3 The Ricardian Socialists

The advent of factory production stimulated the development of political economy and soon a gulf emerged between the approach of conventional economists and that of radicals. Orthodoxy held that private ownership of the means of production would ultimately prove beneficial to all, while socialists maintained that any system treating labour as a commodity was inherently immoral. Under capitalism, they argued, labour was subordinated to the unregulated process whereby capital reproduced itself, simultaneously recreating workers’ servile condition. Far from being recognised as the most basic human activity on which industry was founded, labour became a necessity into which free people were forced by financial circumstances. Its emancipation required the abolition of capitalism and its replacement by collective ownership. Chapter Two considered the attempts made to put these ideals into practice under the leadership of Robert Owen. Simultaneously a group of radical economists constructed the first comprehensive theory of capitalist exploitation. The group is known today as the Ricardian Socialists.

THE BASIC PROPOSITIONS OF RICARDIAN SOCIALIST THEORY

If all radicals influenced by the ideas of Ricardo are defined as ‘Ricardian Socialists’, Marx would be included, but the term is used more narrowly to describe those economists who in the 1820s and 1830s developed a theory of capitalist exploitation from the proposition that labour is the only source of wealth. The most prominent were Ravenstone, Thompson, Gray, Hodgskin and Bray. Although they differed in detail, they all argued that labour is the sole factor of production and that exploitation is an inevitable component of employer-worker relations in an economy based upon private ownership. Although the first proposition has a long history extending at least to Locke, Ricardo’s version of the labour theory of value provided new stimulus to radical political economy.
Exploitation theories rationalise workers’ resentment at the rich living off the proceeds of manual labour, but the Ricardian Socialists went further by arguing that capitalism necessarily involved exploitation. This idea was suggested by Adam Smith’s (1776) proposition that rent and interest are deductions from an output that in its entirety should be considered the produce of labour and by Ricardo’s (1817) view of employers’ functions, i.e. capitalists furnish workers with tools, raw materials and means of subsistence and receive these ‘advances’ back with a profit that is part of workers’ industry. It is a short step from this concept to an exploitation theory of capitalist income; Ricardo failed to take it as he simultaneously pronounced three other theories of profit (abstinence, productivity and residual), but the Ricardian Socialists did.

Their belief that exploitation is inherent to capital-labour relations is distinct from less analytical observations that workers are frequently treated unfairly or that many live in poverty while others enjoy wealth. Such observations may create attitudes responsive to exploitation theories, but to accept the latter it is essential that the wage contract implies exploitation; it is insufficient that it should often be associated with a low standard of living for wage earners. The Ricardian Socialists reached their conclusion concerning the inevitability of capitalist exploitation from three fundamental propositions:

(i) Labour is the only source of wealth.
(ii) The values of all commodities can be represented in terms of the labour hours embodied in them.
(iii) Labour itself is a commodity under capitalism.

These lead to the conclusion that workers are robbed by the market mechanism of the difference between the labour value of their product and the labour value of the amount of work invested in that product. The difference consists of various types of property income, ultimately reducible to profit, and its size measures the degree of exploitation. The existence of such a difference is not due to cheating or robbery (although these may occur), but to the ineradicable logic of a capitalist economy.
RICARDO'S LABOUR THEORY OF VALUE

Because Ricardian Socialists justified the claim of labour to the whole product of industry as a deduction from the labour theory of value advanced by Ricardo (1817), the latter requires consideration. Despite heated controversy concerning the validity of the labour theory of value, none can doubt its economic and politic significance.

Classical political economy focussed upon growth and distribution. It rested upon the labour theory of value, i.e. the idea that in all societies labour is the active creator of wealth and that other productive resources are merely the means through which wealth is generated. The value of commodities represents the labour time spent on producing them. By arguing that labour rather than gold or land is the ultimate source of wealth, the theory directs attention to those forces enabling productivity to increase rapidly. Thus it was used by orthodox economists in the late eighteenth century to attack laws and policies favouring the interests of landed property, and to support the demands of industrialists whose ownership of capital (representing past, stored-up labour) gave them the power to direct the production process, the organisation of which is crucial since it provides the material basis of life. Every society is obliged to establish some mechanism for allocating its citizens’ labour between different uses and for distributing the proceeds among them. The only possible measure of aggregate labour is time, the number of hours of average skill and intensity that the population can work, because measurement would be circular if labour’s value depended upon the price it commands. Economic analysis therefore rests upon an understanding of how available labour time is used.

Smith and Ricardo both accepted that labour was the source of wealth and that the value of commodities was measured by the quantity of labour embodied in them. For Smith, ‘labour’ includes that of the capitalist and the service of his capital in addition to the manual work performed by hired employees. In Ricardo’s formulation, ‘labour’ incorporates capital, the past output, as well as the present output, of the workforce. Each left unchallenged capitalists’ claims to share in the product. Such interpretations followed the attempts of Aristotle, the majority
of medieval schoolmen, Petty and Locke to justify private property; for instance, Locke argued that labour, defined as entrepreneurship, gave a title to property. Therefore the labour theory of value was originally applied to the labour of the proprietor, while wage work was not seen as the creator of value. Indeed for Locke the employee’s share was only a subsistence wage.

The novel aspect of the Ricardian Socialist approach was to use the labour theory of value as the foundation for a theory of capitalist exploitation, by arguing that the labour which is the source of all value is that of the wage worker, while the capitalist claim to profit was repudiated. Their task was eased by the specific form of Ricardo’s theory which made circulating capital (i.e. primarily wage labour) the sole creator of value. Therefore the Ricardian Socialists amended traditional interpretations, which they felt to be incompatible with an industrial system which transformed owners of capital into controllers of labour. Ricardo’s writings are unclear on whether he regarded labour as the source or merely the measure of value. The Ricardian Socialists adopted the first position and then defined capital as past, stored-up labour. Thus they derived from the labour theory of value a definition of exploitation which underpinned Owen’s moral critique of capitalism.

THE RICARDIAN SOCIALIST THEORY OF CAPITALIST EXPLOITATION

According to the Preface of Ricardo’s Principles, discovery of the laws which regulate distributive shares is the ‘principal problem in Political Economy’. Ricardo’s theory was based on two separate concepts, the marginal and the surplus principle. The former explains the share of rent and the latter the division of the residue between wages and profits.

Their operation is demonstrated by Figure One, where OY measures quantities of corn (chosen as a measure of commodities in general), while OX represents the labour employed in production. At a given state of knowledge with given resources, the schedule P-Ap shows the product per unit of labour and the schedule P-Mp the marginal product of labour. These curves are distinct because of a declining average product due to the operation of diminishing returns. Output is uniquely
determined when the quantity of labour is given; with workforce OM, total output is represented by the rectangle OCDM. Rent is the difference between average and marginal labour productivity, which depends on the elasticity of the P-Ap schedule and thus on the speed at which diminishing returns operate.

The marginal product of labour is not equal to the wage, but to the sum of wages and profits. The rate of wages is determined independently of marginal productivity by the supply price of labour, assumed to be constant in terms of corn. Thus the Ricardian hypothesis implies an infinitely elastic supply of labour at the given supply price, OW. The basis of this assumption is the Malthusian theory of population, whereby numbers increase (indefinitely) when wages are above, and decrease (indefinitely) when they are below, the subsistence level. Ricardo’s interpretation of the doctrine removed emphasis from a biologically determined subsistence supply price of labour, yet he retained the operative principle that in any given social environment there is a natural rate of wages, at which
population remains constant and from which wages can deviate only temporarily.

For any given workforce, profits are residual arising from the difference between the marginal product of labour and the wage rate. The resulting ratio, \( \frac{\text{profits}}{\text{wages}} \)
determines the rate of profit on the capital required. The Ricardian Socialists built upon this framework. Their main analytical innovations were as follows:

(i) They paid little attention to the law of diminishing returns and drew no theoretical distinction between rent and profits.
(ii) They did not subscribe to the Malthusian theory of population, so that they required another explanation for wages being tied to subsistence. They developed for this purpose a theory of exploitation based on the concept of 'unequal exchange' between capitalists and workers.

This theory derived from their interpretation of the labour theory of value, which defined labour as the only source of wealth and capital as the stored-up product of past labour which capitalists appropriate. Consequently capitalists make no contribution to production, while property incomes are a deduction from the product created by labour. Ravenstone (1821) summed up the Ricardian Socialist position in his pronouncement that 'the fund for the maintenance of the idle is the surplus produce of the labour of the industrious'. Hodgskin (1825) reiterated the supreme importance attached to labour as the sole factor of production; whoever may be the owner of fixed capital — and in the present state of society he who makes it and he who uses it is not — it is the hand and knowledge of the labourer which make it, preserve it from decay and use it to any beneficial end'. Land and capital are reduced to labour, without which neither can produce. Circulating capital becomes the co-existing labour of other workers (e.g. food eaten during production), while fixed capital is the product of past labour which is unproductive even when completed unless operated by people. Therefore the productivity of capital derives from labour, which should enjoy the right to the entire proceeds of industry.

This right was self-evidently not enjoyed in nineteenth-century Britain. If non-labour is unproductive and its income
tax upon those who produce, how does such appropriation arise? The Ricardian Socialists emphasised the institutional datum that under capitalism labourers do not own subsistence funds, which are advanced to them by capitalists. They accounted for the existence of property incomes by the empirical observation that most workers cannot wait for the proceeds of time-consuming production and urgently require means of livelihood during the intervening period. Given this inability to wait, the minority class that possesses the necessary funds can exact a price for their use. Here lies the source of capitalist profit, a dispossessed working class unable to wait to reap the fruits of its labour. The Ricardian Socialists argued that all property consists of no more than accumulated labour; capitalists depend both on the labour of others and on the historical and legal injustice that enables them to command it, despite the fact that inherited wealth derives from the social process of production. Their conclusion was that the fruits of accumulation should be regarded as a trust for future generations, over which individuals possess an equal claim.

The monopoly of the ability to wait enjoyed by capitalists means that exchanges in the labour market between those who own and those who do not own subsistence funds are inherently unequal. Inequality of exchange favours capitalists, so that profits are positive at long-run equilibrium and, given the definition of labour as the only source of wealth, the existence of profits implies that capitalists exploit workers. ‘Profits’, wrote Hodgskin (1825), ‘are purely and simply a portion of the product of labour which the capitalist, without any right other than that conferred upon him by law, takes for himself’. Individual competition produces inequality due to the phenomenon of unequal exchange. Bray (1839) analysed this phenomenon in detail; because exchange is voluntary in a capitalist market, it usually involves mutual benefit but not necessarily, nor normally, equal benefit. Unequal exchange, where the capitalist returns only part of labour’s product in return for its services, is the basic cause of exploitation. The remedy lies in replacing unequal with equal exchange, which can be achieved only by social changes to secure communality of possessions and the elimination of the capitalist class.

The Ricardian Socialists were the first economists to construct a comprehensive theory attempting to demonstrate the
inevitability of exploitation at the competitive capitalist equilibrium. The right of labour, as the sole active creator of wealth, to total output is obstructed by the institutional apparatus of capitalism, which gives rise to unequal exchange and allows employers, who enjoy a monopoly of the ability to wait through ownership of subsistence funds, to appropriate part of labour's product. The size of property incomes measures the degree of exploitation. The root of such exploitation lies in private ownership of the means of production, sanctioned by custom, defended by conventional economists, and enforced by capital's power and the coercive apparatus of the state.

FURTHER ITEMS OF RICARDIAN SOCIALIST DOCTRINE

Although their theory of capitalist exploitation is the distinctive feature of Ricardian Socialists' thought, they made other contributions to radical political economy. Despite some individual difference, their ideas can be analysed as a whole:

(i) They attacked the fashionable doctrine of Malthus (1798), which apparently suggested that the working class possesses little hope of increased living standards because population movements prevent wages rising above subsistence level at long-run equilibrium. A rising real wage leads to greater population and hence an excess supply of labour, which persists until wages return to subsistence. This mechanism implies the operation of an 'Iron Law of Wages' that trade unions or legislatures are powerless to suspend. The contemporary abuses of the industrial revolution therefore appeared to be inevitable, the workers' only hopes lying in acceptance of their lot or long-term attempts to limit family size. The Ricardian Socialist reply emphasised that changes in social organisation or technology could affect population; thus the character and availability of contraceptive techniques, the economic status of women and higher living standards are only some influences that may intervene to prevent an increase of subsistence from inducing a rise in the rate of propagation. Moreover, Thompson (1824) pointed to the possible existence of a positive relation between population growth and food supply. When these additional factors are considered, Malthus's theory is seen as relevant to particular situations but misleading as a general hypothesis,
particularly under socialism where fewer luxuries would be produced so enabling a larger proportion of total resources to be devoted to the production of food and other essential commodities.

(ii) The Ricardian Socialists buttressed their arguments with statistics collected during the Napoleonic Wars by Colquhunn (1814), notably his estimates of income distribution, i.e. 'more than one fifth of the whole community are unproductive labourers, and these labourers receive from the aggregate labour of the productive classes about one third part of the new product created annually'. Colquhunn believed that the 'unproductive' promoted the labour of the 'productive', adding that 'without a large proportion of poverty there could be no riches in any country, since riches are the offspring of labour while labour can result only from a state of poverty'. Although Colquhunn was no radical, he furnished the Ricardian Socialists with statistics whose use in economic debates was a contemporary innovation.

(iii) The Ricardian Socialists possessed an embryonic theory of economic growth linking exchange with the potential for accumulation. They held the romantic notion that before capitalism workers owned the products of their own labour, but they could see that under capitalism the wealth created by using machines goes to capitalists. Therefore automation promotes capital accumulation, while labour's real wage remains stationary due to unequal exchange. Accelerated accumulation thus leads to a relative worsening of the workers' position.

(iv) Gray (1825), was the first Ricardian Socialist to develop a theory of depression in a capitalist economy, so becoming the original English under-consumptionist. He saw two natural limits to production, the exhaustion of finite productive powers and the satisfaction of human needs, both of which were far from realised in the foreseeable future. Capitalism, however, creates an additional restriction upon output, the requirement for profitability. Consequently capitalists supply only those needs that generate a profit. To overcome this barrier, production should be geared to use, a harbinger of the ideas of the Guild Socialists a century later. Gray maintained that competition limited effective demand by forcing down wages. The resulting 'poverty in the midst of plenty' creates further unemployment, so that a vicious spiral of decline leads to addition-
al falls in demand and subsequently in supply. Competition for reduced custom cuts profits by forcing sales at, or near to, cost price. The depression is characterised by insufficient purchasing power and requires a monetary solution. These ideas represent a pioneering attempt at trade cycle theory.

(v) For the Ricardian Socialists, the concept of socialism did not centre upon class struggle, central state planning or nationalisation of the means of production. Instead they emphasised the virtues of collective organisation combined with attacks on the profit motive, private ownership and competition. They believed that cooperative societies subscribed to by workers could supplant the existing individualist structure by productive superiori. Like Owen, they hoped to sponsor collective projects through ruling-class conversion. Even if workers owned their own output, some mechanism is required to prevent the destitution of low or zero producers such as the aged and the sick; again the solution lies in cooperation to achieve some sharing of commodities. The Ricardian Socialists saw everywhere a conflict between private competition and collective benevolence that could be resolved in favour of the latter only by a transformation of the social structure to remedy contemporary evils. The Ricardian Socialists argued that the division of labour facilitated by industrialisation created a growing interdependence whereby no job was more important than any other. Consequently wealth is a communal inheritance and its expansion a communal responsibility.

THE REACTION TO THE RICARDIAN SOCIALISTS: THE ORIGIN OF PROFITS CONTROVERSY

The labour theory of value originally developed in a form providing justification of private property and capitalist incomes. From Petty to Ricardo no economist thought of wage labour as the creator of value, so that alarm spread when the Ricardian Socialists asserted the claim of workers to the total product as a logical deduction from the labour theory of value. As this interpretation appeared to be sanctioned by Ricardo, orthodox economists began to exhibit an ambivalent attitude towards his writing. Many theoretical developments during the 1830s, particularly those related to the origin of profits, arose from efforts to counter the spread of socialist ideas. Theories
were constructed which specified that capital also created value, while a few even argued that wage labour created no value at all!

These debates were not confined to academic circles. Conflict between rival economic doctrines gave a powerful stimulus to adult working-class education; Hodgskin played an active part in founding the London Mechanics Institution in 1823, seeking to establish a working-class institution financed solely by working-class money, in conflict with Birkbeck and Place, orthodox followers of Malthus and Ricardo, who were intent on securing middle-class help. Control of the London Mechanics Institution was gained by the orthodox, who were able to obtain greater funds; ultimately it became Birkbeck College, a part of London University. In the 1820s many provisional Mechanics Institutes were formed; whatever their origins, most came under the auspices of middle-class educators, so that their influence was directly non-radical. However, by stimulating discussion, they provided a focus for working-class organisations and the possibility of disseminating Ricardian Socialist ideas.

Although acceptance of the Ricardian Socialists' theory of exploitation was confined to incipient trade unions and radical societies, economists feared its impact, actual or potential; thus Scrope's (1833) reference to persons who 'declain against capital as the poison of society and robbery of the class of labourers' and Read's (1829) description of Hodgskin's 'mistaken hostility to capital'. It is unsurprising that orthodox defences against the Ricardian Socialists began to appear. These fell in four categories:

(i) The productivity theory of profit: Read (1829), the first economist who attempted to answer the Ricardian Socialists without the aid of Malthusian population theory, argued that whenever workers use capital, they do not produce all. He admitted that machinery unaided by labour produces nothing, but claimed that it is the combination of different resources which generates wealth. Within such a conceptual framework, capitalists who organise this combination are 'the greatest of all benefactors to the community'. Read went so far as to argue that 'in effect, though not in law, the labourers are co-owners with the capitalists who hire their labour', so that 'want and labour spring from the niggardliness of nature... and not from the institution of property'.

(ii) The *abstinence* theory of profit: Longfield (1833) believed that profits are a necessary cost of production, because accumulation occurs only if some individuals abstain from present consumption in order to contribute to a higher future output. Those who so abstain reap the reward of a higher future income as compensation for the immediate loss of consumption. Moreover, this reward is uncertain since business ventures may fail; thus Longfield's abstinence theory foreshadowed the justification of profits in terms of *uncertainty* propounded by later economists such as Knight (1921). Longfield felt that his arguments answered those advocating labour's right to the whole product, whose views, if widespread, would be 'the subversion of civilised society'.

(iii) The *incentive* theory of profit: Scrope (1833) admitted that 'the prevalence of gross misery' inevitably causes criticism of the existing distribution of income, while denying that 'the existence of capital' was its cause. He argued that savings are invested only with the promise of a reward, so that depriving capitalists of profit denies society the production of wealth.

(iv) Most orthodox economists, however, defended capitalist relations of production by *neglect* of Ricardian Socialist views; in Thompson's (1824) words, 'the leaders of the school of *competitive* political economy' were reluctant to discuss 'the system of *cooperative* political economy'.

Those who joined the debate moved away from Ricardo's ideas, because they did not furnish an answer to Ricardian Socialist claims that profit constitutes the appropriation of wealth produced by workers. The labour theory of value embodying such disharmonious implications could no longer be sanctioned. Indeed Scrope argued that Ricardo and his disciples committed 'not merely errors but crimes', because they overthrew 'the fundamental principles of sympathy and common interest that knit society together'. Such views intensified with the increase in social tension in the 1830s exemplified by the campaign for parliamentary reform, the formation of the Grand National Consolidated Trades Union and the rise of Chartism.

The search for an alternative theory of profit ultimately led the orthodox to replace the labour theory of value by utility theory. They redefined labour in terms of the disutility of effort, thus making labour costs commensurate with the cost of capital.
in the form of a premium to overcome the disutility of abstinence. Therefore, the 1830s witnessed a shift in economic thought towards subjective concepts and the study of exchange relations independent of their social base. The impact of this change dominated orthodoxy after the 1870s, but its tentative beginning in response to the challenge of the Ricardian Socialists occurred forty years earlier.

THE PROBLEMS INVOLVED IN RICARDIAN SOCIALIST THEORY

The Ricardian Socialists perceived that labour is a commodity under capitalism, that workers do not own subsistence funds which are advanced to them by capitalists and that these institutional data produce unequal exchanges in the labour market which favour capitalists. However, evaluation of their theory exposes certain problems, whether labour is regarded as the actual source or only as the measure of value.

The stronger proposition that labour is the source of all wealth is not self-evident nor a socialist value judgment since it refers to facts about the structure of production and distribution in a capitalist economy. It is a verifiable statement about observed facts only on the assumption that all output can be 'reduced to' (or replaced by) products of unassisted labour. Consequently it faces serious objections as the basis for a theory of capitalist exploitation. Whether or not one accepts the proposition that the first stone-age axe was made by unassisted labour, the physical structure of production since the eighteenth century excludes the necessary assumption as an observable reality. Moreover, an economy where all output is reducible to products of unassisted labour would hardly become capitalist, i.e. if corn were produced by unassisted labour and all other commodities by varying combinations of corn and labour, workers need never yield any portion of the net profit to capitalists.

In a capitalist economy where:
(a) no commodities are reducible to products of unassisted labour,
(b) no production is possible without paying profits (given that the basic motivation of capitalist production is accumulation for expanded reproduction, capitalism would never come
into existence if profits were not positive and would cease if they permanently fell to zero).

Bose (1975) poses the crucial question: is labour the only source of wealth? He answers in the negative for the following reasons:

(i) The presence of scarce land owned by capitalist landlords: although different kinds of land are physically distinguishable, there can be no general ordering of land in terms of physical attributes such as fertility and location independently of prices and profits. Landlords enjoy a class monopoly over the supply of land, which enables them to deduct rents from real wages and profits even when a competitive land market exists.

(ii) Commodities are not reducible to quantities of directly and indirectly embodied labour determined uniquely by technology, because the combination of direct and indirect labour contained in commodities fluctuates according to the pattern of income distribution between workers and capitalists, i.e. the value of the labour contained in a commodity varies with the distribution of income. This statement is untrue only in a non-capitalist economy where the rate of profit is zero at long-run equilibrium.

(iii) The 'reswitching' debate of the 1960s demonstrated that the fluctuations of (ii) are haphazard rather than systematic, i.e. the total labour embodied in a commodity may increase or decrease, or first increase and then decrease and then increase again, as distribution shifts in favour of workers at a given technology. The outcome cannot be predicted, so that it becomes impossible to hold that the Ricardian Socialist dictum is even approximately true. Belief that the amount of labour contained in a good varies systematically with the rate of profit is barred by the possibility of reswitching.

(iv) As the rate of profit rises, the value of each component of labour — direct or current; indirect or past — is pulled in opposite directions, so that it moves up or down depending upon which component changes the most. Bose therefore concludes that the statement, 'labour is the only source of wealth', is factually false and cannot provide the basis for a theory of capitalist exploitation.

The weaker proposition that labour is the measure of value faces equally formidable difficulties. Ricardo contended that the price of a commodity was determined by the quantity of
The Ricardian Socialists
direct and indirect labour necessary for its production. The
Ricardian Socialists accepted this statement, but without sub-
stantial amendment the view that prices are proportional to
labour time is an inadequate explanation of the relative price
structure in a capitalist economy.
Production is time-consuming, yet workers need consumer
goods immediately in order to live and are unable to wait for the
proceeds from selling their produce. Consequently capitalists
advance at a premium the means to buy goods to their
workforce. The money flow of final output, made up of finished
consumer and capital goods, exceeds the sum of wages by the
volume of profit, which derives from the capitalists’ superior
ability to wait completion of the production process. When the
rate of profit is positive, the price of a commodity depends not
only upon the amount of labour required to produce it but also
upon the length of time for which that labour is engaged in
production. A change in profit rates affects relative prices even
though relative quantities of embodied labour remain un-
changed:
For example, if \( X_1 \) and \( X_2 \) are produced in different time
periods \( t_1 \) and \( t_2 \) (of which \( t_1 \) is the greater); \( p = \) price; \( w = \) wage;
\( r = \) rate of profit; \( L = \) labour requirement, then

\[
p_1 = wL_1 (1 + r) t_1; \quad p_2 = wL_2 (1 + r) t_2; \quad \frac{p_1}{p_2} = \frac{(L_1)}{(L_2)} (1 + r) t_1 - t_2.
\]

Relative prices are not determined by different labour require-
ments alone unless \( t_1 = t_2 \) so that the expression \((1 + r)\) vanishes.
Goods produced with equal amounts of direct labour but with
different amounts of machinery of varying durability cannot
sell at the same price. The reply that machines are merely past,
embodied labour fails to meet this point, since the present value
of a machine exceeds the value of all wages expended on its
production in the past by the total of the annual rates of profit.
Even if the first piece of capital was made by unassisted labour,
from that point onward the labour theory of value as inter-
preted by the Ricardian Socialists neglects at least one deter-
ninant of current prices and is only an approximate account of
price formation. Ricardo recognised this problem, but was
content to say that embodied labour time was the most
important element determining value.
This arbitrary assertion stimulated analysis and economists subsequently attempted to resolve the contradiction created by discrepancies between labour time values and price. Their attempts fell into two broad categories. The first abandoned a labour embodied theory of value even as an approximation and searched for some other account of relative prices. This search led ultimately to marginalism and the post-1870s neoclassical orthodoxy. The other approach recast the labour theory of value to predict systematically divergences between labour values and market prices in the manner Marx later accomplished. The Ricardian Socialists remained content with Ricardo's formulation, so that they suffered from a deficient theory of price determination which created a major weakness in their model of capitalist exploitation. Since every commodity (including labour) has a price in a market economy, the concept of exploitation needs to be incorporated within an analysis of long-run equilibrium prices.

CONCLUSION

The Ricardian Socialists provided an inadequate theory of capitalist exploitation because under capitalism labour cannot be the source of all wealth nor, except on simplifying assumptions, does the labour time embodied in a commodity alone determine its price. Moreover, their proposals to transform the economic organisation were impractical; the principle that workers should receive the full product of their labour ignored the trends towards concentration of production and greater specialisation, while they failed to recognise capitalist power as a major obstacle to realising their plans.

However, the significance of their pioneering models should not be underestimated. Basing their analysis on Ricardo's theories, Colquhunn's statistics and contemporary evidence of popular distress, they developed the concepts of capitalist exploitation and, implicitly, of surplus value. Although they lacked Marx's comprehensive economic approach, the Ricardian Socialists possess some claim to be his forerunners, since they:

(i) arrived at the concept of all property, but especially financial and industrial capital, as accumulated labour,
(ii) developed an exploitation theory which stimulated further analysis,
(iii) established the idea that unequal exchange$^2$ rather than population movements maintained wages at a subsistence minimum.

In these ways they perhaps aided Marx, who seems from his writings to have taken Bray (1839), at least, seriously, but even if there was no direct link, they prepared the ground and travelled part of the way. However, Ricardian Socialist theory lacked a number of elements considered crucial by later radicals — notably, a vision of the transition to socialism and the actual or potential phenomena operating to bring this transformation about. Despite such omissions, they provided many concepts and analytical tools for later radicals.

NOTES

1  This abstracts from variations in output per head due to the use of more or less fixed capital relative to labour; otherwise the curves could not be uniquely drawn at a given state of technical knowledge. The model assumes fixed coefficients between capital and labour, but variable coefficients between labour and land.
2  Bray (1839) stressed the role of unemployment, i.e. competition for jobs or an excess labour supply, in maintaining the phenomenon of unequal exchange.