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Articles

David Ricardo: on the art of "elucidating economic principles" in the face of a "labyrinth of difficulties"

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Notes

available

- 1 On the relationship between the theories of Walras, Wicksell and Schumpeter, on the one hand, and Ricardo, on the other hand, see Kurz (2000) and Kurz and Salvadori (2002).
- 2 Marshall's concern with presenting his own theory as a continuation of the objectivist cost-of-production theory of the classical authors, integrated into and amalgamated with the subjectivist marginal-utility theory, made him downplay and even not see fundamental differences between the two.

3 This assessment is foreshadowed in a statement of 1839 by Henry Lord Brougham,

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nce etc.

5 In the following I draw partially on earlier works I have written alone or together with Christian Gehrke and Neri Salvadori. All remaining misconceptions are, of course, entirely my responsibility.

6 As one commentator remarked, Ricardo "meets you upon every subject that he has studied with ... opinions in the nature of mathematical truths" (Works VIII, p. 152 n. 2).

7 While Ricardo typically assumed wages paid ante factum (i.e. at the beginning of the uniform period of production), Sraffa assumed wages paid post factum (i.e. at its end). However, as can easily be shown this difference does not substantially affect the general argument in the above.

8 Ricardo's basic intuition extended to the cases of fixed capital and scarce land, and also in these respects he can be said to have been on the right scent, deficiencies of his analysis notwithstanding: several of his basic ideas were later given a coherent form by V. K. Dmitriev, Ladislaus von Bortkiewicz, Paul A. Samuelson, Luigi Pasinetti and especially Piero Sraffa.

9 For the following, see also Kurz (2011).

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10 Paul Samuelson once asked Sraffa, whether Ricardo held a labour theory of value. Sraffa is reported to have answered: "He did and he didn't." What might at first sight be consider of view, X which, fo hen Ricardo speaks itity of labour a (Works I, p. ay be read 20; emp n that must as a con and Ricardo be called used // ors of ne latter prod at value is sense). proporti have said that it is rather not a nfusion of quantity

relationship between labour input and value" (Morgan 2012, p. 60; emphasis added).

y Morgan

As we have just seen, Ricardo was decidedly not of this opinion. However, unable to solve the problem of value and distribution to his own satisfaction, Ricardo clung to the labour embodiment hypothesis; see in this regard the rough draft and unfinished manuscript on "Absolute Value and Exchangeable Value", written in 1823 shortly before he passed away (see Works IV).

11 One should recall however that "corn" in Ricardo's early reasoning was a term designated to encompass all necessaries, like "bread" in the Bible (a meaning William Petty took up), and thus represented a bundle of commodities.

12 For the following, see Gehrke et al. (2003).

13 It is not difficult to rectify Ricardo's second numerical example and bring it into line with the first one without affecting the substance of what he says; see Gehrke et al. (2003, p. 296).

14 Ricardo himself deplored his problems with "the difficult art of composition" (Works VII, p. 19). Indeed, as several commentators observed, the structure of the Principles leaves much to be desired and reflects the hurry in which it has been put together.

15 For the following, see Kurz and Salvadori (2009, 2011).

16 John Stuart Mill reiterated Ricardo's position, but went a step further. He insisted that the resource X that is ta WO antagon d that the potentia processes than in a ne almost sider [the inevitab exhausti Krau le. 17 For t 18 For a licardo, see Kurz (20 19 The f etation of Ricardo' tion may be

said to have triggered readings of Ricardo that eventually led up to the unfortunate

modern textbook interpretation. Ruffin (2002) deserves the credit for having rediscovered Sraffa's correction. However, as Gehrke (2015, in this volume) has shown convincingly, Ruffin had difficulties, in Keynes's words, "to escape habitual modes of thought and expression." In interpreting the route via which Ricardo is supposed to have discovered the principle of comparative cost, Ruffin looked at him through the distorting lens of marginalist theory. For a complementary discussion of Ricardo's theory of foreign trade to the one given here, see Faccarello (2015, in this volume) and Maneschi (2015).

20 There is no presumption that cloth and wine are the only commodities produced or consumed in the two countries. However, all other commodities remain in the background in Ricardo's analysis and will also do so here.

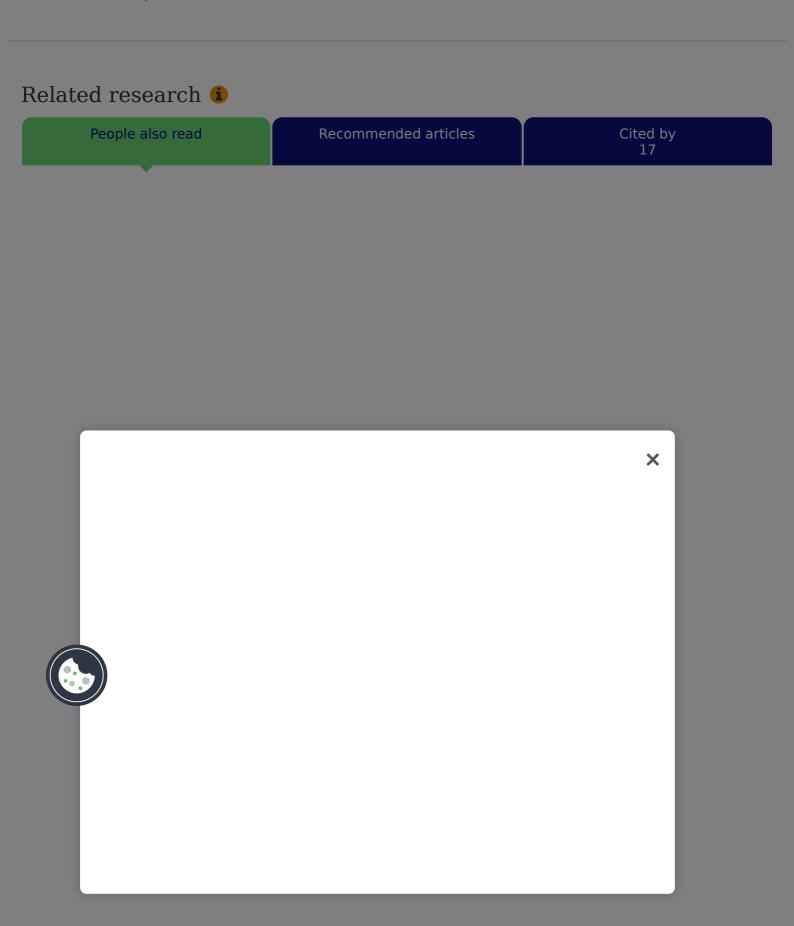
21 Some commentators took the first step of his analysis (reflecting his research method) wrongly for a factual statement about the unimportance of technical progress; see most recently Piketty (2014, pp. 5–7). (For a criticism of this view, see the argument in previous sections and Kurz 2010.) The fact is that Ricardo was keen to abstain from speculating about future technical improvements, because no reliable knowledge on them was available. He stressed, however, that "it is no longer questioned" that improved machinery "has a decided tendency to raise the real wage of labour" (Works IV, p. 35; see also VIII, p. 171), without necessitating a fall in the rate of profits

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23 These in order sy investing at home ty, but also their fellow-countryr

24 This is why I find Ruffin's contention (2005, p. 705) that it took Ricardo a "great and sustained mental effort" to arrive at the principle of comparative advantage dubious. The textual evidence he puts forward does not support his case; see Gehrke (2015).

25 The passage cited actually refers to the effect of technical progress in one line of production in one of the countries on the pattern of specialization (Works I, pp. 137–40). It has been adapted to the case we are concerned with.



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