

Why did Ricardo believe that Growth Theory is “Vain and Delusive”?

David Andrews
Hamilton College, USA

In a passage which became famous after having been cited by Keynes in the *General Theory*, David Ricardo wrote:

Political Economy you think is an enquiry into the nature and causes of wealth – I think it should rather be called an enquiry into the laws which determine the division of the produce of industry amongst the classes who concur in its formation. *No law can be laid down respecting quantity, but a tolerably correct one can be laid down respecting proportions. Every day I am more satisfied that the former enquiry is vain and delusive*, and the latter only the true objects of the science (letter of 9 October 1820, cited by Keynes, 1973, p. 4, emphasis added; Ricardo, 1952, VIII, pp. 278- 279).

Keynes interprets this as meaning that: “Ricardo expressly repudiated any interest in the amount of the national dividend, as distinct from its distribution” (Keynes, 1973, p. 4). But this is obviously misleading, as it was not simply a question of Ricardo’s “interest”; Ricardo evidently rejected the pursuit of a quantitative theory of the determination of the quantity of output on scientific grounds.

Ricardo nowhere in his writings explains the reasons for this judgment and it has largely been ignored, even in the literature on Ricardian growth theory.

This paper first explores Ricardo’s assertion in the context in which it appears, i.e., the letter to Malthus. Next it contrasts the position taken in the passage cited above with Ricardo’s use of “progress” to describe what today we might call economic growth. Then the paper examines the opinions on this passage of the various commentators on Ricardo who have bothered to address it. The paper proceeds to suggest an interpretation of the passage, arguing that Ricardo took this view on the basis of the difficulties he encountered in his search for an invariable standard of value. Finally, the paper examines the implications of this interpretation for modern interpretations of the classical theory of growth.