



# On the Principles of Political Economy and Taxation

By David Ricardo

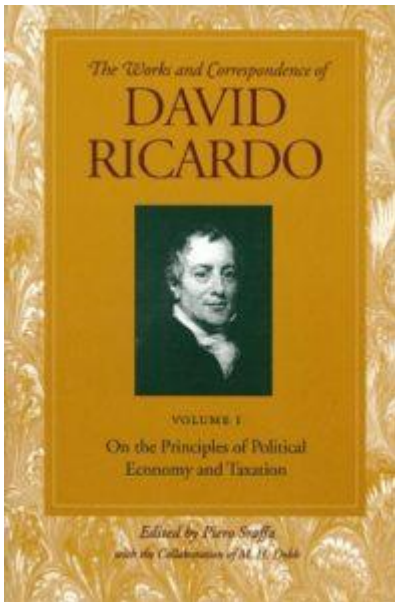
Ricardo's book,

*On the Principles of Political Economy and Taxation*, was first published in 1817 (London: John Murray, Albemarle-Street), with second and third editions in quick succession. We present Ricardo's final revision, the third edition, published in 1821, here. The three different editions encompassed several substantive changes in the development of Ricardo's ideas. A comprehensive, readable comparison of the three editions can be found

*Works of David Ricardo*, Vol. 1, ed. by Pierro Sraffa with the collaboration of M. H. Dobb, Cambridge: Cambridge University Press, 1951. We are indebted to this fine work and have relied on it to correct occasional typographical misprints in the 1821 edition. Minor editorial modifications in this edition are: removing periods after the roman numerals designating kings and "per cent." We have also substituted modern £ symbol for the historical *l.* and added commas in numbers greater than 1,000. Editor

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## PREFACE

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.

But in different stages of society, the proportions of the whole produce of the earth which will be allotted to each of these classes, under the names of rent, profit, and wages, will be essentially different; depending mainly on the actual fertility of the soil, on the accumulation of capital and population, and on the skill, ingenuity, and instruments employed in agriculture.

To determine the laws which regulate this distribution, is the principal problem in Political Economy: much as the science has been improved by the writings of Turgot, Stuart, Smith, Say, Sismondi, and others, they afford very little satisfactory information respecting the natural course of rent, profit, and wages.

In 1815, Mr. Malthus, in his "Inquiry into the Nature and Progress of Rent," and a Fellow of University College, Oxford, in his "Essay on the Application of Capital to Land," presented to the world, nearly at the same moment, the true doctrine of rent; without a knowledge of which, it is impossible to understand the effect of the progress of wealth on profits and wages, or to trace satisfactorily the influence of taxation on different classes of the community; particularly when the commodities taxed are the productions immediately derived from the surface of the earth. Adam Smith, and the other able writers to whom I have alluded, not having viewed correctly the principles of rent, have, it appears to me, overlooked many important truths, which can only be discovered after the subject of rent is thoroughly understood.

To supply this deficiency, abilities are required of a far superior cast to any possessed by the writer of the following pages; yet, after having given to this subject his best consideration—after the aid which he has derived from the works of the above-mentioned eminent writers—and after the valuable experience which a few late years, abounding in facts, have yielded to the present generation—it will not, he trusts, be deemed presumptuous in him to state his opinions on the laws of profits and wages, and on the operation of taxes. If the principles which he deems correct, should be found to be so, it will be for others, more able than himself, to trace them to all their important consequences.

The writer, in combating received opinions, has found it necessary to advert more particularly to those passages in the writings of Adam Smith from which he sees reason to differ; but he hopes it will not, on that account, be suspected that he does not, in common with all those who acknowledge the importance of the science of Political Economy, participate in the admiration which the profound work of this celebrated author so justly excites.

The same remark may be applied to the excellent works of M. Say, who not only was the first, or among the first, of continental writers, who justly appreciated and applied the principles of Smith, and who has done more than all other continental writers taken together, to recommend the principles of that enlightened and beneficial system to the nations of Europe; but who has succeeded in placing the science in a more logical, and more instructive order; and has enriched it by several discussions, original, accurate, and profound.

¶1\* The respect, however, which the author entertains for the writings of this gentleman, has not prevented him from commenting with that freedom which he thinks the interests of science require, on such passages of the "Economie Politique," as appeared at variance with his own ideas.

## Advertisement

to the  
Third Edition

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In this Edition I have endeavoured to explain more fully than in the last, my opinion on the difficult subject of VALUE, and for that purpose have made a few additions to the first chapter. I have also inserted a new chapter on the subject of MACHINERY, and on the effects of its improvement on the interests of the different classes of the State. In the chapter on the DISTINCTIVE PROPERTIES OF VALUE AND RICHES, I have examined the doctrines of M. Say on that important question, as amended in the fourth and last edition of his work. I have in the last chapter endeavoured to place in a stronger point of view than before, the doctrine of the ability of a country to pay additional money taxes, although the aggregate money value of the mass of its commodities should fall, in consequence either of the diminished quantity of labour required to produce its corn at home, by improvements in its husbandry, or from its obtaining a part of its corn at a cheaper price from abroad, by means of the exportation of its manufactured commodities. This consideration is of great importance, as it regards the question of the policy of leaving unrestricted the importation of foreign corn, particularly in a country burthened with a heavy fixed money taxation, the consequence of an immense National Debt. I have endeavoured to shew, that the ability to pay taxes, depends, not on the gross money value of the mass of commodities, nor on the net money value of the revenues of capitalists and landlords, but on the money value of each man's revenue, compared to the money value of the commodities which he usually consumes.

*March 26, 1821.*

1.

Chapter xv, part i. "Des Débouchés," contains, in particular, some very important principles, which I believe were first explained by this distinguished writer.

2.

Book i, chap. 5.

3.

"But though labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly

estimated. It is often difficult to ascertain the proportion between two different quantities of labour. The time spent in two different sorts of work will not always alone determine this proportion. The different degrees of hardship endured, and of ingenuity exercised, must likewise be taken into account. There may be more labour in an hour's hard work, than in two hours easy business; or, in an hour's application to a trade which it costs ten years' labour to learn, than in a month's industry at an ordinary and obvious employment. But it is not easy to find any accurate measure, either of hardship or ingenuity. In exchanging, indeed, the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and bargaining of the market, according to that sort of rough equality, which though not exact, is sufficient for carrying on the business of common life."—*Wealth of Nations*, book i, chap 10. [Actual quote is from book i, chap v.]

4.

*Wealth of Nations*, book i, chap. 10.

\*

Editorial note: the £ symbol is substituted for /. throughout in the text.

5.

A division not essential, and in which the line of demarcation cannot be accurately drawn.

6.

We here see why it is that old countries are constantly impelled to employ machinery, and new countries to employ labour. With every difficulty of providing for the maintenance of men, labour necessarily rises, and with every rise in the price of labour, new temptations are offered to the use of machinery. This difficulty of providing for the maintenance of men is in constant operation in old countries, in new ones a very great increase in the population may take place without the least rise in the wages of labour. It may be as easy to provide for the 7th, 8th, and 9th million of men as for the 2d, 3d, and 4th.

7.

Mr. Malthus remarks on this doctrine, "We have the power indeed, arbitrarily to call the labour which has been employed upon a commodity its real value, but in so doing, we use words in a different sense from that in which they are customarily used; we confound at once the very important distinction between

*cost* and *value*; and render it almost impossible to explain with clearness, the main stimulus to the production of wealth, which in fact depends upon this distinction.”

Mr. Malthus appears to think that it is a part of my doctrine, that the cost and value of a thing should be the same;—it is, if he means by cost, “cost of production” including profits. In the above passage, this is what he does not mean, and therefore he has not clearly understood me.

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The text of the first and second editions contain an appendix to Chapter 1 with additional comparative statics discussions. Ricardo omitted this appendix in the third edition.

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