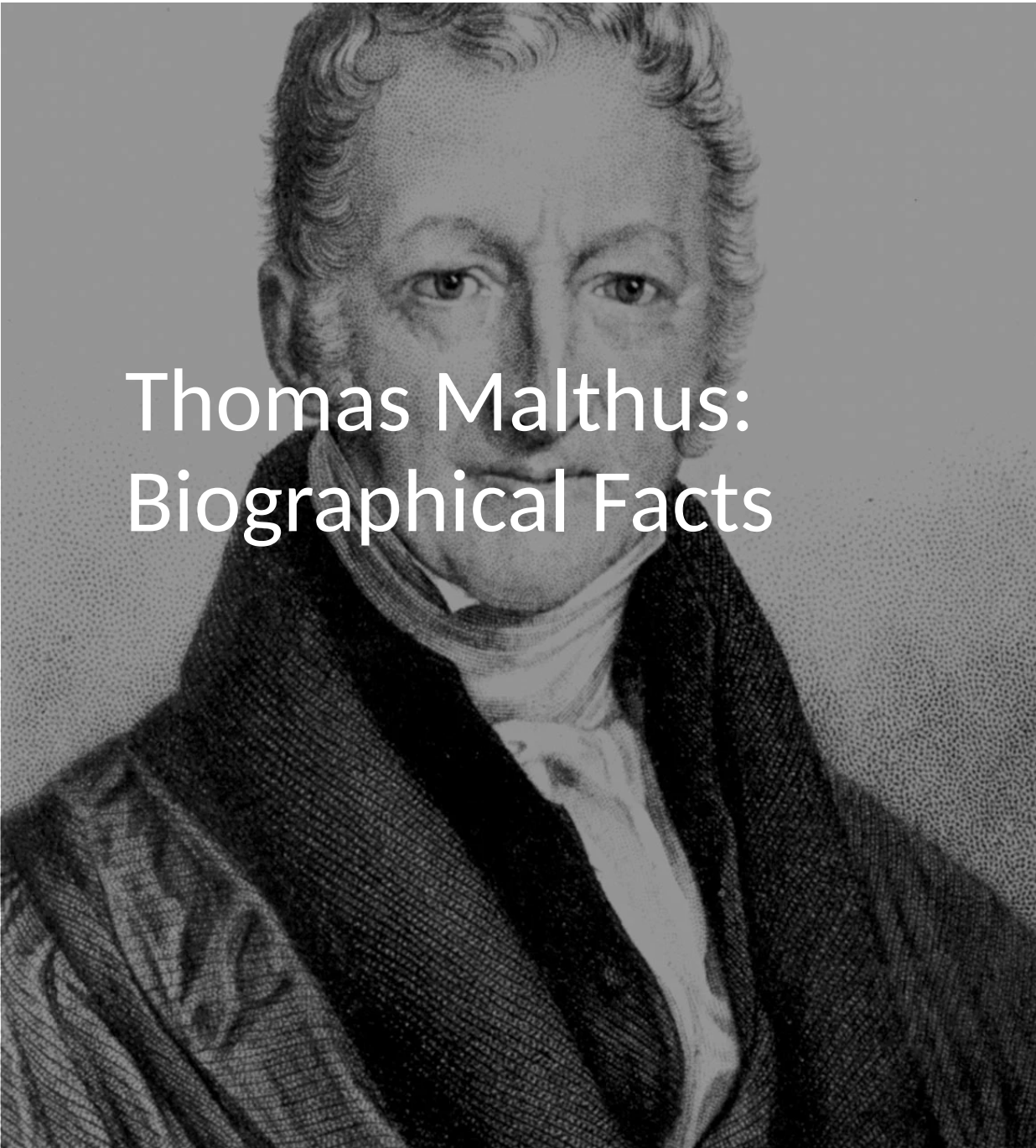


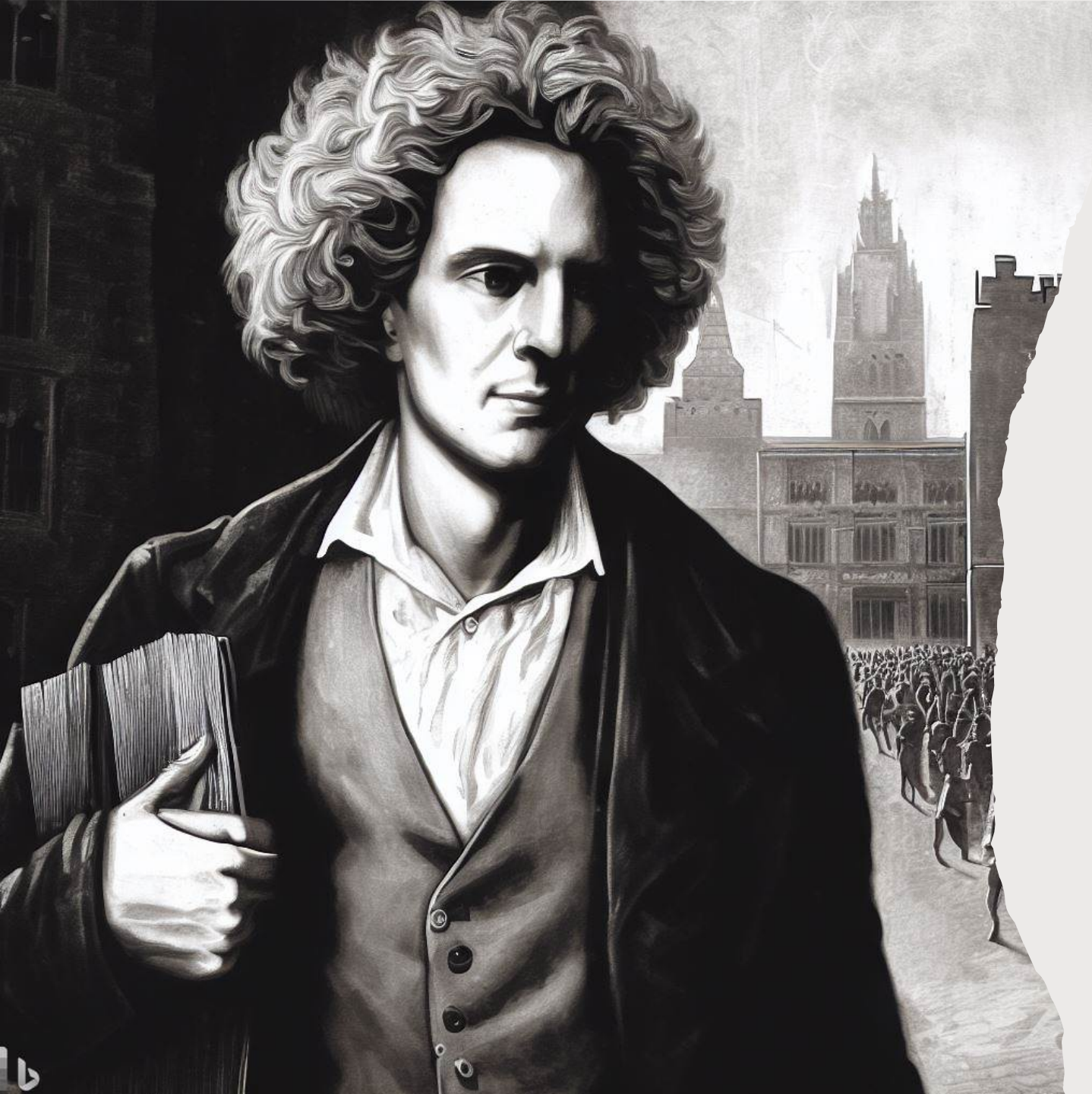
Thomas Robert Malthus

The dismal economist?

A detailed engraving of Thomas Malthus, an elderly man with white, curly hair, wearing a dark coat over a white cravat. The text "Thomas Malthus: Biographical Facts" is overlaid in white on the left side of the image.

Thomas Malthus: Biographical Facts





Who is Thomas Malthus?

- Born in 1766 to a well-off English family.
- Educated at Cambridge University.
- Appointed to the faculty of the East India Company's college at Harleybury in 1805.
- Held the first British professorship of political economy until his death in 1834

Malthus' Historical Context

- Lived during times of intense class conflicts.
- Industrial Revolution led to sacrifices and suffering among the working class.
- Workers faced legislative and political oppression.
- Malthus' writings reflect his positions on these class conflicts



The Two Principal Class Conflicts

- The suffering of the working class fueled the Industrial Revolution.
- Older landowning class had control of British Parliament.
- Intense conflict between landowners and the emerging industrial capitalist class.
- The ultimate issue: Should England remain agricultural or become industrial?



Malthus and Adam Smith

- Like Smith, Malthus was concerned with the societal impacts of economic systems.
- Both lived during transformative times: Smith during the early stages and Malthus during the peak of the Industrial Revolution.
- Malthus can be seen as responding to some of the optimism in Smith's theories.
- Explored the limits of economic growth, adding a cautionary layer to Smith's optimistic views.



Additional Facts about Malthus

- Known for his friendships and debates with notable figures like David Ricardo.
- His work was both lauded and criticized; Charles Darwin cited Malthus as an influence.
- Malthusian Theory continues to be studied and debated today.
- Passed away in 1834, but his intellectual legacy continues to influence economics and social science.

Malthus' Economic Reality

- Malthus lived when England was at a crossroads between agriculture and industry.
- His work tried to reconcile the social and economic complexities of his time.
- While Smith focused on the 'invisible hand,' Malthus warned about the 'visible foot' (market failures) of population pressures and resource scarcity.
- His work serves as a counterpoint to Smith's, offering a less rosy view of economic systems.

Class Conflict

The Industrial Revolution and Capital Accumulation

- The Industrial Revolution drastically increased human productivity.
- Consumer goods production was sacrificed for capital goods.
- Technological changes mitigated but did not solve the social costs.



Working-Class Sacrifices

- Working-class lived near subsistence levels.
 - Living standards deteriorated in the late 18th century.
 - Wealth accumulated disproportionately in the middle and upper classes
-





Loss of Traditional Way of Life

- Factory system disrupted laborers' traditional lifestyles.
- Loss of pride in workmanship and community.
- Reduced to mere sellers of labor, dependent on market conditions.



The Monotony of Factory Work

- Factory system imposed a mechanical, monotonous routine.
- Workers lost freedom and became appendages to machines.
- Led to Luddite revolts against the new system.

The Luddites - Who Were They?

- Origins:** The Luddites were skilled artisans and laborers in early 19th-century Britain who protested against the mechanization of their trades, primarily in the textile industry.
- Name Origin:** The movement was named after "Ned Ludd," a mythical figure who supposedly smashed two knitting frames in anger. Over time, "Luddite" became synonymous with anti-industrial sentiment.
- Objective:** Their primary aim was to destroy the machines that they believed were taking away their livelihoods, imposing monotonous work, and dehumanizing labor.



Child and Female Labor

- Women and children were employed for lower wages.
- Dehumanizing conditions in factories.
- Children faced cruel servitude and were treated like merchandise



Malthus, Overpopulation, Sex and Immorality

Rapid Urbanization and Its Consequences

- Exponential growth of cities led to horrendous living conditions.
- High mortality rates due to diseases and pollution



Malthus' Concern for Overpopulation - Introduction

- Thomas Malthus is best known for his theory on population dynamics.
- His work "An Essay on the Principle of Population" (1798) posited that population would outgrow the food supply.
- His views were considered radical and sparked extensive debate





Malthus and the Context of His Times

- Malthus lived during the peak of the Industrial Revolution, a period of rapid urbanization and industrialization.
- Crowded cities and rising poverty rates likely influenced his views on population.
- The shift from rural to urban living and the issues it created may have made Malthus sensitive to overpopulation

Malthus vs. Ricardo and Smith

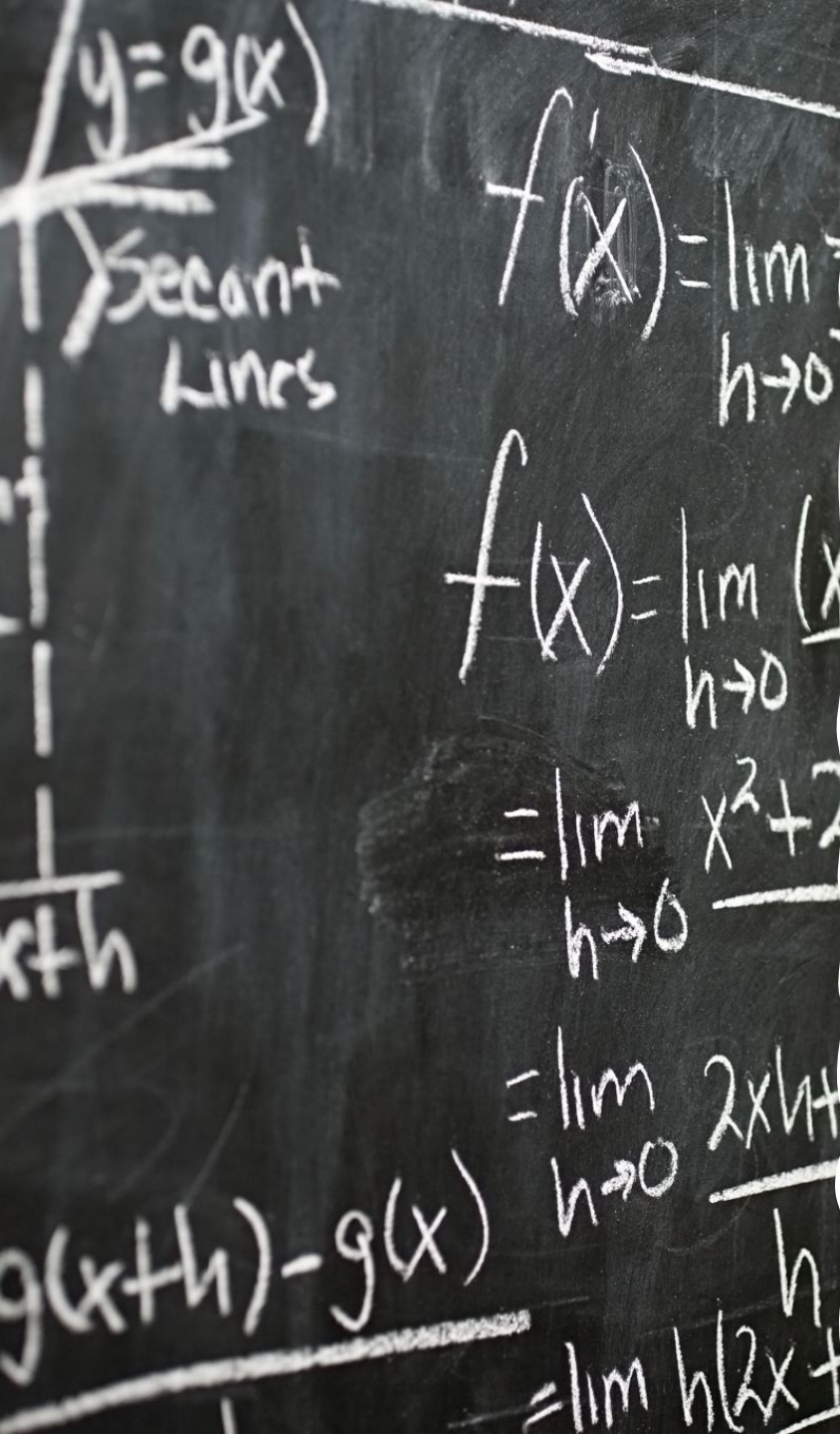
- Unlike Ricardo or Smith, Malthus was not primarily concerned with the market economy or labor theories.
- He was a clergyman, trained in the moral sciences, giving him a unique perspective on the ethical and social implications of population growth.
- His focus was more on the societal limits and carrying capacity, rather than economic systems per se



Why Was Malthus So Sensitive to This Issue?

- Malthus' religious background and his experience as a professor at the East India Company's college likely exposed him to various perspectives on poverty and resource scarcity.
- His theories were also influenced by observations of the American colonies, where land was abundant but still saw issues of overpopulation.





Overview of Malthus' Population Theory

Thomas Malthus' writings span two distinct periods, each with its own focus and theoretical approach.

He initially focused on labor unrest and radical societal restructuring plans.

Malthus was an advocate for the wealthy, using his population theory as a framework to defend them

The First and Second Essays

- Published "An Essay on the Principle of Population" in 1798 and a substantially revised edition in 1803.
- Targeted against the optimistic ideas of intellectuals like Condorcet and Godwin.
- Argued that class structures of wealthy proprietors and poor laborers were inevitable due to natural law

The Corn Laws and Second Phase of Work

- From 1814, his chief concern shifted to the Corn Laws and the struggle between landlords and capitalists.
- Developed the theory of economic "gluts" or depressions as part of his defense for landlords



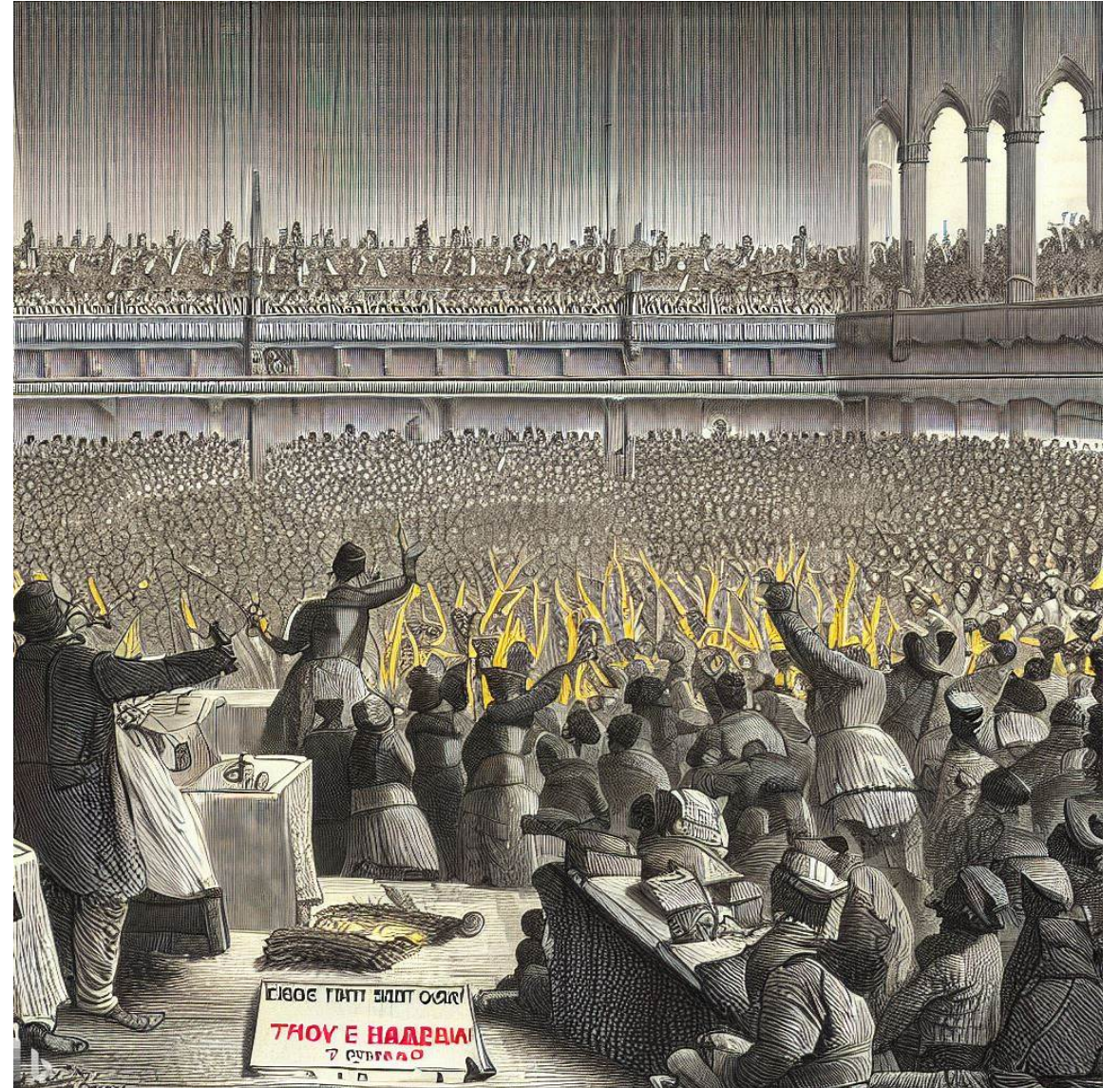


Corn laws: Critics and Supporters

- Agricultural vs Industrial Focus:** Landlords aimed to keep Britain agricultural, while industrial capitalists pushed for a transition to manufacturing.
- Class Dynamics:** The landed aristocracy, who held power in Parliament, supported the Corn Laws to maintain high grain prices, whereas the industrial bourgeoisie opposed them to benefit urban populations and the factory system.
- Economic Impact:** The Corn Laws raised living costs for the working class and squeezed profits for manufacturers, creating a social divide.
- Political Mobilization:** The Anti-Corn Law League, led by Richard Cobden and John Bright, campaigned vigorously for free trade and lower food prices, representing the interests of the industrial capitalist class.
- End of an Era:** The repeal of the Corn Laws in 1846 marked a shift in political power, signaling the dominance of industrial capitalism over traditional agricultural interests.

Introduction to the Corn Laws

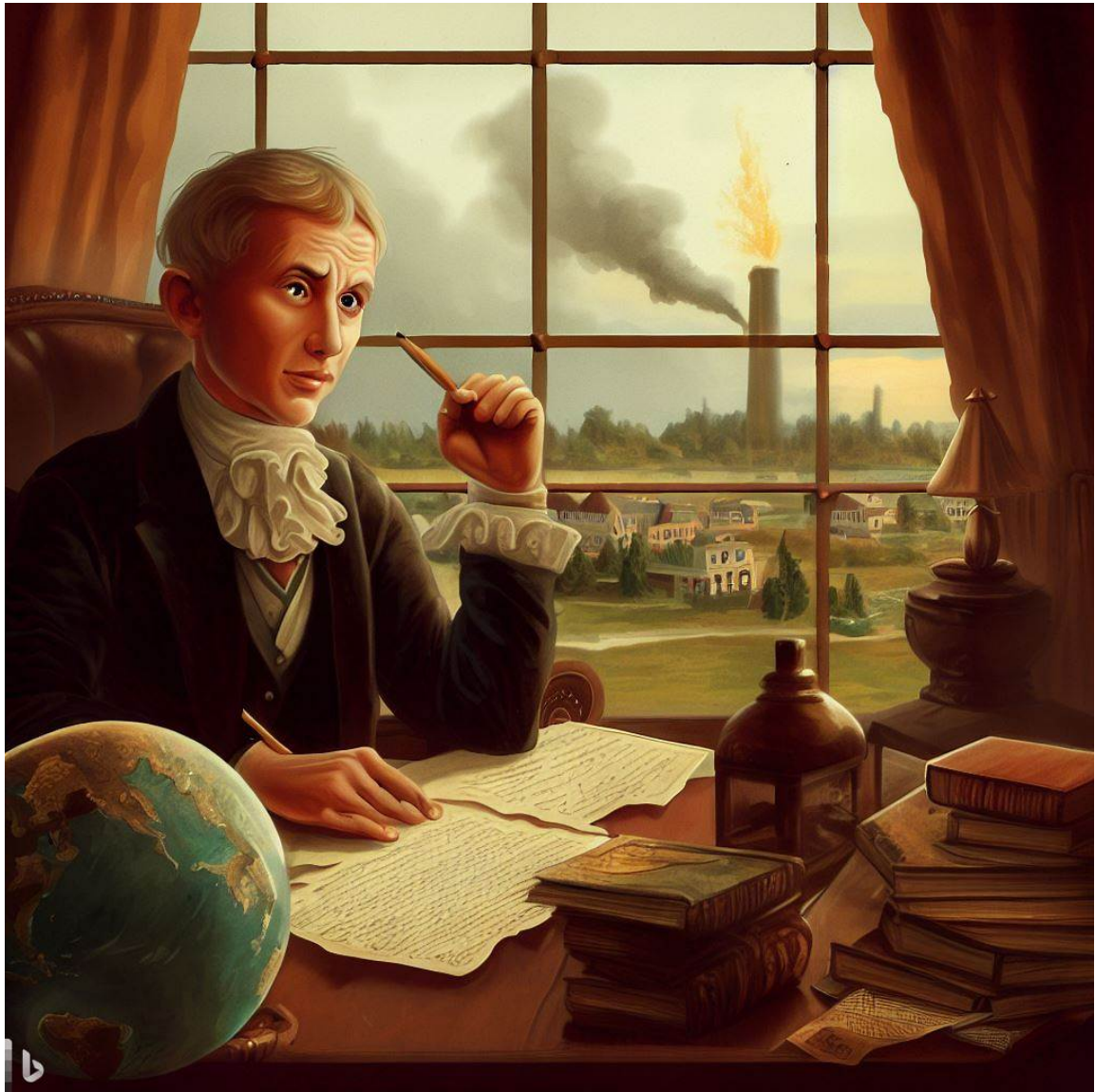
- The Corn Laws were a series of tariffs and trade restrictions on imported food and grain ("corn") enforced in Britain.
- Enacted between 1815 and 1846, they aimed to protect British farmers from cheap foreign imports.
- These laws were a point of major societal contention during Malthus' lifetime



Corn Laws and the Class Struggle

- The Corn Laws had significant implications for the British class system.
- Benefited the landlord class by maintaining high agricultural prices.
- Opposed by industrial capitalists who had to pay higher wages due to increased costs of food





Malthus and the Corn Laws

- Malthus was generally in favor of protecting British agriculture.
- He saw the Corn Laws as a necessary evil for stabilizing society and preventing overpopulation issues.
- However, his views were nuanced and evolved over time

Malthus' Critique of Optimistic Theories

- Malthus was maybe the first truly “dismal” economist because of his extremely pessimistic views of the ability of future populations to have enough food
- He has interactions with two others, much more positive, and interestingly we can sense the classical economists tense concerns over harmony and class warfare as we did with Smith

Who Was Condorcet and What Did He Advocate?

- Marie Jean Antoine Nicholas de Caritat, Marquis de Condorcet (1743-1794), was a French mathematician and philosopher.
- Influential during the early phases of the French Revolution.
- Advocated for greater economic equality and security through governmental welfare funds and regulation of credit.
- Believed that human progress could reach new heights if economic and social conditions were improved.



Malthus' Response to Condorcet

- Malthus argued that Condorcet's ideas were idealistic and failed to consider the natural limitations imposed by resource scarcity.
- He believed that governmental welfare and credit regulation would not solve the fundamental issue: population growth would outstrip resources, leading to poverty and class division.



Who Was William Godwin and What Did He Advocate?

- William Godwin (1756-1836) was an English journalist, political philosopher, and novelist.
- Argued that the flaws in the working class were due to unjust social institutions, particularly capitalist property relations.
- Advocated for the abolition of government, laws, private property, and social classes, aiming for full economic, social, and political equality.
- Believed that human reason and education would eventually lead society to this ideal state.



Malthus' Response to Godwin

- Malthus contended that Godwin's utopian vision ignored the fundamental laws of nature, particularly the geometric progression of population growth.
- He believed that even if society were to achieve the state of equality Godwin advocated, it would eventually revert to a system with inherent class divisions due to resource limitations.



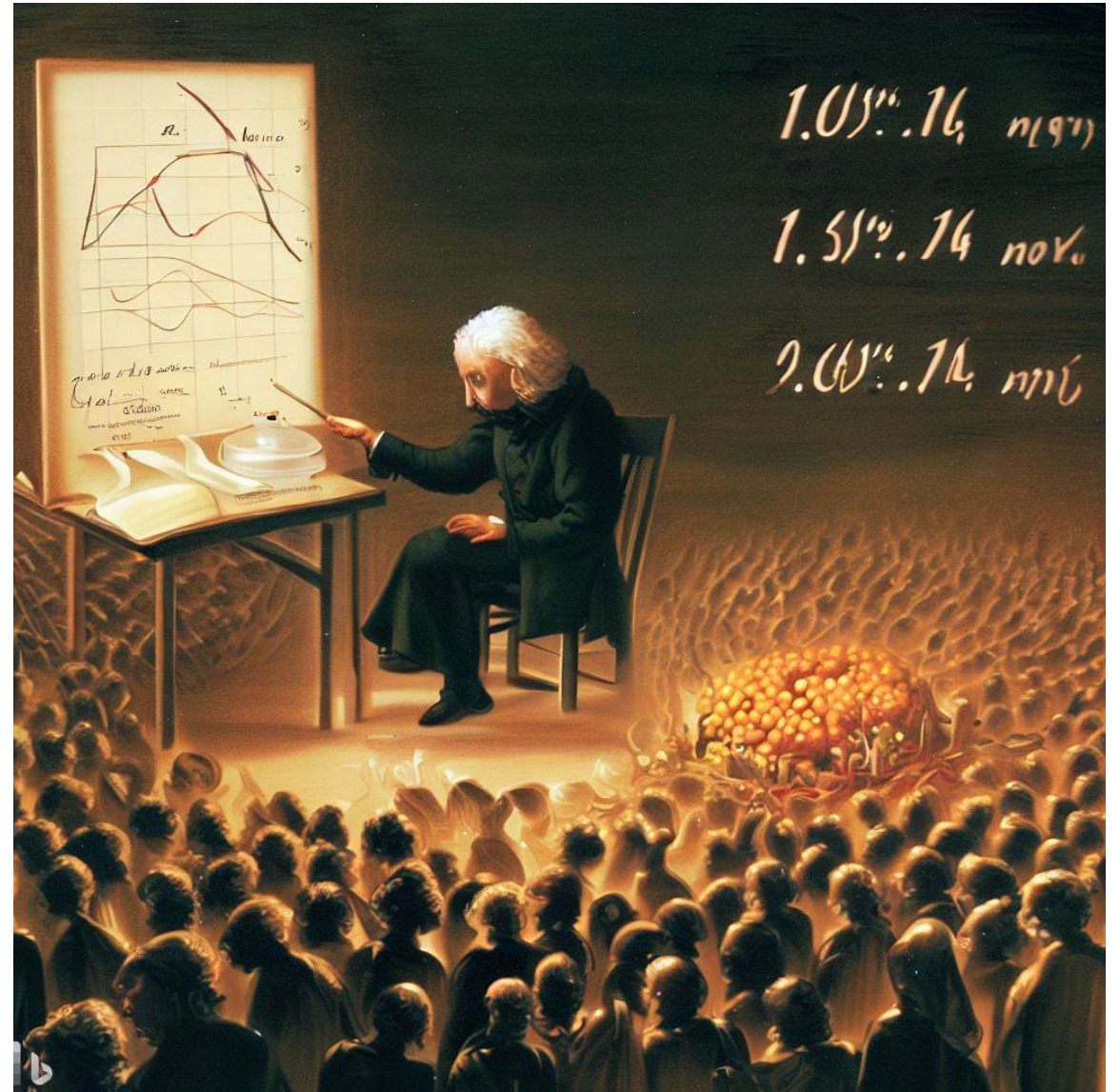
Summary of Malthus' Critiques

- Malthus saw both Condorcet's and Godwin's theories as overly optimistic and not grounded in the realities of human nature and resource limitations.
- He maintained that their ideas, though well-intentioned, would inevitably lead society back to a state of class division and poverty.
- Malthus argued for a more conservative viewpoint that accepted these limitations as inevitable, focusing instead on moral restraint as a means to check population growth.



Core Principles of Population Theory

- Proposed that unchecked population grows geometrically or “exponentially”, while food production increases arithmetically or “additively”.
- Simple mathematical model – ignores natural population reduction (e.g., development, higher wages, female labor supply) and the increased production from technological breakthroughs in food production
- Policy recommendation: checks on population into preventive (reduce birth rate) and positive (increase death rate) categories, also helps explain his “morality policing”



Exponential Population growth

• In geometric (or exponential) growth, each term is a multiple of the previous term. For example, if the population starts at 100 and doubles every 25 years (as Malthus hypothesized), then it would look like this over the course of 100 years:

- Year 0: 100
- Year 25: 200
- Year 50: 400
- Year 75: 800
- Year 100: 1600

• Here, the population is growing at an accelerating rate; it multiplies by a constant factor (2, in this case) over each time period.



Arithmetic Growth (Food Supply)

- In arithmetic progression, each term increases by a fixed amount. For example, if the food supply starts at 100 units and increases by 50 units every 25 years, then it would look like this:

- Year 0: 100

- Year 25: 150

- Year 50: 200

- Year 75: 250

- Year 100: 300

- Here, the food supply grows at a constant rate; it adds the same amount (50 units, in this example) over each time period.



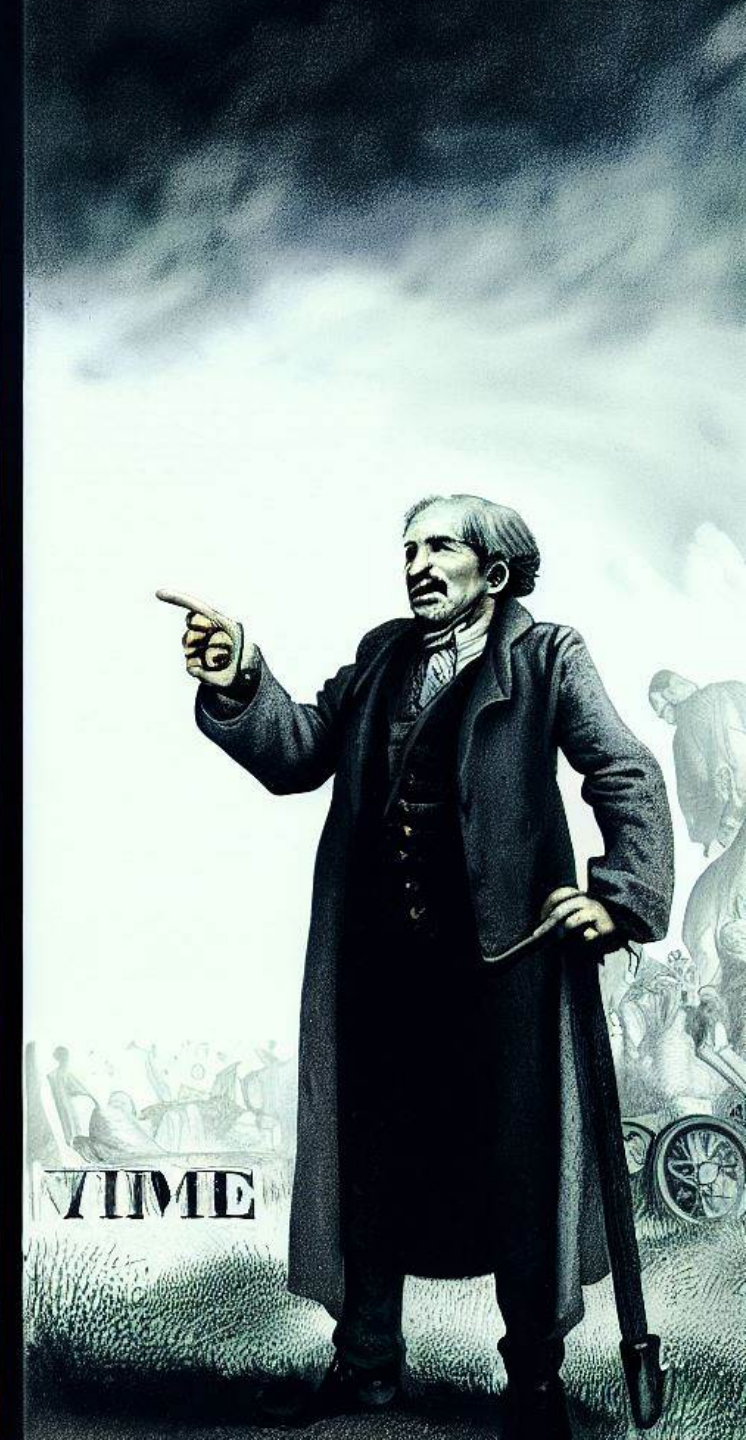


The Implication

- Malthus posited that population grows at a geometric rate, while food supply increases arithmetically.
- This disparity in growth rates would inevitably lead to the population outstripping available resources.
- The result would be natural checks on population growth, such as famine, disease, and societal suffering.
- Malthus believed this dynamic rendered utopian visions of society, like those of Condorcet and Godwin, unattainable.
- These views challenged the optimism about indefinite human progress and societal improvement

Moral Restraint, Vice, and Misery

- Argued that population is checked by a combination of moral restraint, vice, and misery.
- Associated moral restraint with the wealthy and virtuous, and lack of restraint with the morally inferior poor



Controversial Views and Legacy

- Suggested that poverty was inevitable and efforts to alleviate it would worsen conditions.
- His theory inspired later works, including Darwin's theory of evolution, but also perpetuated the idea that poverty is the result of moral inferiority



Malthus on the Morality of the Poor

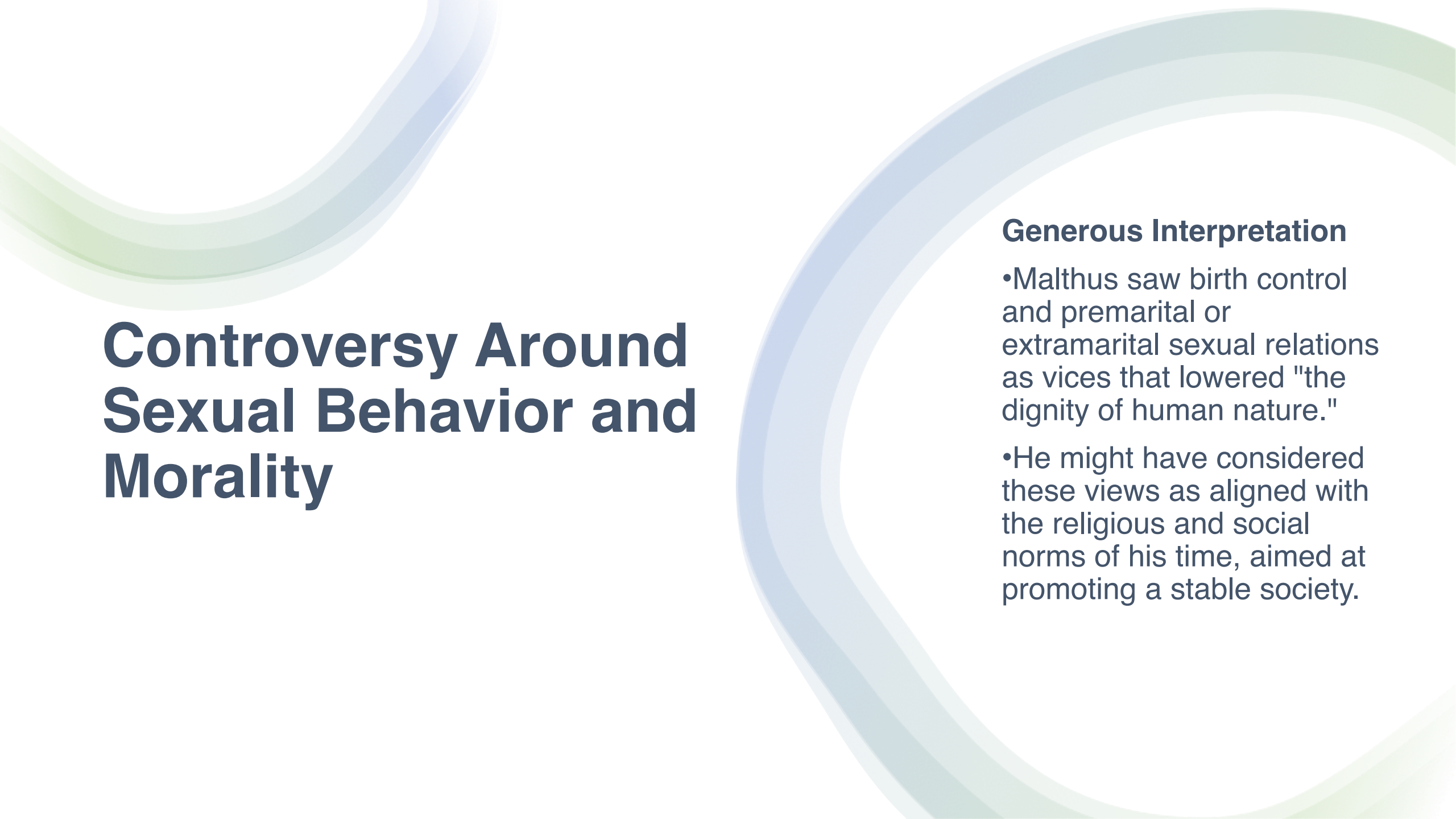
Generous Interpretation

- Malthus believed that the unchecked human desire for sexual pleasure would lead to a geometric increase in population, outpacing the arithmetical growth of food supply.
- His term "Moral Restraint" was seen as a form of preventive check, which he thought was mostly practiced by the wealthy, who could afford to marry later and have fewer children.
- He may have considered this as a form of self-regulation that would help society at large by avoiding overpopulation and its associated ills.

Malthus on the Morality of the Poor

Critics' Perspective

- Malthus's views have been criticized as classist and morally judgmental, particularly against the poor.
- He associated "lack of moral restraint" almost exclusively with the lower classes, blaming them for their own poverty and suffering.
- His population theory often served as justification for not aiding the poor, implying that their poverty was a result of their own moral failings, particularly regarding sexual behavior.



Controversy Around Sexual Behavior and Morality

Generous Interpretation

- Malthus saw birth control and premarital or extramarital sexual relations as vices that lowered "the dignity of human nature."
- He might have considered these views as aligned with the religious and social norms of his time, aimed at promoting a stable society.

Malthus' economics views of exchange

Recall our earlier discussions of the theories of “production” versus the theories of “exchange”



Controversy Around Sexual Behavior and Morality

Critics' Perspective

- Malthus's views on sexual behavior have been criticized as puritanical and unrealistic, particularly in the context of the poor who had limited access to education and contraception.
- Critics argue that his moral judgments on sexual behavior were a convenient way to blame the poor for systemic issues they had little control over

Pre-Smithian Economics - Mercantilism

- Recall from earlier – Mercantilism dominated economic thought from the 16th to the 18th century.
- The focus was primarily on trade and exchange as the source of a nation's wealth.
- Accumulation of precious metals through a positive balance of trade was considered crucial.
- Government intervention was often advocated to control trade and protect domestic industries



Mercantilists - Exchange-Centric

- Mercantilists viewed wealth as a zero-sum game, where one nation's gain was another's loss.
- The emphasis was on the circulation of money and commodities, not on the production process.
- They often overlooked the role of labor and production in creating value.
- Exchange was seen as the mechanism that could be directly manipulated to achieve national objectives



Adam Smith - Shift to Production



- Adam Smith's "The Wealth of Nations" (1776) marked a paradigm shift in economic thought.
- He shifted the focus from exchange and trade to production as the source of wealth.
- Introduced the concept of the "invisible hand," where individual self-interest leads to societal benefit.
- Advocated for limited government intervention and emphasized the importance of free markets

Smith - Production-Centric

- Smith introduced the labor theory of value, asserting labor as the only absolutely necessary social cost of production.
- He examined capitalism from two vantage points: production (leading to a class conflict view) and exchange (leading to a social harmony view).
- Smith's production-centric view laid the groundwork for classical and later, neoclassical economics.
- His ideas laid the foundation for economists like David Ricardo and Karl Marx to further explore production-based theories



Malthus's Shift in Focus on Class Conflict

- Malthus initially focused on class conflict between proprietors and laborers.
- Later, he shifted his attention to the conflict between two classes of proprietors: capitalists and landlords.
- His theories were mainly incorporated into his work "Principles of Political Economy."
- Unlike Adam Smith, Malthus had a limited appreciation of history and viewed society in a binary fashion: either "rude, uncivilized" or "civilized."



Malthus and the Vantage Point of Exchange

- Malthus viewed the economy through the lens of exchange and supply-demand dynamics, rather than production processes.
- He believed that class conflicts were not inherent to capitalism but arose due to misunderstandings of how the system works.
- When looking at the economy from an exchange perspective, Malthus thought that property rights and existing laws of ownership should be considered as given, not as variables to question. This premise can dampen the emphasis on class conflict.
- The idea is that if everyone understands their role and the rules of exchange in a capitalist economy, then they will see their interests as harmonious rather than in conflict



The Limitations of Malthus's Exchange Theory

- Malthus's exchange theory assumes that all parties are entering the market as equals, each with something to sell—be it labor, capital, or land.
- When property rights are taken as a given, every exchange appears mutually beneficial. Under this lens, the worker who sells their labor for a low wage is still 'benefitting' because the alternative is unemployment or starvation.
- Malthus argues that if everyone understands this, then there will be a general acceptance of the system. Essentially, if you 'get' that you're better off with low wages than no wages, you'll accept the system and thereby reduce class conflict.
- What this perspective misses is the power dynamics inherent in the system—the fact that some people control the means of production while others don't, which is not merely a 'misunderstanding' but a structural issue.

Commentary

- Think about how we first learn in economics the theory of comparative advantage and mutually beneficial exchange
- Voluntary exchange presumes the gains of trade are positive for both parties – so therefore if I know this is the case, how can I complain?
- This is sort of what I think Malthus is saying – we need to understand the idea of gains from trade (exchange) and then people will accept that they're poor
- **Question:** What is your reaction to that?

Malthus's Defense of Landlords and Capitalists

- Malthus defended both landlords and capitalists as deserving their rents and profits.
- He argued that each class (landlords, laborers, capitalists) contributed to production and therefore deserved their share.
- Unlike Smith, Malthus did not view profits as a deduction from the produce of labor.
- He believed that the interests of the state were most closely aligned with those of the landowner.

How Malthus's Exchange Theory Justifies Profits and Rents

- By focusing on exchange rather than production, Malthus essentially shifts the discussion away from how wealth is created to how it is distributed.
- In an exchange framework, everyone comes to the table with something to trade: labor, land, or capital. This perspective allows Malthus to argue that each class contributes to the overall production and should, therefore, receive a "fair" share.
- The exchange perspective takes existing property relations and distribution of resources as a given, not as something to be explained or critiqued. This means landlords "deserve" their rent because they are offering the land, and capitalists "deserve" their profits because they provide the capital.
- Unlike Smith, who used the labor theory of value to show that labor is the source of all value, Malthus doesn't delve into the origins of these assets. Therefore, questions about the fairness of initial distribution, or how those assets came to be owned by certain classes and not others, are sidestepped

Why This Is Problematic

- This perspective conveniently avoids addressing systemic inequalities or questioning the fairness of a system where the means of production are controlled by a minority.
- It can legitimize existing social and economic hierarchies by making them seem "natural" and based on mutual benefit.
- Malthus's approach lacks a critique of power dynamics and how they influence the so-called "fair exchange" he describes.
- Because it doesn't question the status quo, this theory can be used to defend the interests of the wealthy and powerful, under the guise of everyone receiving their "fair share."

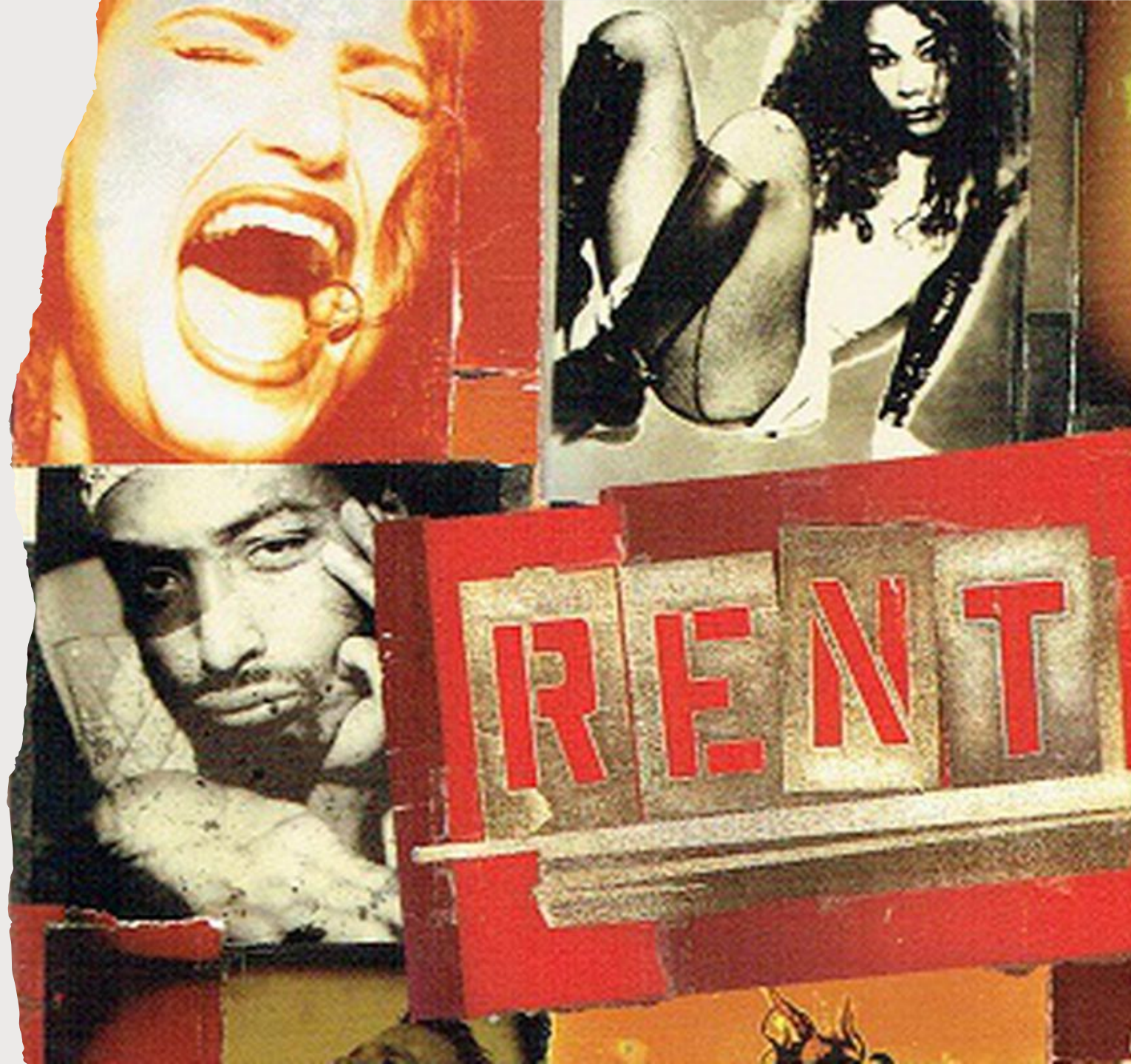
Discussion question:

Do you think focusing on economic growth or gains from trade justifies existing social inequalities, or should we question how wealth and resources are produced and distributed? How do these ideas show up in your life or in current events?



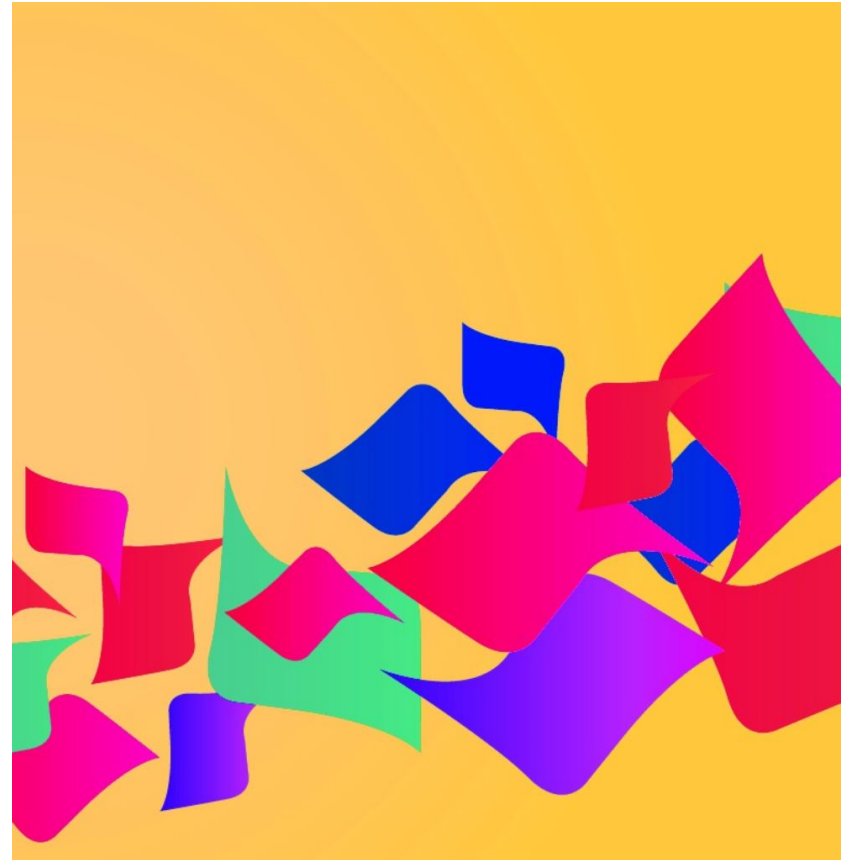
Introduction to the Classical Concept of 'Rent'

- "Rent" in classical economics is not the same as what you pay your landlord for an apartment.
- It refers to the income earned from the ownership of natural resources, like land.
- Rent arises because different pieces of land have different productive capabilities.
- The concept is central to understanding how wealth is distributed between landowners, capitalists, and laborers.



Context for Malthus's Discussion on Rent

- Malthus was deeply concerned with the issue of population growth outstripping food supply.
- His discussions on rent emerged from his belief that the land's fertility and its ability to produce food were limiting factors in human prosperity.
- Malthus was responding to widespread notions of the time that saw rent as an 'unearned' income or a form of monopoly.
- His defense of rent was part of a broader argument that every class in society—landlords, capitalists, and laborers—played a role in production and therefore deserved their respective incomes.



Malthus's Justification for Rent and Profits

- Malthus equated rent to the natural quality of the soil and its ability to support more people than are required to work it.
- He contended that rent was not a monopoly but a natural outcome due to the varying fertility of land.
- Profits were justified as they facilitated production through the use of tools and machinery.
- He viewed rent as both a result of and an indicator for general economic and social prosperity.

Critique and Legacy

- Critics argue that Malthus's views rationalize existing power structures and inequalities.
- His lack of focus on production as opposed to exchange has been criticized for being ahistorical.
- Despite these criticisms, his work laid the foundation for later theories, particularly in the realm of neoclassical economics.
- His perspectives continue to be debated, especially his views on social harmony and class conflict.

Depressions, Recessions and Gluts

Malthus looks more and more like an early macroeconomist

Malthus and Gluts

- Malthus has theories on “gluts” or recessions that are surprisingly modern
- He has an influence on Keynes’s own theories, and I think you’ll recognize modern bits
- Let’s start with some historical recessions from this period, as not a lot of us know much about these 18th and 19th century recessions

The South Sea Bubble (1720) - Context

- Speculative Mania:** The South Sea Company promised significant returns based on trade prospects with South America. Public and even governmental speculation in its shares became rampant.
- Financial Innovation:** The South Sea Company utilized novel financial instruments, including the issuance of shares and bonds, which were not well understood by the public.
- Government Backing:** The British government heavily endorsed the South Sea Company, leading many to believe the investment was "safe."
- The Burst:** Eventually, the bubble burst when it became clear that the expected trade profits were not materializing, leading to a sharp decline in share prices.



The South Sea Bubble - Severity

- **Widespread Financial Ruin:** Many investors, including members of the government and aristocracy, faced financial ruin.
- **Economic Downturn:** The burst of the bubble led to a contraction in available capital, slowing down economic activity for years.
- **Regulatory Response:** The crisis led to increased financial regulations, including the "Bubble Act," aimed at restricting joint-stock companies.
- **Public Distrust:** The event severely eroded public trust in financial systems and led to a skeptical view of speculative investments.

Post-Napoleonic War Depression (1815-1820) - Context

- **End of War:** The end of the Napoleonic Wars led to demobilization and a sudden influx of unemployed soldiers.
- **Trade Resumption:** British markets were flooded with cheaper goods from Europe, affecting domestic production.
- **Corn Laws:** The Corn Laws were enacted to protect British agriculture, but they led to higher food prices, causing public distress.
- **Currency Reforms:** The transition from wartime to peacetime economy also included a return to the Gold Standard, which led to deflation



Post-Napoleonic War Depression - Severity

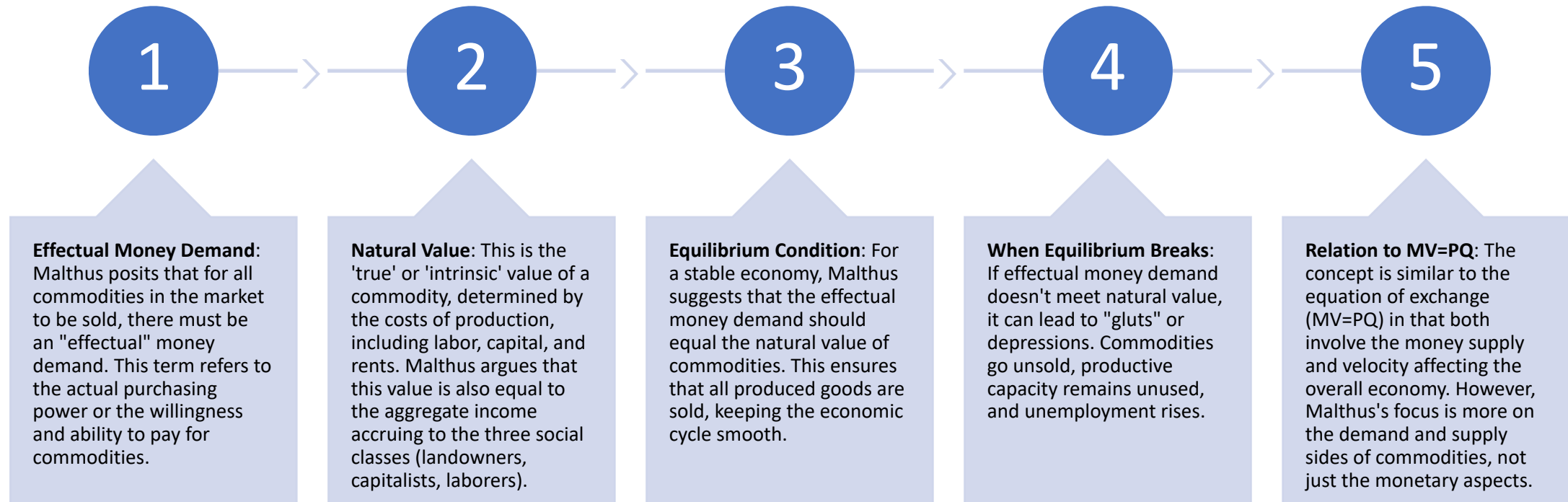
- **High Unemployment:** Many sectors, especially agriculture and textiles, faced high levels of unemployment.
- **Social Unrest:** Events like the Peterloo Massacre in 1819 reflected the high levels of social unrest and discontent.
- **Widespread Poverty:** The depression led to increased poverty rates and reliance on poorhouses and charity.
- **Political Tensions:** The economic conditions exacerbated class tensions and led to calls for political reform, putting pressure on the British government.



Malthus's Theory of Gluts - Overview

- **Interesting Callback to Smith:** Malthus disagreed with Adam Smith's idea that market price naturally aligns with natural price.
- **Introduces Concept of "Effectual Demand":** Malthus believed that for all commodities to be sold, there needs to be an "effectual" money demand equal to their natural value.
- **Focus on Exchange:** Unlike Smith and Ricardo, who focused on production, Malthus delved into the circulation of money and commodities.
- **Goal:** His primary aim was to understand economic crises and propose policies to mitigate them.

Understanding Malthus's Concept of "Effectual Demand" and "Natural Value"



The Role of Classes in Spending



Laborers: Spend all their income on subsistence.



Capitalists: Primarily focused on accumulating capital, spending little on consumption.



Landlords: Spend all their income on consumption and services, thereby balancing the economy.



Problem: Capitalists accumulate too much, leading to an unsustainable rate of capital investment.

Sidebar: Malthus and Keynes

- **Malthus's Theory and Modern Keynesian Economics**
- **Keynesian Cross & GDP:** In modern terms, consider the definition of GDP:

$$Y = C + I + G + NX$$

Each of these components can be thought of as a form of 'effectual demand.'

Sidebar: Malthus and Keynes



Class Roles in Keynesian Terms:

Laborers contribute mainly to C (Consumption).

Capitalists to I (Investment).

Landlords, with their consumption, also contribute to C , and potentially G (Government spending) through taxes.



Recession and Gluts: Both Malthus and Keynes discuss how an “imbalance” between these components can lead to economic downturns. Keynes would describe a lack of aggregate demand as a recession, similar to Malthus's "gluts."



Unsustainable Investment: In Malthus's framework, when capitalists accumulate too much capital too quickly, the rate of investment becomes unsustainable, disrupting the balance. In Keynesian terms, this would be an imbalance in I , affecting Y .

Causes of General Gluts

- **Insufficient Labor:** Rapid capital growth can't be matched by labor force growth immediately.
- **Technical Innovation:** New capital technology displaces workers, reducing demand.
- **Excessive Profits:** Lead to unsustainable rates of capital accumulation.
- **Inadequate Aggregate Demand:** The core issue, according to Malthus, is a periodic lack of demand for goods.

Malthus's Solution

- Redistribution:** Advocated policies that would redistribute income, particularly favoring landlords.
- Creation of Unproductive Workers:** Hired by landlords, these workers would consume without producing.
- Corn Laws:** Advocated as a means to redistribute income towards landlords, enhancing their role in boosting demand.
- Critique of Increasing Wages:** Believed it would not solve the problem as it reduces capitalists' motive to accumulate.

Comments

- You can see I think some similarities with modern Keynesian theories of recessions
- But notice that it is a little imprecise and the mechanisms by which the output gap forms as an equilibrium isn't clear
- Also unclear how the price mechanism works to eliminate the output gap (if at all)
- Still, the circulation of spending is driving the recession, not production

Malthus vs. Ricardo

- **Ricardo's Critique:** Argued against Malthus's idea of unproductive laborers boosting the economy.
- **Contradictions:** Both economists highlighted different facets of a complex issue—aggregate demand vs. individual capitalist interests.
- **Dilemma:** A contradiction exists between the needs of any capitalist individually and all capitalists collectively.
- **Legacy:** Laid the groundwork for future discussions, notably influencing Keynesian economics.