

The Economist David Ricardo

David Ricardo was born on 18 April 1772. He died on 11 September 1823. David Ricardo was a British political economist, one of the most influential of the classical economists along with Thomas Malthus, Adam Smith and James Mill. The third of 17 children of a Sephardic Jewish family of Portuguese origin who had recently relocated from the Dutch Republic, David Ricardo was born in London and grew up in the family home on Bury Street in the City of London. He may have been home-schooled until 1783, when David was sent to Amsterdam for a couple of years, staying with his uncle. Biographers have suggested that he was sent to the Talmud Torah school attached to Amsterdam's Portuguese Synagogue. At 14 David returned to London and was employed by his father at the London Stock Exchange.

In 1793, at the age of 21, Ricardo broke with his family and his orthodox Jewish faith when he decided to marry a Quaker, Priscilla Ann Wilkinson. According to Ricardo himself, the controversial marriage was the culmination rather than the cause, of a long-gestating breach.

A rationalist by inclination, Ricardo was already drifting away from Judaism and flirting with Unitarianism, a Dissenting Christian sect embraced by many leading London intellectuals. Estranged from both Jewish and Quaker communities, the young couple (Ricardo more than his wife) became attached to the Unitarian church. They lived in Lambeth, moved to Mile End and then to the West End's Grosvenor Square.

David Ricardo made his fortune as a result of speculation on the outcome of the Battle of Waterloo. The Sunday Times reported in Ricardo's obituary published on 14 September 1823, that during the Battle of Waterloo, Ricardo "netted upwards of a million sterling", a huge sum at the time. He immediately retired, and subsequently purchased Gatcombe Park, an estate in Gloucestershire.

Despite his relatively short career, at 51 Ricardo died from an infection of the middle ear that spread into the brain and induced septicaemia, and the fact that most of it was preoccupied with business affairs, Ricardo achieved a leading position among the economists of his time. His views won considerable support in England despite the abstract style in which he set them forth and in the face of heavy counterfire from his opponents. Although his ideas have long since been superseded or modified by other work and by new theoretical approaches, Ricardo retains his eminence as the thinker who first systematized economics. He also treated monetary questions and taxation at length. Writers of various persuasions drew heavily upon his ideas, including those who favoured laissez-faire capitalism and those, such as Karl Marx and Robert Owen, who opposed it.

During his stock-brokering years, Ricardo moved in various circles in London society. He was a member of the London Institution (of which Henry Thornton was also a member) and the Geological Society (one of its earliest members and trustees). He was

a member of several prominent Whig social clubs, notably King of Clubs and Brooks's, where he mingled with rising Whig luminaries like Baron Holland, Richard Sharp, and the Edinburgh Review quartet (Francis Horner, Henry Brougham, Sydney Smith and Francis Jeffrey).

Although intellectually curious, Ricardo's earliest interests were in natural sciences (esp. geology). Ricardo did not come across political economy until his late twenties, when he first read Adam Smith's *Wealth of Nations* by chance, while on vacation in Bath in 1799. Ricardo was in Parliament during the economic depression that hit Britain in 1819-21. His friend Rev. Thomas Robert Malthus had contemplated that the depression may have been caused by insufficient consumption, leading to a "general glut" -- an excess supply of all goods -- in an economy. In his works, Ricardo was a firm believer in Say's Law, which asserted the impossibility of a general glut. Production may be ill-assorted, and there may be excesses in one sector rather than another, but not an overall excess supply. Malthus and Ricardo engaged in a vigorous debate with each other over the possibility of general gluts. This is found in their extensive correspondence with each other, culminating in a series of notes Ricardo wrote on Malthus's 1820 *Principles* (these were later published posthumously as *Notes on Malthus*). Ricardo stood firm in his support of Say's Law and dismissed Malthus's underconsumption thesis as theoretically impossible. Yet, in spite of their disagreements on economic doctrines, Ricardo and Malthus took to each other personally and fostered a legendary friendship. Ricardo even passed on investment tips to Malthus -- the most famous case being when Ricardo urged Malthus to invest in the bond market in anticipation of a British victory at Waterloo in 1815. Ever the conservative parson, Malthus declined. Ricardo, as usual, made a killing.

With his 1817 treatise, Ricardo took economics to an unprecedented degree of theoretical sophistication. He formalized the Classical system more clearly and consistently than anyone before had done. For his efforts, Ricardo acquired a substantial following in Great Britain and elsewhere -- what became known as the "Classical" or "Ricardian" School. His system, however, was improved very little by his disciples. Arguably, only John Stuart Mill (1848) and Karl Marx (1867-94) added new insights of any great weight.

Ricardo's theory was dominant through much of the 19th Century and The "Neo-Ricardian" research program continues to advance today.

Wikipedia contributors. (2022, February 13). David Ricardo. In *Wikipedia, The Free Encyclopedia*. Retrieved 09:33, March 10, 2022

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