

Malthus



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Thomas Robert Malthus is one of the most controversial figures in the history of economics. He achieved fame chiefly from the population doctrine that is now closely linked with his name. Contrary to the late-eighteenth-century views that it was possible to improve peoples living standards, Malthus held that any such improvements would cause the population to grow and thereby reverse these gains. Malthus also sparked controversy with his contemporaries on issues of methodology (by arguing that economics should be an empirical rather than a deductive science), over questions of theory (by holding that economies can experience prolonged bouts of high unemployment), and on policy issues (by arguing against free trade and against government assistance to the poor).

Malthus was born in 1766 in the town of Wotton, in Surrey. His father was a well-to-do country squire, who made sure that Malthus received a good education. At first, Malthus was instructed by his father and private tutors in his home. Then he was sent off to excellent private schools. At the age of 18 he enrolled at Jesus College, Cambridge where he studied mathematics and natural philosophy.

Although his father wanted him to become a surveyor, Malthus decided to enter the church. He was ordained in 1788, thus becoming Reverend Malthus. In 1793 he became a fellow of Jesus College and curate of Okewood, a little chapel in Wotton.

While he was working at Wotton, Malthus got into a heated argument with his father about the ability to improve the economic well-being of the average person. His father thought this was possible; Malthus remained

skeptical. The dispute prompted Malthus to do some reading, and then some writing, on the topic. The outcome was his *Essay on Population*, which was first published in 1798.

The population essay brought Malthus instant fame, and then (in 1805) a job as Professor of History, Politics, Commerce, and Finance at the New East India Company near London. The college was primarily a training school for employees of the East India Company who were about to take administrative posts in India. The teaching position made Malthus one of the first academic economists. And, as is true of many teaching jobs, it required little time and effort. This left Malthus much free time to socialize, to correspond with his many friends (especially David Ricardo), and to stir up controversies regarding economic principles and policies. In addition to the controversies surrounding his principle of population, Malthus became embroiled in important debates with Ricardo over British Poor Laws and Corn Laws, the benefits of free trade, and the possibility of gluts or insufficient demand for goods.

In mid-eighteenth-century England the industrial revolution was in full swing. However, workers lived near the level of physical subsistence, and their condition worsened in latter half of the eighteenth century. Monotony and repetition characterized factory work; the tyranny of the factory clock and the pace of the assembly line were beyond the control of all workers. The division of labor, praised by Adam Smith in *The Wealth of Nations* as the means to productivity growth and rising living standards, made work so routine that women and children could perform jobs just as easily as men.

Business owners logically preferred such workers because they could be hired for less.

These circumstances gave rise to numerous champions of the working class.

Among the best known were the Marquis de Condorcet, Robert Owen and William Godwin. Condorcet (1795) argued that greater economic equality and more security for workers would improve their material well-being.

Toward this end he advocated two reforms a welfare system to provide security for the working poor, and government regulation of credit to keep down interest rates so that needy families could borrow money at lower cost.

Owen attempted to develop utopian communities in industrial towns that would improve both the economic and social conditions of working class families. Godwin (1793) was even more radical in his analysis and his policy proposals. He blamed the capitalist system for the poverty of workers. He then demanded that property should be taken from its owners and given to those whom it would benefit the most. This, Godwin claimed, would end all poverty, injustice, and human suffering in the world.

The Essay on Population (Malthus 1798) was inspired by these men; yet it was written to refute their arguments about the possibility of improving economic conditions. Malthus thought that human betterment was impossible because poverty and misery were the inevitable lot of the majority of people in every society. Moreover, he argued that all attempts to alleviate poverty and suffering, no matter how well-intentioned and no matter how well thought out, would only worsen things. It is this position that led Thomas Carlyle to call economics the dismal science, an appellation that has stuck for more than two centuries.

Malthus held that the human condition could not be improved for two reasons. First, he believed that people were driven by an insatiable desire for sexual pleasure. This led to population increases which, if left unchecked, would grow geometrically 1, 2, 4, 8, 16, etc. Second, Malthus believed that diminishing returns operated in agriculture; that is, as more and more land was brought into cultivation, each new plot of land would be able to grow less food than the previous plot. For this reason, food production could at best increase in arithmetical proportions 1, 2, 3, 4, 5 etc. Since population was growing more rapidly than the food supply, at some point the population would exceed the food that could be grown to feed everyone. Starvation would ensue if there were no other checks on population growth.

In the first edition of the *Essay on Population* Malthus allowed only positive checks on a growing population. These were factors that raised death rates: famine, natural catastrophe, plague, and war. But in the second and subsequent editions of the *Essay* Malthus added a set of preventive checks: sexual abstinence, birth control, and delayed marriage. These had the effect of lowering birth rates and population growth. Allowing preventive checks on population growth also toned down the pessimistic nature of the economic forecast. But Malthus still held that because of the strong human desire for sexual pleasure, population growth could not be reduced very much by preventive checks; the conclusion therefore still followed that it was impossible to improve overall economic well-being.

The case against Condorcet, Owen, and Godwin followed simply from this analysis. If wealth and income were distributed more equally, as Godwin advocated, or if the poor were made better off through various social reforms, as Condorcet and Owen suggested, working families would respond

by having so many children that they would shortly find themselves impoverished again. It is for these reasons that Malthus opposed every attempt to legislate relief for the poor, and was opposed to granting charity to the poor. This, he thought, would only lead to more poor people.

Contemporary Malthusians (for example, Murray 1984) make similar arguments, maintaining that government aid merely causes welfare recipients to have more children, thus worsening their economic plight.

Several years later, in a pamphlet entitled *An Investigation of the Cause of the Present High Price of Provisions* (in Malthus 1970), Malthus went even further in arguing against relief for the poor. This work argued that poor relief would also lead to increases in the price of corn in England. Thus, not only would poor relief hurt the poor, but by raising the price of necessities, poor relief would hurt all British citizens.

Although best known for his population doctrine, Malthus also made several theoretical and policy contributions to economics.

At the theoretical level, Malthus provided a justification for profits (see the *Essay on Rents* in Malthus 1970). As we saw earlier, Adam Smith really had no theory of profits and could not explain what determined the level of profits. Malthus filled in this gap left by Smith. For Malthus, profits were a return to the capitalist for his part in producing goods. Workers who had tools and machinery were more productive than workers lacking this capital equipment. By allowing such capital to be employed in the production process, capitalists contributed to production and deserved to be remunerated based on this contribution.

The *Essay on Rents*, also developed the differential theory of rent (see also <https://assignbuster.com/malthus/>

Ricardo). According to this doctrine, rents existed because of differences in soil fertility and because landlords made improvements on their land.

Economic progress meant that the demand for agricultural goods would increase and less fertile lands would have to be used to feed people.

Differences in land fertility would therefore rise and so would rents. In contrast to Ricardo, for Malthus high rents were the result of economic prosperity.

At the policy level, Malthus (1820) attempted to explain why economies were subject to periodic depressions or gluts times when businesses could not sell goods and when unemployment remained very high. The answer Malthus gave was that gluts were due to insufficient demand or too little spending. Conversely, Malthus explanation for rising prices was too much spending taking place in the economy. It is for this reason Keynes (1964, pp. 362ff.) has cited Malthus as an important precursor of his theory of the business cycles.

Just as Malthus (1820) was writing his Principles of Political Economy, Great Britain suffered a major Depression. The cause of the problem, according to Malthus, was that as capitalism developed there was a tendency for capitalists to receive too much income. In fact, he argued that capitalists got more income than they could profitably invest. There were two reasons for this. First, new machinery requires new workers. While it is easy to build new machinery in a short period of time, to get more workers requires fifteen years or more. During this time there will be a shortage of labour; wages will rise, profits will fall, and capitalists will prefer to hold their income as cash rather than investing. Second, Malthus held that new machinery increases the productivity of labour and reduces the need for workers. Because

capitalists received more income than they could profitably invest they wound up saving too much. Private virtue thus became public vice too little spending leads to a surplus of goods and reduces the need for workers.

The solution that Malthus proposed for the problem of gluts followed directly from his analysis; he wanted the state to alter the distribution of income so that capitalists received less income and landowners received more income. Malthus believed that landowners spent almost all their income; if they received more income they would consume it by hiring more servants and engaging in luxury consumption. For this reason Malthus supported the British Corn Laws (which were passed in 1815 and then repealed in 1846). This legislation prohibited the import of grain into Britain until certain price levels were reached. With fewer grain imports, Malthus reasoned, more land would be used in Britain for growing food. This would increase (differential) rents due to diminishing returns in agriculture and provide more money to landowners. In addition, Malthus believed that wages would rise in proportion to the increased price of corn due to the trade restrictions. The losers would be capitalists, whose savings would fall as their income declined.

Despite his many theoretical contributions, and despite being an important forerunner of Keynesian economics, Malthus remains an important figure in economics primarily because of his population doctrine. The term Malthusian will always connote pessimism about the ability of mankind to improve its economic well-being.

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