

Ricardo's *Principles*, 200 Years Later

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A review of David Ricardo's enduring ideas, 200 years after the first edition of *On the Principles of Political Economy, and Taxation*.

I Introduction

David Ricardo's 1817 work, *On the Principles of Political Economy, and Taxation* (*Principles* hereafter), is a classic in economics, and revised editions were published in 1819 and 1821.¹ Unfortunately, all classics are ill-fated because they are often quoted but seldom read. Classics are revered and quotations from them adorn the walls of economics departments. Another way in which economics students learn about Ricardo is in the initial chapters of their textbooks, suggesting that these ideas were once-upon-a-time relevant, and that the current economics is an intellectual advance over Ricardo's economics. It is in this way that his comparative advantage theory, growth theory, rent theory, and tax theory have been assimilated into various textbooks.

The purpose of this article is to focus on a set of concepts in Ricardo's *Principles* which are of enduring relevance and—given the current economic situation of India—deserve immediate attention.

II A Brief Biographical Sketch

Ricardo was born on 18 April, 1772 in London. When he was 14, Ricardo started working at the stock exchange at the instance of his father. Although Ricardo did not receive a formal education, his financial gains from the stock market enabled him at the age of 25 to study subjects like mathematics, chemistry and geology. Two years later—in 1799—he accidentally came across Adam Smith's *Wealth of Nations*. This radically altered his intellectual pursuits.

The suggestion to write a book on economics came from James Mill, the father of the famous John Stuart Mill. Mill also asked Ricardo to become a member of the parliament (MP). However, Ricardo in a letter to Mill expressed his disinclination to write a book.

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