

Malthus on Gluts

Reading passage / October 13, 2026

HL ch. 4, pp. 85–88

How to read this. Four short passages, three by Malthus (*Principles of Political Economy*, 1820) and one by Ricardo replying to him. Read each, then answer the question under it in one or two sentences. We go through them together.

1 Why capitalists do not spend

Malthus, quoted in HL p. 85

“... such consumption is not consistent with the actual habits of the generality of capitalists. The great object of their lives is to save a fortune, both because it is their duty to make a provision for their families, and because they cannot spend an income with so much comfort to themselves, while they are obliged perhaps to attend a counting-house for seven or eight hours a day.”

“Almost all merchants and manufacturers save, in prosperous times, much more rapidly than it would be possible for the national capital to increase, so as to keep up the value of the produce.”

Q. Saving is supposed to be a virtue (Smith’s parsimony). What goes wrong, in Malthus’s view, when every capitalist saves at once?

2 The class that must consume more than it produces

Malthus, quoted in HL p. 87

“There must therefore be a considerable class of persons who have both the will and power to consume more material wealth than they produce, or the mercantile classes could not continue profitably to produce so much more than they consume. In this class the landlords no doubt stand preeminent.”

Q. Why landlords, and not workers? What policy follows from this sentence?

3 Why not raise wages instead

Malthus, quoted in HL p. 88

“It is indeed most important to observe that no power of consumption on the part of the labouring classes can ever ... alone furnish an encouragement to the employment of capital. No one will ever employ capital merely for the sake of the demand occasioned by those who work for him. ... As a great increase of consumption among the working classes must greatly increase the cost of production, it must lower profits, and diminish or destroy the motive to accumulate.”

Q. HL call this “a seemingly obvious error of logic” (p. 88). Rent is also a cost of production. What is the error?

4 Ricardo's reply: the fire in the warehouse

Ricardo, quoted in HL p. 88

“A body of unproductive labourers are 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. . . . What advantage can it be to me that another man who returns nothing to me shall consume my goods? How does such a consumption enable me to realize my profits? . . . Will the taking of 100 pieces of cloth from a clothier’s manufactory, and clothing soldiers and sailors with it, add to his profits? Will it stimulate him to produce?—yes, in the same way as a fire would. . . . What would be more wise if Mr. Malthus’ doctrine be true than to increase the army and double the salaries of all the officers of the government?”

Q. Ricardo is thinking about one clothier. Malthus is thinking about all clothiers at once. Which of them is right, and about what?

Keep in view. HL (p. 89): “There is, in short, a contradiction between the needs of any capitalist, taken individually, and the needs of all capitalists, taken collectively.” Each man saw one horn.