

## Chapter 5

# From population to political economy

Malthus's interest in population had its origins in a dispute over perfectibilism and the moral and political consequences of inequality and mass poverty, but he was quickly drawn into the ambit of Adam Smith's wider speculations on the wealth of nations—those questions of economic circulation, growth, and stability which were to remain central to classical political economy until the last third of the 19th century. On all these matters Malthus was to sustain a distinctive, sometimes isolated, position; and as a result of the way in which he entered this domain, namely in the course of an inquiry into the relationship between increased food production and population growth, there was always an aspect of his thinking which will have to be loosely described for the moment as an agrarian bias.

As population theorist he was, after all, as much concerned with the possibilities (and difficulties) of expanding food production as with containing population growth; and his supposition that once land had become scarce food production could only expand at an arithmetic rate implied a version of what became known as the law of diminishing returns—an empirical or historical generalization thought to have special relevance to agriculture, which could be extrapolated into the future under

certain assumptions about technical change and improvements in agricultural organization. Malthus's name was to become as closely associated with this law or tendency as any other contemporary political economist; and his writings are replete with references to the peculiarities of agricultural production and the special difficulties under which it operated in attempting to absorb investment and respond to market stimuli.

But the starkness of the contrast between the arithmetic and geometric ratios of food and population, though useful in dramatizing the operation of checks and limits, tends to conceal another important feature of Malthus's thinking on all subjects: his 'doctrine of proportions', the search for *optimal* conditions or relationships, that 'golden mean' or precise balance of forces which would produce the best result under changing circumstances. Malthus expressed this concern in such homely analogies as that involving the hare and the tortoise, but he put it more precisely when he called upon his knowledge acquired as a Cambridge mathematician of calculus or the theory of fluxions: 'Many of the questions both in morals and politics seem to be of the nature of the problems *de maximis et minimis* in Fluxions; in which there is always a point where a certain effect is the greatest, while on the other side of the point it gradually diminishes.' Such an approach required distrust of solutions which appeared to depend on unidirectional change in any single variable. As he put it in another homely expression, 'there is no argument so frequently and obviously fallacious as that which infers that what is good to a certain extent is good to any extent'.

Thus, while much of the polemical force of Malthus's first *Essay* derived from its emphasis on the crude physical limits posed by food supplies, it soon became apparent that the problems of agricultural production were intimately bound up with the other variables that underlay economic growth, notably capital accumulation, the relationship between agriculture, manufacturing, and foreign trade, and the connections between rents, profits, wages, and the prices of goods and services. In moving from population theory to political economy, therefore, Malthus moved from the optimal relationship between food and population growth over time to a larger question involving the most desirable course that economic growth and the occupational pattern of the British economy should take.

While this describes the broad direction taken, it does not capture some of the special features of Malthus's approach. It may not be surprising to find

that the systematic theories of morals and politics which he deployed in dealing with population were carried over into his contributions to the narrower and, as Malthus saw it, subordinate field of political economy, though his practice in this regard was increasingly out of tune with that of many of his fellow economists. Malthus was also more persistent in following Smith's example in attempting to place his interpretation of British economic problems against a comparative-historical background which brings out the plural emphasis of any inquiry into the wealth of nations. Furthermore, he remained closer to the political and cultural themes expounded by Smith in his historical treatment 'of the different progress of opulence in different nations' which dealt with the mutual interaction of town and country, manufacturing and agriculture, showing it to be essential not simply to economic growth but to the 'silent revolution' which had overthrown feudal society in Western Europe, and which had placed liberty, defined as security under the rule of law and the disappearance of dependent relations between individuals and ranks, within the grasp of the majority for the first time.

Again, Malthus's attachment to these wider features of 18th-century debate on the origins of modern commercial or civil society, these attempts to establish the connections between commerce, 'luxury', and manufacturing on one side, and liberty, independence, national power, and political stability on the other, was also increasingly uncommon among his contemporaries. Such features formed part of a general inquiry into the benefits and drawbacks of modern civilized society when compared with its agrarian or feudal predecessors; and while improvement or progress provided an underlying motif, this did not rule out concern with possible 'seeds of decay'—sources of potential stagnation and decline. As political economy became more closely focused on the urgent, often short-term problems plaguing British policymakers during the first quarter of the 19th century, such matters came to be seen, perhaps, as irrelevant or unproblematic by the new generation of economic commentators. This was never Malthus's position.

The sources and meaning of Malthus's agrarian bias are usually sought in more obvious places. In the course of developing his mature position, Malthus sometimes appeared to be questioning Smith's dismissal of those ideas, normally associated with his French predecessors, the *Économistes* or Physiocrats, which gave priority or special prominence to agriculture as the source of a nation's wealth and power. Malthus certainly returned to

some of the issues which had featured in Smith's modifications to the Physiocratic conception of the relationship between agriculture, commerce, and manufacturing in the process of circular economic flow and growth. Smith had replied to the Physiocratic emphasis on the uniquely 'productive' qualities of agriculture by extending the term to cover all activities, including commerce and manufacturing, in which labour was employed productively by capital. The return on capital—interest and profits—thereby became, like rent, a source of economic surplus potentially available for future accumulation and economic growth. Malthus had no quarrel with this conclusion, but he did entertain serious doubts about Smith's stress on the universal benefits and self-regulating qualities of the process of capital accumulation, especially when the notion of the invisible hand was taken up in more doctrinaire form by other followers of Smith.

The most obvious mark of Malthus's agrarian sympathies, however, is normally taken to be his support for the Corn Laws, his defence of agricultural protection as a legitimate exception to the principles of free trade. In the eyes of many of his readers, even some of his friends, this established his reputation as an apologist for agricultural interests, especially those of the landowning aristocracy. This reputation was compounded later when he maintained, on the basis of his theory of effective demand, that the 'unproductive' expenditure of those in receipt of rent incomes might be necessary to sustain full employment and economic stability. The elements were thereby assembled for a portrait of Malthus as the ideological spokesman for an agrarian order increasingly under threat from industrialization and free trade.

The precise nature of Malthus's agrarian bias, and the way in which he developed his position, will be considered here. The story begins with a pair of chapters in the first *Essay* (16 and 17) which were enlarged to four and later six chapters in subsequent editions (Book III 8–13). These comprise a self-contained treatise on the optimal relationship between agriculture and manufacturing under different national circumstances; and they provide important clues to the final position adopted by Malthus on a number of key topics in political economy. They also furnish the background to his controversial decision to come out more firmly and publicly in favour of agricultural protection in 1815.

# Agriculture versus manufacturing

In the first *Essay* Malthus employed the self-interest principle and Smith's system of natural liberty to counter Godwin's utopian ideas, but he was not prepared to endorse Smith's optimistic views on the consequences of economic growth. Indeed, his initial foray into this territory consisted of a major attack on one of Smith's main conclusions—the idea that capital accumulation, in itself, could always be presumed to confer material benefits on society at large. According to Smith, these would accrue chiefly in the form of an expanding demand for labour, higher money wages, increased per capita output, and lower prices of those goods on which wages were mostly spent. Malthus questioned this essentially smooth account of the growth process by taking a polar case in which capital accumulation was applied solely to the employment of labour in manufacturing. While this might raise wages and be counted, on Smith's definition, as an increase in annual riches, the output of agricultural products would remain static. In such circumstances the rise of wages would be accompanied by an increase in the price of food, the main wage good, thereby depriving the labouring classes of any improvement in real living standards.

Malthus was also casting doubt on Smith's interpretation of the historical record, his assessment that economic growth in Britain since the revolution of 1688 had bettered the condition of the mass of society. According to Malthus, the concentration of investment in trade and manufacturing had meant that wealth had been increasing faster than 'the effectual funds for the maintenance of labour'. Wealth was not, therefore, increasing the happiness of the mass by improving their condition. 'They have not, I believe, a greater command of the necessaries and conveniences of life; and a much greater proportion of them, than at the period of the revolution, is employed in manufactures, and crowded together in close and unwholesome rooms.' Hence his belief, in 1798, that population had been increasing very slowly throughout the 18th century due to the equally slow increase in domestic food production. The rise in money wages had preceded the rise in the price of food, thereby raising costs ahead of revenues and impairing the ability of domestic agriculture to respond to the price rise. Enclosure and other improvements in agricultural technology had mostly been concentrated on grazing rather than arable wheat production, and fewer people were now employed on the land. In

short, population would have increased faster if manufacturing and commerce had not expanded so rapidly at the expense of agriculture.

By means of such arguments Malthus sought to emphasize the possibilities of conflict between economic growth and the ‘happiness and comfort of the lower orders of society’. Real wages might not increase and many wage-earners might suffer in the process of exchanging a stable and healthy form of life in agriculture for an ‘unwholesome’ existence in manufacturing occupations and towns, where they were exposed to the risks of vice and unhealthy surroundings as well as to greater uncertainties ‘arising from the capricious taste of man, the accidents of war, and other causes’. As Malthus said of manufacturing occupations in the first *Essay*, ‘I do not reckon myself a very determined friend to them’, and while he became distinctly friendlier towards them over time, this was a case where the conclusions of his science of morals took precedence over the science of wealth narrowly conceived. If vice and misery could be reduced by slowing down the growth of manufacturing, this should be made part of the moral calculus, even if it entailed lower per capita incomes on aggregate.

Malthus was proposing a major qualification to Smith’s system of natural liberty, and doing so along lines that supported the Physiocratic conclusion concerning the priority, or especially ‘productive’ qualities, of food production. The chain of reasoning which he employed, however, was his own. He was suggesting that while investment in manufacturing might be advantageous to individual capitalists, it was less so to society—the reverse being true of agriculture. This opened up the possibility of socially beneficial intervention by the government, though in the first *Essay* Malthus did not spell out what form this might take, apart from some hints that ‘superior encouragement’ had been given to commerce and manufacturing.

It is important, however, not to confuse Malthus’s emphasis on the priority of agriculture and what would now be called the ‘social’ costs of industrialization with the position adopted by, say, his ‘romantic’ critics, Coleridge and Southey, who despised the commercial spirit of the age and entertained both feudal and bucolic visions. The social costs might be remediable (Malthus certainly noted improvements on this front in later writings), and the balance between agriculture and manufacturing might also, with greater difficulty, be adjusted in the right direction. Moreover,

as a good Whig, albeit one with ‘Country’ sympathies which emphasized the beneficial oppositional role played by ‘independent country gentlemen’, Malthus was as conscious of the wider social and political benefits associated with the rise of commerce and manufacturing as Smith had been earlier:

Yet though the condition of the individual employed in common manufacturing labour is not by any means desirable, most of the effects of manufactures and commerce on the general state of society are in the highest degree beneficial. They infuse fresh life and activity into all classes of the state, afford opportunities for the inferior orders to rise by personal merit and exertion, and stimulate the higher orders to depend for distinction upon other grounds than mere rank and riches. They excite invention, encourage science and the useful arts, spread intelligence and spirit, inspire taste for conveniences and comforts among the labouring classes; and, above all, give a new and happier structure to society, by increasing the proportion of the middle classes, that body on which the liberty, public spirit and good government of every country must mainly depend.

In the second and subsequent editions of the *Essay* Malthus’s position on agriculture versus manufacturing underwent considerable development—so much so that he entertained the notion of publishing as a separate work the six chapters on the subject which eventually appeared in the 1817 edition. The flirtations with Physiocratic categories and definitions introduced in 1798 and extended in 1803 were largely excised three years later. But an expanded treatment was given to the comparative and historical dimensions of the issue in order to focus on the peculiarities of a ‘large landed nation’, such as Britain, experiencing a rapid shift towards commerce and manufacturing under conditions of war. Many of the negative remarks on manufacturing occupations were qualified or withdrawn, but Malthus made an additional effort to articulate his anxieties concerning possible sources of long-term stagnation arising out of the course on which the British economy was now fully embarked. Finally, the policy implications of his position, particularly with regard to agricultural protection, were spelled out more openly.

In 1798 Malthus was inclined to believe that population had been rising very slowly throughout the 18th century. The census evidence which became available after 1801 made it necessary for him to recognize that population was rising quite rapidly. He also had to come to terms with the evidence that Britain had not only ceased to be a net exporter of grain products but was on the verge of becoming a consistent net importer—a

situation fraught with both short- and long-term dangers, especially under conditions of war. Indeed, the fact that Britain was almost continually at war with France until 1815 was a major consideration in Malthus's thinking. Napoleon's attempted economic blockade gave added point to worries about security in food supply. War had also imparted an 'artificial' stimulus to her commercial and manufacturing capacity by conferring near-monopoly status on many of her exports.

According to Malthus's new diagnosis, Britain had been an agricultural nation until the middle of the previous century. Everything would have proceeded smoothly if trade and manufacturing had grown at the same rate as agriculture. No 'germ of decay' could be found in such a system of balanced growth. But Britain was becoming a predominantly commercial nation, and one mark of this was the recurrence of food scarcity and the need to import a larger proportion of her food needs in response to rising population and higher wages. He did not believe it was possible or desirable for a 'large landed nation' to adopt food importation as a long-run expedient. The short-term cost would be a rise in food prices in line with wages, and in the long term this would place a limit on the capacity to support a larger population. But the real danger to future prospects lay in the fact that economic pre-eminence based on commerce and manufacturing could be eroded through competition from newly industrializing nations. As the examples of Holland, Hamburg, and Venice showed: 'In the history of the world, the nations whose wealth has been derived principally from manufactures and commerce, have been perfectly ephemeral beings, compared with those, the basis of whose wealth has been agriculture.' Malthus was adding a new twist to the argument between ancients and moderns on the question of whether 'luxuries' were inimical or beneficial to a nation's survival: he was endorsing the position of the moderns, but maintaining that, carried to excess in the way he had diagnosed, dependence on manufacturing could contain 'seeds of decay', even though it might take a couple of centuries or more for them to develop.

The argument involved Malthus's doctrine of proportions. Conceding that commerce and manufacturing provided a market for agriculture, and hence a necessary stimulus to food production, he was seeking to define the point at which the growth of manufacturing could become excessive. Under war conditions Britain seemed to be approaching that point, with capital being attracted away from agricultural improvements by a combination of high



profits in manufacturing, high interest rates due to war loans, and the slow and risky returns on capital employed in agriculture—factors which impaired the capacity of domestic agriculture to respond to the rise in wages and food prices. Any attempt to deal with the problem through cheaper food imports would further damage agriculture without much prospect of reducing money wages, which Malthus believed to be fairly inflexible in a downward direction.

The solution recommended by Malthus was a return to the situation in which Britain possessed the capacity to produce on a stable basis more than was normally consumed at home. Since he had shown that normal market processes did not produce the optimal solution, he was forced to conclude that a departure from Smith's free-trade principles was called for in order to deal with the fact that 'the body politick is in an artificial, and in some degree, diseased state, with one of its principal members out of proportion to the rest'. The expedients he sponsored from 1803 onwards were a bounty on corn exports and restrictions on corn imports. This meant that he had to overthrow Smith's arguments on this subject which suggested that such measures would have no effect in raising agricultural profits and hence production. He also had to face up to the fact that agricultural protection might retard the progress of manufacturing, and he did so quite openly by accepting that it was desirable 'to sacrifice a small portion of present riches, in order to attain a greater degree of security, independence, and permanent prosperity'.

The mature version of Malthus's position on the relative merits of agricultural, commercial and manufacturing, and mixed societies can be found in the fifth and sixth editions of the *Essay* (1817, 1826) and in his *Principles of Political Economy* (1820), where the comparative dimension was further developed to the point where it became the framework for a treatise on nations classified according to the degree of their dependence on agriculture or manufacturing, and the different stages which they occupied in the development process. For example, the existing state of such 'feudal' economies as Poland, Russia, and Turkey provided ample material for speculation centring on the causes of agrarian stagnation, where the causes lay in their failure to have undergone the 'silent revolution' described by Smith when dealing with the political and economic benefits attributable to the opening up of commerce between town and country.

Ireland, which was increasingly to occupy the attention of Malthus as the most striking and potentially dangerous contemporary illustration of the principle of population, provided a case of rapid population increase based on the ease with which subsistence derived from potato cultivation could be acquired. This situation was compounded by political and religious difficulties, and the lack of alternative employment in commerce and manufacturing. The contrast with a far more prosperous America, another agrarian state also undergoing rapid population growth, was obvious when placed within the new Malthusian framework.

Britain, however, still occupied the polar position as a nation with a growing population and the capacity, unlike Holland or Venice, for growing its own food, but increasingly reliant on commerce and manufacturing to support its population. Malthus continued to uphold the virtues of balanced growth, the dangers of dependence on unstable manufacturing activities, and the risks of forfeiting manufacturing pre-eminence to latecomers with greater capacity to support their populations from domestic sources. But while the limits of progress were never far from his mind, there were also signs of an increasing accommodation to the contemporary facts of British economic life and the benefits associated with manufacturing. Britain seemed to be no nearer to the end of its resources in the 1820s; in fact, Malthus began to be worried by the ease with which she made good the ravages of war through capital accumulation. He also accorded greater recognition to the fact that standards of living depended as much on the conveniences and comforts which were increasingly available to the lower classes as on cheaper food. Indeed, he added yet another twist to the luxury debate by claiming that its benefits were greater precisely when luxuries were consumed by the mass of society. His reasons for believing this were connected with a realization that the availability of such goods had permanently beneficial effects on the habits of the populace at large; they were a powerful stimulus to both industry and prudence, and therefore helped to create, along with education, and civil and political liberty, the conditions for *embourgeoisement*.

As on the question of population, therefore, Malthus had come a long way from the pessimistic conclusions of 1798. From a starting position that involved being unfriendly to manufacturing occupations on moral and economic grounds, he gradually accepted that they could bring permanent benefits.

# The Corn Laws

No reader of the above arguments on agriculture and manufacturing in the *Essay* should have been surprised when Malthus came out in favour of the retention of that measure of protection conferred by existing Corn Laws in 1814–15. He made his first contribution to public debate in a pamphlet entitled *Observations on the Effects of the Corn Laws, and of a Rise or Fall in the Price of Corn on the Agriculture and General Wealth of the Country* in 1814; and in this work he rehearsed the arguments for and against the Corn Laws in a spirit of ‘strictest impartiality’. Despite this he was regarded by free-traders as having weakened the barriers against error and prejudice. By this time the issue had become a far more divisive one, for not only was there a presumption, which Malthus shared, that ‘artificial’ systems of bounties and restrictions ran counter to the principles of political economy, but a large body of public opinion had come to regard protection as involving a sacrifice of public interest (especially that of manufacturers, wage-earners, and consumers) to special interests—chiefly those of a landowning aristocracy that also happened to enjoy legislative privileges. Hence both Malthus’s courage and his moderation in arguing as he did: pamphlet contributions to public debate carried more risk than expressing similar views in a scientific treatise.

As in the *Essay*, Malthus had to counter Smith’s authority on the subject by arguing that bounties and restrictions could increase and actually had increased production by raising agricultural prices and profits. At the same time he had to expose fallacies in the case put forward by supporters of the Corn Laws by employing more orthodox reasoning to show that free trade possessed ‘striking advantages’ and, consequently, that protection (even maintaining an existing system rather than creating it anew) involved ‘sacrifices’.

Malthus made two more contributions to the debate in the following year; the first, an *Inquiry into the Nature and Progress of Rent*, was an indirect contribution, more scientific in tone and purpose, while the second, *Grounds of an Opinion on the Policy of Restricting the Importation of Foreign Corn*, was intended for more popular consumption. They revealed that Malthus was now a more wholehearted supporter of the case for retaining protection, and they opened up a rift between him and his Whig and radical friends, especially those responsible for the *Edinburgh Review*

and other orthodox devotees of political economy, most notably his friend Ricardo and his two lieutenants, James Mill and J. R. McCulloch. From this moment on, Malthus was denied the pages of the *Edinburgh Review* as an outlet for his views on any subject apart from population; he also became the object of hostility from within the political economists' camp, especially from McCulloch and the young John Stuart Mill. This meant that he had to make use of the pages of the *Quarterly Review*, a Tory periodical that had attacked his population views earlier, and that his version of political economy became suspect, incapable of being made the basis for various popular versions of the subject that were appearing at that time, the most significant being the articles on political economy topics in the supplement to the *Encyclopaedia Britannica*.

The new factors which had brought Malthus down from the fence were: evidence of the extent of new investment in agricultural improvement that was likely to be thrown out of employment by any sudden fall in corn prices; the risk of adding to the deflationary effect resulting from a further increase in the value of money; and his belief that such foreign suppliers as France, who now possessed, or so Malthus believed, a permanent cost advantage in grain products, would restrict the export of corn when domestic scarcity threatened. Free-trade principles had to give way in the light of knowledge concerning the quantitative impact of changes in legislation, as well as in the face of the realities of other nations' likely policies.

Malthus's new position emphasized the beneficial effect on wage-earners' living standards of maintaining a high and steady price for food, a case that ran directly counter to the normal argument in favour of cheap foodstuffs. The case required him to maintain that as long as the general demand for labour (and hence levels of employment) remained buoyant, and once money wages were adjusted to the higher corn price, the wage-earner would be able to exert greater command over the non-agricultural 'conveniences and luxuries of life'. Apart from the intrinsic gains involved, Malthus also believed that a combination of high wages and corn prices was more likely to act as a restraint on population growth than low wages and cheap corn. The chief gainers from free trade would be those capitalists who were engaged in foreign trade; but against the possible expansion in demand for British goods abroad associated with free trade had to be set the likelihood of an even larger decline in home demand and employment associated with the fall in agricultural incomes resulting from

the influx of foreign corn and declining corn prices.

It was in this context that Malthus introduced his argument for placing a high priority on the ‘unproductive’ consumption out of rental incomes accruing to landowners. By stressing this source of demand, and by comparing it favourably with that associated with a small minority of stockholders in receipt of incomes from interest on the national debt who might benefit from a fall in the general price level, Malthus upheld, via a different route, a conclusion with which Smith would have agreed, namely that though landowners ‘do not so actively contribute to the production of wealth’ as other classes, their ‘interests are more nearly and intimately connected with the prosperity of the state’.

Malthus’s second pamphlet, though still cautiously argued, conveyed (to free-traders at least) an air of proving too much, both with respect to the benefits to wage-earners and, more especially, with regard to the long-term hopes for food prices. The law of diminishing returns, or the idea that ‘in every rich and improving country there is a natural and strong tendency to a constantly increasing price of raw produce, owing to the necessity of employing, progressively, land of an inferior quality’, provided the basis for the theory of rent which he advanced in *An Inquiry into the Nature and Progress of Rent*. Nevertheless, in *Grounds of an Opinion* Malthus allowed himself to speculate about the possibility of a fall in the price of domestically produced food as a result of improvements in technology.

## Rent

The public interest in the Corn Law question had provided Malthus with an excuse for publishing his views on the nature of rent—a subject left in an ambivalent state by Smith, and one on which Malthus had formed a distinctive and original position of his own in the course of his teaching duties. Rent could be used in its everyday sense as the price paid on the market for the use of the most significant natural resource, land. In this sense it would be one of the costs of production paid by tenant farmers. But for the Physiocrats and for Smith and his classical followers from Malthus onwards, rent was chiefly of interest as one of the three main sources of national income alongside wages and profits. Malthus defined

rent as the return to landowners after other costs of production had been met, which meant that the proximate cause of rent was the excess of food prices over costs of production. In some parts of the *Wealth of Nations* Smith had adopted this view, but had also treated it as a kind of monopoly return to the owners of a scarce resource. Malthus was opposed to such an interpretation, especially when it was espoused and elaborated by other writers such as Jean-Baptiste Say, Sismondi, and David Buchanan. To the last of these writers, for instance, the clear implication was that the return to monopoly was at the expense of the consumer; and that rent could therefore be considered as a kind of transfer payment from one class of income recipient to another.

Malthus agreed that there were affinities with natural monopoly based on the limited supply of fertile land available. This justified the term ‘partial monopoly’, but it was not the end of the story. Another reason for the price of food being above costs was what Malthus sometimes called ‘the bounty of Nature’ or ‘the bountiful gift of Providence’. Land yielded more to labour than was necessary to support those working on land. It was the source of all power and enjoyment; and without which, in fact, there would be no cities, no military or naval force, no arts, no learning, none of the finer manufactures, none of the conveniences and luxuries of foreign countries, and none of that cultivated and polished society which not only elevates and dignifies individuals but which extends its beneficial influence through the whole mass of the people.

Moreover, the peculiar feature of the necessities of life was that their supply created demand—another way of expressing the population principle. In other truly natural monopolies demand was ‘exterior to, and independent of, the production itself’, but in the case of food, as opposed, say, to rare wines, ‘the demand is dependent upon the produce itself’. As labour and capital became cheaper in the process of growth, so the pressure on land and hence the price paid for its use became greater. What was originally a gift came at a higher and higher price to those who arrived late in the Garden of Eden, but it was still a gift because it took the form of surplus. Rent, therefore, was a creature of progress, and would arise whenever a nation attained to any considerable size of population or accumulation. The rent level was a kind of barometer of progress to Malthus, as others had chosen to treat the rate of interest earlier, and Ricardo was to treat profits later. Rising rents were simply the other side of a coin on which accumulation of capital, rising population, extension of

cultivation, and a rising price for raw produce were written. It followed that any attempt to bring down the price of produce in order to reduce rent would be accompanied by a withdrawal of cultivation from all but the very best of lands, a movement back along the scale of progress.

In this way Malthus proved that ‘the actual state of the natural rent of land is necessary to the actual produce’. The price of food at any given time was equal to the cost of producing it on the least good land. It followed that ‘the very circumstance of which we complain, may be the necessary consequence and the most certain sign of increasing wealth and prosperity’. Nor should we complain on behalf of those most affected by high food prices. The essentials to their well-being were to be found in a combination of prudential habits with regard to marriage and an expanding demand for labour: ‘And I do not scruple distinctly to affirm, that under similar habits, and a similar demand for labour, the high price of corn, when it has had time to produce its natural effects, so far from being a disadvantage to them is a positive and unquestionable advantage.’

The episode reveals a remarkable degree of convergence among political economists upon a theory of rent that was the simultaneous discovery of several authors. Apart from Malthus, Edward West, Robert Torrens, David Buchanan, and Ricardo all reached similar conclusions on the nature and causes of rent based on the law of diminishing returns to marginal land and capital. Nevertheless, in the case of Malthus and Ricardo especially, differing structures were eventually to be erected on the same foundations, which explains not merely the different conclusions which they came to on the subject of the Corn Laws, but, as we shall see in the next chapter, their differences on a wide range of other questions as well. Since the Ricardian alternative against which Malthus found himself increasingly having to argue also originated during the Corn Law debates, it may be helpful at this stage to look at its outlines.

Ricardo’s contribution to the Corn Law controversy, his *Essay on the Influence of a Low Price of Corn on the Profits of Stock* (1815), was in part a reply to Malthus, and it was to become the basis for remoulding the shape of political economy which he undertook two years later in his *Principles of Political Economy*. According to Ricardo’s view of things, profits throughout the economy were determined by those received by the farmer working on the least fertile land where no rent could be earned. It followed from this that if Britain relied on domestic agriculture to support

a growing population, diminishing returns would raise rents and reduce profits, the main motive and source of capital accumulation, thereby impeding future growth. Ricardo's theory also underlined the divisive conclusion of such authors as Buchanan by suggesting that 'the interest of the landlord is always opposed to the interest of every other class in the community'. Anything that raised the price of food, whether it was increasing population, agricultural protection, or poor agricultural methods, increased the share going to the receivers of rents. There could be no more decisive break with the common assumption of 18th-century writers, including Smith, that the interest of landowners was always at one with that of the nation under progressive conditions.

Ricardo's answer to Malthus's fears concerning dependence on foreign suppliers was that a stable policy of import would create a reliable British market for foreign suppliers, and that this would lower the price of imported corn. Fluctuations in prices would also be lessened by recourse to a variety of sources, not likely to be moving in the same direction at the same time. Ricardo was proposing what to a large extent happened in Britain later in the century, namely that she should specialize in manufactured goods and rely on her exports of such goods to pay for cheap imports of food and raw materials. Britain's capital would be employed where the return was greatest, a principle of free trade or natural liberty which had been established by Smith under different circumstances. It follows that Ricardo could not share Malthus's anxieties about unbalanced growth.

Hence too Ricardo's difficulty in understanding why Malthus bemoaned the loss of capital involved in any shift away from domestic agriculture. 'We might just as fairly have been told, when the steam-engine, or Mr Arkwright's cotton-machine, was brought to perfection, that it would be wrong to adopt the use of them, because the value of the old clumsy machinery would be lost to us.' There would be losers in abolishing the Corn Laws, especially those farming on the less fertile land, 'but the public would gain many times the amount of their losses; and, after the exchange of capital from land to manufactures had been effected, the farmers themselves, as well as every other class of the community, except the landholders, would very considerably increase their profits'. Notice also that Ricardo's interpretation of the rent doctrine opened up another rift, namely that between capitalist farmers and their landlords.



How could Malthus answer such a persuasive case, one built on principles that he himself upheld on general grounds? One answer was implicit in all his earlier writings, namely that legislative wisdom lay in forsaking wealth whenever the cost in terms of ‘happiness’ and ‘virtue’ was found to be excessive. He continued to maintain this position, but he obviously felt the need to provide stronger arguments from within political economy itself, rather than rely on exceptions of a political and moral kind. The germs of his reply can be found in his argument that higher food prices could be advantageous to wage-earners. On this Malthus could rely on his population doctrines: a high price was more likely to curb population growth. But in order to provide an accurate account of all the consequences involved, Malthus also needed to find an alternative answer to Ricardo’s belief in the natural equilibrating effects on income and employment levels of markets operating under freely competitive conditions. This eventually entailed a reconsideration of the effect of different policies on the distribution of income, and hence on the level of effective demand, the subject of the next chapter.

It may also be worth pointing out, in conclusion, that while Malthus was, so to speak, on the winning side in 1815—a protective Corn Law was passed, though not necessarily for the reasons given by Malthus—he was not entirely happy with the result. A familiar pattern of popular unrest accompanied the passage of the Bill, and these events clearly shook the moderate politician in Malthus so much that he concluded that the people should not have a divisive measure imposed upon them. Again, the conclusions of his science of politics took precedence over his principles of political economy, but it was characteristic of Malthus that he continued to suffer agonies of conscience throughout his life for the part he may have played in undermining the general principle of non-intervention to which he was deeply attached.

## Chapter 6

# The political economy of stable growth

A long and fairly tortuous story precedes the publication of both editions of Malthus's *Principles*, and only slight exaggeration is involved in saying that most readers of the work have had almost as much trouble in deciding what kind of book it is as Malthus had in writing it. During the course of his teaching he had compiled a great deal of material embodying commentary and qualifications to the positions developed by Adam Smith in the *Wealth of Nations*. He made several attempts to publish this material, and the *Inquiry into Rent* and the fifth edition of the *Essay* published in 1817 contain some of the distinctive views on political economy which he had developed in the course of his teaching duties. After Ricardo's *Principles* appeared, Malthus redoubled these efforts to put his views before the public. But it was never his intention to compile 'a new systematic treatise', largely because he did not think the time was ripe for such an ambition. Hence in great measure his difficulties in settling on a title for his response to Ricardo; and while he eventually settled on *The Principles of Political Economy considered with a view to their Practical Application*, it might have been better if he had stuck to the idea of tracts or essays, connected disquisitions on disputed matters. Those who were led to expect that 'practical' meant 'policy' found that they had to make an

effort to follow a good deal of deductive theorizing, albeit fleshed out, in Malthusian fashion, with broad historical and empirical material.

The same might be said of two shorter works which were written during the last decade of Malthus's life when he was still trying to codify his thoughts: *The Measure of Value Stated* (1823) and *Definitions in Political Economy* (1827). Modern readers who have not developed a taste for economic reasoning may find they still have to make an effort, but it cannot be avoided in any attempt to understand Malthus's preoccupations, and there may be some consolation in the fact that translating Malthus's ideas into the language of modern economics (largely avoided here) would not ease their problem.

The *Principles* was based on Malthus's belief, in contrast to Ricardo, that 'the science of political economy bears a nearer resemblance to the science of morals and politics than to that of mathematics'; his conviction that one of the chief faults of economists lay in their 'precipitate attempt to simplify and generalize'—their unwillingness to recognize the multi-causal influences at work in the world and to modify principles in the light of evidence that had accumulated during the half-century that had elapsed since Smith's work first appeared. Once again we see Malthus the moderate at work, attempting to curb 'premature generalisations' by subjecting them to the test of experience, and by constantly stressing the lessons of the doctrine of proportions. In this respect there are similarities between his attitude to Ricardo's doctrines and his attack on Godwin and Condorcet in the first *Essay*. For as he said in a peroration to the *Principles*, although 'we cannot make a science more certain by our wishes or opinions', it was possible to 'make it much more uncertain in its application, by believing it to be what it is not'.

It should now be clear that from the outset of his career as a political economist Malthus was prepared to question the unqualified application to policy of any single system or principle, however distinguished its lineage, and regardless—as in the case of the population principle—of whether he had formulated it himself. Hence the frequent charges of inconsistency brought against him by fellow economists. Moreover, if general allegiance to the system of natural liberty, as interpreted by Smith and upheld under the different circumstances by some of his followers, is the hallmark of an orthodox political economist during the first half of the 19th century, Malthus occupies a decidedly ambivalent position.

As the opponent of Godwin and others who proposed wholesale departures from a society based on private property and employing competition and self-interest as its chief guiding principles, Malthus was anxious to demonstrate that this form of society was the only one capable of providing the incentives that would guarantee a surplus over basic needs and make rising standards of living possible; that it led to the best available solution by preventing production from going beyond what was economically sustainable, even when this solution fell short of the maximum level of output that was physically possible. This was more than an argument against the feasibility of egalitarian and communitarian schemes of reformation: China and other countries in which population had been ‘forced’ up to the physical limits of their natural resources served as dire warnings of what could happen if these propositions were ignored.

On the other hand, no other orthodox classical economist pursued quite so many lines of inquiry based on the notion that, for a variety of reasons, economic systems operating under competitive market conditions were not likely to be self-adjusting—or, what amounts to the same thing, capable of adjusting in ways and over time periods that were acceptable on economic or moral grounds. It was this concern with what happens in the process of adjusting from one constellation of economic forces to another which lends a consistently dynamic dimension to Malthus’s work as a political economist. Nor did any other contemporary economist of similar prominence lay so much emphasis on the limits to stable growth arising from the failure of effective demand to expand in harmony with an economy’s aggregate supply or capacity to produce. Although Malthus’s proposals for institutional change and state intervention to overcome these problems of maladjustment, whether of a temporary or more deep-seated variety, were fairly tentative (his opponents described them as hesitant and vacillating), the underlying preoccupations cannot be ignored in any attempt to understand his method of approach and choice of questions that needed to be answered. Malthus’s political economy manifested a persistent concern with fluctuations, instability, limits to growth, possible sources of stagnation, and ways in which the plans and expectations of individuals and groups of economic actors could be frustrated or left unfulfilled in ways that imperilled the continuity of economic life.

## Cycles

The earliest signs of this interest are to be found in the treatment given to ‘perpetual oscillation’ in the first *Essay*—to the cycles, perhaps of some sixteen to eighteen years’ duration, which arose from the delayed response of population to the rise or fall in real wages. This helped to explain periodic oversupply, unemployment, and general distress. Ricardo put his finger on a major difference between himself and Malthus when he observed that Malthus always had in mind ‘the immediate and temporary effects of particular changes’, while he concentrated on the ‘permanent state of things which will result from them’. In agreeing with this observation, while noting implicitly that ‘temporary effects’ might not be confined to a few months or even years, Malthus defended his priorities by saying: ‘I really think that the progress of society consists of irregular movements, and that to omit the consideration of causes which for eight or ten years will give a great *stimulus* to production and population, or a great *check* to them, is to omit the causes of the wealth and poverty of nations—the grand object of all enquiries in Political Economy.’ The final paragraph of the *Principles* shows the same concern, with Malthus complaining that ‘theoretical writers’ (which usually means Ricardo and his followers) have overlooked the consequences, judged by utilitarian standards, of these ‘serious spaces in human life’:

They amount to a serious sum of happiness or misery, according as they are prosperous or adverse, and leave the country in a very different state at their termination. In prosperous times the mercantile classes often realize fortunes which go far towards securing them against the future; but unfortunately the working classes, though they share in the general prosperity, do not share so largely as in the general adversity. They may suffer the greatest distress in a period of low wages, but cannot be adequately compensated by a period of high wages. To them fluctuations must always bring more evil than good; and, with a view to the happiness of the great mass of society, it should be our object, as far as possible, to maintain peace, and an equable expenditure.

The reference here to peace signals the connection with the prolonged period of economic distress that followed the cessation of hostilities in 1815. In seeking explanations for this phenomenon—a topic they were still actively debating in the 1820s—Malthus and Ricardo revealed all their main differences on matters of theory and policy. For it was when advancing his diagnosis and remedies for post-war depression that Malthus further developed the principle of ‘effective or effectual demand’. We have noted his use of this principle in various arguments put forward in the later revisions to the *Essay* and in his Corn Law pamphlets—arguments to the effect that when the demand for labour was expanding it was possible

for the poor to be rich in the midst of general dearness. This was a precondition for his belief that a combination of high food prices and wages was beneficial to wage-earners. The 1817 edition of the *Essay* also enabled Malthus to incorporate his diagnosis of post-war depression: the conditions most conducive to improvements in the condition of wage-earners, a buoyant effective demand for the products of labour, yielded, by inversion, an explanation for what had gone wrong after the war.

According to Malthus, the post-war depression was triggered by the fall in corn prices after exceptionally good harvests in 1814–15. The resulting fall in the incomes of landowners and farmers, accompanied by a failure of money wages to fall in line with food prices, had led to a reduction in agricultural employment and a fall in the home demand for manufactured goods. This in turn had led to export markets being oversupplied and a consequent decline in mercantile incomes. The extent of the depression was partly connected with the immense stimulus given to population and production during the war, and partly with special factors connected with demobilization of the military, high taxes and national debt, and a decline in the general price level due to a reduction in the money supply. Here was a situation in which rents, profits, wages, and prices were simultaneously depressed and redundant capital was being driven to find employment abroad.

Malthus felt that this evidence was incompatible with two of Ricardo's leading doctrines: his explanation for profit decline in terms of higher wages resulting from diminishing returns in agriculture (a limiting but not a determining condition in Malthus's view); and his diagnosis of the depression as one involving partial rather than general glut. The latter position relied on a proposition associated with the names of Jean-Baptiste Say and James Mill to the effect that aggregate supply or output was always capable of generating a level of aggregate demand that would ensure the sale of all goods produced. According to this proposition, while the markets for some goods could be overstocked, an equivalent understocking would be taking place elsewhere—an idea which Malthus thought was comparable to the assertion 'that every man in the streets of London who was observed to have his head covered, would be found upon examination to have his feet bare'.

Whereas Ricardo treated post-war depression and unemployment as a problem of maladjustment due to a mismatch in the demand and supply of

individual commodities, Malthus regarded them as evidence of a general deficiency of demand in relation to supply, leading to all markets being overstocked and profits being depressed across the board. Ricardo's solution was to restore prosperity by encouraging investment, chiefly through a reduction in taxes and the burden of national debt, and by allowing market forces to bring about a realignment of the detailed pattern of demand and supply. Although Malthus agreed that cycles had self-correcting features, he also felt that the war stimulus, followed by a severe post-war check to prosperity, had unusual features which warranted special ameliorative action. He was opposed to Ricardo's idea that what was needed, above all, was an increase in capital accumulation under circumstances in which it was manifest that profits and trade were generally depressed.

In order to clarify his position on this point, Malthus drew parallels between periods of redundant population and redundant capital. Each was subject to cycles arising from an over-response to earlier conditions of high wages and profits. And just as there were limits to the rate of increase in population which could be sustained without damaging living standards, so there were limits to the volume of savings that could be invested with any hope of obtaining a return that would cover costs and give an adequate incentive to continue production: 'it is equally vain, with a view to the permanent increase of wealth, to continue converting revenue into capital, when there is no adequate demand for the products of such capital, as to continue encouraging marriage and the birth of children without a demand for labour and an increase of the funds for its maintenance'.

The population parallel also consorted well with Malthus's attitude to short-term remedies. For just as the Poor Law and other emergency measures could be justified during exceptional periods of rising food prices, so short-term measures were warranted in order to bring the economy through a cyclical downturn involving an excess of productive potential over effective demand. Addressing himself specifically to the peculiarities of the post-war period, Malthus was not in favour of any sharp reduction of taxes, retirement of debt, and further cuts in public expenditure. This would increase the risk of reducing effective demand in conditions where the productive potential of the economy had been greatly increased during the war. He advocated caution in the removal of protective duties on goods that were competitive with the products of domestic industries, and was anxious to find ways of affording relief to the

unemployed by encouraging those capable of increasing the demand for ‘unproductive labour’ to do so. These could either be ‘landlords and persons of property’ who might be induced ‘to build, to improve and beautify their grounds, and to employ workmen and menial servants’; or relief might take the form of activities ‘the results of which do not come for sale into the market, such as roads and public works’. Such diversions of expenditure away from productive employments, though not justifiable under conditions of full employment, were ‘exactly what is wanted’ as a counterbalancing factor when there was ‘a failure of the national demand for labour’ connected with a sudden shift, under conditions of general glut, from the unproductive labour of war towards productive employment. Contrary to the views of some pro-inflationist writers, however, Malthus was not in favour of increasing the quantity of money as a means of raising prices on grounds of the temporary nature of the stimulus and the secondary role played by money in the process of wealth expansion and contraction.

On all these matters Malthus found himself in stark conflict with Ricardo’s thinking. An increase in expenditure on unproductive labour, Ricardo commented, was ‘just as necessary and as useful with a view to future production, as a fire, which should consume in the manufacturer’s warehouse the goods which those unproductive labourers would otherwise consume’. And as for public expenditure: ‘What could be more wise if Mr Malthus’s doctrine be true than to increase the army, and double the salaries of all the officers of Government?’ Malthus did not reply to these jibes directly in the second edition of the *Principles*, one reason being that in the context of depression produced by a general oversupply of commodities, consumption meant for him exactly what Ricardo was ridiculing, namely ‘used up’ or consumed as in a fire. Similarly, while Malthus would not have approved of an increase in the wages or salaries of those employed by public funds as a remedy for depression, he was in favour of increasing public employment in fields that did not add to the existing excess supply of goods. Since Ricardo and all those who adopted the Say–Mill view of things denied the possibility of general glut, it is no wonder that they were bemused by Malthus’s heterodox solutions to what they regarded as a non-existent problem.





**2 David Ricardo, MP, 1772–1823; from the 1820 painting by Thomas Phillips, RA**

## **Effective demand and stable growth**

Sharp though these disagreements over both diagnosis and remedies for post-war depression were, they were largely by-products of an issue which is more central to Malthus's *Principles*, namely the discovery of 'the most immediate and effective stimulants to the continued creation and progress of wealth'. This interest in long-run growth prospects, in those institutional and other factors which explained progressive, stationary, and retrograde states of society, was also present in the treatment given to agricultural,

manufacturing, and mixed states in the *Essay*. But Malthus gave the theme greater unity and prominence in the *Principles* by focusing on effective demand as one of the essential guarantors of stable and sustainable growth. The significance and peculiarity of Malthus's position on unproductive labour and consumption are also more readily appreciable when placed within the context of these long-run concerns.

Here too Malthus found himself in conflict with the implications of the Say–Mill Law of Markets, as it has come to be called, namely that if capital accumulation and the aggregate supply of goods were increasing over time, the appropriate level of aggregate demand would follow in their train. Once goods had been produced, both the power and the will to consume them existed; economic growth and full employment were entirely compatible. Ricardo's model envisaged, as a theoretical possibility at least, the existence of a 'stationary state' at which profits would be reduced by rising food costs and wages to a level at which there would be no further incentive to invest—a state in which all further growth would cease. But he was anxious to deny that this condition was near at hand, or had actually been reached by Britain, and that it entailed any breakdown in market processes. He was especially anxious to deny any suggestion that the prolonged conditions of post-war depression heralded the arrival of 'a retrograde state of society'. Once the economy had adjusted to post-war conditions, once taxes and the burden of debt had been reduced, and certain unwise policies such as agricultural protection had been abandoned, Ricardo believed that Britain enjoyed almost unlimited scope for further investment and growth.

It is not difficult to see how an argument about partial as opposed to general gluts could become confused with another one involving the distinction between temporary and permanent stagnation. On the surface at least, post-war depression lent support to both positions. The evidence immediately available did not allow a distinction to be made between a situation that was partial and temporary and one that was general and presaged a permanent retardation. Neither Ricardo nor Malthus succeeded in keeping the problems of short-term cycles and long-term growth prospects separate. There are signs too that Malthus believed—when writing during the post-war slump at least—that cyclical depression might have more permanent effects. But in order to understand the nature of Malthus's challenge, it is helpful to treat the short-term cycle as an acute or special (rather than a chronic or generic) case of principles he had

worked out to deal with long-run problems. He was not so much contesting Ricardo's basic optimism about Britain's growth prospects as drawing attention to an important set of preconditions for stable growth that played no part in Ricardo's account. Malthus's main divergence centred on whether the progress or retardation of wealth could be understood simply in terms of the physical factors underlying the productive potential or aggregate supply side of the economy—its labour force, capital stock, and command over natural resources and technology. To this needed to be added, he believed, an account of the variables which determined the level of effective demand, where the main connections between aggregate supply and demand could be found in a distribution of income and expenditure that favoured continued growth.

The problem was largely one of how to sustain economic motivation, a problem which Malthus regarded as being crucial and constant, not merely in poor and what would later be called underdeveloped economies, but in countries like Britain as well. This was a reflection of assumptions about the constancy of human nature that were displayed in the first *Essay* when arguing for the Newtonian character of the social world. It featured in his debate with Ricardo as a question of whether the existence of the *power* to produce and consume guaranteed that the *will* to produce and consume would automatically follow, and if not, what kind of stimulants were needed to make it do so. Whereas Ricardo held that 'will is very seldom wanting when the power exists', Malthus maintained that the inertial forces of 'indolence' were ever-present and had to be overcome by new stimuli, new wants, and new incentives to acquire additional wealth. Ricardo and Malthus were agreed that in theory wants were insatiable; the question at issue was whether, and under what circumstances, the main actors in the economic drama would be prepared to make the necessary sacrifices in terms of leisure forgone in order to obtain the additional goods that would satisfy these wants; whether, in the terminology Malthus employed, luxuries would always be preferred to indolence. Ricardo found such concerns otiose: they might explain slow growth or stagnation in the past, and in China, Latin America, and Ireland in the present, but they were irrelevant to a country like Britain 'with a dense population abounding in capital, skill, commerce, and manufacturing industry, and with tastes for every enjoyment that nature, art or science will procure'.

Malthus's answer to this and other questions can be found in a long chapter, 'On the Immediate Causes of the Progress of Wealth', which first

reviews the factors which underlie the power to produce—population, capital accumulation, fertility of the soil, and ‘inventions to abridge labour’—in order to show that, in themselves, acting separately or in combination, they were incapable of generating sustained growth. The missing element was effective demand, which in turn depended on the way in which the total product of society was distributed between the different economic classes, and on whether production was adapted to the wants of consumers. The conditions for effective demand were satisfied when a level of prices existed that was capable of covering all production costs and of giving a return on capital sufficient to serve as an incentive to continue production.

The concept of effective demand rested on the distinction between productive and unproductive consumption which we have already encountered when dealing with Malthus’s diagnosis of the post-war depression. Capital accumulation entailed the use of revenue or income for purposes of productive consumption. Although it referred to a form of expenditure on material goods, and was not, therefore, the exclusive province of any class of income recipient, much of the discussion between Malthus and Ricardo was conducted on the assumption that capital accumulation was chiefly an activity or propensity associated with capitalists, those in receipt of profits as opposed to rents and wages. It involved the translation of savings into investment in order to employ labour with a view to producing further profit from the sale of material goods. Unproductive consumption entailed either the purchase of labour services as an end in itself, or the production of material goods that were not intended for sale on the market. The former activity was usually taken to be the main propensity of landowners or rent-receivers, with those in receipt of interest from their holdings of public debt being added, particularly after a war in which such holdings had grown considerably. Again, though, it was the nature of the expenditure rather than the form of income from which it derived that mattered most. Although unproductive consumption did not create wealth, it was, according to Malthus, an essential ingredient on the demand side acting as a stimulus to wealth creation. Maintaining the correct balance between these two activities, therefore, contained the clue to a healthy state of effective demand. It explains Malthus’s unorthodox belief, hinted at in his criticisms of Smith in the first *Essay* and developed in opposition to Ricardo in the *Principles*, that ‘the principle of saving, pushed to excess, would destroy the motive to production’. While investment of the savings of capitalists (productive

consumption) undoubtedly increased the demand of those who were in receipt of wages from such employment, this needed to be supplemented by unproductive consumption to ensure that the increase in output associated with investment was purchased at prices capable of covering the costs of production. If this condition was not met, Malthus believed that the expectations of all savers/investors could be frustrated: there would be insufficient demand to ensure that profits were realized and that production at the new, higher levels would continue. If the doctrine of proportions was not observed in this matter, growth could be impeded rather than facilitated by increased saving/investment.

When Malthus diagnosed an excess of aggregate supply over demand, resulting in a level of output that could not be sold at cost-covering prices, he naturally thought of repairing the deficiency by increasing the level of unproductive consumption by those in receipt of rental and *rentier* incomes. Rents were particularly suitable for this purpose, being earned as a result of the contribution of a natural resource to production, but not for any specific contribution which the ownership of land made to output. Similarly with some public works: they generated incomes and employment without increasing the supply of goods to what might be an overstocked market in which prices and profits were already depressed.

In upholding this position, Malthus has been treated, as he was by Ricardo and his followers, as committing a version of a common ‘underconsumptionist’ fallacy—the fallacy of believing that, under circumstances which could be either temporary or permanent, the conversion of savings into investment might not be matched by a sufficient volume of demand, for either goods or services, to ensure continued success. The employment of wage-earners resulting from additional investment, though a positive contribution to aggregate demand, might need to be supplemented from other sources to achieve balance. Malthus did not treat saving as ‘hoarding’ (an increase in idle money balances and hence a subtraction from the income flow), and he endorsed Smith’s conclusion that ‘the produce which is annually saved is as regularly consumed as that which is annually spent, but that it is consumed by a different set of people’—a concession which Ricardo regarded as being at odds with everything else Malthus wished to contend on this subject. The answer to the apparent contradiction seems to be that Malthus was not raising doubts about unrequited leakages from the annual circular flow so much as pointing to the fact that an economy in which productive capacity

was growing would need ever-higher levels of aggregate demand to secure full employment. This was not a simple matter of fallacious reasoning. Rather it was a case of adopting a more pessimistic or cautious view of the opportunities for expanding effective demand sufficiently over time. Malthus's position clearly made sense during the post-war depression, but, with the benefit of hindsight at least, Ricardo's more robust attitude to the ease with which new wants could be released has more to be said for it over the longer period. In recommending that under some circumstances it might be necessary to practise a form of moral restraint with regard to investment, Malthus seems, once more, to be cast in the role of a Cassandra proved wrong by subsequent developments.

Yet this cannot be the last word on the subject, any more than it would be correct to think of Malthus as entertaining dismal views on the impossibility of ever achieving a combination of rising population and living standards. First one must bear in mind the size of the historical and geographical canvas on which Malthus painted. As a historical analysis of the barriers to economic growth in the European past, and as a diagnosis of the difficulties that had to be overcome in Africa, Asia, and Latin America, Malthus's approach, as Ricardo conceded, had a great deal to commend it. It amounted to saying that, in addition to some essential institutional requirements connected with security of property and political stability, a steady expansion of demand, bringing with it rising prices and profits, was a major precondition for sustainable growth. In this respect Malthus remained closer to Hume and Smith in paying more attention to political and moral variables affecting economic habits, and to expansive forces connected with wider markets and the spread of market incentives.

This becomes obvious when Malthus turns to consider those ways in which the distribution of incomes arising from economic activity affects economic growth, favourably or otherwise. The treatment given to this subject is basically a re-examination of some of the topics Smith had dealt with when describing the causes and consequences of the breakup of feudalism, and when illustrating his proposition that the division of labour, and hence the productive powers of society, were dependent on ever-wider extensions of the market.

Malthus's account is organized under three main headings; the division of landed property; the spread of internal and external commerce; and the maintenance of a body of unproductive consumers. Only on the last of

these does Malthus depart from Smithian premises. The ‘unequal and vicious’ division of land under feudalism, creating a small number of wealthy consumers and a large body of poor producers, was highly unfavourable to effective demand, to incentives, and to the adoption of improved methods of production. The subdivision of land, by creating a larger number of smaller consumers and producers, had been an essential step towards making continuous growth possible. This was the solution which Malthus had recommended in the later editions of the *Essay* to the problems of such countries as Russia and Poland. The doctrine of proportions, however, suggested that this process could be carried too far. Thus, Malthus was not in favour of Britain following the French example in abolishing primogeniture, which could lead to a peasantry living at bare subsistence levels and vulnerable to both food shortage and ‘military despotism’. Economic and political considerations could not be separated in a matter of this importance.

Primogeniture had swelled the ranks of effective demanders by forcing younger sons (like himself, it might be added) to seek incomes from commerce, manufacturing, the professions, and from dividends on private shares and public debt. What was referred to earlier as Malthus’s ‘Country’ Whig allegiances have a role to play here in disposing him to believe that English liberties depended on the continued existence of a landed aristocracy. But it is a sign of the direction in which his thoughts were moving that in the second edition of the *Principles* he added the middle classes as guardians of liberty when endorsing the benefits of the Reform Bill of 1832 in extending the franchise. He also welcomed the likely further effect of an increase in the size of the manufacturing and commercial sector in generating greater equality, and he attempted to neutralize the connotations of his discussion of unproductive labour by referring instead to a demand for ‘personal services’. Landowners and an ‘idle’ *rentier* class generally were no longer the sole source of what Ricardo thought of simply as wasteful expenditure. The demand for any kind of services that generated employment would increasingly come from a wide variety of sources of income.

The expansion of markets through improved internal and external communications has a more obvious basis in Smith’s views on extension of the market and the division of labour. The only novelty in Malthus’s discussion of this factor lies in his attempt to combat Ricardo’s more restricted account of the gains from trade based on his theory of profits.

Whereas Ricardo felt that the chief gain would come through a reduction of wages as a result of the importation of cheaper grain products and a consequential rise in profits, Malthus adhered to Smith's more common-sense view that anything which increased the foreign demand for domestic products would raise both wages and profits. With regard to imports, Malthus stressed their 'tendency to inspire new wants, to form new tastes, and to furnish fresh motives for industry', a species of gain which was not of a once-and-for-all variety, and consequently one which 'even civilized and improved countries cannot afford to lose'.

In this case, therefore, Malthus might be said to have adopted a more dynamic, and possibly a more optimistic, view of foreign trade than Ricardo. The same is true of his views on the introduction of machinery, a subject on which Ricardo had dismayed his followers by withdrawing his original opinion that machinery always benefited wage-earners. Given Malthus's belief, expressed as early as 1798, that 'the invention of processes for shortening labour without the proportional extension of the market for the commodity' could be damaging, he might have been expected to follow Ricardo's newer, less optimistic position. In fact, however, Malthus stated that Ricardo had gone too far in a pessimistic direction; there were many circumstances in which new machinery cheapened the product, expanded the market, and led to increased employment. The growth of Manchester, for example, testified to the fact that the demand for the products of the Lancashire cotton industry, as cheapened by machinery, had proved to be elastic.

Most of what Malthus has to say on the balance between productive and unproductive consumers, between savers and spenders, the purchasers of material goods and those who bought personal services, has been covered earlier. The only observation worth making in conclusion is that to understand Malthus's position it is necessary to bear in mind not merely the post-war depression, but the fact that he was combating a doctrine of Ricardo's to the effect that the *only* limits to further growth were to be found in the difficulties of procuring food. Since the origins of Ricardo's model are to be found in his case for abolishing the Corn Laws, a conclusion resisted by Malthus, an element of polemical exaggeration on this point should perhaps be entered on both sides of the account. Over the whole spectrum of subjects in dispute, however, which included more metaphysical topics such as the measure of value as well as theories of wages, rent, and profits, the differences are more readily attributable to



genuine differences of intellectual style and opinion, where again the participants showed considerable awareness of the source of their divergence. Ricardo put the matter thus:

If I am too theoretical, which I really believe is the case, you are too practical. There are so many combinations, so many operating causes in Political Economy, that there is great danger in appealing to experience in favour of a particular doctrine, unless we are sure that all the causes of variation are seen and their effects duly estimated.

Malthus recognized the inescapable role played by theory and the impossibility of solving complex problems by simple appeals to practical common sense. But he lacked Ricardo's confidence in thinking that economics was 'a strict science like mathematics'. His commitment to experience as the ultimate arbiter was consequently stronger, whatever the result might be in terms of tidiness.

It is not difficult to understand why Keynes, looking back on this dispute from the vantage point of the 1930s, another period of severe depression, found much that was congenial in Malthus. But it also seems important to recognize that Malthus's challenge, first to Smith and later to Ricardo, includes, but goes well beyond, the kinds of questions which Keynes was to make his own a hundred or so years later. It was not simply that Malthus, like Keynes, was responsive to those 'serious spaces in human life' which may get overlooked in the search for the 'permanent state of things', believing, as Keynes memorably put it, that 'in the long run we are all dead'. Malthus was also concerned about growth prospects over periods of time in which we *are* each likely to be dead.