

## David Ricardo – First Principle

Dear reader,

As we approach the bicentennial anniversary of Ricardo's day of death, I would like to draw your special attention to a reappraisal of the first principle David Ricardo set forth in his *Principles*. I would really like to pay tribute to him with that reappraisal.

As a student I was already convinced of the correctness of this principle, which is based on the idea that only labour is indispensable in the production of commodities, and that only the quantity of labour, directly and/or indirectly necessary for their production, determines their real value. I also agree with Ricardo that it is of 'utmost importance' to determine which commodities change in terms of the quantity of labour required to produce them. However, in his search for an invariable measure to determine this, Ricardo became confused by the fact that there is no commodity that could play that role because the exchange value of any commodity is subject to changes in the distribution of income.

By carefully analysing his disagreement with Adam Smith and Thomas Malthus, I arrived at a solution to Ricardo's problem based on a reinterpretation of Smith and Malthus. The attached paper reports on this.

In the twofold valuation method that I had in mind some fifty years ago, the use of actual, which means fluctuating market prices, is, as it were, averaged out so that only the actual changes in the quantities of labour directly and indirectly required for their production become visible. At that time I thought I lacked the mathematical skills to work things out properly. But recently I managed to do it. However, I must emphasize that only changes in required labour become visible, not the quantity of the labour bestowed on each commodity.

The paper shows that the consequences for economic science can be significant. It also refers to the paper *Oligopolistic Competition and Economic Development* I presented at the EEA-ESEM conference of 1996 in Istanbul. Below you find a link to a revised version of that paper in addition to the Excel file *Measuring technical change* and its accompanying manual.

Yours sincerely,

Adrian Moons