricardo’s Theory of Value’.<sup>2</sup> In speaking of edition 2 Hollander says that the textual changes in it ‘although not vital’ could be regarded ‘as highly significant’ and that it ‘showed an appreciable increase of reserve in the advocacy of “embodied labour” as a universal measure of value’.<sup>3</sup> With reference to edition 3 he says that the chapter On Value ‘is in content and tendency very different’<sup>4</sup> from that in the first edition; and elsewhere he speaks of ‘greater emphasis upon the modifications of the principles which determine relative value’ due to the employment of capital.<sup>5</sup> Pro-

<sup>1</sup> Letter to Mill, 28 Dec. 1818, below, VII, 377. Editor’s italics.

<sup>2</sup> *Quarterly Journal of Economics*, 1904, vol. xviii, pp. 455–91.

<sup>3</sup> *ib.* pp. 479 and 481.

<sup>4</sup> *ib.* p. 485.

<sup>5</sup> Editor’s note to *Letters to McCulloch*, 1895, p. 72.

fessor Cannan went further and spoke of Ricardo's 'unwilling admission of the influence of interest on capital as a modification of the pure labour-cost theory of value'. Concerning the effect of capital on value, says Cannan, Ricardo 'was weak from the beginning, and he weakened more and more as time went on and criticism multiplied'.<sup>1</sup> Thus the view of a retreat in Ricardo's position over successive editions has become established. But an examination of the changes in the text in the light of the new evidence lends no support to this view: the theory of edition 3 appears to be the same, in essence and in emphasis, as that of edition 1.

The alterations were certainly extensive; little more than half of the final version (edition 3) of the chapter On Value being found in the same form in edition 1. Although the changes made in edition 2 were small and there was little rearrangement of the matter, the subdivision into sections was first introduced in that edition; this only emphasized the repetition and lack of order in the treatment and rendered necessary the complete rearrangement and rewriting of edition 3. Thus the statement of the exceptions to the law of value due to different proportions of capital (or, as Ricardo put it, to the rise or fall of wages), which was repeated in edition 1 in different places<sup>2</sup> (and is still scattered under several sections in edition 2) is mostly collected in edition 3 under Sections IV and V.

All the evidence in favour of a 'weakening' of Ricardo is based on the current misunderstanding of certain changes in the text which the letter to Mill quoted at the end of the last section enables us to rectify. The evidence in question rests mainly upon two changes. First, the dropping in edition 3 of the passage in which Adam Smith was criticised for having limited the application of the principle of value to the 'early and rude state of society',<sup>3</sup> a change which looks at first sight significant; we now know however that this was withdrawn because it had lent itself to misinterpretation, and the letter quoted above shows that Ricardo was not shaken in his position by Torrens's

<sup>1</sup> *A Review of Economic Theory*, 1929, p. 185 and p. 176. The opposite and unusual view has been put forward by H. Biaujeaud, *Essai sur la théorie*

*ricardienne de la valeur*, Paris, 1934, p. 125.

<sup>2</sup> Below, pp. 53, 56–63, 66.

<sup>3</sup> Below, p. 22–3, n. 3.

criticism. The second change is the replacement in edition 3 of the statement that exchangeable value 'depends solely' upon the quantity of labour realised in a commodity with 'depends almost exclusively'.<sup>1</sup> But here again the letter to Mill now makes it clear that the background against which the 'solely' of edition 1 is to be understood is that no prices can rise as a result of a rise of wages—they can *only* be raised by an increase in the difficulty of production. On the other hand, in ed. 3 the 'almost exclusively' reflects the change in the choice of standard from ed. 1 to ed. 3 (to be described below, pp. xlii–xlv), the new standard permitting a rise of price, as a result of a rise of wages, in the case of commodities produced without fixed capital.

This phrase thus takes its place as one of a series of modifications which were designed to *minimise* the extent of such price-changes in either direction as, in terms of the newly adopted standard, do occur when wages rise. The other passages introduced in edition 3 to the same effect were as follows: 'it would be...incorrect to attach much importance to it', below, p. 36; 'another, though a minor variation', p. 42; 'comparatively slight in its effects', p. 36 and again p. 45.<sup>2</sup> The implication of these changes is clear enough and Malthus at any rate did not regard edition 3 as showing any weakening: 'The effects of slow or quick returns, and of the different proportions of fixed and circulating capitals, are distinctly allowed by Mr. Ricardo; but in his last edition, (the third, p. [36]) he has much underrated their amount.'<sup>3</sup>

At one moment between edition 2 and edition 3 Ricardo did show signs of weakening. In a much-quoted passage he wrote to M<sup>c</sup>Culloch on 13 June 1820: '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

<sup>1</sup> Below, p. 12, n. 1, and cp. p. 20, n. 3.

<sup>2</sup> See also the reference in *Notes on Malthus* (which belong to the time of the revision for ed. 3) to 'comparatively of very slight effect' (below, II, 59) and 'of no great

magnitude' (*ib.* 101), and cp. *ib.* 66, 82. A similar reference to 'insignificant in its effects' is found in a letter to Malthus of 9 Oct. 1820, below, VIII, 279.

<sup>3</sup> *The Measure of Value*, 1823, p. 12, n.

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. Perhaps I should find the difficulties nearly as great in this view of the subject as in that which I have adopted.<sup>1</sup> Within six months he did rewrite the chapter, and evidently found 'the difficulties' of this view even greater than in the case of his original view, since he now in ed. 3 confirmed it.<sup>2</sup>

Letters written in these intervening months provide evidence enough that this weakening was no more than a passing mood. Already on 9 Oct. 1820 he is writing to Malthus: 'You say that my proposition "that with few exceptions the quantity of labour employed on commodities determines the rate at which they will exchange for each other, is not well founded." I acknowledge that it is not rigidly true, but I say that it is the nearest approximation to truth, as a rule for measuring relative value, of any I have ever heard'; and adds: 'My first chapter will not be materially altered—in principle I think it will not be altered at all.'<sup>3</sup> And on 25 Jan. 1821, while still wrestling with the problem of a standard of absolute value, he writes to McCulloch: '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.'<sup>4</sup>

Although no essential change was made in successive editions about the rule which determines value, two considerable alterations were made in connection with the choice of an invariable measure of value. The search for what has been called 'the chimera of an invariable standard of value'<sup>5</sup> preoccupied Ricardo to the end of his life. However, the problem which mainly interested him was not that of finding an actual commodity which would accurately measure the value of corn or silver at different times and places; but rather that of

<sup>1</sup> Below, VIII, 194.

<sup>2</sup> At any rate Professor Hollander's suggestion that Ricardo's failure to carry out a 'thoroughgoing reconstruction' of this chapter in ed. 3 had anything to do with 'the urgency of the printer' (*op. cit.*, p. 484) can be dismissed in view of the ample notice

given to the author and the subsequent delays in publishing that edition, described in section VII of this Introduction.

<sup>3</sup> Below, VIII, 279, 280.

<sup>4</sup> *ib.* 344.

<sup>5</sup> E. Cannan, *A Review of Economic Theory*, p. 174.

finding the conditions which a commodity would have to satisfy in order to be invariable in value—and this came close to identifying the problem of a measure with that of the law of value: ‘Is it not clear then that as soon as we are in possession of the knowledge of the circumstances which determine the value of commodities, we are enabled to say what is necessary to give us an invariable measure of value?’<sup>1</sup>

The first of the alterations of which we have spoken was occasioned by a growing sense of the difficulty of even conceiving of such an invariable commodity. In ed. 1 and ed. 2 the essential quality which a commodity must have to be invariable is that it should require ‘at all times, and under all circumstances, precisely the same quantity of labour’ to produce it.<sup>2</sup> He admitted that ‘of such a commodity we have no knowledge’. But this he regarded as only a practical difficulty; and he expressed no doubts as to what the ‘essential qualities’ of such a standard were.<sup>3</sup> In ed. 3, however, Ricardo enlarged on the difficulty and stated that, even if a commodity could be found which satisfied that requirement, ‘still it would not be a perfect standard or invariable measure of value’, since ‘it would be subject to relative variations from a rise or fall of wages’ on account of different proportions of fixed capital or different durabilities of fixed capital or different times necessary to bring it to market.<sup>4</sup> Thus the same exceptions which he had discovered in the fundamental rule determining value cropped up again in attempting to define the qualities of an invariable standard.

<sup>1</sup> Ricardo to McCulloch, 21 Aug. 1823, below, IX, p. 358 and cp. p. 377. Cp. also below, p. 17, n. 3. This idea that to every theory of value there corresponds an appropriate ‘invariable measure’ is evidently based on Ricardo’s experience with his own theory, where to the determination of value by embodied labour there corresponds an invariable measure in the shape of a commodity produced by a constant quantity of labour; and in so far as there are exceptions to the theory, to the same extent the accuracy of the measure is affected. This correspondence, however, is a

peculiar property of Ricardo’s theory and does not necessarily apply to other theories. Thus there would not seem to be such a relation between the theory that wages determine prices and the ‘labour commanded’ standard (see on the other hand below, p. 16–17).

<sup>2</sup> Below, pp. 27, n., and 17, n. 3.

<sup>3</sup> Below, p. 17, n. 3.

<sup>4</sup> Below, p. 44. He adds that such circumstances ‘disqualify any commodity that can be thought of from being a perfectly accurate measure of value.’

The second change concerned the conditions of production of the commodity to be adopted as standard. These were defined as follows in ed. 1: 'in this whole argument 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'.<sup>1</sup> In that edition Ricardo only acknowledged two forms of variation of capital: different proportions of fixed and circulating capital and different durabilities of fixed capital. He had not yet noticed the 'different times it takes to market' (or durability of circulating capital), to which his attention was to be drawn by Torrens;<sup>2</sup> with the result that in edition 2 this was introduced as a third form of variation of capital.<sup>3</sup> In ed. 1 therefore 'unassisted' meant unassisted by fixed capital, with the tacit assumption that the period which all things took to produce and bring to market (*i.e.* circulating capital to circulate) was a year. As James Mill was to put it in his *Elements*, 'A year is assumed in political economy as the period which includes a revolving circle of production and consumption.'<sup>4</sup>

The qualification 'unassisted' is made explicitly by Ricardo only in the carefully worded passage which we have quoted, and in other places<sup>5</sup> he mentions simply 'the same quantity of labour'. But to the deductions based upon it the qualification is essential; and in ed. 1 it is consistently implied in Ricardo's argument.<sup>6</sup> It is, indeed, from this definition of invariable money that there follows the striking result that 'commodities may be lowered in value in consequence of a real rise of wages, but they never can be raised from that cause'<sup>7</sup> (the reason being that in the production of some commodities

<sup>1</sup> Below, p. 63. The italics are the editor's.

<sup>2</sup> Cp. below, IV, 305–6.

<sup>3</sup> Below, p. 61 n. and cp. p. 31, n. 2, p. 53, n. 1, p. 58, n. 2.

<sup>4</sup> *Elements of Political Economy*, 1821, p. 185. Cp. Ricardo's example, below, p. 61, and his reference on p. 59 to capital 'annually consumed and reproduced, as it is when employed in paying wages'. Malthus also understood it in this way: 'Mr. Ricardo, in order to illustrate his proposition, has placed it, at a venture, among

those commodities where the advances consist solely in the payment of labour, and the returns come in exactly in the year.' (*Principles of Political Economy*; below, II, 64–5.)

<sup>5</sup> Below, pp. 17, n. 3, 27, n., 55, 87, n. 1, 275.

<sup>6</sup> Except where (as in the example on p. 55–6) all commodities, *including money*, are explicitly assumed to be produced with the same proportions of fixed and circulating capitals.

<sup>7</sup> Below, p. 66.

fixed capital enters while it does not enter into the production of gold, or money). Here 'value' clearly refers to 'absolute' value, *i.e.* value measured in the invariable standard. When Ricardo in ed. 1 speaks of 'relative value',<sup>1</sup> he says that, with a rise of wages, some goods will rise compared with others.

In ed. 2 the substance of the argument is unchanged; but a number of alterations in wording, which emphasize this paradox of commodities falling in value when wages rise, tend to obscure the distinction just mentioned between the effect of changes in wages upon 'absolute' and upon 'relative' value. Thus, passages which stated that, with a rise of wages, some commodities *rise* in relative value compared with others, in ed. 2 are turned round so as to say that some commodities *fall* in terms of others.<sup>2</sup> And in the statement of ed. 1 that 'no commodities whatever are raised in absolute price, merely because wages rise', the words 'absolute price' are confusingly replaced by 'exchangeable value'.<sup>3</sup>

Malthus, in his *Principles of Political Economy*, draws attention to the case of commodities where the period of turnover of circulating capital may be *less* than one year.<sup>4</sup> In such a case (covering, as he suggests, 'a large class of commodities') prices will rise 'consequently upon a rise in the price of labour and fall of profits'. Ricardo in his Note<sup>5</sup> upon this passage admits that he has 'inadvertently omitted to consider' this case, and that 'Mr. Malthus is quite right in asserting that many commodities in which labour chiefly enters, and which can be quickly brought to market will rise, with a rise in the value of labour'. The 'correct opinion' as he now states it is that, in consequence of 'a rise in the money price of wages, and a fall of profits, so far from its being true that all other commodities would also rise in price, there will be a large class which will absolutely fall —some which will not vary at all, and another large class which will

<sup>1</sup> Below, p. 58.

<sup>2</sup> Below, p. 58, nn. 1 and 4.

<sup>3</sup> Below, p. 63, n. 3. This latter change was the result of summing up in this sentence (which in ed. 2 becomes the conclusion of a Section) the three possible causes of a rise of

commodities. Since one of these causes was a fall in value of the medium itself, this precluded the use of the term 'absolute price' (which presupposes an invariable medium).

<sup>4</sup> Below, II, 62–4.

<sup>5</sup> *ib.* 64.



rise.<sup>1</sup> This concession in the *Notes on Malthus* marks the transition between ed. 2 and ed. 3.

As an extreme instance of the case to which he had drawn attention Malthus introduced<sup>2</sup> the striking example of silver picked up on the sea-shore with the labour of one day and therefore without either fixed or circulating capital—a standard in terms of which ‘no rise in the price of labour could take place’.<sup>3</sup>

At the time when his ed. 3 was already in the press Ricardo wrote to M<sup>c</sup>Culloch: ‘when I want to fix a standard of absolute value I am undetermined whether to chuse labour for a year, a month, a week, or a day’.<sup>4</sup> But he had already suggested to M<sup>c</sup>Culloch in a previous letter (in June 1820) that ‘perhaps the best adapted to the general mass of commodities’ was ‘the medium’ between the ‘two extremes’: ‘one, where the commodity is produced without delay, and by labour only, without the intervention of capital; the other where it is the result of a great quantity of fixed capital, contains very little labour, and is not produced without considerable delay.’ ‘Those commodities on one side of this medium, would rise in comparative value with it, with a rise in the price of labour, and a fall in the rate of profits; and those on the other side might fall from the same cause.’<sup>5</sup>

In edition 3, therefore, the standard adopted was money ‘produced with such proportions of the two kinds of capital as approach nearest to the average quantity employed in the production of most commodities’;<sup>6</sup> and the relevant passages were accordingly altered to the effect that, with a rise of wages, some commodities would fall and others rise in terms of this standard.<sup>7</sup> (If measured in such a

<sup>1</sup> Below, II, 62–3. This admission of a rise is made rather grudgingly (‘in a trifling degree’, and cp. *ib.* n. 7).

<sup>2</sup> First in a letter of 10 Sept. 1819, below, VIII, 64–5, and then in his *Principles of Political Economy*, below, II, 81.

<sup>3</sup> Below, II, 81. As Ricardo later wrote to M<sup>c</sup>Culloch: ‘Malthus has supposed a case of a man by a day’s labour being enabled to pick up a certain number of grains of gold or

silver on the sea shore;—suppose he could pick up as much silver as we coin into a shilling, labour never could fall below a shilling a day, and if corn rose in silver labour could not rise’ (below, VIII, 343).

<sup>4</sup> Ricardo to M<sup>c</sup>Culloch, 25 Jan. 1821, *ib.* 344.

<sup>5</sup> *ib.* 193.

<sup>6</sup> Below, p. 45.

<sup>7</sup> Below, p. 35, p. 43, n. 4, p. 48, n. 3.

standard, the average price of all commodities, and their aggregate value, would remain unaffected by a rise or fall of wages.)

Already in one of the letters to M<sup>c</sup>Culloch from which we have just quoted Ricardo had suggested that 'all the exceptions to the general rule' could be reduced to 'one of time':<sup>1</sup> *i.e.* all those deriving from different proportions of fixed and circulating capitals, different durabilities of fixed capital, or differences in the 'time it takes to market' (or durability of circulating capital) could be reduced to terms of labour employed for a longer or a shorter time. This conception was the one to which he finally adhered. In the newly-discovered paper on 'Absolute Value and Exchangeable Value',<sup>2</sup> written at the end of his life, the standard adopted in ed. 3 was in effect equated to that of ed. 1 by the statement that 'a commodity produced by labour employed for a year is a mean between the extremes of commodities produced on one side by labour and advances for much more than a year, and on the other by labour employed for a day only without any advances, and the mean will in most cases give a much less deviation from truth than if either of the extremes were used as a measure.'<sup>3</sup>

Having started, therefore, with 'labour employed for a year', regarded as the 'extreme' of 'unassisted labour', Ricardo became convinced, firstly that this was not really an 'extreme' since many commodities were produced by labour employed for *less* than one year, and secondly that, if he were to take 'labour employed for a day only without any advances', this would be the equivalent of a 'labour commanded' standard and wages could never rise in terms of this standard. He accordingly in edition 3 takes 'a just mean' between the extremes, 'produced with such proportions of the two kinds of capital as approach nearest to the average'.<sup>4</sup> Having done so, he comes finally to the view that this mean can be reduced to 'a commodity produced by labour employed for a year'<sup>5</sup>—the very standard which he had used in edition 1, but which he had at that time treated as being an 'extreme'.

<sup>1</sup> Letter to M<sup>c</sup>Culloch, 13 June 1820, below, VIII, 193.

<sup>2</sup> Below, IV, 357ff.

<sup>3</sup> Below, IV, 405.

<sup>4</sup> Below, p. 45–6.

<sup>5</sup> Below, IV, 405.

The idea of an 'invariable measure' has for Ricardo its necessary complement in that of 'absolute value'. This concept appears in the *Principles* at first (in ed. 1) as 'absolute value'<sup>1</sup> and later (in ed. 3) as 'real value',<sup>2</sup> it comes out from time to time in his letters,<sup>3</sup> and takes more definite shape in his last paper on 'Absolute Value and Exchangeable Value'. In one of his drafts for that paper he writes: 'No one can doubt that it would be a great desideratum in political Economy to have such a measure of absolute value in order to enable us to know[,] when commodities altered in exchangeable value[,] in which the alteration in value had taken place'.<sup>4</sup> In another draft he explains what he means by a test of whether a commodity has altered in value: '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.'<sup>5</sup> And elsewhere he writes: 'To me it appears a contradiction to say a thing has increased in natural<sup>6</sup> value while it continues to be produced under precisely the same circumstances as before.'<sup>7</sup>

Ricardo starts (in ed. 1 of the *Principles*) by applying the concept to the problem of two commodities which have changed in relative value as a result of a change in the difficulty of production: absolute value is then the criterion for deciding in which of the two the real change has occurred. He ends (in his last paper on value) by bringing this criterion to bear upon another problem, namely the distinction between two causes of changes in exchangeable value: for, 'difficulty or facility of production is not absolutely the only cause of variation in value[,] there is one other, the rise or fall of wages', since commodities cannot 'be produced and brought to market in precisely the same time'.<sup>8</sup> Absolute value, however, reflects only the first type of change and is not affected by the latter. As Ricardo says with

<sup>1</sup> Below, p. 21 and cp. p. 63.

<sup>2</sup> Below, pp. 42–3.

<sup>3</sup> To Malthus, 9 Oct. 1820, below, VIII, 279; to M'Culloch, 25 Jan. 1821, *ib.* 344; to Trower, 4 July (as 'positive value') and 22 Aug. 1821, IX, 1–2 and 38; and frequently in 1823, *ib.* 297–300, 346, 356, 377–8.

<sup>4</sup> Below, IV, 399n. See a similar statement in *Principles*, below, p. 43.

<sup>5</sup> Below, IV, 397.

<sup>6</sup> As the context shows, 'natural' here stands for 'absolute'.

<sup>7</sup> Below, IV, 375.

<sup>8</sup> *ib.* 368.

reference to a commodity which changes in price owing to a rise of wages: 'If the measure was perfect it ought not to vary at all'.<sup>1</sup> After one of the numerical examples with which in a letter of 1823 he illustrates this deviation, he comments as follows: 'The two commodities change in relative value....Can it be said that the proportions of capital we employ are in any way altered? or the proportion of labour? certainly not, nothing has altered but the rate of distribution between employer and employed...—this and this only is the reason why they alter in relative value'; and he concludes: 'The fact is there is not any measure of absolute value which can in any degree be deemed an accurate one.'<sup>2</sup> Accordingly he falls back on his admittedly imperfect standard as giving the least 'deviation from truth'.<sup>3</sup>

In this attempt to extend the application of absolute value to the second problem (that of distinguishing the two sorts of changes in exchangeable values) Ricardo was confronted with this dilemma: whereas the former application presupposes an exact proportionality between relative and absolute value, the latter implies a variable deviation of exchangeable from absolute value for each individual commodity. This contradiction Ricardo never completely succeeded in resolving, as is apparent from his last paper.

There is another respect in which his last paper on value reverts to a position similar to that of edition 1. The effects on value of different proportions or durabilities of capital can be looked upon from two distinct aspects. First, that of occasioning a *difference* in the relative values of two commodities which are produced by equal quantities of labour. Second, that of the effect which a rise of wages has in producing a *change* in their relative value. In edition 1 the second aspect is the one exclusively considered: whenever different proportions or durabilities of capital are mentioned in connection

<sup>1</sup> *ib.* 373.

<sup>2</sup> Draft letter to M<sup>c</sup>Culloch, 15 Aug. 1823, below, IX, 355–6. Cp. the phrase 'It must then be confessed that there is no such thing in nature as a perfect measure of value', below,

IV, 404; also a similar expression below, IX, 361, and the closing sentence of his last letter (to Mill, 5 Sept. 1823), *ib.* 387.

<sup>3</sup> Below, IV, 405; quoted more fully above, p. xlv.

with value, Ricardo always speaks in terms of the effect of a rise of wages. The first aspect creeps into the later editions: once into edition 2 and a few times into edition 3, usually as incidental to discussion of variations in value, and probably as a result of argument with his opponents, particularly Torrens and Malthus, who looked at the problem from this angle.<sup>1</sup> But while in edition 3 Ricardo sometimes refers to different proportions or durabilities of capital as causing differences in relative values, the effect of a rise in wages remains in the forefront, and it is upon this aspect that attention is focused in the paper on 'Absolute Value and Exchangeable Value'.

This preoccupation with the effect of a change in wages arose from his approach to the problem of value which, as we have seen, was dominated by his theory of profits. The 'principal problem in Political Economy' was in his view the division of the national product between classes<sup>2</sup> and in the course of that investigation he was troubled by the fact that the size of this product appears to change when the division changes. Even though nothing has occurred to change the magnitude of the aggregate, there may be *apparent* changes due solely to change in measurement, owing to the fact that measurement is in terms of value and relative values have been altered as a result of a change in the division between wages and profits. This is particularly evident in the extreme case where the aggregate is composed of the same commodities in the same quantities, and yet its magnitude will appear to have changed as measured in value.

Thus the problem of value which interested Ricardo was how to find a measure of value which would be invariant to changes in the division of the product; for, if a rise or fall of wages by itself brought about a change in the magnitude of the social product, it would be hard to determine accurately the effect on profits. (This was, of course, the same problem as has been mentioned earlier<sup>3</sup> in connection with

<sup>1</sup> In ed. 2 a statement about 'unequal value' is introduced casually below, p. 62, n. In ed. 3 this aspect is considered below, p. 34 and p. 37, second and fourth paragraphs. Cp. also letter to Malthus, 9 Oct. 1820, below, VIII, 279.

<sup>2</sup> See the Preface to the *Principles*, and also the oft-quoted passage on the problem of Political Economy in the letter to Malthus of 9 Oct. 1820, below, VIII, 278.

<sup>3</sup> Above, p. xxxiii.

Ricardo's corn-ratio theory of profits.) On the other hand, Ricardo was not interested for its own sake in the problem of why two commodities produced by the same quantities of labour are not of the same exchangeable value. He was concerned with it only in so far as thereby relative values are affected by changes in wages. The two points of view of difference and of change are closely linked together; yet the search for an invariable measure of value, which is so much at the centre of Ricardo's system, arises exclusively from the second and would have no counterpart in an investigation of the first.

This function of the theory of value of making it possible, in the face of changes in distribution, to measure changes in the magnitude of aggregates of commodities of different kinds or, what is even more important, to ascertain its constancy, appears once more in connection with the measurement of the quantity of capital. With reference to the theory of Torrens ('that commodities are valuable according to the value of the capital employed on their production, and the time for which it is so employed') Ricardo says in the letter to M<sup>c</sup>Culloch of 21 Aug. 1823: 'I would ask what means you have of ascertaining the equal value of capitals?... These capitals are not the same in kind [if they were, he points out in an earlier draft, 'their proportional quantities would indicate their proportional values']... and if they themselves are produced in unequal times they are subject to the same fluctuations as other commodities. Till you have fixed the criterion by which we are to ascertain value, you can say nothing of equal capitals'; for, as he says in another draft of this letter, 'the means of ascertaining their equality or variation of value is the very thing in dispute.'<sup>2</sup>

## VI. *Edition 2*

Only 750 copies of edition 1 of the *Principles* had been printed,<sup>3</sup> and within two months of publication Murray told Ricardo that a second edition would 'most assuredly be required'.<sup>4</sup> Ricardo, however,

<sup>1</sup> Below, IX, 357.

<sup>2</sup> Below, IX, 359–60 and note. Cp. also the paper on value of the same period, below, IV, 393–4.

<sup>3</sup> Of ed. 2 and ed. 3 1000 each were

printed. These figures have been kindly supplied by Sir John Murray from the records of his firm.

<sup>4</sup> Ricardo to Trower, 15 June 1817, below, VII, 162.

heard no more of this until after the appearance of M<sup>c</sup>Culloch's review in the number of the *Edinburgh Review* for June 1818 (actually published in August) by which the sale was 'much accelerated'.<sup>1</sup> On 8 November 1818 Ricardo wrote to Mill: 'I hear from various quarters that my book is selling very fast, and that a new edition will soon be required'; adding, 'I think in the last conversation we had together we agreed that there would not be very great advantage in making any new arrangement of the contents, as it appears to have made the impression I could wish on those who have well considered it'.<sup>2</sup> On 17 November 1818 he received a request from Murray to prepare a second edition; and within a week Ricardo had the book ready for the press.<sup>3</sup> In sending the revised copy to Murray, he mentioned that it contained 'a few very trifling alterations' and asked that the proposed division into sections of the first chapter should be sent by messenger to Mill for his approval.<sup>4</sup> However, edition 2 was not published until 27 February 1819.<sup>5</sup>

In the intervening period he received the French translation of his own *Principles*, with Say's notes;<sup>6</sup> and in reply to one of these notes he added a passage referring to the question whether the theory of rent depended upon the existence of land which paid no rent.<sup>7</sup> This point had also been the subject of discussion during a visit of Malthus to Gatcomb in December 1818.<sup>8</sup> At one time he thought of having Say's notes translated and published as an appendix of his own ed. 2; but he referred the matter to Murray, who evidently decided against it.<sup>9</sup>

On the whole, the alterations in edition 2 were unimportant, and Ricardo could say that it contained 'nothing new'.<sup>10</sup> A few changes made to meet criticisms of particular points are of some interest and can be identified as follows. Some passages on taxation had been

<sup>1</sup> Ricardo to M<sup>c</sup>Culloch, 24 Nov. 1818, *ib.* 337. According to Mallet it was this review which 'got off the first edition' (below, VIII, 152, n. 2). In October Malthus wrote: 'I hear the sale of your work goes on swimmingly' (below, VII, 312).

<sup>2</sup> *ib.* 327.

<sup>3</sup> *ib.* 328 and 331.

<sup>4</sup> *ib.* 331.

<sup>5</sup> Advt. in *The Times*. The price was stated as 14s.

<sup>6</sup> Below, VII, 370.

<sup>7</sup> Below, p. 413, note.

<sup>8</sup> Below, VII, 371-2.

<sup>9</sup> Letter to Mill, 22 and 28 Dec. 1818, *ib.* 371, 379.

<sup>10</sup> Letter to Say, 11 Jan. 1820, below VIII, 150.

criticised by M<sup>c</sup>Culloch. When he was revising the book for edition 2 Ricardo wrote to M<sup>c</sup>Culloch that he proposed to alter a passage which might be considered to 'hold out an apology to ministers for taxation', and asked for suggestions 'on all those passages which you would like to see altered'.<sup>1</sup> Two footnotes were added to meet Torrens's complaint that he had not been mentioned.<sup>2</sup> The first of these (p. 96–7) notices a passage from Torrens on the natural price of labour (which is remarkable for its emphasis on the influence of 'habits of living'), for which Torrens had claimed originality.<sup>3</sup> The adoption of Torrens's suggestion about the 'unequal durability' of circulating capitals has been mentioned above. A passage on the causes of the miserable state of the Irish peasantry criticised by George Ensor was omitted;<sup>4</sup> and a note was added to Chapter I in defence of the illustration of a machine producing without human labour which had been ridiculed in the *British Review*.<sup>5</sup> Two changes, one about the effect of improvements in agriculture on rent and the other about corn importation and profits,<sup>6</sup> which appear to have arisen out of correspondence with Malthus, anticipated more extensive alterations in edition 3.

One group of apparently slight corrections may be more significant than at first appears. In ed. 1 Ricardo had frequently employed the curious phrase 'price of wages';<sup>7</sup> in ed. 2 however the expression is removed in several cases,<sup>8</sup> and its elimination is carried further in ed. 3.<sup>9</sup> Although in places he clearly treats this phrase as inter-

<sup>1</sup> Ricardo to M<sup>c</sup>Culloch, 24 Nov. 1818, below, VII, 337–8. M<sup>c</sup>Culloch sent a number of suggestions (*ib.* 351–4), several of which were adopted, including: a second passage about taxation which was rewritten in M<sup>c</sup>Culloch's own words (below, p. 152); part of the pamphlet *Economical and Secure Currency* was inserted in Chapter XXVII; and the 'principle of limitation' was enlarged upon in the discussion of paper money (below, p. 353–4).

<sup>2</sup> Below, pp. 96–7, 271. Cp. letter to Mill, below VII, 333.

<sup>3</sup> Preface to *An Essay on the External Corn Trade*, 1815, pp. xiii–xiv.

<sup>4</sup> Below, p. 100.

<sup>5</sup> Below, p. 60, n.

<sup>6</sup> Below, pp. 412 and 428–9. Cp. letters to Malthus, 24 June and 20 Aug. 1818, below, VII, 271, 282–3.

<sup>7</sup> For instances in his earlier writings, see below, IV, 22; letter to Malthus, 30 July 1815, below VI, 241; and in later writings: below, II, 63, n. 5, 231, n. 6 and 411; letter to Malthus, 3 Aug. 1823, below, IX, 325.

<sup>8</sup> Below, p. 95, n. 3, p. 96, notes 1, 3, 4, p. III, n. 3.

<sup>9</sup> Below, p. 94, n. 1, p. 303, n. 2, p. 334, n. 3. In a few cases the expression was retained in ed. 3: see p. 118, p. 145, and Index, under *Wages*.



changeable with 'price of labour' or simply 'wages',<sup>1</sup> it must originally have been related to the expression 'real value of wages', which he uses in explaining the peculiar sense in which he is to be understood when he speaks of the rise or fall of wages: namely as referring to the *proportion* of the total product going to labour, and not to the absolute quantity of commodities received by the labourers.<sup>2</sup> However, after thus defining the 'real value of wages', he did not use again that expression in the *Principles*, except when in ed. 3 he had to defend himself against Malthus's complaint that he had adopted 'new and unusual language' in connection with wages:<sup>3</sup> —a complaint renewed in later times by Marshall, who deplored Ricardo's failure to invent some new term for the purpose.<sup>4</sup> Perhaps the early use of 'price of wages' was a sign that Ricardo at first felt the need for a special term, whereas later he seems to have come to regard the unqualified term 'wages' as adequate, 'at least among Political Economists',<sup>5</sup> to describe proportional wages.

The only prominent change was the subdivision of the chapter On Value into sections each carrying its own heading. It was on these that he had consulted Mill. The division introduced in edition 2 seems to have been made at first into four sections, and then to have been changed to five before the titles were sent to Mill,<sup>6</sup> in which form it finally appeared. This required the splitting of a section into two, and it was probably Section I that was divided, the additional heading being: 'Sect. II. The accumulation of capital makes no difference in the principle stated in the last section'.<sup>7</sup> That the heading of Section I was written when that section included the whole of what was published as Section II, is shown by the fact that its statement that value does not depend 'on the greater or less compensation which is paid for that labour' can only refer to the text of

<sup>1</sup> See e.g. p. 95–6 where all these expressions are used as equivalent.

<sup>2</sup> Cp. below, p. 49–50; and cp. p. 274–5 note.

<sup>3</sup> Below, p. 19.

<sup>4</sup> *Principles of Economics*, 8th ed., p. 550.

<sup>5</sup> As he says in another context, below, IV, 409.

<sup>6</sup> In his letter to Murray of 23 Nov. 1818 Ricardo mentions 4 sections, but in his letter to Mill of the same date (sent through Murray the next day) 'four' is altered to 'five' (below, VII, 331, 333, n. 1).

<sup>7</sup> Below, p. 22, n. 2. See the Table of Section-Headings of Chapter I, below, p. lxiii.

the latter part of Section II.<sup>1</sup> It may be noticed that Section I, thus reduced, was further subdivided in edition 3, without the heading being changed; with the result that the heading of Section I still adequately covers the contents of the whole of the first three sections of the chapter in edition 3.

This subdivision required the rewriting of certain passages which now formed the beginning and the end of sections. But it is surprising how little rearrangement was made: only an obviously misplaced paragraph in the middle of the chapter<sup>2</sup> and the three concluding paragraphs<sup>3</sup> were transferred to more appropriate places.

### VII. *Edition 3*

Before Ricardo left London for the country in July 1820 Murray told him that 'he should soon wish to publish a new edition' of the *Principles*;<sup>4</sup> and during the next six months (which, after a few weeks at Brighton, he spent at Gatcomb)<sup>5</sup> he revised his book for edition 3. This was done in the intervals of what was to become his main pre-occupation during this period: re-reading, and writing his Notes on, Malthus's *Principles of Political Economy*. At first he had intended to include in edition 3 his defence against Malthus's attacks. But he afterwards gave up this project; Mill (who in August and September was on a visit to Gatcomb) had 'strongly dissuaded' him from it, and advised him not to notice any attacks for fear of 'giving too controversial a character' to the book.<sup>6</sup>

On 4 September 1820 Ricardo writes to Malthus: 'I have been looking over my first chapter, with a view to make a few alterations in it before the work goes to another edition. I find my task very difficult, but I hope I shall make my opinions more clear and

<sup>1</sup> Cp. also the heading of Section III: 'The principle stated in the foregoing section...'. This must refer to Section I, which on our supposition originally preceded it immediately. It is also to be noted that the division between Sections I and II is the only one which was effected without a re-writing of the closing and opening passages; by contrast to what Ricardo

said to Mill in his letter of 23 Nov. 1818 about a summary 'at the end of each section' (below, VII, 333).

<sup>2</sup> Below, p. 53, n. 1.

<sup>3</sup> Below, p. 66.

<sup>4</sup> Below, VIII, 315.

<sup>5</sup> *ib.* 206, 213.

<sup>6</sup> Ricardo to Trower, 14 Jan. 1821, *ib.* 333.

intelligible.<sup>1</sup> A month later he could report substantial progress to Mill: 'I have done what I at present think necessary to my first chapter, and have laid it by for fresh inspection after I have forgotten it a little.'<sup>2</sup>

Early in January 1821 Murray included Ricardo's 'Third edition, corrected' in his advertised list of 'works preparing for immediate publication'.<sup>3</sup> In a letter of 14 January Ricardo wrote that he expected his third edition to be printed within a few days;<sup>4</sup> and again on 25 January he wrote that the first chapter was 'now printing' and referred to one of the later chapters of the book as being 'in the printers hands'.<sup>5</sup>

However, it was nearly four months from this time before the new edition was on sale; Murray's advertisement of actual publication appearing for the first time in the *Morning Chronicle* of 18 May 1821, the price being stated as 12s. The reason for the delay is disclosed by a letter of Malthus to Prévost of 26 April 1821: 'Mr. Murray my bookseller seems to be of opinion that the times are not favourable for book-selling and is now keeping back a new edition of Mr. Ricardo's work which is finished, because the former edition has not gone off so soon as he had calculated upon.'<sup>6</sup> This did not prevent Ricardo in the meantime from sending advance copies to his friends. On 25 April he wrote to McCulloch that he had asked Murray to send him a copy 'last week';<sup>7</sup> and on 8 May in sending a copy to Say he wrote: 'Owing to the delay of Bookseller, and Printer, the time has been protracted far beyond my expectation, but at length I am able to send you herewith one of the first published copies of this last edition.'<sup>8</sup>

The changes in this edition were considerably more extensive than those made in edition 2. Yet Ricardo seems to have regarded them, for the most part, as unimportant. We find him writing to Trower on 14 January 1821: 'I have carefully looked over every

<sup>1</sup> Below, VIII, 229.

<sup>2</sup> Letter of 14 Oct. 1820, *ib.* 283-4.

<sup>3</sup> *Monthly Literary Advertiser*, 10 Jan. 1821.

<sup>4</sup> Below, VIII, 333, and cp. 335.

<sup>5</sup> *ib.* 342.

<sup>6</sup> Letter to Professor Prévost of Geneva, published by G. W. Zinke in *Journal of Economic History*, May 1942, vol. 11, p. 181.

<sup>7</sup> Below, VIII, 373.

<sup>8</sup> *ib.* 379.

part of it, and with my limited powers of composition I am convinced I can do very little to improve it';<sup>1</sup> and on 25 April to M<sup>c</sup>Culloch: 'You will not find much of novelty in the new edition'.<sup>2</sup>

The main changes in the first chapter have already been mentioned. As regards arrangement, the five sections of edition 2 were increased to seven by subdividing Section 1 and also adding a new section On an Invariable Measure of Value. The rearrangement of the text of this chapter, begun in edition 2, was continued more extensively; and although a few anomalies remained, the chapter gained greater unity. Passages previously misplaced were transferred to the appropriate sections, and repetitions were avoided either by omitting a passage or by incorporating different passages into one.

Many of the Notes on Malthus's *Principles* are reflected in the alterations made in the new edition. With reference to his old difference with Malthus as to the effect of agricultural improvements upon rent, Ricardo adds a footnote<sup>3</sup> in edition 3 allowing the *ultimate* benefit to landlords, without yielding his contention that the immediate effect of improvements was harmful to them. Malthus had asked in what sense Ricardo could agree with Sismondi and Buchanan in saying that the price of corn 'is like that of a common monopoly, or advantageous only to the landlords, and proportionably *injurious* to the consumers'.<sup>4</sup> Ricardo's reply was that the landlord's interest was 'that the machine which he had for producing corn should be in demand—that in fact his rent depended on it'. Only after cheap corn had increased population would 'the advantage of the improvement' be 'transferred to the landlord'.<sup>5</sup> A similar idea is expressed in two new paragraphs added to Chapter XXIV, in which he states that, when the productivity of the soil is increased, 'all the advantages would, in the first instance, be enjoyed by labourers, capitalists and consumers; but with the progress of population, they would be gradually transferred to the proprietors of the soil'.<sup>6</sup>

On the advantages of free importation of corn Ricardo was even

<sup>1</sup> *ib.* 333.

<sup>2</sup> *ib.* 373.

<sup>3</sup> Below, p. 81.

<sup>4</sup> Below, II, 117.

<sup>5</sup> *ib.* 118.

<sup>6</sup> Below, p. 335. However, the statement on the same page that 'the interest of the landlord is always opposed to that of consumer and manufacturer' remains in ed. 3.

more emphatic than he had been in previous editions. In the 'Advertisement to the Third Edition' (below, p. 8) he directs the attention of the reader to the changes which he has introduced into the last chapter, in order to throw into sharper relief the doctrine of the increased ability of a country to pay taxes as a result of a diminished cost of food.

Malthus in his *Principles* had also criticised Ricardo for having applied to rent his measure by '*proportions* or cost in labour',<sup>1</sup> and having suggested as a result that with the extension of cultivation the proportion of rent to the total produce of land would increase. Ricardo devoted one of his Notes<sup>2</sup> to a restatement of his position, and explained in effect that rent would take up an increased proportion of the produce of the *old* lands, or, if additional capitals be employed on the same lands, an increased proportion 'of each quantity before obtained'.<sup>3</sup> In a deleted passage in the *Notes on Malthus* he explains his meaning concisely as follows: 'Rent is not a proportion of the produce obtained—it is not governed like wages or profits by proportions—depending as it does on the difference between the quantity of produce obtained by two equal capitals. If therefore I have anywhere said that rent rises or falls in the proportion that the produce obtained is increased or diminished I have committed an error. I am not however conscious of having so done'.<sup>4</sup> Nevertheless, in edition 3 he modified a number of passages which had laid him open to Malthus's criticism. Typical of these is the change in the phrase of editions 1 and 2, 'In speaking of the rent of the landlord, we have rather considered it as the proportion of the whole produce', the concluding words of which are replaced in edition 3 by: 'as the proportion of the produce obtained with a given capital on any given farm'.<sup>5</sup>

<sup>1</sup> Below, II, 195.

<sup>2</sup> *ib.* 196–7.

<sup>3</sup> *ib.* 197 and 198, n. 2. In the *Essay on Profits* Ricardo, apparently referring to the net, rather than the gross, produce, had made the more sweeping statement: 'The landlord not only obtains a greater produce, but a larger share.' (Below, IV, 18.) This is an

instance of a more general change that is noticeable between the *Essay on Profits* and ed. 3 of the *Principles*: namely, a gradual shift of emphasis from the antithesis of rent and profits to that of wages and profits.

<sup>4</sup> Below, II, 196–7, n. 1.

<sup>5</sup> Below, p. 83 and cp. p 49, n. 1 and pp. 402–3.

The changes in ed. 3 due to Say were occasioned partly by changes in the 4th edition (1819) of Say's *Traité* and partly by Say's *Lettres à M. Malthus* (1820) on which Ricardo had written some notes at the same time as he was writing his *Notes on Malthus*.<sup>1</sup> The main change is the rewriting of several paragraphs in the chapter on Value and Riches<sup>2</sup> and the omission of some paragraphs in the same chapter which cite extensively from the earlier editions of Say's *Traité*,<sup>3</sup> in view of changes made by Say in his 4th edition.<sup>4</sup> There were also a few minor additions in other chapters.<sup>5</sup>

The most revolutionary change in edition 3 is the new chapter On Machinery, in which Ricardo retracts his previous opinion that the introduction of machinery is beneficial to all the different classes of society. 'My mistake', he explains, 'arose from the supposition, that whenever the net income of a society increased, its gross income would also increase; I now, however, see reason to be satisfied that the one fund, from which landlords and capitalists derive their revenue, may increase, while the other, that upon which the labouring class mainly depend, may diminish'.<sup>6</sup> His conclusion must have shocked his friends even more than the change of principle itself: 'That the opinion entertained by the labouring class, that the employment of machinery is frequently detrimental to their interests, is not founded on prejudice and error, but is conformable to the correct principles of political economy.'<sup>7</sup>

Previously Ricardo had held the view that, since machinery made it possible to produce commodities at a lower cost, it must lead to an increase in their quantity and accordingly be beneficial to all classes of society. He had not expressed this view in the earlier editions of the *Principles*, and the only place where he had stated in print an opinion as to the effect of machinery upon labour was an incidental reference in the *Essay on Profits* where he alluded to 'the effects of improved machinery, which it is now no longer questioned, has a decided tendency to raise the real wages of labour.'<sup>8</sup> But as he

<sup>1</sup> See below, VIII, 301.

<sup>2</sup> Below, pp. 279–285.

<sup>3</sup> Below, pp. 287–8.

<sup>4</sup> Below, VIII, 315.

<sup>5</sup> Below, p. 249, p. 264 and p. 348.

<sup>6</sup> Below, p. 388.

<sup>7</sup> Below, p. 392.

<sup>8</sup> Below, IV, 35.

says at the beginning of the new chapter he had 'in other ways' given support to those doctrines. He probably had in mind a speech in Parliament in 1819 on Robert Owen's plan in which he had declared that 'it could not be denied, on the whole view of the subject, that machinery did not lessen the demand for labour'.<sup>1</sup> Barton's pamphlet of 1817, *Observations on the Condition of the Labouring Classes*, with its view as to the adverse effects of machinery on labour, does not seem to have influenced Ricardo at the time of its publication;<sup>2</sup> although he quotes it with approval in the new chapter in edition 3. When M<sup>c</sup>Culloch, in an article on 'Taxation and the Corn Laws' in the *Edinburgh Review* of January 1820, had approved the ideas of Barton (of whose pamphlet the article was ostensibly a review), Ricardo wrote to M<sup>c</sup>Culloch contesting this opinion. M<sup>c</sup>Culloch had stated that 'the fixed capital invested in a machine, must always displace a considerably greater quantity of circulating capital,—for otherwise there could be no motive to its erection; and hence its first effect is to sink, rather than increase, the rate of wages.'<sup>3</sup> In reply Ricardo had said: 'the employment of machinery I think never diminishes the demand for labour—it is never a cause of a fall in the price of labour, but the effect of its rise.'<sup>4</sup> M<sup>c</sup>Culloch became a convert to this view, and in an article in the *Edinburgh Review* of March 1821 maintained that 'no improvement of machinery can possibly diminish the demand for labour, or reduce the rate of wages.'<sup>5</sup> It is scarcely surprising that he should have taken strong exception to Ricardo's sudden change of front on the matter, and that on seeing the new edition he should have bitterly complained (in a letter now first published) of 'the extreme erroneousness of the principles to which you have incautiously lent the sanction of your name'.<sup>6</sup>

<sup>1</sup> 16 Dec. 1819, below, V, 30. That it was generally accepted that Ricardo held these views is shown by Malthus' statement in his *Principles of Political Economy*: 'I quite agree with Mr. Ricardo, however, in approving all saving of labour and inventions in machinery' (below, II, 381).

<sup>2</sup> Cp. Ricardo's letter to Barton of 20 May 1817, which however was prior to the publication of the

pamphlet (below, VII, 157–9).

<sup>3</sup> *Edinburgh Review*, Jan. 1820, p. 171.

<sup>4</sup> Letter to M<sup>c</sup>Culloch, 29 March 1820, below, VIII, 171.

<sup>5</sup> *Edinburgh Review*, March 1821, p. 115.

<sup>6</sup> M<sup>c</sup>Culloch to Ricardo, 5 June 1821, below, VIII, 382. He also says that if Ricardo's new opinion is correct 'the laws against the Luddites are a disgrace to the Statute book' (*ib.* 385).

The writing of the *Notes on Malthus* in the autumn of 1820, especially Note 149, marked a transition-stage in Ricardo's thinking on the subject. Malthus in his chapter 'Of the Wages of Labour' had quoted Barton to the effect that 'the demand for labour can only be in proportion to the increase of the circulating, not the fixed capital'; but, while admitting that 'this is no doubt true in individual cases', Malthus had asserted that 'it is not necessary to make the distinction in reference to a whole nation' and that 'in general...the use of fixed capital is extremely favourable to the abundance of circulating capital'.<sup>1</sup> Ricardo commented on this as follows: 'The effective demand for labour must depend upon the increase of that part of capital, in which the wages of labour are paid...—to the capitalist it can be of no importance whether his capital consists of fixed or of circulating capital, but it is of the greatest importance to those who live by the wages of labour; they are greatly interested in increasing the gross revenue, as it is on the gross revenue that must depend the means of providing for the population. If capital is realized in machinery, there will be little demand for an increased quantity of labour'.<sup>2</sup> Another Note (153) seems to approach even closer to the new doctrine: 'It might be possible to do almost all the work performed by men with horses, would the substitution of horses in such case, even if attended with a greater produce, be advantageous to the working classes, would it not on the contrary very materially diminish the demand for labour?'<sup>3</sup>

The final step in his change of opinion came when (as he himself says in the new chapter) he ceased to hold that 'whenever the net income of a society increased, its gross income would also increase',<sup>4</sup> and came to hold instead that machinery could be profitable to introduce and yet result in a smaller total product, and demand for labour.

There is no evidence as to the precise stage at which Ricardo adopted his final view that improved machinery might actually diminish the gross produce. Mallet, in an entry in his diary at the

<sup>1</sup> Below, II, 234–6.

<sup>2</sup> *ib.* 234–6.

<sup>3</sup> *ib.* 239 and cp. footnote. Ricardo, however, in Note 243 states that

'unmixed advantages' are derived from inventions to save labour (*ib.* 365).

<sup>4</sup> Below, p. 388.



time of Ricardo's death in September 1823, stated: 'It accidentally happened at a dinner at his [Ricardo's] house three years ago, at which Mr. Grenfell, Mr. Tooke, and other persons were present, that in consequence of an objection which then occurred to me as to the prevailing opinions on the subject of the unmixed benefit resulting from the substitution of machinery for human labour, Mr. Ricardo was afterwards led (although he then differed from me) to reconsider the subject and to write the additional chapter on machinery in his 3rd edition. This he told me himself in the kindest and most ingenuous manner.'<sup>1</sup> He apparently had not yet changed his views by 29 Nov. 1820;<sup>2</sup> and the first intimation we have is in a letter of Malthus to Sismondi of 12 March 1821, which mentions that Ricardo has altered his views on machinery.<sup>3</sup> M<sup>c</sup>Culloch evidently knew nothing until Ricardo's letter to him of 25 April 1821 with its reference to 'a change in my sentiments respecting the advantages of machinery'.<sup>4</sup> Having made the change, however, Ricardo stoutly defended his new position against M<sup>c</sup>Culloch's objections. 'These truths', he wrote, 'appear to me to be as demonstrable as any of the truths of geometry, and I am only astonished that I should so long have failed to see them.'<sup>5</sup>

### VIII. *The Present Edition*

The present edition of the *Principles* is based on a complete collation of the first, second and third editions. The text adopted is that of edition 3, published in 1821, the last to be revised by Ricardo. All the variants of editions 1 and 2 are given in the editor's footnotes.

A special method, however, has had to be adopted in the case of Chapter I, On Value, in some parts of which the changes are so extensive and so complicated as to make it impossible to convey to the reader an adequate idea of them by means of footnotes alone. Accordingly, at the end of that chapter the text of edition 1 for the last two-thirds of the chapter is printed in smaller type as an Appendix

<sup>1</sup> In *Political Economy Club, Centenary Volume*, 1921, pp. 211–12. The occasion referred to may have been the dinner party of 12 Jan. 1820, on which see below, VIII, 152–3, n.

<sup>2</sup> See letter to Malthus of that date, *ib.* 311.

<sup>3</sup> *ib.* 377.

<sup>4</sup> *ib.* 373.

<sup>5</sup> Letter of 18 June 1821, *ib.* 390.

(below, pp. 52–66). The footnotes to the corresponding text of edition 3 (pp. 26–51) indicate all the differences from editions 1 and 2; but while in the case of shorter passages these are quoted in full in the footnotes, for the longer ones reference is merely given to the text in the Appendix. On the other hand, the footnotes to the text of edition 1 in the Appendix give only the changes in edition 2.

In addition, to give a clearer picture of the rearrangement of the matter, a Table of Concordance, exhibiting the relative position of corresponding paragraphs in editions 1 and 3 for this part of the chapter, has been inserted at the end of this Introduction on a folding sheet.\* The correspondence between the passages shown in this Table is sometimes no more than approximate, and for the precise relation between them the reader should refer to the footnotes. On the same folding sheet\* a similar Table has been given for the location in edition 3 of such passages as were newly added in edition 2.

Thus by the combined use of the Tables of Concordance and of the footnotes the reader should be enabled either to read edition 3, tracing back the text to the earlier versions of editions 1 and 2, or alternatively to read edition 1, following out the modifications of the text in the subsequent editions.

A comparative Table of Section-Headings of the chapter On Value in editions 2 and 3 is given at the end of this Introduction.

Ricardo's original Index is reprinted, with the variants of the editions noted, as described on page 430 below.

To facilitate the identification in the present edition of page-references made in terms of the editions of Ricardo's *Principles* most frequently quoted by earlier writers, a Table of Corresponding Pages has been supplied at the end of this volume.

\* [Thus in the 1951 edition. In this 2004 edition the Tables of Concordance between editions 1 and 3 and between editions 2 and 4 have been placed at the end of this Introduction on pp. lxiv and lxv, respectively. All such changes in this edition will be explained in footnotes enclosed within square brackets and indicated by asterisks.]

Both in this and in the subsequent volumes of the present edition the author's footnotes are indicated by asterisks and printed right across the page, whereas the editor's footnotes are distinguished by numerals and (when the amount of material allows) by being printed in double column.

The editor's footnotes attempt to indicate Ricardo's sources in particular passages and to complete his references to authorities. The references to Adam Smith have been supplemented with the corresponding pages of Cannan's edition of the *Wealth of Nations* (2 vols., London, Methuen, 1904).

The spelling and punctuation of the original have been retained. Misprints if obvious have been corrected, but those which give a conceivable alternative reading have been left unchanged; in both cases attention has generally been drawn to them in a footnote.

TABLE OF SECTION-HEADINGS  
OF CHAPTER I, ON VALUE  
IN EDITIONS 2 AND 3

EDITION 2

EDITION 3

SECTION I. *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.* p. 11

SECTION II. *The accumulation of capital makes no difference in the principle stated in the last section.* p. 22

SECTION III. *The principle stated in the foregoing section considerably modified by the employment of machinery as fixed capital.* p. 30

SECTION IV. *The principle that value does not vary with the rise or fall of wages, modified also by the unequal durability of capital, and by the unequal rapidity with which it is returned to its employer.* p. 38

SECTION V. *Different effects from the alteration in the value of money, the medium in which PRICE is always expressed, or from the alteration in the value of the commodities which money purchases.* p. 47

SECTION I. *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.* p. 11

SECTION II. *Labour of different qualities differently rewarded. This no cause of variation in the relative value of commodities.* p. 20

SECTION III. *Not only the labour applied immediately to commodities affect their value, but the labour also which is bestowed on the implements, tools, and buildings, with which such labour is assisted.* p. 22

SECTION IV. *The principle that the quantity of labour bestowed on the production of commodities regulates their relative value, considerably modified by the employment of machinery and other fixed and durable capital.* p. 30

SECTION V. *The principle that value does not vary with the rise or fall of wages, modified also by the unequal durability of capital, and by the unequal rapidity with which it is returned to its employer.* p. 38

SECTION VI. *On an invariable measure of value.* p. 43

SECTION VII. *Different effects from the alteration in the value of money, the medium in which PRICE is always expressed, or from the alteration in the value of the commodities which money purchases.* p. 47

# TABLE OF CONCORDANCE

*between Editions 1 and 3, by paragraphs,  
for the latter part of Chapter I, On Value*

EDITION 1	page	page	EDITION 3
Economy in the use . . . . .	52	26	Economy in the use
In every society . . . . .	52	26	Suppose that in the early
According as capital . . . . .	52	27	If with the same
Two trades . . . . .	53	27	If there were any
Again two manufactures . . . . .	53	28	Suppose money
Besides the alteration . . . . .	53	28	No alteration
Suppose that in the early . . . . .	53	29	Now suppose, that with the same
If with the same . . . . .	54	29	If we had then
If there were any . . . . .	54		SECTION IV
Suppose money . . . . .	54	30	In the former section
No alteration . . . . .	54	31	The food and clothing
The prices of the commodities . . . . .	55	31	According as capital
If the gold mine . . . . .	55	31	It is also to be observed
Now suppose, that with the same . . . . .	55	32	Two trades
If we had then . . . . .	56	32	In one trade
If the fixed . . . . .	56	32	Again two manufactures
First, when the fixed . . . . .	56	32	If men employed
Now if wages . . . . .	57	32	If they employed
Thus we see . . . . .	58	32	But although commodities
Secondly, suppose . . . . .	58	33	Suppose two men
Suppose that an engine . . . . .	59	34	Suppose that for the labour
If the same amount . . . . .	59	34	But how will
But, as no wages . . . . .	59	35	There can be no rise
In proportion . . . . .	60	36	The reader, however
These results . . . . .	61	36	Not so with the other
A manufacturer of hats . . . . .	61	37	It is hardly necessary
It appears then, that in proportion . . . . .	62	37	Suppose I employ
The above statement . . . . .	63	37	This case appears
Money, from its being . . . . .	63	37	It appears then that the division
A rise in wages . . . . .	64		SECTION V
It is according . . . . .	64	38	In the last section
It is not by the absolute . . . . .	64	39	If fixed capital be not
The variation . . . . .	65	39	But a rise in the wages
If, with capital . . . . .	65	40	I have already said
If at the same time . . . . .	65	41	The manufacturer, however
It appears then that the accumulation . . . . .	66	42	It will be seen, then
Commodities . . . . .	66	43	It appears, too, that in proportion
It appears, too, that commodities . . . . .	66		SECTION VI
		43	When commodities
		44	If, for example
		44	If we suppose
		46	If, then, I may
		46	To facilitate
		46	Before I quit this subject
		46	It is necessary
			SECTION VIII
		47	Although I shall
		48	Money, being a variable
		48	Money, from its being
		48	A rise in wages
		49	It is according
		49	It is not by the absolute
		50	The variation
		51	If, with a capital
		51	If, at the same time

[For a comparable  
statement in ed. 1  
see p. 17, n. 3.]

TABLE OF CONCORDANCE  
*between Editions 2 and 3 for the paragraphs added in Edition 2  
in the latter part of Chapter I, On Value*

EDITION 2		EDITION 3	
<i>page</i>		<i>page</i>	
52 n. 1	A division	31n.	A division
53 n. 1	It is also to be observed	31	It is also to be observed
56 n. 1	It appears then by this section		
58 n. 1.	It appears then that the division	37	It appears then that the division
58 n. 2	In the last section	38	In the last section
60 n. 1	To put the principle		
61n.	The same result	{ 37	It is hardly necessary
		37	Suppose I employ
		37	This case appears
62 n. 1	It will be seen, then	42	It will be seen, then
65 n. 3	If with a capital	51	If, with a capital