

- 470-75 David Ricardo (1772-1823) biog. 470f procedure 472f analy 473f
480-83 Thomas Robert Malthus (1766-1834) bibl 480n2; contrast with Ricardo 482 f.
484-6 Nassau William Senior (1790-1864) his 1st 2nd & 4th postulates 575-88; his 3rd 638f (quoted Circ Anal p. 60.1)
554-74 Classic schema of economic process and of economic development
588-604 on value
615-25 J. B. Say's Law of Markets:
616 "Under division of labor, the only means normally available to everyone for acquiring the commodities and services he wishes to have is to produce -- or to take part in the production of -- some equivalent for them. It follows that production increases not only the supply of goods in the markets but normally also the demand for them. In this sense, it is production itself ('supply') which creates the fund from which flows the demand for its products: products are 'ultimately' paid for by products in domestic as well as in foreign trade... To have seen the theoretical implications of this is one of Say's chief performances."
617 "But it stands to reason that the particular industry's equilibrium output, the output that is neither too great nor too small, is the right output with reference to the outputs of all the other industries... In other words, demand, supply, and equilibrium are concepts with which to describe quantitative relations within the universe of commodities and services... But if we do insist on applying the terms demand and supply to social totals, we must be careful to bear in mind that they then mean something that is entirely different from what they mean in their usual acceptance. In particular, this aggregate demand and aggregate supply are not independent of each other, because the component demands 'for the output of any industry (or firm or individual) comes from the supplies of all the other industries (or firms or individuals)' and therefore will in most cases increase (in real terms) if these supplies increase and decrease if these supplies decrease. This is the proposition which (like Lerner) I call Say's Law and which I believe renders Say's fundamental meaning."
527-33 J. S. Mill (1806-73) and his Principles of Political Economy with Some of their Applications to Social Philosophy (1848). Aimed at updating of Adam Smith's Wealth. Reedited time and again, and led to a litter of textbooks since, both students and general readers experienced a need for a simpler presentations.
689 Henry Thornton (1760-1815). "His Enquiry into the Nature and Effects of the Paper Credit of Great Britain (1802) is an amazing performance... anticipated in some points the analytic developments of a century to come."

HEA RICARDO (1772-1823) [Life sketch 470 f.]

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Two other points however bear directly upon Ricardo's theory. First, Marx's contrary view notwithstanding, Ricardo's was not the mind that like Thunen's works from the clay. His method of work was essentially to take hold of the problems that the day presented to him, and to attack them by means of tools that he derived by criticism. The one is obvious at first sight from all his writings, except the Principles (where it is only less obvious). The other is obvious from the Principles. For even if we did not know that Ricardo's thought was inspired by the Wealth of Nations, which he took up in 1799, when boring himself at a health resort, we could not help seeing that the argument of the Principles starts with a criticism of A. Smith, which really runs through the whole book.

With a high degree of confidence, we may reconstruct the development of his thought so far as it was not determined by his interest -- analytic and practical -- in current events: he studied the Wealth; he was shocked at what seemed to him to be a logical muddle; he set about straightening out this muddle; and the Principles was the ultimate result of this work of creative criticism. Let us take note of this: Ricardo's theoretical structure represents a particular way of recoinning the Wealth; Malthus' theoretical structure represents another way of doing this. As a corollary, I venture to state that Ricardo owed very little to any other writer, though his later study of Say and Malthus and his discussions with both and with James Mill no doubt served to clarify his ideas -- of this more in a moment. Second, Ricardo's was not the mind that is primarily interested in either fundamentals or wide generalizations. The comprehensive vision of the universal interdependence of all the elements of the economic system that haunted Thunen probably never cost Ricardo as much as an hour's sleep. His interest was in the clear-cut result of direct practical experience. In order to get this he cut the general system to pieces, bundled up large parts of it as possible, and put them in cold storage -- so that as many things as possible should be frozen and given. He then piled one simplifying assumption upon another until, having really settled everything by these assumptions, he was left with only a few aggregative variables between which, on these assumptions, he set up simple one way relations so that// in the end, the desired results emerged almost as tautologies. For example, a famous Ricardian theory is that profits 'depend' upon the price of wheat. And under his implicit assumptions and in the particular sense in which the terms of the propositions are to be understood, this is not only true, but undeniably, in fact, trially so. It is an excellent theory and can never be refuted and lack lacks nothing save sense. The habit of applying results of this character to the solution of practical problems we shall call the Ricardian Vice.

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THE NATURE OF THEORY

HEA
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But what about his contribution (Ricardo's) to scientific economics? By far the most important was I think his gift of leadership. He refreshed and irritated. In either case he shook up. The fruits of his reasoning intrigued all the people who did not see the the mechanics I have tried to characterize above [472f].

474 ... But there was something else. Economic theory is not a stock of political recipes but, to use Mrs Joan Robinson's felicitous phrase, a box of analytic tools. And these tools are not a heap of disconnected elements but form an engine. The engine grinds out results, within wide limits, no matter what the problem fed into it. It works the same way, formally, whether the problem is the effect of a tax or of a wage policy, or of piece of regulation, or of protection and what not. Hence the engine within those limits may be constructed once for all to stand ready for use whenever needed for an indefinite variety of purposes. This has always been felt instinctively. Cantillon and the physiocrats brought the idea out into the open. But no one before Ricardo grasped it as vigorously as he did. This spelled decisive advance. But, of course, if a defective engine meets with success, that advance may easily prove to be a detour.

HEA, Capital, Roundabout theory of

- 464 f Mountifort Longfield (1802-84) was a lawyer by training and the first incumbent of the chair of political economy -- a foundation of Bishop Whately's -- at Trinity College, Dublin....
- 465 Longfield's merits may be summed up by saying that he overhauled the whole of economic theory and produced a system that would have stood up well in 1890... However, we must confine ourselves to his two original contributions. He was one of those who anticipated/Böhm Bawerk's theory (by making the 'roundabout process' the pivot of his analysis of capital).
- the essential of //
- 468f John Rae (1796-1872), not to be confused with the John Rae, the biographer of Adam Smith, a Scotsman whose intellectual refinement... and nervous sensibility made him a failure at everything he touched.... [But] one achievement, complete and workmanlike, yet of striking power, refutes the idea the reader may have conceived. The achievement happened to be in our field. In vision and originality, Rae far surpassed the economists who were successful.
- The Statement of Some New Principles on the Subject of Political Economy Exposing the Fallacies of the System of Free Trade and of Some other Doctrines Maintained in the 'Wealth of Nations' was published in Boston in 1834.
- 469 The Second Book, however, has attracted most of the attention that later economists devoted to the work. It may be called a theory of capital, conceived in unprecedented depth and breadth. To say that it presents the whole of Böhm-Bawerk's theory is to display inability to understand Böhm-Bawerk. But two corner-stones of the latter's structure -- one of them being a corner-stone of Senior's -- are in fact there: the proposition that the lengthening of the process of production (postponement) will usually increase the physical amount of final product (ch. 5) and the proposition that the 'actual presence of the object of immediate desire' will give to it in our valuation, a decisive advantage over an exactly similar object that is expected to become available at some future date, even if this expectation be perfectly certain.
- 846 Böhm-Bawerk.. unaware of the fact that he had been anticipated by Rae. Cf. *ibid.* n. 7.
- 638 Senior's Third Postulate reads: That the Powers of Labour, and of other instruments which produce wealth, may be indefinitely increased by using their Products as the means of further Production... [advanced beyond Ricardo on capital] .. The profit from the two-year investment will be more than twice the profit from two successive one-year investments of the same quantity of (say) labor, because the productive power of this labor, hence its product, is increased if the product of the first year be used as 'the means of further production in the second year.
- Senior and Böhm-Bawerk: The relation that exists on this point between Senior and Böhm-Bawerk if we observe that using a product as a means of further production might well be called using it in a 'roundabout' way. The only difference is that Senior confined himself to stating that the productive power of labor is indefinitely increased by using it in that way, whereas Böhm-Bawerk added the hypothesis that the rate of increase decreases as the 'length' of the productive process increases.
- 902-9 Jevons & Böhm-Bawerk
- 899 Menger at first defined capital as goods of higher order, later as productive property considered as a sum of money productively used