

David Ricardo and His Funding System in Chapter 29 of the *Principles of Political Economy, and Taxation*

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This paper examines David Ricardo's motive for writing Chapter 29, "A Tax Paid by a Producer," of his *Principles of Political Economy, and Taxation*. In this chapter, he mainly criticizes the disadvantages attending "the advanced tax" paid by a producer to the government in the second edition of Jean-Baptiste Say's *Traité d'économie politique*. Why did Ricardo write about this? This interesting theme has not been sufficiently addressed to answer this question until now. Therefore, to provide a hypothetical answer to this question, we indicate the relation between Ricardo's views in Chapter 29 and the logic of the famous Ricardian (non)equivalence theorem. In the logic of this theorem, the theoretical equivalence between tax and national debt is considered to be significantly important because it reveals the existence of a "debt illusion" among people in the real world. Therefore, maintaining the relation between tax and national debt is essential for the logic to show that the most optimal way of financing government revenue is tax finance. However, according to our analysis, the theoretical equivalence between the two means is also supposed to exist in Chapter 29; moreover, this conclusion could not be drawn from Say's argument regarding "the advanced tax." However, we are aware that if we compare tax and national debt based on proper assumptions, Say's argument of "the advanced tax" would be theoretically incorrect. Therefore, this paper states that Ricardo wrote Chapter 29 as an addendum to Chapter 17 and attempted to correct Say's error, thus retaining the theoretical equivalence between tax and national debt.