

Malthus and the Theory of Gluts

Reading worksheet / October 13, 2026

01 HL ch. 4, pp. 83–89

Name: _____

What this is. A scaffolded worksheet for today's lecture on gluts. Fill in blanks and short answers as we go. Keep these pages — they are your study record. Page numbers refer to Hunt & Lautzenheiser, 3rd ed.

A1 Two recessions Malthus lived through

Lecture

Before Malthus, nobody had a theory of a general depression. Fill in the table from lecture.

	South Sea Bubble	Post-Napoleonic depression
Year(s)	_____	_____
Trigger		

Who got hurt

A2 Two periods, two Malthuses

HL pp. 71, 83

Malthus's first period (1790s) produced the _____ theory. From 1814 his chief concern shifted to the _____ Laws and the struggle between _____ and _____. The theory of gluts belongs to this second period and appears in his _____ (1820).

A3 The callback to Smith

HL p. 83

Smith said competition pushes market price toward natural price. Malthus disagreed. He wrote that “the worth of a commodity ... is its _____ price, not its _____ price” (p. 83).

Why does that disagreement matter for a theory of depressions? One or two sentences.

A4 Vantage point

HL p. 79; lecture

Smith and Ricardo looked at the economy from the side of _____. Malthus looked from the side of _____ — the circulation of money and commodities. HL say this is why he could see gluts that the others could not.

Keep in view. Malthus is the first classical economist to say that an entire economy can produce more than it can sell. Everything on the next two pages is his attempt to explain why.

The mechanism

Effectual demand, the three classes, and the gap

02 HL pp.83–86

B1 Effectual demand

HL p. 83

For every commodity to be sold at its natural value, there must be an _____ money demand equal to that value. Each period, total _____ of production equal total _____ paid out, so all three classes together must be *willing and able* to _____ it all. In modern terms (HL p.83): aggregate supply equals aggregate demand only if _____ equals _____.

B2 Who spends what

HL p. 85; lecture

Fill in how each class earns and spends.

Class	Income	Spending habit
Laborers	_____	
Capitalists	_____	
Landlords	_____	

Which class is the problem, and why?

B3 Causes of a general glut

Lecture; HL pp. 85–86

Match each cause from lecture to its mechanism.

Insufficient labor

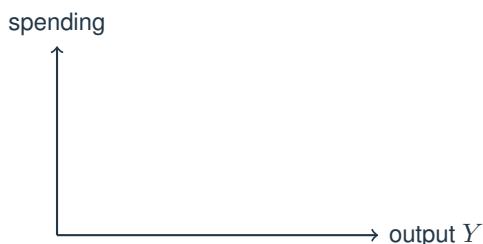
Technical innovation

Excessive profits

B4 The Keynes sidebar — draw it

Lecture

$Y = C + I + G + NX$ is effectual demand. Draw the 45° line and planned spending *below* it at full employment; mark the gap.



Keep in view. Costs are income. If one class saves what it cannot invest, the money stops circulating and goods sit unsold. That is a glut.

The cure, the critic, the contradiction

Landlords, Ricardo's fire, and the fallacy of composition

03 HL pp.87–89

C1 Malthus's solution

HL p. 87; lecture

Malthus wrote: "There must therefore be a considerable class of persons who have both the *will* and power to _____ more material wealth than they _____. ... In this class the _____ no doubt stand preeminent" (p. 87).

His policy device for getting income to that class was the _____ Laws. The landlords would then hire _____ workers (servants) who consume without producing.

C2 Why not raise wages instead? — circle T or F

HL p. 88 — according to Malthus

Claim

T / F

- (a) Higher wages would close the demand gap just as well as higher rents.
- (b) No one employs capital merely for the demand created by his own workers.
- (c) Higher wages raise costs, lower profits, and destroy the motive to accumulate.
- (d) Higher rents also raise costs and lower profits by exactly the same logic.

HL say the asymmetry between (c) and (d) shows that _____, rather than pure logic, determined Malthus's conclusion (p. 88).

C3 Ricardo's fire in the warehouse

HL p. 88

Ricardo replied that a body of unproductive laborers is "just as necessary and as useful with a view to future production, as a _____, which should consume in the manufacturer's warehouse the goods which those unproductive labourers would otherwise consume" (p. 88).

State Ricardo's objection in your own words, then say what he is missing.

C4 The contradiction

HL p. 89

Each capitalist wants his *own* costs _____ and every *other* capitalist's wages and rents _____. But all capitalists' costs together *are* the _____ that buys their products. HL: "a contradiction between the needs of any capitalist, taken _____, and the needs of all capitalists, taken _____" (p. 89). Modern name for this error: the _____.

C5 Reflection

Think forward — five or six sentences on the back of this sheet

In 2020–21 the U.S. government sent direct payments to households. Is that Malthus's "class with the will and power to consume," or Ricardo's fire in the warehouse? Pick a side.

Keep in view. HL's verdict (p. 89): Malthus saw the aggregate-demand horn, Ricardo the individual-profit horn, and "no such solution was or is possible" until Keynes. Next: Ricardo's own model, where the enemy is the landlord.