



DAVID RICARDO: LIFE, ORIGINAL IDEAS AND THE GREEK TRANSLATIONS OF HIS WORKS

Manolis Spathis
m.spathis@hotmail.com

David Ricardo was born in 1772 in London. His family was rich and his father was a banker. David Ricardo's relations with his family were deeply hurt when he was baptized Christian while his family were Jewish. Before his 25th year of age, Ricardo already had the reputation of a millionaire and a great banker. After he had accumulate a satisfying fortune he was not interested in stock market that much. In his mid 20s he had a complete shift in his lifestyle, he dropped the stock market, bought a piece of land and got occupied educating himself. He studied math and physics, he even built a laboratory and collected stones.

A couple later he had already been impressed and inspired by Adam Smith's book *An Inquiry into the Nature and Causes of the Wealth of Nations*. This was a period of great turbulence and instability for the British economy due to the long-lasting war with France. This fact boosted the discussion over economics and caused a great deal of tensions between the people affected by the rapid devaluation of the banknotes and the skyrocketing of grain prices.

In 1809, ten years after Ricardo's initial decision to engage with economics, he published a brochure under the title *On the High Price of Bullion*, introducing a quantitative theory of money and suggesting the withdrawal of a certain amount of money in order to restore its value compared to gold.

In the years that followed he published a series of texts regarding currency issues. *An Essay on the Influence of a Low Price of Corn on the Profits of Stock* was published in 1815. In this work Ricardo supports the industry owner class against the landlords, advocating that the conflict between the interests of the two groups should be resolved in favor of the industry owners. Two years later Ricardo published his classic work *Principals of Political Economy and Taxation*. The book is mainly consisted of practical advices and research about taxation, but the few chapters on theory were enough to place Ricardo among the greatest economists of all times.



David Ricardo used to host in his own house open talk nights on issues of political economy. By 1821 these nights had evolved into the Political Economy Club of London, which would survive for 25 years.

THEORY OF VALUE

Ricardo as we have already stated above was fascinated by *An Inquiry into the Nature and Causes of the Wealth of Nations* so as we can expect he elaborated and improved Smith's ideas.

David Ricardo managed to resolve most of Smith's contradictions on the issue of the value of labor. He rejected the idea of an unchangeable standard, able to be compared and thus calculate the amount of the value of labor on something. While Adam Smith believed that the law of value was not strong in the capitalist economy as it was in a simple economy of exchange, Ricardo put all of his effort to prove that the law of value was strong even with the presence of profits.

ANNUITY LAND CHARGE (RENT)

This is, beyond any doubt, the brightest of Ricardo's contributions in economic thought. We could say that he resolved the problem once and for all, since his theory for the annuity land charge is still strong and accepted by the majority of the economists. Ricardo's first thesis on the matter was that the annuity land charge does not come from the special productivity of agricultural economy, rather than the worsening of the circumstances under whom the agricultural labor is spent, or the dislocation of the production from a piece of land of high quality towards a piece of land with lower quality. The value of the grain is affected by the higher amount of labor spent to grow the crop on a poorer soil. So annuity land charge is the deduction of the prices of the expensive grain that were grown in the low quality soil minus the inexpensive ones that were produced in the high quality land.

OTHER IDEAS OF D. RICARDO

Another idea associated with Ricardo is Ricardian equivalence, an argument suggesting that in some circumstances a government's choice of how to pay for its spending might have no effect on the economy. Ricardo notes that the proposition is theoretically implied in the presence of intertemporal optimisation by rational tax-payers: but that since tax-payers do not act so rationally, the proposition fails to be true in practice. Thus, while the proposition bears his name, he does not seem to have believed it. Economist Robert Barro is responsible for its modern prominence.



Between 1500 and 1750 most economists advocated Mercantilism which promoted the idea of international trade for the purpose of a nation gaining riches by running a trade surplus. Ricardo challenged the idea that the purpose of trade was to accumulate gold or silver. With "comparative advantage" he argued in favour of specialisation and free trade among countries. He argued there is mutual benefit from international trade even if one party is more competitive in every possible area than its trading counterpart and that a nation should concentrate on sectors where it had a comparative advantage while engaging in international trade in order to acquire those products in which it does not have a comparative advantage.

Ricardo's theory of comparative advantage attempted to prove, using a simple numerical example, that international trade is always beneficial, even when it does not lead to a trade surplus. Paul Samuelson called the numbers used in Ricardo's numerical example involving trade between England and Portugal the "four magic numbers". "In spite of the fact that Portuguese could produce both cloth and wine with less amount of labor, Ricardo showed that *theoretically* both countries benefit from trade with each other."

Joan Robinson subsequently pointed out that, as a result of its opening up to free trade with England, Portugal endured centuries of economic underdevelopment: "the imposition of free trade on Portugal killed off a promising textile industry and left her with a slow-growing export market for wine, while for England, exports of cotton cloth led to accumulation, mechanisation and the whole spiralling growth of the industrial revolution".

DAVID RICARDO IN GREECE

Ricardo's first translations into Greek appeared during the 1930's, more than 100 years after the publication of *Principals of Political Economy and Taxation*, and they were part of the first systematic attempt to introduce the Greek readers to what was already classic and part of the history of economic thought. A Greek translation of *Principals of Political Economy and Taxation* was printed for the first time in 1938 in Athens. The translation was made by N. Konstantinidis for "Govostis" publications.

The main reason for the impressively huge delay of David Ricardo's translation is that during the 19th century, economic texts were translated almost exclusively from French prototypes. French scholars (and France in general) were highly respected among Greeks, so their books were preferred as source texts in order to be translated. The ideas of Ricardo though were already popular in France, where several textbooks simplifying economical thought were circulating. This kind of books was of the first economic texts translated into Greek.



REFERENCES

Sraffa, Piero, David Ricardo (1955), The Works and Correspondence of David Ricardo: Volume 10, Biographical Miscellany, Cambridge, UK: Cambridge University Press

Roberts, Paul Craig (2003-08-28), "The Trade Question", Washington Times

Ricardo, David (1817) On the Principles of Political Economy and Taxation. Piero Sraffa (Ed.) Works and Correspondence of David Ricardo, Volume I, Cambridge University Press, 1951

Samuelson, Paul A. (1972), "The Way of an Economist." Reprinted in The Collected Papers of Paul A. Samuelson. Ed. R. C. Merton. Cambridge: Cambridge MIT Press

John Kenneth Galbraith, Economics in Perspective, Houghton Mifflin, 1987

Schumpeter, History of Economic Analysis, (published posthumously, ed. Elisabeth Boody Schumpeter), 1954.

Sraffa, Piero 1960, Production of Commodities by Means of Commodities: Prelude to a Critique of Economic Theory. Cambridge University Press.

Michalis Psalidopoulos, Politiki Ekonomia kai ellines dianoooumeni [Political Economy and Greek intellectuals], Tipothito, Athens 1999