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Ricardo, David

David Ricardo (1772–1823), political economist, pamphleteer, successful stockbroker, government loan contractor and member of Parliament, is known for his argument that capital accumulation in early nineteenth-century Britain brought inferior lands into cultivation, raising rents and lowering profits. His best known works, *An Essay on the Influence of a Low Price*

of *Corn on the Profits of Stock* (1815) and *The Principles of Political Economy and Taxation* (three editions: 1817, 1819, 1821) used this argument to recommend repeal of the Corn Laws which restricted wheat imports. He also argued against Britain leaving the gold standard in the bullionist controversy, developed a labour value analysis, defended Say's Law and originated the principle of comparative advantage.

Ricardo's methodological reputation as an economist interested in abstract models without any direct application to immediate reality dates from his parliamentary opponent Henry Brougham's caricature of Ricardo as having dropped from another planet:

his views were often, indeed, abundantly theoretical, sometimes too refined for his audience, occasionally extravagant from his propensity to follow a right principle into all of its consequences, without duly taking into account the condition of things to which he was applying it, as if a mechanic were to construct an engine without taking into account the resistance of the air in which it was to work, or the strength and the weight and the friction of the parts of which it was made. (*Works*, V: xxxiii)

The charge has often been repeated – though not by Cannan, who termed it a delusion (Cannan, 1917: 383) – and is perhaps best known from Schumpeter, who said that the Ricardian Vice was attempting to apply abstract reasoning to the solution of practical problems (Schumpeter, 1954: 473). However, the charge bears little critical scrutiny, since most of the main propositions of Ricardo's thought were closely tied to the policy disputes of his day, and in his propensity for abstract thought he hardly differs from many others in the history of economics.

Ricardo defined political economy as a science that investigated the laws regulating distribution of the social product. Whereas Smith and Malthus understood political economy as an inquiry into the nature and causes of wealth, Ricardo confined himself to an examination of the laws and tendencies that operate in economic life. To some extent, this merely involved an extension of the Smith–Malthus conception, since laws and tendencies presumably reflected cause-and-effect relationships that were thought constant and invariable. Yet it also reflected Ricardo's preference for putting aside transitory features of market economies to focus on those relationships which would prevail in the long run. Writing to Malthus in 1817, Ricardo had said: It appears to me that one great cause of our difference in opinion ... is that you have always in mind the immediate and temporary effects of particular changes – whereas I put these immediate and temporary effects quite aside, and fix my whole attention on the permanent state of things which will result from them' (*Works*, VII: 120).

What, then, did Ricardo consider as laws and tendencies? Having said that political economy concerns the laws that govern distribution, Ricardo went on to refer in his chapter on rent to 'the laws which regulate the progress of rent', as compared to 'those which regulate the progress of profits' (*ibid.*, I: 68), and then in his chapter on wages to 'the laws by which wages are regulated' (*ibid.*, I: 105). These laws of political economy further depended on certain laws of nature, particularly Malthus's population principle and the law of diminishing returns in agriculture. By characterizing the former as laws, especially in relation to natural laws upon which they depended, Ricardo clearly held that the fundamental principles governing rent, wages and profits were unchanging and permanent. In contrast, tendencies were weaker principles that reflected relationships likely to prevail in the future. They might be thought of as 'contingent predictions' as de Marchi termed them (1970: 259), that is, as states of affairs that would obtain were certain conditions to hold. Thus Ricardo spoke of the tendency of rents to rise, the

tendency of wages to fall as the necessities of life became more dear and the tendency of profits to fall.

Tendencies are stronger than empirical generalizations based on past observation, in that tendencies presuppose the existence of laws that come into play under certain conditions. This gives tendencies a special significance with respect to prediction, since the existence of laws underlying tendencies provides grounds for thinking, *contra* Hume, that the future will indeed reflect the past. The structure of Ricardo's methodological thinking, then, was to provide credibility for his policy prescriptions by basing them on an analysis of the economy's tendencies, which in turn depended on there being laws of political economy, which themselves were embedded in natural laws. The fragility of this structure was demonstrated when Ricardo added a chapter on machinery introduction to the last edition of the *Principles* that showed labour supply was not strictly a function of the Malthusian population law. If labour were replaced by machinery when wage costs rose, rents need not rise or profits fall (Davis, 1989).

Ricardo's analysis of commodity values also emphasized relationships that were constant and enduring by making the labour required to obtain commodities the principal source of their exchange value. He regarded scarcity as only a temporary influence on commodity values, and market prices as departures from long-run labour values. Utility was essential to exchange value, but not its cause. This reflected not only his preference for attention to 'the permanent state of things', but also his desire to explain social relationships in terms of their foundations in nature. Since labour value as a measure of difficulty of production reflected the relationship of humanity to nature, a commodity's labour value was its 'natural price' (*Works*, I: 88–92). This conception has been retained and defended by some neo-Ricardian thinkers (for example, Pasinetti, 1993: 19).

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Robbins, Lionel

Lionel Robbins' *Essay on the Nature and Significance of Economic Science* (1935) is the most important and influential twentieth-century work on economic methodology before Friedman. It rested on three foundations. First, in conformity with the influence on Robbins of the Austrian writers and of Wicksteed, it sought to generalize the apparatus of economics to deal with non-material, as well as material, welfare; second, it sought emphatically to separate economics from ethics and to isolate the ethical judgments which economists smuggled into economics; third, it aimed to develop an apparatus destructive of the scientific pretensions of Pigovian welfare economics

Robbins' basic position was that economics – and economists – had achieved a very great deal in a century and a half and that it was the analytical – scientific – part of economics which