

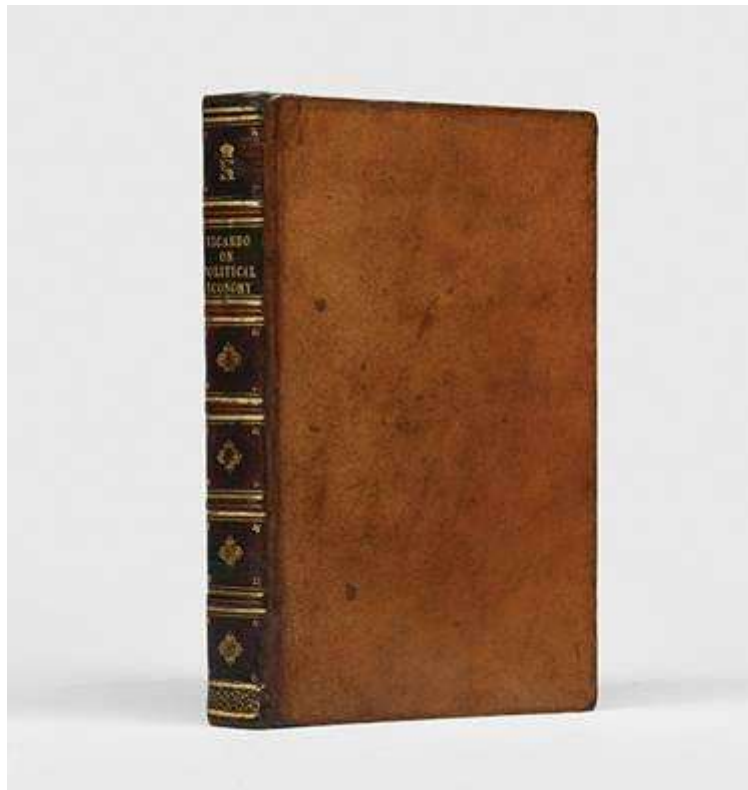
# **"On the Principles of Political Economy and Taxation" (1817 first edition) by David Ricardo: A Canonical Book:**

Curated by Stephen A Batman

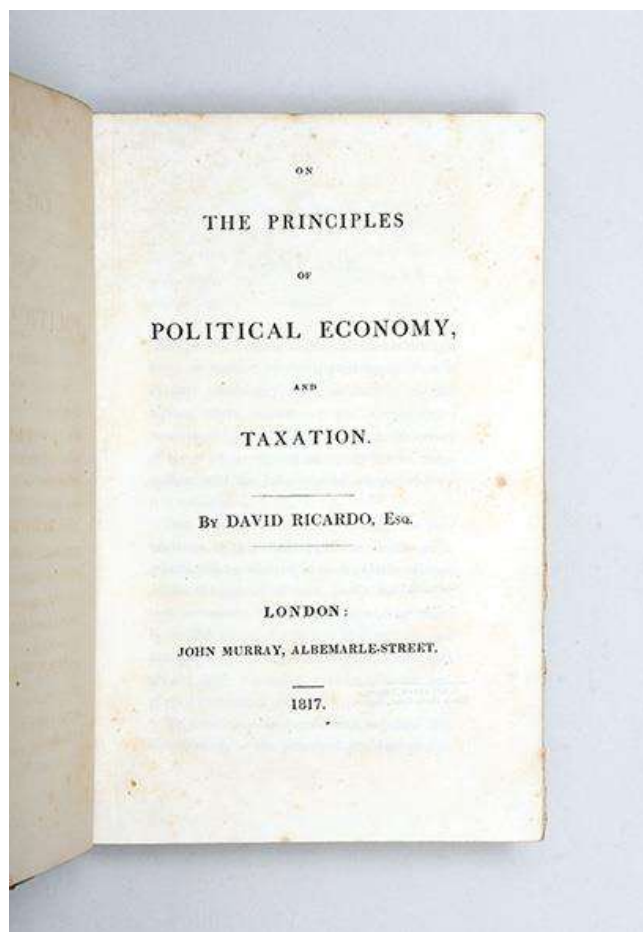
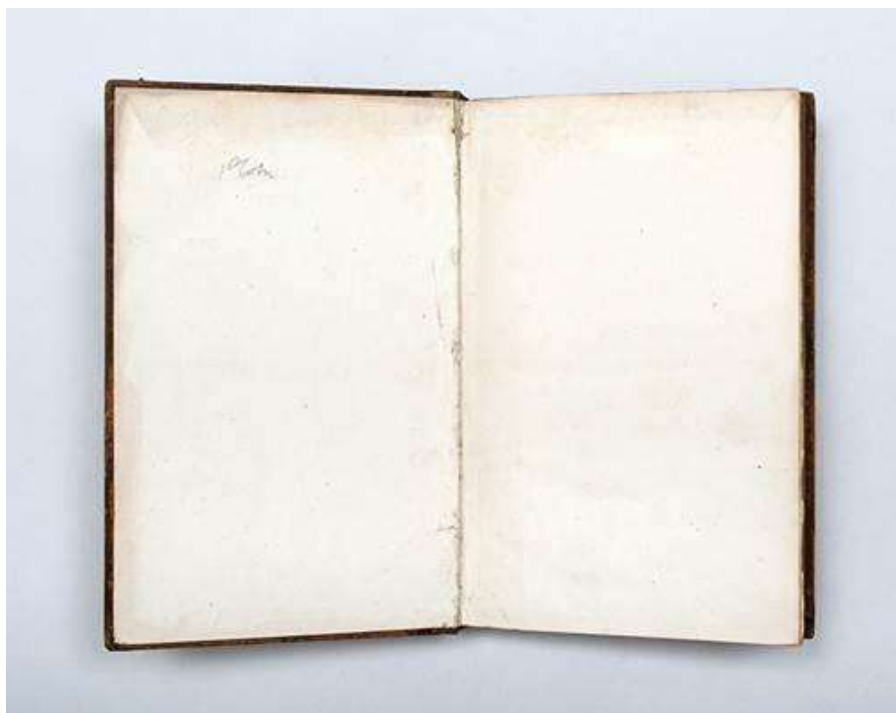
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## **Summary of this Particular Rare First Edition**

**David Ricardo, On the Principals of Political Economy and Taxation, 1817**







First edition of Ricardo's fundamental contribution to the science of economics. Ricardo is credited with the first systematic and scientific approach to economics; his exact mathematical approach and careful deductive methods provided a model for future texts in the field.

Ricardo's interest in political economy was aroused in 1799 by a chance reading of Adam Smith. While he enjoyed cordial relations with Malthus, his economic views were decidedly anti-Malthusian. In 1815 he was urged by James Mill and others to set out a systematic account of his own theories. This led to the publication of the *Principles*, the result of little more than six months sustained work on his part.

The "principal problem in political economy" as he defines it, is the "laws" which regulate "the natural course of rent, profits and wages" over time ("Preface"). However, his book covered not only those laws but also a newly developed labour theory of value, the theory of international comparative advantage, monetary theory, the influence of taxation, and strictures on the writings of his predecessors and contemporaries.

RICARDO, David. *On the Principles of Political Economy, and Taxation*. London: John Murray, 1817

Octavo (218 x 140 mm). Contemporary sprinkled calf, rebacked preserving the original spine, gilt ruled and decorated in compartments, gilt monogram stamped in upper compartment, direct lettered gilt in the second compartment, board edges decorated gilt, sprinkled edges. Neatly rebacked preserving the original spine, inner hinges repaired. One preliminary leaf very slightly proud, occasional light spotting; a very good copy.

Goldsmiths' 21734; Kress B.7029; *Printing and the Mind of Man* 277; Sraffa [5a.]

## Introduction

"On the Principles of Political Economy and Taxation" was first published on April 19, 1817, by David Ricardo, a prominent figure in classical economics[5]. This seminal work emerged during a period of significant economic and social change in Britain, following the Napoleonic Wars and amidst ongoing debates about the Corn Laws, which imposed tariffs on imported grains[5]. Ricardo's motivation for writing the book stemmed from his desire to systematize the study of economics and address what he saw as the key problem in political economy: the distribution of wealth among different classes of society[10].

The cultural and economic climate of early 19th century Britain was characterized by rapid industrialization, population growth, and debates over free trade. Ricardo's work was influenced by his friendships with other influential thinkers of the time, including James Mill, Jeremy Bentham, and Thomas Malthus[2]. The book was written in response to Adam Smith's "The Wealth of Nations" and aimed to provide a more rigorous and systematic approach to economic analysis[1].

## The Author

David Ricardo (1772-1823) was a British political economist who made significant contributions to the development of classical economics[11]. Born into a Sephardic Jewish family in London, Ricardo began his career as a successful stockbroker before turning his attention to economics after reading Adam Smith's "The Wealth of Nations" in 1799[4].

Despite lacking formal education in economics, Ricardo's analytical mind and practical experience in finance allowed him to make groundbreaking contributions to the field. He was known for his ability to think in abstract terms and develop economic models, which set him apart from his contemporaries[2].

Ricardo's work was heavily influenced by his experiences in the financial markets and his observations of the British economy during a period of rapid change. His friendship with James Mill played a crucial role in encouraging him to write and publish his economic ideas[1]. Ricardo also served as a Member of Parliament from 1819 until his death in 1823, advocating for free trade and economic reform[4].

## Why this is a Canonical Book

"On the Principles of Political Economy and Taxation" is undoubtedly a canonical book that has profoundly influenced economic thought and policy, particularly in relation to American governance, economics, and culture. There are several reasons why this work deserves its place in the canon:

First, Ricardo's Systematic approach to economics: Ricardo's book marked a significant step in the development of economics as a scientific discipline. He introduced a more rigorous, mathematical approach to economic analysis, which has become a cornerstone of modern economic thinking[2].

Second, Ricardo's Theory of comparative advantage: Ricardo's exposition of this theory provided a powerful argument for free trade, which has been influential in shaping American trade policy and its approach to international economic relations[5].

Third, Ricardo's Labor theory of value: Although later challenged, Ricardo's development of this theory laid the groundwork for subsequent economic debates and influenced later thinkers, including Karl Marx[2].

Fourth, Ricardo's Distribution of wealth: Ricardo's focus on how wealth is distributed among different classes of society (landowners, capitalists, and workers) has remained a central concern in American economic and political discourse[10].

Fifth, Ricardo's Influence on policy: Ricardo's arguments against protectionist policies, such as the Corn Laws, have had a lasting impact on debates about free trade and government intervention in the economy, which continue to be relevant in American politics[5].

Lastly, economic modeling: Ricardo's use of abstract models to explain economic phenomena has become a standard approach in modern economics, influencing how economic issues are analyzed and discussed in academic and policy circles[2].

While some of Ricardo's specific conclusions have been challenged or modified over time, the analytical framework and key concepts he introduced continue to shape economic thinking and policy debates in the United States and globally. His work has been both embraced and critiqued, stimulating ongoing discussions about the nature of economic systems and the role of government in the economy.

## Five Timeless Quotes

1. "The produce of the earth—all that is derived from its surface by the united application of labour, machinery, and capital, is divided among three classes of the community; namely, the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the labourers by whose industry it is cultivated." [10]

This quote encapsulates Ricardo's focus on the distribution of wealth among different classes in society. It remains relevant today as discussions about income inequality, wealth distribution, and the role of capital in the economy continue to be central to economic and political debates in the United States.

2. "To produce the wine in Portugal, might require only the labour of 80 men for one year, and to produce the cloth in the same country, might require the labour of 90 men for the same time. It would therefore be advantageous for her to export wine in exchange for cloth." [5]

This quote illustrates Ricardo's theory of comparative advantage, which remains a fundamental principle in international trade theory. It continues to influence discussions about trade policy, globalization, and economic specialization in the modern world.

3. "The interest of the landlords is always opposed to the interest of every other class in the community." [1]

This statement reflects Ricardo's critical view of landlords and highlights the potential conflicts of interest between different economic classes. It resonates with ongoing debates about rent-seeking behavior, economic inequality, and the role of property ownership in wealth accumulation.

4. "If wages should rise, then...profits would necessarily fall."[6]

This quote reflects Ricardo's understanding of the relationship between wages and profits, which continues to be a contentious issue in labor economics and industrial relations. It remains relevant in discussions about minimum wage policies, income distribution, and the balance between labor and capital.

5. "The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution."[1]

This statement outlines Ricardo's concept of the "iron law of wages," which, while controversial, has influenced subsequent theories of wage determination and labor market dynamics. It continues to provoke discussions about living wages, labor market equilibrium, and the factors that influence wage levels in modern economies.

## **Five Major Ideas**

### **1. Theory of Comparative Advantage**

Ricardo developed this theory to explain why countries should engage in international trade even if one country has an absolute advantage in producing all goods. He argued that countries should specialize in producing goods where they have a comparative advantage, leading to mutual benefits from trade[5]. This idea has been fundamental in shaping modern trade policies and understanding global economic relationships.

### **2. Labor Theory of Value**

Ricardo refined and expanded on Adam Smith's labor theory of value, arguing that the value of a commodity is determined by the amount of labor required for its production[2]. While this theory has been largely superseded in modern economics, it played a crucial role in the development of economic thought and influenced subsequent thinkers, including Karl Marx.

### **3. Theory of Rent**

Ricardo developed a theory of land rent that explained how the price of land and the goods produced on it were interrelated. He argued that rent arises due to differences in the fertility of land and increases as less productive land is brought into cultivation[1]. This theory contributed to the understanding of resource allocation and income distribution in agricultural economies.

#### **4. Theory of Profits**

Ricardo proposed that profits are determined by the margin of production – the difference between the output of the least productive land in use and the cost of labor. He argued that as population grows and less fertile land is cultivated, profits tend to fall, leading to a "stationary state" of the economy[6]. This idea influenced later theories of economic growth and development.

#### **5. Principles of Taxation**

Ricardo made significant contributions to the theory of taxation, arguing for a system that would minimize economic distortions. He favored taxes on land rent and luxuries over taxes on necessities or profits, as he believed the latter would hinder capital accumulation and economic growth[1]. His ideas on taxation continue to influence debates on tax policy and economic efficiency.

### **Three Major Controversies**

#### **1. Free Trade vs. Protectionism**

Ricardo's strong advocacy for free trade, based on his theory of comparative advantage, has been a source of ongoing controversy. Critics argue that his theory assumes perfect competition and factor mobility, which may not exist in the real world[12]. Some economists and policymakers contend that protectionist measures may be necessary for developing industries or maintaining national economic security, leading to ongoing debates about the benefits and drawbacks of free trade policies.

#### **2. Labor Theory of Value and Its Implications**

Ricardo's labor theory of value, while influential, has been criticized for failing to account for factors such as scarcity and subjective preferences in determining value. This theory and its implications for the distribution of wealth have been particularly controversial, with some arguing that it underestimates the role of capital and entrepreneurship in value creation[2]. The debate over the source of value in economic systems continues to influence discussions on income distribution and economic justice.

#### **3. Technological Unemployment**

Ricardo's later writings on the potential negative effects of technological change on labor have been a source of controversy. While he initially believed that technological progress would benefit all classes, he later expressed concerns about the displacement of workers by machinery[12]. This issue remains highly relevant today, with ongoing debates about the impact of automation and artificial intelligence on employment and income distribution. Ricardo's



insights into this problem continue to inform discussions about the need for policies to address technological unemployment and ensure equitable economic growth.

## **In Closing**

Civic-minded Americans should read "On the Principles of Political Economy and Taxation" by David Ricardo for several compelling reasons. Firstly, this work provides a foundational understanding of key economic concepts that continue to shape policy debates and economic thinking in the United States. Ricardo's theories on comparative advantage, rent, and distribution of wealth offer valuable insights into the workings of market economies and international trade, which are crucial for informed participation in democratic decision-making processes.

Secondly, reading Ricardo's work allows citizens to engage more critically with current economic and political discussions. Many of the issues Ricardo addressed, such as free trade, taxation, and the distribution of wealth among different classes, remain at the forefront of contemporary policy debates. Understanding the historical roots of these ideas enables citizens to better evaluate modern economic arguments and policies.

Furthermore, Ricardo's book demonstrates the power of systematic and analytical thinking in addressing complex social and economic problems. This approach to problem-solving is valuable not only in economics but in all aspects of civic engagement and policy analysis.

Lastly, by engaging with this canonical text, Americans can gain a deeper appreciation for the intellectual heritage that has shaped their nation's economic policies and institutions. This historical perspective is essential for understanding the evolution of economic thought and its impact on American society, allowing citizens to make more informed decisions about the future direction of their country's economic policies.

In conclusion, reading Ricardo's "On the Principles of Political Economy and Taxation" equips civic-minded Americans with the knowledge and analytical tools necessary for meaningful participation in the ongoing dialogue about economic policy and social justice in the United States.

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