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A Journey to Manchester

A Change in Marx's Economic Conceptions*

Andrea Ginzburg

I

1. In may 1870 Engels wrote to Marx from Manchester: "Once again in these last days I have sat for a long time in that little covered loggia at the four-seater desk where we sat twenty-four years ago; I love that place: the stained glass of the window makes the weather always fine. Old Jones, the librarian, is still alive too, though he is very old now and no longer works: I haven't seen him there again"¹. At that "four-seater" desk in Manchester library, in another wet summer many years back — during July and August of 1845 — Marx had worked feverishly to gather material for a two-volume work, the *Critique of Politics and Political Economy*, which, although it had been negotiated for with the Darmstadt publisher Leske early in 1845, was never delivered to the press (the manuscript of this unfinished work has not come down to us). From that period of study what we have is a number of reading notes. Of Marx's annotated readings in Manchester, and, later, in Brussels we have a list and some fragments² but, unlike the reading notes from previous or subsequent periods, these have not yet been published. This lacuna is all the more serious since the summer of 1845 marks an important watershed in Marx's intellectual life. (The other important one, as is well known, comes in January 1858, when Marx worked out his theory of profits and moved away from labour-value

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¹ K. MARX-F. ENGELS, *Werke*, Berlin 1965, vol. 32, p. 511 (letter of May 15, 1870).

² K. MARX-F. ENGELS, *Gesamtausgabe* (MEGA), Berlin 1932, I, vol. 6, pp. 598-616.

as a theory of relations in the exchange of single commodities. It is not until after that date, in a letter to Lassalle in March 1858, that the provisional index of a work Marx was engaged on began with a chapter on value and, indeed, contained this term).

We know one of the reasons why the summer of 1845 was important in Marx's life: it was probably during, or immediately following, this six weeks' journey to England that Marx and Engels first conceived a clarification of their position with respect to German philosophy after Hegel and "German socialism deriving from it"³. The critical opposition to Feuerbach's "materialism" generated, in the *German Ideology*, the first written formulation of "historical materialism". It was Marx's intention (as is shown by the draft of a letter to the publisher Leske in August 1846)⁴ that this "polemical" work should prepare the public for the "point of view" he had developed in the field of political economy. Thus Marx's trip to England in 1845 is also important because — in connexion with the "clarification" already mentioned — it helps to explain the maturing of this "new" point of view.

Starting with a reflection on what he had read in Manchester and, later, in Brussels, in some books obtained in England⁵, Marx appears to have definitely emancipated himself from the influence exerted upon him until then, in the field of political economy, on a question as important as the theory of value, by Engels's *Outlines of a Critique of Political Economy*, written in 1843⁶. Marx's reading in this period can be divided into two groups. As far as one can see, he made contact for the first time with certain works by that rather mixed group of English authors whom Foxwell in 1899 was to call "Ricardian socialists". Marx read and annotated writings by W. Thompson (81 extracts), T. Edmonds (7 extracts) and, shortly afterwards in Brussels, J. F. Bray (146 extracts). However, in this period he does not appear to have read directly the writings of Thomas Hodgskin, i. e. of the leading writer in this group from the theoretical point of view, as well as the most important, in some respects, in political influence. But he must at that time have made acquaintance with some of Hodgskin's ideas — if in no other way, at any rate through the polemic directed against Hodgskin by the American economist Thomas Cooper (not to be confused with the Chartist of the same name), whose work

³ K. MARX-F. ENGELS, *Werke*, Berlin 1963, vol. 27, pp. 448-9 (letter of August 1, 1846).

⁴ *Ibid.*, p. 449.

⁵ In the draft of the letter which I quote, Marx writes that in the course of his journey to England he has had to buy "a large number of expensive publications".

⁶ K. MARX-F. ENGELS, *Werke*, Berlin 1977, vol. I, pp. 499-524, English translation in *Collected Works*, New York 1975, vol. 6, pp. 418-443. Written between the end of 1843 and January 1844, Engels's essay was first published in the *Deutsch-Französischer Jahrbücher*, Paris 1844.

Lectures on Political Economy was copiously annotated by Marx. (Marx copied at least 150 extracts)⁷.

The second group of authors studied by Marx between the summer of 1845 and August 1846 includes Petty, Tooke and J. S. Mill. In August 1846, in the above mentioned letter to the publisher Leske, Marx justified his delay with the manuscript by announcing that his book was going to be one third larger than expected, and said he was impatiently awaiting the arrival of two volumes of the writings of the Physiocrats whom "at this point", he says, "it is absolutely necessary to take into account".

2. As is well known, the most disparate hypotheses have been advanced to explain Marx's acceptance, in one form or another, of the labour theory of value. Rarely, however, have these hypotheses been argued in the context of Marx's intellectual itinerary. An exception is Mandel, who in his book on the development of Marx's economic thought⁸ has stressed the importance of English proto-socialist and Ricardian anticapitalist literature in leading Marx, after the summer of 1845, towards the labour theory of value. (Useful as it is in analysing this period, Mandel's book contains some inexactitudes but I do not propose to deal with them here). In what follows I shall not deny this influence, but in some sense its importance will appear less; in reality the search for a solution of methodological and analytical problems will assume greater importance. Hence, in my opinion the importance of the second group of writers mentioned above in the development of Marx's thought in this crucial period.

⁷ According to Foxwell, Thomas Cooper was the first author to deal explicitly with the socialist school (Introduction to A. Menger, *The Right to the Whole Produce of Labour*, London 1899, p. LXXIII). The references to *Popular Political Economy* (London 1827) by Hodgskin, contained in Cooper's work (cf. 2nd edition 1832, p. 40 and 349 et seq.) which Marx annotated in 1845, seem to confirm that when in the *Poverty of Philosophy* he names among the socialists who "have proposed an egalitarian application of the Ricardian theory" a certain Hopkins, author in 1822 of an *Économie Politique*, he really meant Thomas Hodgskin. Cf. on this topic the bitter polemic between A. Menger and Engels. In *The Right* ecc. (1st German ed. 1886), the former held (cf. English trans. *cit.*, p. 52, note 2) that Marx had made a blunder by quoting among the socialists an anti-socialist (J. HOPKINS, pen-name of Mrs. MARCET, *Notions on Political Economy*, 1833). In the second German edition of the *Poverty of Philosophy* (1892) Engels corrected Hopkins to Hodgskin; in the preface he declared his hope that this correction "will appease the bibliographical conscience of Professor Anton Menger". In the *Marx-Engels Werke* edition it is suggested that Engels was also mistaken and that Marx intended to refer to Thomas Hopkins (cf. *Werke*, vol. 4, p. 98 and p. 622, note 48; *contra*, cf. Engl. trans., *Coll. Works*, *cit.*, vol. 6). It seems that only in 1851 Marx read the work, less well known at the time, of Thomas Hopkins, *Economical Inquiries relative to the Laws which Regulate Rent, Profit, Wages and the Value of Money* (1822). Cf. M. RUBEL, "Les cahiers de lecture de Karl Marx", *International Review of Social History*, n. 5, 1957, p. 410.

⁸ E. MANDEL, *La formation de la pensée économique de Karl Marx de 1843 à la rédaction du "Capital"*, Paris 1967, chapter 3. Recently the topics dealt with by Mandel have received more ample treatment from W. Tuchscheerer in *Bevor "Das Kapital" Entstand*, Berlin 1978.

A reconstruction of the crooked path which led Marx from the view offered by Engels in 1843 to a perspective based on Ricardo and to the notion of a "classical political economy" may enable us to bring down to earth, so to speak, the reasons for Marx's adoption of the labour theory of value, after the summer of 1845. Certain themes and ideas which permeate all Marx's work (the alienation of labour, the critique of individual exchange, the two stages of post-capitalist society, etc.) far from being founded on the labour theory of value or constituting the basic element of that theory or of its acceptance, would appear indeed to have coexisted in Marx's intellectual life with conceptions that are more or less consistent and definitive but which *differ markedly* from one another as regards the theory of value. In addition, a reconstruction of this itinerary may serve to remind us that the "critique of political economy" does not spring from (and does not die with - but here the argument would lie beyond the bounds of this paper) the labour theory of value. Right from the start it is closely associated with the attempt to demonstrate the inevitability of crises in the capitalist mode of production.

In the initial phase of his study of economics, Marx, following Engels, appears to accept conceptions which later on he will define as "vulgar", that is conceptions concerned only with the "apparent relations" of bourgeois society⁹. In this period, Marx's adoption of this point of view is coupled with an emphasis on the instability of capitalism. Instead, in the subsequent works where Marx points out the analytical inconsistency of those "vulgar" conceptions, he will stress also its "harmonious" implications for social order. To understand the period discussed below, it is necessary to remember that in the 1840's in England (where Engels starts his study and writing on political economy, which will be highly influential on the formation of Marx's economic thought), the "dissolution" of the Ricardian school had already reached an advanced stage. At that time, "vulgar" or "non classical" conceptions appear to be compatible both with formal homages to the Ricardian theory of value¹⁰ and with explicit criticisms of it, the latter case being illustrated for example by the position of Engels and Marx in the early 1840's. Thus, it seems difficult to accept the hypothesis advanced by Garegnani, that at the time when Marx was writing *Capital*, "the labour value theory in one form or another was still a generally accepted theory" so that (as a theory of exchange relation) "it

⁹ On the distinction made between "vulgar" and "classical" political economy, see for example P. GAREGNANI, "Value and Distribution in the Classical Economists and Marx", *Oxford Economic Papers*, n. 36, 1984, p. 304.

¹⁰ Cf. for example the influential J. S. MILL's, *Principles of Political Economy*, London 1848, Book III, ch. 3. I thank P. Garegnani for this reference, which helps to make clear his sentence quoted below.

could be taken [by Marx] as granted”¹¹. It couldn't be taken as granted, neither in general nor by Marx in the 1840's in England, let alone in Germany in the 1860's.

There is perhaps a relationship between the construction of the materialist conception of history as performed by Marx (and Engels) beginning in Spring 1845, and Marx's initial quest for theoretical conceptions that would fit that interpretation of history. Ever since his early study of political economy, Marx (following Engels) is guided by the idea that “political economy does not grasp the connection of [economic] movement”. Initially, as we shall see, he uses oppositions like chance/rationality (= order) and reality/abstraction, where the first terms are seen as positive, while the second ones are meant to be related, with a critical emphasis, to Ricardo. Yet, as Marx's reflections deepen, the meaning of those oppositions will change, and Marx's judgement will be reversed. But only *after* Marx had cleared up some important problems of analysis on which he had been reflecting for some time, did he espouse the Ricardian perspective we have mentioned. During this period, his thinking enabled him to unravel, in principle, certain knots, viz.: *a*) the role of competition in the Ricardian theory; *b*) the ability of that schema to admit the possibility of crises.

In the following pages we shall maintain that the reconstruction of this stage of Marx's theoretical itinerary must take into account at one and the same time three questions which in Marxist tradition have long been neglected or, more recently, considered separately: i. e. the problem of Marx's relationship to Engels, Proudhon and Say, and Sismondi.

3. This paper not only attempts a reconstruction of a phase of Marx's intellectual biography — important as that is between the years 1844 and 1847. Hopefully, this reconstruction may also bring some further argument to the still open discussion which followed the publication of Sraffa's *Production of Commodities by Means of Commodities*. I refer to the question whether giving up the labour theory of value in favor of a rigorous theory of the rate of profit and prices of production necessarily entails abandoning Marx's whole analytical construction; or whether — as I shall

¹¹ Cf. P. GAREGNANI, *Marx e gli economisti classici*, Turin 1981, p. 65. With regard to England, Marx wrote to Lassalle that “the contradictions of Ricardo (in his theory of profit) have led his school to *abandon completely* the Ricardian foundations or to the most offensive eclecticism” (my italics, letter of March 11, 1858, *Werke*, Berlin 1963, vol. 29, p. 554). For a brief mention of the backward state of economic studies in Germany, cf. the letter of November 12, 1858 (*Ibid.*, p. 567). As regards Germany, one may quote also the ‘external’ and, as it were, *ex post* opinion of an anonymous reviewer of *Capital* to whom Marx refers in a famous letter to Kugelmann of July 11, 1868: according to this reviewer, Marx represented “in a philosophical quagmire” the “ancient Ricardian dogma of labour necessary to production understood as a measure of value, a dogma which... *nowadays, at least in Germany has been abandoned altogether*” (my italics, *Literarisches Centralblatt für Deutschland*, Leipzig, July 4, 1868, pp. 754-756).

maintain here — Marx's analytical schema, and the "vision" itself which can be derived from it, has been strengthened precisely by the substitution of a faulty theory with a consistent one. The main points of the argument, here summarised, are the following: 1) it does not seem possible to maintain that, when in 1844 Marx approached the study of political economy, the labour theory of value was "generally accepted": Marx himself at first, under the influence mainly of Engels, did not accept it; 2) in this phase, Ricardian theory was criticised on the ground that it had given a harmonious and balanced "vision" of capitalism. In this period, as throughout the rest of his life, Marx considered instability and movement through contradictions as essential features of the capitalist system. But the arguments he used reveal his acceptance of points of view typical of "vulgar" economics (such as the idea that Ricardo had ignored "private property" and competition, the first raising prices above production costs, the second determining the equilibrium, even though "casual", of supply and demand); 3) through deeper study of classical political economy — and here the journey to Manchester becomes relevant in explaining his change of mind — Marx became more and more convinced by the rigour of Ricardo's arguments. Marx's reading of a small book by J. S. Mill suggested to him a way of reconciling Ricardo's theory with capitalism's instability (i. e. the crises); 4) even from a historical-genetic point of view, it cannot be maintained that for Marx the labour theory of value was the fundamental premise for developing those ideas (and that "vision") that today, according to some authors, stand or fall together with the labour theory of value.

II

1. In Marxist tradition — and especially after Lenin's polemic against the Russian Populists¹² — to define anyone's position as "Sismondian" has been tantamount to identifying that position as simply "humanitarian", "romantic", "moralistic", as opposed to "scientific". Nowadays both the adjectives and the antithesis itself appear very dated and devoid of interest. By attributing primary importance to the political outcome, they deprive the reference to Sismondi's ideas of its precise analytic content. Bearing in mind this caution, we may say that in Engels's work of 1843 a viewpoint close to that of Sismondi is linked up with arguments against competition that (beginning with Owen's) developed

¹² V. I. LENIN, *A Characterisation of Economic Romanticism* (1st published 1897), *Collected Works*, Foreign Languages Publ. House, Moscow 1960, vol. 2, pp. 133-265.

within the Chartist movement. We recall that Engels was in contact with both Owenite and Chartist Movements, but Manchester “after 1839 became the centre of northern Chartist thought and action”¹³, where the influence of Feargus O’Connor prevailed. It is necessary to maintain a distinction between this strain of English Chartism and that of orthodox Owenite Chartism, as well as the Godwinian anticapitalist strain of Hodgskin and Ravenstone.

Engels’s 1843 work can, however, be read also as a document that reflects — beginning with the special viewpoint indicated above — a more general process of departure from and obfuscation of the Ricardian conceptions, which commenced in English economics after Ricardo’s death and also penetrated the English labour movement.

In Engels’s *Outlines* the notion of a “critique of political economy” embraces (though not all to the same extent) three of the meanings which the conception was later to take on: an investigation into the inconsistencies produced in economists’ thought, starting from their premises, by removing the question of private property (tacitly assumed to be legitimate and inviolable) from the field under study; an attempt to bring the categories adopted by economists back to *forms* of private property (i. e. a critique of political economy beyond its own presuppositions); and, lastly, an analysis of the development of real conditions (crises) which — according to a conception that at that time went unquestioned — lead to the overcoming of the system founded on private property itself.

Faced with a political economy “obliged to betray and to disavow its own premises, constrained to fall back on sophistry and hypocrisy” in order to hide the contradictions “in which it became entangled”, Engels feels it necessary — after showing up these contradictions — “to rise above” rigid one-sided oppositions, i. e. above the oppositions between conceptions which in fact share the same premises. The logical framework of denunciation of the contradictions and “overcoming” then through synthesis is consistently applied by Engels; among other things also in order to take up a position in the polemic that sets Ricardo against Say concerning value. Engels discusses the distinction drawn by Ricardo (and by Adam Smith) between natural price (here called abstract or real value) and market price (defined as exchange value or commercial value). Engels’s terminology is significant since it shows that, like Say, Sismondi and many others at the time (but not Hodgskin), he understands natural price as absolute price, thus setting himself apart from Ricardo’s problematic, which always refers to *relative* prices even when it deals with absolute quantities. At the fountainhead of Say’s conceptions, which derive from an interpretation of Smith, there lies the idea that only in the absence of

¹³ M. BEER, *A History of British Socialism*, London 1940, vol. II, Part III, Ch. 1.

private property can the price be equal to the labour which has gone into its making. Thereafter the price becomes greater than the cost of labour, owing to the presence of profit. This "addition" to the cost is explained by the relation of supply and demand¹⁴. In his *Nouveaux Principes* Sismondi had spoken, with reference to agriculture before the division of property, of "intrinsic value", something absolutely independent from exchange and determined by production, and, in general, since the introduction of private property, of "relative value" determined by competition¹⁵. But he expressed different opinions in *Études sur l'économie politique* (1837).

Ricardo (following Smith), in analysing value — alongside use value and exchange value — had distinguished between persisting forces and temporary forces. In a competitive polity a disproportion between the quantity of goods supplied and the quantity demanded could only determine "accidental and temporary deviations of the actual or market price" "from the rule" which determines natural prices expressed in the commodity used as a standard of prices, i. e. "the comparative quantity of labour which is necessary to their production"¹⁶. Say, on the contrary, had held that the cost of production, if anything, could only determine the minimum price of goods, but that in general "value would increase in direct ratio to demand and in inverse ratio to supply"¹⁷. Thus as the theory (or principle) of value altered, the distinction between use value and exchange value — together with the distinction between persistent and accidental forces — disappeared.

Engels criticises both these conceptions but, in the last analysis, not to the same extent. He holds that the two authors have offered only partial solutions to the problem, inasmuch as they have turned competition into an abstraction by failing to consider it as an expression of private property. But since Engels identifies competition with the relation between supply and demand, it is evident that he stands closer to Say — with some important qualifications — than to Ricardo. He blames the latter for having determined (natural) price in a special situation, i. e. "at a moment when competition is in a state of equilibrium, when demand and supply cover each other". For which reason "abstract value and its determination by the costs of production are, after all, only abstractions, nonentities".

¹⁴ Cf. J. B. SAY, *Traité d'économie politique*, 2nd ed. Paris 1814, vol. II, pp. 18 and 26.

¹⁵ Cf. J. C. L. SISMONDE DE SISMONDI, *Nouveaux principes d'économie politique*, Paris 1819, Book III, Chapter XIII.

¹⁶ Cf. D. RICARDO, *On the Principles of Political Economy and Taxation*, in *The Works and Correspondence of David Ricardo*, Cambridge 1951, vol. I, Chapter IV, p. 88. In order to avoid confusion it will be necessary to bear in mind that the terms "supply" and "demand" in this context designate single quantities, not functions. In this connexion, see P. GAREGNANI, "The Classical Theory of Wages and the Role of Demand Schedules in the Determination of Relative Prices", *American Economic Review*, May 1983, pp. 309-313.

¹⁷ Cf. J. B. SAY, *op. cit.*, vol. II, p. 395.

Moreover, by referring price back to value, Ricardo, according to Engels, has disguised the "immorality of commerce": indeed, the divergence between market price and natural price shows that exchanges of goods do not take place between equivalents. Say, on the other hand, is criticised for disregarding the fact that under the dominion of private property "the relationship of competition" determines, in a seemingly universal and objective manner; a utility of goods that is in reality only special and subjective. (The contradiction between "utility inherent in the object, independent of the parties concerned" and this subjective utility can be overcome only "by superseding private property; and once this is superseded, there can no longer be any question of exchange as it exists at present").

Sismondi had written: "With the introduction of commerce, when no-one any longer worked for himself but rather for a person unknown to him, the relation between desire and the means of satisfying it, between work and income, between production and consumption, were no longer so certain. The one became independent of the other"¹⁸. Against Say Engels uses Sismondian arguments: since under a system with private property the producers do not know the extent of the consumers' needs (and, by implication, only solvent demand is relevant), the utility of goods will depend, he writes, "on change, on fashion, on the whim of the rich". From this Engels deduces — and he argues it *against both Ricardo and Say* — that in this situation "the costs of production will fluctuate with the fortuitous relationship of demand and supply". Therefore Engels proposes to reunite the two opposite principles of value, under the heading of competition: "The value of an object includes both factors which the contending parties arbitrarily separate — and, as we have seen, unsuccessfully. Value is the relation of production costs to utility. The production costs of two objects being equal, the deciding factor determining their comparative value will be utility".

Thus on the one hand, in his writing of 1843, Engels takes his place in the tradition of thought which, by developing the "esoteric" or "superficial" side of Smith's teaching, determines value as the sum of components which are independent of each other. On the other hand Engels reaches a position close to Say's, but thanks to the help of Sismondi, *without Say's principle*: the introduction of supply and demand into the explanation of value does not hinder him from offering a picture of capitalist reality which does not conform to the image that emerges from "the lovely theory of demand and supply" of which — as he writes — the

¹⁸ Cf. J. C. L. SISMONDE DE SISMONDI, *op. cit.*, Book IV, ch. 2.

economists prattle. It is a reality dominated by “the perpetual fluctuation” of prices, in which “trade crises reappear as regularly as comets”¹⁹.

Once again, this oscillation of prices is explained by using arguments from Sismondi: supply and demand chase each other’s tails, without ever catching each other, because “in this unconscious situation of mankind no one knows how big supply or demand is”. Moreover, the oscillation of prices compels each man to become a speculator, buying cheap in order to sell dear, and in the end perpetuating the oscillation itself. Engels was writing in the year following a serious economic crisis which had been accompanied by an important (but unsuccessful) Chartist agitation. Since “each successive crisis is bound to become more universal and therefore worse than the preceding one” — he writes in 1843 — “the mass of labour to be employed... finally [will cause] a social revolution such as has never been dreamt of in the philosophy of the economists”.

2. At some time between early 1844 and early 1845 Marx, in exile in Paris, began his first systematic study of political economy. Apart from Engels’s work, he also read and commented on Say, Adam Smith, Ricardo, James Mill, McCulloch. His reading notes over this period, the majority of them contemporary with the so-called “Manuscripts”, are of great interest because they enable us to detect the core of the problem Marx was facing and which the journey to Manchester enabled him to solve²⁰.

Reading Ricardo in a French translation with critical notes by Say, Marx, at least at the outset, followed the point of view developed by Engels. Ricardo is criticised because he abstracts from utility (that is, from competition), whereas in a system of private property competition influences the costs of production. Misled by Say’s notes, he accepts Say’s opinion according to which Ricardo, in dealing with natural price, had omitted “the profits from capital and land, which do not come *gratis*”. And he approved of Proudhon’s deduction from this, namely that where

¹⁹ According to HOBBSAWM (“Marx, Engels e il socialismo pre-marxista”, in *Storia del Marxismo*, Turin 1978, vol. I, p. 23), Engels’s conviction that the regularly recurring crises were “an integral part of the movements of capitalist economy” was taken from the *History of the Middle and Working Classes*, by J. Wade, London 1833, which Engels himself quoted in his *Outlines*. In an interesting chapter on “Fluctuations in Employments” Wade compared economic depressions to the epidemics of plague “which formerly desolated the earth” since they “return nearly with as much periodic regularity”. In the influence of “high and low prices on consumption” he found the “general principles which influence commercial depression and prosperity” (*op. cit.*, p. 254). Engels commented: “these commercial upheavals confirm the law [of supply and demand], confirm it exhaustively — but in a manner different from what the economist would have us believe to be the case. What are we to think of a law which can only assert itself through periodic upheavals? It is certainly a natural law based on the unconsciousness of the participants”. Cf. *Outlines etc.* in *Collected Works*, vol. 6, *cit.*, pp. 433-434. Wade’s book was read and annotated by Marx in the summer of 1845.

²⁰ Cf. K. MARX-F. ENGELS, *Gesamtausgabe* (MEGA), Berlin 1932, I, vol. 3, pp. 437-583. Part of the *Reading Notes* of this period have been translated into French (K. MARX, *Oeuvres*, ed. M. Rubel, Paris 1968, vol. II, pp. 7-43).

private property exists, an article is dearer than what it is worth": the difference — he writes — is the measure of "the tribute paid to the private owner". Developing this line of reasoning, however, Marx realises that if price is determined by competition, "it becomes accidental". On the other hand this "accidental quality" would seem at the moment — following Engels — to be the only explanation of the crises.

Deeper acquaintance and understanding of Ricardo and McCulloch, however, enabled him to set against Say's ideas the results of the "unilateral and thus *acute* and *consequential* working out" of the theory which makes labour the "sole *essence of wealth*"²¹. A distinction, or at least a partial one, can be drawn between particular interests and common or social interests, "whereas political economy has a constant tendency to argue", and herein consists its "infamy", "as though these interests were not separate and property were common to all" (Cfr. *Notes on reading McCulloch*, MEGA, 1, 3, p. 558). From Ricardo's theory there emerges, as ultimate goal of society, the expansion of net income, i. e. profit and rent, and not of gross income, the explanation "with perfect clarity" of the inverse relation between wages and profits, and the reciprocal antagonism between rent and profit. In the Second Manuscript, which seems to have been written at the close of this period of study²² Marx writes: "(In English political economy) not the defrauding of the consumer, but the capitalist and the worker taking advantage of each other, is shown to be the *normal* relationship" (op. cit., pp. 284-5).

That would seem to indicate a definite self-distancing from Say and Proudhon. In accepting Ricardo's schema, however, one still has to explain the mechanism of how crises are created. In the *Notes on reading Ricardo*, Marx writes: "What Ricardo cannot explain — let alone Say who agrees with him and who was the first to formulate the principle according to which the demand for products is limited only by production itself — is whence competition originates, together with the consequent bankruptcies, trade crises, etc. if all capital finds convenient employment and that employment stands always in relation to the amount of capital". In my view, this gap at the heart of Ricardo's theory explains why Marx — in spite of his appreciation of the "greater consistency and determination of that theory" — continues to prefer Engels's schema.

Some of Engels's ambiguities are cleared up. Engels wrote: "Why are the costs of production the measure of value? Because... no one in ordinary conditions, and leaving aside the circumstance of competition, would

²¹ Cf. K. MARX, Economic and Philosophic Manuscripts of 1844, in *Collected Works*, vol. 3, cit., p. 291.

²² For a relative, but not absolute dating, cf. J. ROJAHN, "Il caso dei cosiddetti Manoscritti economico-filosofici dell'anno 1844", in *Passato e Presente*, 3, 1983.

sell an object for less than it costs him to produce it". Commenting on Prevost (who translated McCulloch into French, with a commentary), Marx argues, by implication, with the justifications of the Ricardian theory offered (and criticised) by Engels. He notes that, as against what Engels maintained, according to the Ricardians, it is free competition that brings price in line with the costs of production when "accidental causes" have shifted it above or below that level. "What do these gentlemen really wish to demonstrate? That *within free competition* the price of products remains level with their costs of production". His criticism shifts now to the second part of Engels's proposition. "If these gentlemen [the Ricardians] say that nobody *wishes* to sell below production cost, they are right. But there is a difference between wishing to do something and being able to do it". He remarks, moreover, that the Ricardians' principle (the absence of influence of supply and demand on price) is demonstrated "only by a calculation of averages, i. e. *by an abstraction from reality*" (my italics)²³.

The main objection to the Ricardian theory is still Say's principle. With reference to the Ricardians' thesis on the impossibility of a general over-production, he notes (but without criticising): "where there is an excess of a certain product and thus a fall in its value, there occurs, over the same time, an increase in the relative value of all other goods; in which case *equilibrium* is restored and it cannot be said that there is a general superabundance on the market". And he comments: "For the Ricardians only the *general law* counts. How it comes about that thousands of people are ruined, is a matter of complete indifference to the law and the economists". "The equilibrium", he adds, "is that of abstract capital and abstract labour, which leaves out of account the capitalist and the human being. And the society in question is only an average".

In his criticism of the "miracles" of political economy where it declares that the losses with respect to costs in one sector are balanced by the advantages in some other sectors and *that thus society suffers no harm*, Marx, repeating Engels once more, says that "political economy... only goes to show that rational laws in real conditions can only be upheld by making abstractions from the specific nature of real relationships, or rather that these laws hold good only in an abstract form".

The Engelsian position — which had by now become much more contradictory than it was in Engels's own work — was sustained in *The Holy Family*, written between the end of 1844 and the beginning of 1845. Marx wrote: "in political economy... at the beginning... wages and profit

²³ Compare a passage from W. Schulz quoted by Marx in the First Manuscript (*op. cit.*, pp. 241-2), with some remarks on averages in opposition to the Ricardians contained in the *Reading Notes* (cf. MEGA, *cit.*, 1, 3, p. 556 and K. MARX, *Manoscritti economico-filosofici* edited by F. Andolfi, Rome 1976, pp. 67-68, note).

on capital stand in the most friendly, mutually stimulating, apparently most human relationship to each other. Afterwards it turns out that they stand in the most hostile relationship, in inverse proportion to each other. Value is determined at the beginning in an apparently rational way, by the cost of production of an object and by its social usefulness. Later it turns out that value is determined quite fortuitously and that it does not need to bear any relation to either the cost of production or social usefulness”²⁴.

3. We can only conjecture how far this concept of the “casuality” of prices could conflict with the materialist interpretation of history that Marx had begun to develop already in the Spring of 1845. There can be no doubt, however, that an important role — maybe a decisive one — in determining his abandoning of the Engelsian position was played by his reading of John Stuart Mill’s youthful work *Essays on Some Unsettled Questions of Political Economy* of 1844, especially the second essay (about the influence of consumption on production). (Marx made 128 extracts from this work). Certain celebrated pages of the first volume of *Capital* show how deeply Marx was influenced by Mill’s book, though the influence went unacknowledged²⁵. It is important because it contains the only formulation, at the time (if we except an anonymous Ricardian writing of 1821 which Marx was later to discover)²⁶ of the compatibility between the Ricardian theory of profits and the refutation of Say’s principle.

On the basis of Ricardo’s theory, it was possible to argue that variations in production could not determine — for given techniques of production and real wages — permanent effects on relative prices. Mill (who, — Marx emphasized in his reading notes (incomplete fragments in MEGA, cit., I, 6, pp. 608-610) — published his book after the crisis of 1842)²⁷ had pointed out the importance of the non-utilisation “of a very large proportion” of capital. This “perpetual non-employment of a large proportion of capital is the price we pay for the division of labour”, he had remarked. “In these conditions an additional customer” — says Mill — “is equivalent to an increase of the productive capital... The aggregate produce of the country” would increase with the increase in customers. This comes about “not by the mere exchange, but by calling into activity a

²⁴ K. MARX-F. ENGELS, *The Holy Family, Collected Works, cit.*, vol. 34, p. 32.

²⁵ *Capital*, International Publishers, New York 1967, vol. 1, pp. 113-114, note.

²⁶ *An Inquiry into those Principles respecting the Nature of Demand and the Necessity of Consumption*, etc., London 1821.

²⁷ In reality, as J. S. MILL himself recounts in the preface to the *Essays* and in his *Autobiography*, the *Essays* were written up in 1829 and 1830 from conversations which took place around 1826 (in this case, too, in the year following an economic crisis).

portion of the national capital which, had it not been for the exchange would have remained for some time longer unemployed" (op. cit. p. 58). In the attempt to demonstrate the importance of the non-utilisation of capital, Mill illustrates how it may happen that an article is sold at a price lower than the cost of producing it (which, as we have seen, was the problem facing Engels, and afterwards Marx). "Of course this is not a voluntary sacrifice of profits", Mill observes: "they expect by the consequent overflow of customers to turn over their capital more quickly and to be gainers by keeping the whole of their capital in more constant employment, though on any given operation their gains are less" (p. 57). Summarising the passage from which the above quotation is drawn, Marx comments: "Mr. Mill could have expressed himself more concisely: competition". And, using a numerical example, he shows how competition (demand) influences the rate of profit *through the variation in utilised capital*.

Against those who had argued that a general overproduction was impossible, Mill holds that they have implicitly assumed a situation of barter. Only in this case, Mill writes, "when two persons perform an act of barter, each of them is at once a seller and a buyer. He cannot sell without buying. Unless he chooses to buy some other person's commodity, he does not sell his own. If, however, we suppose that money is used, these propositions cease to be exactly true" (p. 69). "The buying and selling being now separated, it may very well occur", Mill goes on, "that there may be, at some given time, a very general inclination to sell with as little delay as possible, accompanied with an equally general inclination to defer all purchases as long as possible. This is always actually the case, in those periods which are described as periods of general excess" (op. cit., p. 70). (A general excess of production is made possible — Mill remarks — by the fact that here we are dealing with "a superabundance of all commodities *relatively to money*") (p. 72, italics mine).

In summarising these remarks, Marx, with a significant addition, observes that those who "like Mill the Elder [James Mill] hold that supply and demand are identical, forget, since they make abstraction of money (this is not barter), that each man will buy *in order to sell at a profit*, not to satisfy an immediate necessity..."²⁸.

In a popularising work of 1865²⁹, Marx remarked that in Tooke's *History of Prices*, if one studies the movement of prices in the market over a sufficiently long period, one finds that "apart from the effect of

²⁸ Italics mine. For a critical comment on J. S. MILL in this context, cf. *Theories of Surplus Value*, London 1972, Part II, p. 502.

²⁹ Cf. Wages, Price and Profit, in K. MARX-F. ENGELS, *Selected Works in One Volume*, London 1968, p. 206.

monopolies and some other modifications”, “the fluctuations of market prices, their deviation from values, their ups and downs reciprocally cancel each other out and compensate each other... so that... all descriptions of commodities... are on average sold at their respective *values* or natural prices”. Now in 1845 Marx and Engels annotated Tooke’s book very carefully (cf. MEGA, cit., p. 616), and it cannot be excluded that they discussed these matters, too. At first sight it may seem that the importance of distinguishing between production price and market price depends on empirical investigation and in the last analysis is founded on the relative “stability” of reality, whereas that importance would lose weight when “stability” is lacking (so that, in such cases, we should have to trust in market prices). But an argument of this nature would be wrong, since it would confuse a *method* of analysis (which distinguishes the phenomenon which, it is held, can be explained by what is omitted from the explanation itself) with a particular behaviour of the real situation. The method we refer to, based on analysis of “objective conditions”, is described by Petty thus: “The method I take to do this is not yet very usual; for instead of using only comparative and superlative words, and intellectual arguments, I have taken the course (as a specimen of the Political Arithmetick I have long aimed at) to express myself in Terms of Number, Weight or Measure; to use only Arguments of Sense, and to consider only such Causes, as have visible Foundations in Nature; leaving those that depend upon the mutable Minds, Opinions, Appetites, and Passions of particular Men, to the Consideration of others”³⁰. This method was handed down to Ricardo³¹ through the Scots Smith, Millar and James Mill.

³⁰ Preface to “Political Arithmetick” in *Several Essays in Political Arithmetick*, London 1699. (The title of this work figures in the index of a notebook containing passages extracted by Marx from his reading in the summer of 1845 at Manchester). The passage quoted in the text is given by Marx in *A Contribution to the Critique of Political Economy*, in a context in which he reminds the reader that classical political economy had its beginnings in England with William Petty and in France with Boisguillebert, and “comes to a close in England with Ricardo, in France with Sismondi” (cf. *Werke*, cit., vol. 13, pp. 37-38). The same passage from Petty is quoted by K. BHARADWAJ in *Classical Political Economy and Rise to Dominance of Supply and Demand Theories*, Calcutta 1978, p. 30, in a paragraph dedicated to the “objective” basis of the theory of value of the classical economists.

³¹ In 1803 Millar’s general position was summed up by Francis Jeffrey thus: “It was the leading principle, indeed, of all his speculations on law, morality, government, language, the arts, sciences and manners — that there was nothing produced by arbitrary or accidental causes; that no great change, institution, custom or occurrence could be ascribed to the character or exertions of an individual, to the temperament or disposition of a nation, to occasional policy, or peculiar wisdom or folly: everything, on the contrary, he held, arose spontaneously from the situation of the society, and was suggested or imposed irresistibly by the opportunities or necessities of their condition”. (Cf. *Edinburgh Review*, 1803, p. 157). On Millar’s relations with James Mill and Ricardo, cf. the mention by W. C. LEHMANN in *John Millar of Glasgow*, Cambridge 1960, pp. 151-2, and D. RICARDO, *Works*, Cambridge 1952, vol. VII, pp. 195-7 and 382. On the relation between the thought of Adam Smith and the Scottish historical school, cf. K. BHARADWAJ, “The Historical Conditioning of Theory: a Study of Adam Smith’s Political Economy”, *Studies in History*, vol. 1, N. 1, 1979.

4. As we know, in 1847 Marx was to attack Proudhon, in the *Poverty of Philosophy*, making a very orthodox use of the Ricardian theory. But on one important point he departed from orthodoxy, revealing the extent of Mill's influence in the maturing of his thought: "the excessive raising of prices, overproduction and many other features of industrial anarchy" find their explanation "in the adoption of labour time as a measure of value". Overproduction is explained by the presence of large-scale industries: these are "compelled by the very instruments they employ to produce on an ever increasing scale" (in order to avoid losing profit on invested capital)³², and "can no longer afford to await demand. Production precedes consumption, supply compels demand"³³.

And in the *Manifesto* (1848), after drawing a distinction between "petit-bourgeois" socialism and "critical-utopian" socialism (which at this point, notwithstanding all its limits, takes on a much greater interest for them)³⁴, Marx and Engels state that at the head of the first-named, in France as in England, stands Sismondi³⁵. On the part of the initiators of this "petit-bourgeois" socialism, they praise the "great acuteness" in dissecting the contradictions in the conditions of modern production (the anarchy of production, overproduction) and at the same time they deplore the reactionary character of their proposals, such that "the latest development of this trend, *following its euphoria*, has ended in a cowardly abasement"³⁶. On the basis of what we have said above, it may be legitimate to interpret these words as an autobiographical allusion.

5. As we mentioned above, in the *Holy Family*, in spite of inconsistencies and vacillations, Marx still seems to be following Engels along the Smith-Say line, so that profit is an addition to the cost of production. The latter, "abstracting from competition", corresponds to selling price. Proudhon, according to Marx has correctly assumed labour time as a measure of the value of that labour, inasmuch as, like Smith before him, he has assumed that private property does not exist. And he wonders ironically: "Does it perhaps suppose [Bauer's critical critique] that the

³² Cf. apart from the passage from J. S. MILL quoted previously, also J. WADE, *op. cit.*, p. 263 and J. C. L. SISMONDI DE SISMONDI, *Etudes, cit.*, vol. II, p. 232.

³³ The Poverty of Philosophy, *Collected Works, cit.*, vol. 6, pp. 136-137.

³⁴ From 1850 onwards a growing interest in this school of thought was to lead Marx to rediscover the important literature in English of the 1820's, much of it anonymous.

³⁵ Cf. K. MARX-F. ENGELS, *Manifesto of the Communist Party, Collected Works*, vol. 6, p. 509. For England, it is possible that they allude to a Sismondian influence on Feargus O'Connor. On the experiments by which small properties were created through the Joint Stock Company for Agricultural Reform promoted by O'Connor in 1847-48, "which attracted and subsequently ruined no less than 100,000 chartists, workers and other reformers", cf. M. BEER, *op. cit.*, vol. II, Part III, Chapter VII.

³⁶ K. MARX-F. ENGELS, *Manifesto, Collected Works, cit.*, p. 510, italics mine.

time which the production of an object requires will *ever* not be an essential factor in the 'validity' of the object; does it believe that time could *ever* cease to be *something that costs?*" And he goes on: "In relation to immediately material production, the decision whether an object is to be produced or not, i. e. the decision on the *value* of the object, will depend essentially on the labour time required for its production. For it depends on labour time whether society has time to develop in a human way"³⁷. (Here Marx takes up an idea from Engels who, in the *Outlines*, had stated: "once [private property] is superseded, there can no longer be any question of exchange as it exists at present. The practical application of the concept of value will then be increasingly confined to the decision about the suitability of producing an article or not, and this is its real and true sphere")³⁸.

These remarks of Marx's of 1844-45 closely resemble the first part of a famous letter of Kugelmann of 1868³⁹. In this letter scholars have wished to detect the statement of an indissoluble nexus between a supposed 'law' of production in general and the labour theory of value for the economy as a whole⁴⁰. But seeing that this same nexus would appear to link "indissolubly", in 1845 and, in 1868, two different and mutually antagonistic conceptions of value, what foundation can such an interpretation have? As Garegnani has remarked, "it is true", whatever the "foundation of value" that "the proportional distribution of labour" has its effect "through exchange value"⁴¹. In any case, if the "naturalistic-utopian" side in Marx's thought had been the driving element, he could quietly have halted at the stage of elaborating this (anything but consistently at the analytical level, as we have seen) — the stage he reached prior to the summer of 1845. The truth is, nevertheless, that once Marx had attained (at the beginning of 1858) what he regarded as the correct solution of the

³⁷ The Holy Family, in *Collected Works, cit.*, p. 49, italics in the text.

³⁸ Cf. *Outlines etc. in Collected Works*, vol. 6, *cit.*, p. 426.

³⁹ In the letter to Kugelmann of July 11, 1868, Marx wrote: "That... [the]... necessity of distributing social labour in definite proportions cannot be done away with by the *particular form* of social production, but can only change the form it *assumes* is self-evident. No natural laws can be done away with. What can change, in changing historical circumstances, is the *form* in which these laws operate". Cf. *Selected Correspondence, cit.*, p. 246.

⁴⁰ Cf. M. LIPPI, *Value and Naturalism in Marx*, London 1979. In a more recent work Lippi has partly modified his position on this point (especially the attribution to Marx of a *programme* directed towards confirming labour as "the essence of production" and at the same time "legitimising the aim of communism", *cit.*, p. 115). In the work *Ancora su valore e costo reale: risposta alle critiche di Petri*, Studi e ricerche dell'Istituto Economico, no. 15, Università di Modena, 1983. Lippi writes that "it is possible that Marx first found... [what he thought was the solution]... to the problem of the rate of profit, and then organised his presentation of the material into the manner in which it is delivered in *Capital*".

⁴¹ Cf. P. GAREGNANI, *Marx e gli economisti classici, cit.*, p. 95.

problem of how to determine the rate of profit, various elements in his thinking seem to have found an organic unity in the concept of value — the concept of a “substance” to be redistributed.

The overall organisation of *Capital* appears difficult to grasp since it was turned “upside down” with respect to the process of thought Marx did in effect follow (and the passage in the letter to Kugelmann of 1868 immediately following the passage quoted will appear incomprehensible)⁴², without referring on the one hand to the limitation of method which Marx, in the *Theories of Surplus Value*, ascribes to Ricardo and all classical economist (i. e. the recourse to the analytical method alone), and on the other hand to Marx’s profound debt to Hegel (especially Volume III of the *Logic*)⁴³. The use of a genetic or dialectical method of exposition, of which, however, “analysis is a necessary presupposition”⁴⁴, is in fact justified with the aim of avoiding the above-mentioned initial mistake which led Ricardo “into presupposing as given in his first chapter all possible categories” and into mistaking for natural forms what are really historical forms of social production.

It would be out of place here to enter into a discussion of the results that Marx’s method of exposition may have enabled him to attain. *A posteriori*, since it was misunderstood, we can say that it has turned out to be terribly misleading: paradoxically, the *result* of the analysis has been mistaken for its presupposition. In post-Marxian tradition, dialectical deduction has taken the place of analytical investigation. The theory of value has been encumbered with all-comprehending tasks which it cannot perform, paving the way to the worst forms of reductionism.

At the basis of *Capital’s* exposition one may also detect a concern, by no means metaphysical, with how the research begun by Marx is to proceed. In several letters he alludes to the fact that he is laying “a foundation” or providing the “quintessence” of all future development. We know that the original plan of *Capital* included the treatment of the State, the formation of the world market, etc. and it ended up with the crises. In a letter to Kugelmann of ’62, the material included in a draft of the first volume of *Capital* is defined as “the quintessence”. Marx adds that “the development of what comes after could easily be done by others... on the basis of what is already provided” (“perhaps excepting — he says, and it is

⁴² K. MARX-F. ENGELS, *Selected Correspondence, cit.*, p. 246.

⁴³ In the letter to Kugelmann quoted Marx writes: “The science consists precisely in working out *how* the law of value operates. So that if one wanted at the very beginning to ‘explain’ all the phenomena which apparently contradict that law, one would have to give the science *before* the science. It is precisely Ricardo’s mistake that in his first chapter on value he takes as given all possible categories, which have still to be developed, in order to prove their conformity with the law of value”.

⁴⁴ K. MARX, *Theories of Surplus Value, cit.*, Part III, p. 500.

a significant exception — the relation between the various forms of the state and the different economic structures of societies”⁴⁵.

Marx is convinced that the “foundation” (the internal nexus) is crucial to prevent “future developments” from getting confused with “what appears on the surface”, as happened to the Ricardian school with the analysis of competition and capital-labour exchange, or with the treatment of money, of which “the most strange and contradictory ideas” were offered, even though the point of departure was embodied labour⁴⁶.

After Sraffa labour value no longer plays any part in determining the rate of profit. Within the surplus approach it can be obtained simultaneously with relative prices by “price equations”⁴⁷ in which real wages and methods of production figure among the data. The dependence of the rate of profit on real wages confirms the residual nature of profit which the classical economists and Marx had pointed out by means of the labour theory of value.

However, it is also possible to calculate the rate of profit by using a different method, which has been called the “surplus equation” method. This contemplates “... a product of known entity, to be divided between wages and profits, with the rate of profit deriving thus from the proportional distribution of profits on capital employed”⁴⁸. This “picture” leads straight back to an idea which Marx conceived as he moved away from the Engelsian perspective in 1845, an idea which he preserved intact and re-emphasized in 1858 after formulating his theory of profit: “the competition [among capitalists]... may well even out, equalize the level of profit, but in no way creates the measure of this level. Likewise competition among the workers could press down a higher wages level, etc., but the general standard of wages, or as Ricardo says, the natural price of wages, could not be explained by competition between worker and worker, but only by the original relation between capital and labour. Competition generally, this essential locomotive force of a bourgeois economy, does not establish its laws, but is rather their executor”⁴⁹.

In the case, too, of the “surplus equation method” we run up against a problem of exposition which yet assumes substantial importance: the aim of Sraffa’s “standard system” (as is also the aim of Garegnani’s “integrated

⁴⁵ Cf. *Werke, cit.*, vol. 30, p. 639 (letter of December 28, 1862).

⁴⁶ Cf. K. MARX, *Capital, cit.*, vol. I, p. 81, note.

⁴⁷ Cf. P. GAREGNANI, “Value and Distribution...”, *cit.*, p. 309 et seq., and *Marx e gli economisti classici, cit.*, p. 33 et seq.

⁴⁸ Cf. P. GAREGNANI, “Value and distribution...”, *cit.*, p. 312 et seq.; *Marx e gli economisti..., cit.*, p. 38 et seq.

⁴⁹ K. MARX, *Grundrisse-Foundations of the Critique of Political Economy* (1st edition 1939), edited by M. Nicolaus, London 1973, p. 552.

sector of wage goods”, by a different hypothesis on wages) is to “give transparency to a system and render visible what was hidden”⁵⁰. “The recovery, if at all possible of that ‘picture’” — Garegnani has written — “under the present more general assumptions” (more general than those necessary to validate the labour theory of value) may be considered “an important scientific advance”. This recovery may “entail a better grip over the economic system’s known properties: and it... [may]... make it correspondingly easier to gain greater knowledge by asking further questions”⁵¹.

The idea of “picture” may be likened to Wittgenstein’s “perspicuous representation”⁵². This designates our form of representation, “the way in which we see things”. By making us perceive connections in an illuminating sequence, it mediates our understanding of reality. In the analysis of capitalism after Sraffa this function may be performed by the “picture” of the surplus (or, if you like, by the inverse relationship between wages and the rate of profit). It is the starting point of analysis, not its conclusion. To quote Wittgenstein again: “understanding consists of ‘seeing connections’. Hence the importance of *intermediate links*”.

Dipartimento di Economia Politica, Università di Modena

⁵⁰ P. SRAFFA, *Production of Commodities by Means of Commodities*, Cambridge 1960, p. 23.

⁵¹ P. GAREGNANI, “Value and Distribution...”, *cit.*, p. 312 and *Marx e gli economisti*, *cit.*, p. 38.

⁵² L. WITTGENSTEIN, *Remarks on Fraser’s “Golden Bough”* London 1983. See also *Philosophical Investigations*, Oxford 1973, par. 122.