

The Lasting Influence of Ricardo

As a rigorous theorist, Ricardo is obviously Adam Smith's superior. On the other hand, the *Wealth of Nations* contains more in the way of substantive generalizations on the workings of economic systems than does Ricardo's *Principles*, more, perhaps, than any other 19th-century treatise, with the exception of Marshall's *Principles*. If the problem of economics is the allocation of limited means among unlimited competing ends, then Adam Smith contributed more to economics than did Ricardo—the only place where Ricardo addressed himself specifically to the allocation problems is in the chapter on foreign trade, but here, at any rate, he saw further and deeper than did Adam Smith. If the problem of economics is growth and development, as is sometimes said, there is again more in Smith than in Ricardo. But if economics is essentially an engine of analysis, a method of thinking rather than a body of substantive results, Ricardo literally invented the technique of economics. We may have replaced his clumsy numerical proofs by more elegant geometrical demonstrations, but most of the time we still employ a mode of reasoning that Ricardo made familiar. His gift for heroic abstractions produced one of the most impressive models, judged by its scope and practical import, in the entire history of economic theory: seizing hold of a wide range of significant problems with a simple analytical model involving only a few strategic variables, he produced dramatic conclusions oriented to policy action. In short, he was the first to master that art that brought success to Keynes in our own day. Not everyone will consider this praiseworthy. Even Schumpeter calls Ricardo's habit of applying severely simplified abstractions to the solution of practical problems 'the Ricardian Vice'. And to the Historical School and the American Institutionalists, Ricardo has always stood for everything detestable in orthodox economics.

The influence of Ricardo's treatise made itself felt almost as soon as it was published and for over half a century Ricardo dominated economic thinking in Britain. The leading periodicals and even the *Encyclopaedia Britannica* itself fell into the hands of his disciples; popular literature echoed Ricardian ideas and Parliament increasingly succumbed to Ricardian policy proposals. Although the Corn Laws were not in fact repealed until 1846, Ricardo's writings helped to make free trade a popular objective of British policy. Indeed, Ricardo had unwittingly provided the theoretical justification for the long-range solution to the growth problem which Britain actually adopted in the 19th century: she became 'the workshop of the world' and bought most of her food abroad.

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