FURTHER EVIDENCE FOR SRAFFA'S INTERPRETATION OF RICARDO

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1. Samuel Hollander (1973, 1975, 1979) has attracted much attention by disputing Piero Sraffa's famous "corn model" interpretation of Ricardo's 1815 Essay on Profits. John Eatwell (1975) and, more recently, Pierangelo Garegnani (1982), in this journal, have come to Sraffa's defense. At issue is Sraffa's suggestion, contained in the introduction to the first volume of his edition of Ricardo's works, that the "rational foundation" of Ricardo's dictum that "the profits of the farmer . . . regulate the profits of all other trades" is the assumption that the inputs and outputs of agricultural production are roughly homogenous and that the rate of profit in agriculture may therefore be conceived as a ratio of physical quantities, independent of valuation (Sraffa, 1951, p. xxxi). Eatwell and Garegnani base their defenses of this proposition upon exegeses of the relevant text and correspondence. In this short paper I will show that further evidence in support of Sraffa's view may be found in a now little known article written by Robert Torrens which appeared in The Edinburgh Review of October 1819. 1 That article, which was ostensibly a review of four pamphlets of Robert Owen, and which bore the running title, "Mr. Owen's Plans for Relieving the National Distress," details a "corn model" theory of profits in much more explicit terms than does

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Ricardo's **Essay on Profits.** Ricardo, moreover, was not only familiar with the article but wrote approvingly of it in several letters. To J. R. McCulloch, on 28 February 1820, he wrote,

I was very much pleased with Col. Torrens essay in the last Edinb. Review. I do not think there is more than one proposition in it which I should be disposed to dispute. Mr. Malthus, who passed 2 or 3 hours with me last week, was fully persuaded, till I undeceived him, that the article was written by you; he could hardly believe that Col. Torrens agreed so completely with the doctrines that both you and I have advanced (Ricardo, 1951-62, VIII, p. 159).

2. The year in which Torrens' article appeared, 1819, was one of severe economic distress which culminated in the Peterloo massacre of August and a special Parliamentary session called in November. Torrens' article in the *Edinburgh*, then the leading organ of liberal opinion, was very much the orthodox response to it of the "new political economy" (Malthus' expression) of Ricardo and his allies. It attributed the cause of the distress to a "Want of Employment ... occasioned by the depressed state of agriculture, manufactures, and trade" (Torrens, 1819, p. 454), which was, in turn, due to a low rate of profit. This was the same opinion as that expressed by Ricardo on the floor of Parliament later that year.\(^2\) To explain the principles governing the determination of the rate of profit, which was the chief objective of the article, would thus explain the causes of the distress and indicate possible remedies. Hence the views on profit presented in the article were not only central to its theme, but also to the Ricardian diagnosis of and prescription for the remedy of existing economic ills. Ricardo can hardly have been expected, therefore, to so wholeheartedly endorse the article, were not the views on profit which it expressed largely his own.
According to Torrens, the "three causes . . . which determine
the rate of return upon productive capital" were, first, "the quality
of the soil under cultivation", second, "the degree of skill with which
labour is applied," and third, "the proportion of the produce absorbed
as wages" (Torrens, 1819, p. 458). These are basically those given by
Ricardo in his *Essay on Profits*. To illustrate them Torrens presents
six models in rapid succession. Ricardo had similarly 'illustrated'
his version of them by means of a table "shewing the Progress of Rent
and Profit under an assumed Augmentation of Capital" (Ricardo, 1951-62,
p. 17). Eatwell has pointed to the table, in which capital and output
are "estimated in quarters of wheat" (*ibid.*, p. 17) as virtually indis-
putable evidence in favor of Sraffa's interpretation (Eatwell, 1975,
pp. 184-85). Hollander, however, has responded that Ricardo qualified
his 'quarters of wheat' in several instances with the words "value of"
and therefore concludes that "in light of Ricardo's references to the
value of wheat it would be misleading to designate the illustration
as a "corn model" in the strict sense; corn is merely the *numeraire*
(Hollander, 1973, p. 274). Torrens, however, in his 'illustrations',
makes no such qualifications, although value equivalencies are by no
means absent from his analysis.

His first model, in fact, would appear to be the "corn model"
in its most unabashedly naive form:

*Profit is that net surplus which remains with the capitalist
after the complete replacement of all his advances:*--And the
first circumstance which influences its rate is, the quality of
the Soil under cultivation. If the farmer occupy land so fertile
that the expenditure of a capital of 100 quarters of corn in
tillage yields him a reproduction of 150 quarters, it is self-
evident that the net surplus will be 50 quarters; and that,
supposing no rent to be paid, the rate of agricultural profit
will be fifty per cent. But, should the farmer cultivate a
soil so inferior that the expenditure of 100 yields a reproduction of no more than 105, it is equally self-evident, that the rate of profit will sink from fifty to five per cent.; while, if, from the next quality of land to be taken in, the expenditure of 100 quarters creates a reproduction of no more than 100 quarters, the further employment of agricultural capital could be attended by no surplus or profit whatever (Torrens, 1819, pp. 455-56).

The second and third 'circumstances which influence the rate of profit' are explained by the remaining 'illustrations'. The last of them is of particular interest, not only because the rate of profit is again depicted as a ratio of physical quantities, but also because the germ of Sraffa's 'Standard Commodity' is present as well:

If a farmer and a master-manufacturer, by employing 100 labourers each throughout the year, obtain the one 300 quarters of corn, and the other 300 suits of clothing,—then, supposing the yearly wages of a labourer to be 1 quarter and 1 suit, the rate of profit will be 50 per cent. But were an improvement to take place in the effective powers of industry, enabling the master-manufacturer and farmer to obtain, the one 500 quarters and the other 500 suits from the work of the same men—then, though the annual wages of the labourers be increased to 1 1/2 quarters and 1 1/2 suits, the rate of profit would rise to 66 per cent. For, a quarter of corn and a suit of clothing being equal in productive cost, would be also equal in exchangeable value; and, consequently, the farmer's advance to his 100 labourers of 150 quarters and 150 suits, would be equivalent to 300 quarters, while his return would be 500 quarters. In like manner, the master-manufacturer's advance to his 100 labourers would be equivalent to 300 suits, while his return would be 500. The total expenditure of the farmer and master-manufacturer being 300 quarters and 300 suits, and their total reproduction 500 quarters and 500 suits, it is evident that the aggregate profit of our little society would be 66 per cent (Torrens, 1819, pp. 457-58).

If Torrens had not intended to depict the rate of profit as a ratio of physical quantities, or, in Malthus' words, a "rate of material produce" (Malthus to Ricardo, 5 August 1814, in Ricardo, 1951-62, VI, pp. 117-18), he certainly would not have taken such care to assure that suits and corn, both in the wage bundle and in the aggregate as inputs, bear the same proportion to one another as they do in gross output. This last relationship is the same as that bearing between
inputs and outputs in the production of Sraffa's 'Standard Commodity' (Sraffa, 1960, pp. 18-25), and it may not, therefore, be inappropriate to designate both Ricardo and Torrens as anticipators of Sraffa's construction.

3. According to Hollander, Ricardo based his theory of profits upon the principle that "variations in the money wage rate, in consequence of changing prices of wage goods, will be accompanied by inverse movements in the general rate of profit" (Hollander, 1973, p. 260). Not even the faintest traces of this argument can be found in Torrens' article. If Hollander were right, and such was indeed Ricardo's theoretical position, could it really be supposed that Ricardo could find, in his own words, not more than "one proposition in it which I should be disposed to dispute"? This writer thinks not.
FOOTNOTES

1 Articles published in The Edinburgh Review were anonymous. The leading authority on the authorship of the economic articles appearing in it is Frank W. Fetter (1953) who attributes this one to Torrens on the basis of several references to it in Ricardo's correspondence (viz., letters to McCulloch of 28 February 1820, to Trower 13 March 1820, and to Malthus 4 September 1820 and 2 March 1821; all in Ricardo (1951-62, VIII)). A lively controversy exists, however, between those who, like Fetter, Sraffa, and Ricardo, attribute it to Torrens, and others, notably William O. Thweatt, who wish to attribute at least a part of the article to McCulloch. See Thweatt (1974, 1980) and D. P. O'Brien and A. C. Darnell (1980A, 1980B) for contentious summaries of the evidence on both sides.

2 See Ricardo's speeches of 16 and 24 December 1819 reported in Hansard's and reproduced in Ricardo (1951-62, V, pp. 30-41).
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