

David Ricardo

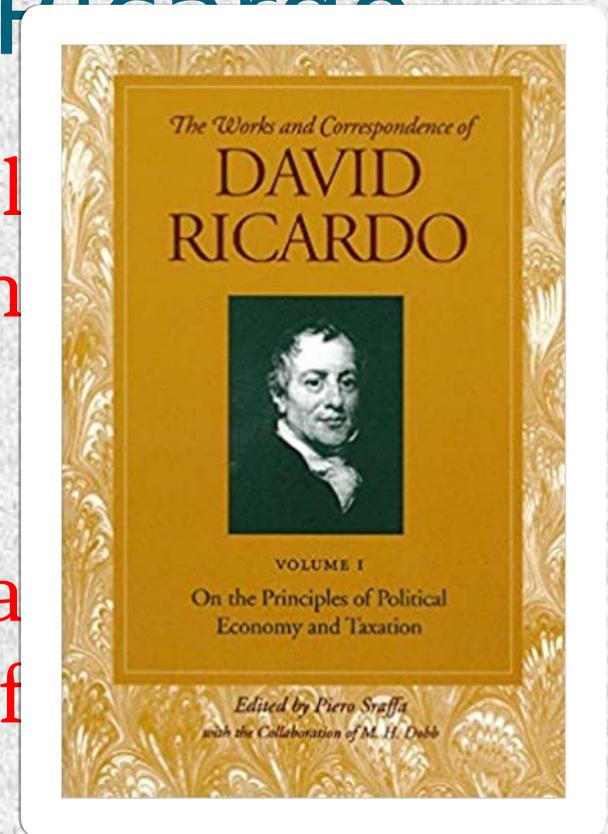
(1772-1823)



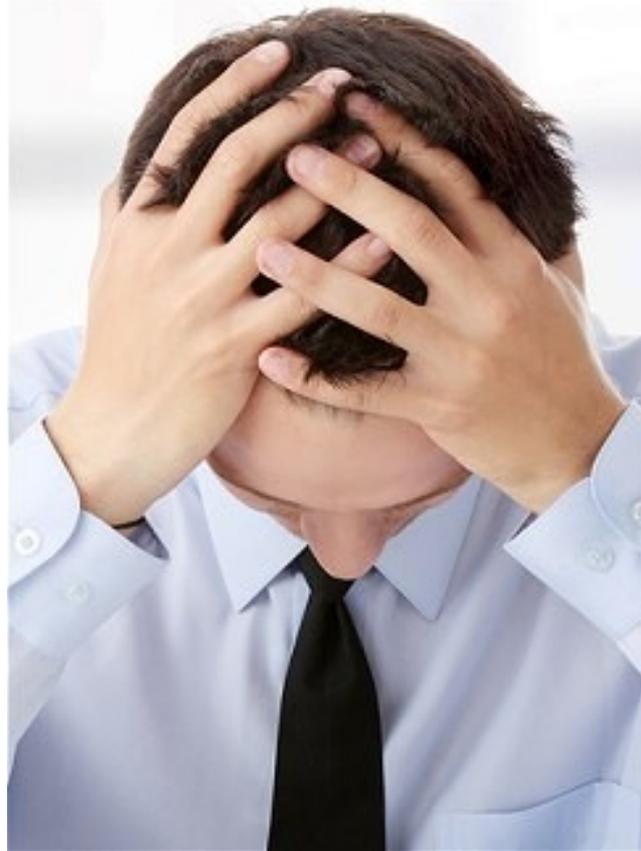
*Leader of the
Classical School*

Chief Work of David Ricardo

1. On the Principle of Political Economy and Taxation in 1810
2. The High Price of Bullion, a proof of the Depreciation of Bank Notes in 1810.



Pessimist in the History of Economic thought



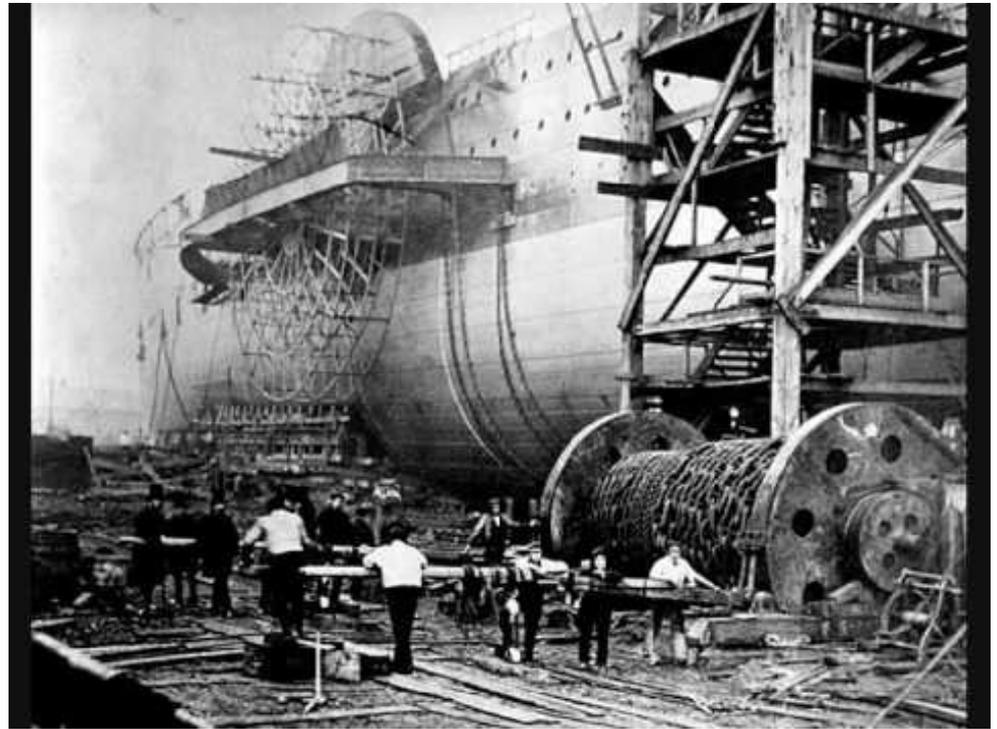
The Ricardian System:

Salient features of Ricardo's method and assumption

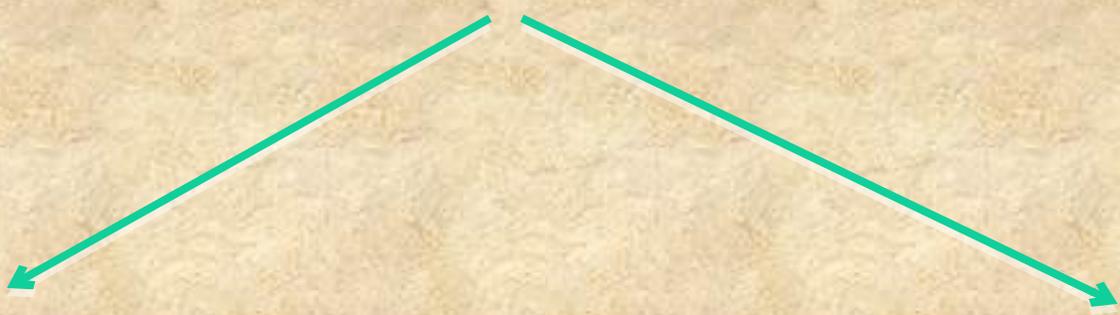
1. He was a deductive thinker. He believed in abstract logics.
2. Firm believer in the doctrine of laissez-faire.
3. Ricardo considered money as a veil.
4. He accepted more or less the labour theory of value.
5. Pessimistic Views.
6. Rent is based on the Law of Diminishing returns.

On the Scope of Political Economy:

“An Inquiry into the laws which determine the division of the produced of the industry among the classes who concur in its formation.”



Value



Value in Use

Value in Exchange

Value depends upon :

- 1) Scarcity**
- 2) Quantity of labour required to obtain them**



**Natural Price
Vs
Market Price**

Theory of Rent

“Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible power of the soil.”

Assumptions:

1. Rent is peculiar to land alone.
2. Land has some original and indestructible power.
3. Land is subject to the law of diminishing returns.
4. There is perfect competition.



The background of the slide features a dense pattern of light blue water droplets of various sizes. At the top, there are several overlapping, wavy lines in shades of blue and teal, creating a sense of movement and depth.

Implications of Ricardian Theory of Rent

WAGES

Price of Labour



Profits

Profits and Interest as one and the same



Money



The Theory of Comparative Cost

**[FIGURE 1] RICARDO'S
"COMPARATIVE
ADVANTAGE"**

Minimum Labor Hours Required for Production		
	Commodity	
	Cloth	Wine
Portugal	90	80
England	100	120

TABLE 2.3. Labour Cost of Production

Country	Labour cost per unit of commodity in man-hours	
	Commodity X	Commodity Y
A	12	10
B	16	12

Stationary State



Conclusion

*Thank
you*

