The theoretical contributions of Malthus for the History of Economic Thought

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Abstract

This paper provides a brief analysis on the historical context, life and theoretical contribution of Thomas Robert Malthus (1766-1834), aims to confirm the importance of Malthusian thought to the progress of economic thought. The paper highlights the theory of population and the question of effective demand, based on the works Essay on the Principle of Population (1798, 1803, 1806) and Principles of Political Economy (1820) Malthus, and also based on related articles like Corazza (2005), Coutinho (1993), Miglioli (2004), among others. The Essay had a major influence on the History of Economic Thought, due to the accession of the hypothesis of subsistence wages by classical literature, unlike the work Principles of Political Economy, which, although dealing with issues relevant to economic science, has not contributed to the time for the progress of economic thought.

Keywords: Malthus, liberalism, poor law, population, effective demand.

Introduction

The History of Economic Thought rarely progresses in a linear fashion, by contrast, has evolved by leaps and bounds, through periods of crises and revolutions of theory. In political economy, classical authors are always present and its main representatives are Smith, Malthus, Ricardo and Marx, these authors, in general, defined the basic framework and objectives that drive the development of capitalist economy.

The knowledge about the political economy plays an important role in society, it involves economic, social and political, beyond the interest of social classes, economic activities also include the interests of the government and the nation as a whole.

In this sense, classical political economy can not be understood as a theory and not finished surpassed by contemporary theories, it remains present, would have next to ancient and modern, as a permanent source of inspiration for current issues of capitalism.

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The main issues addressed by classical political economy throughout its history has been economic growth, capital accumulation, the centrality of work, income distribution between social classes, the discovery and affirmation of economic laws as "natural laws" the economy and defense of liberalism.

According to Corazza (2005), English classical political economy covers the period of approximately one hundred years, from 1750 with Adam Smith, who was its founder in 1850 with John Stuart Mill, his last great representative. This period is highlighted Thomas Robert Malthus (1766-1834) and David Ricardo (1772-1823), as experienced the unfolding of the industrial revolution.

In light of these considerations this paper aims to summarize the importance of Malthusian thinking, considering that his theoretical contributions have influenced the progress of the History of Economic Thought. No work will be highlighted population issues related to poverty, where it is analyzed as a natural problem and not as a social problem, and the question of effective demand, the possibility of crises in the capitalist system and the opposition to Malthus Say's law principles.

Besides this introduction, the first section of the paper presents historical and bibliographical aspects of Malthus and summarizes the main issues on the work Essay on the Principle of Population. Later in the second section makes a brief analysis of the book Principles of Economics, bring to light the importance of theory of effective demand developed by the author. In the final consideration is analyzed the contemporary thinking of Malthus and Ricardo.

1. Essay on Population

Thomas Robert Malthus was born in 1766 in the county of Surrey in England. It was the penultimate of the seven children of Daniel and Henrietta Malthus, erudite and
wealthy family that belonged to the average English gentry. His father, Daniel Malthus, landowner and lawyer, was a friend of David Hume (1711-1776) and Jean-Jacques Rousseau (1712-1778). Due to good financial Daniel Malthus was able to devote themselves to reading the classics of literature and philosophy as well as education of children who have not attended school before she was old enough to enter university (Szmrecsányi, 1982).

In 1788 T. R. Malthus majored in mathematics at Cambridge University, and the same year of his graduation he was ordained Protestant minister. In 1796 he wrote his first book ‘The crisis: a view of the recent interesting State of Great Britain, by a friend to the constitution’, although it has not been published the pamphlet was about criticism of the English government.

In 1798 the author published the book anonymously ‘An essay on the principle of population as it affects the future improvement of society: with remarks on the speculations of Mr. Godwin, M. Condorcet, and other writers’, it is believed that anonymity was determined by his ecclesiastical condition (Szmrecsányi, 1982).

The first essay on population, can be better understood based on the social reality of their time, since challenging the egalitarian views become popular after the French Revolution through the impact of the works of Godwin (1756-1836) and Condorcet (1743-1794), which proposed solutions to the serious problem of population growth and poverty resulting from the Industrial Revolution (Corazza, 2005).

William Godwin, despite sharing the ideas of the French Revolution, rejected both state intervention, as the collective action to solve social problems. In his work ‘An Inquiry into the Political Justice’ (1792), the author stated that social disorder resulted from the social institutions of corrupt and unjust laws, which made it inevitable theft and fraud.
Godwin proposed a society where there were no institutions to protect private property, where all worked only for the common good, and where there was no institution marriage, while the population lived in plenty on land which was fairly shared out among the population (Eltis, 1984, p. 119).

For Godwin, the human race is not perfect, through education and intellectual development, therefore, believed that the character of the citizen depends on social context, or more just result in greater rationality and collective welfare (Corazza, 2005).

Marquis de Condorcet was a French aristocratic family, he studied mathematics and exerted great influence in the first round of the French Revolution. In his famous sketch of ‘A historical picture of the progress of the human spirit’ (1794) the author stated that human progress corresponds to the set of moral development, spiritual and intellectual, and the condition for such development is economic equality and security.

For Condorcet equality among nations and among individuals within nations would occur only with the elimination of differences in wealth, inheritance and education. In this sense, the author concluded that the existing laws and institutions encouraged social inequality and the same could be minimized by redistribution of public funds for the elderly and families without fathers and the credit goes to the favored and workers.

According to Coutinho (2003) the ‘First Essay on Population’ more than one answer from Goodwin and works of Condorcet, the time represented a conservative reaction to English French revolution, ultimately, attributed the problem of inequality and poverty and human nature not accepted as a social problem.

0 fact was that in the late eighteenth century, England suffered the socioeconomic effects of the industrial revolution such as unemployment, poverty, disease, substandard housing and agricultural exodus, exhausting working hours for
men, women and children, social promiscuity, disease, diseases and deaths. All these issues culminated in an oversupply of manpower and consequent fall in wages at the subsistence level (Corazza, 2005).

In this context ‘The Essay on Population’ of Malthus envisioned that a) regardless of the social reforms undertaken by the government in an attempt to modify the 'injustice' of capitalism, the social structure would not change because, according to Malthus class division comes from the natural law "(...) The poverty is part of natural law, no income distribution and social reform that can guarantee a decent standard of living for the poor if poverty is the cause of the excess population, any distribution only serves to encouraging indolence and sloth" (Corazza, 2005) and b) poverty and suffering were the inevitable fate of most people, and attempts to minimize this situation would be useless, because:

(...) no possible sacrifices of the rich, particularly in Money, could for any time prevent the recurrence of distress among the lower members of society, who ever they were. Great changes might indeed be made. The rich might become poor and some of the poor rich, bur while the present proportion between population and food continues, a part of society must necessarily find it difficult to support a family, and this difficulty will naturally fall on the least fortunate members (Malthus apud Eltis, 1984, p.128).

The theory of Malthus on population based his conclusions on two basic postulates, namely: the food is necessary to human existence and the passion between the sexes is necessary and will not be extinguished. Based on these postulates Malthus (1996, p. 246) states that:

The power of population growth is infinitely greater than the power that has the land to produce means of subsistence for man (...) The population, when unchecked, increases at a geometrical progression. Livelihoods grow only in arithmetic progression.
It is worth noting that Malthus to the problem of population growth and increasing poverty were not associated with social, but purely natural, so natural questions suggested as a solution to the misery and death.

The logical argument, ‘The theory of population’ has a very weak empirical basis, according to the author the population would grow at a geometric rate of 3% per year and could double every 25 years in locations where there is plenty of food and few restrictions on marriages. Thus Malthus concludes that because the population has not doubled over time, every 25 years, is due to 'natural law', which were called hurdles (checks) natural and classified as positive and preventive (Eltis, 1984).

Obstacles are positive factors that may cause the natural increase in mortality, such as hunger, misery, wars, epidemics. Barriers contribute to the prevention of birth control, relate to sterility, sexual abstinence and birth control. According to Malthus, if the controls were inadequate preventive nature to ensure a balance between the number of mouths and quantity of food by means of positive control (Eltis 1984).

The second edition of the Essay on population was released in 1803 entitled ‘An essay on the principle of population; or a view of its past and present effects on human happiness; with an inquiry into our prospects respecting the future removal of mitigations of the evils which it occasions’. To Szmrecsányi (1982), the second edition in addition to more extensive, giving more emphasis to empirical data and replaces the political philosophy by economic analysis.

In the second edition of his population theory, Malthus includes a third 'barrier' for population control, the 'moral control' which is about the voluntary extension of virtuous celibacy. Thus the author concludes that where there is no moral restraint, the population would be contained through other barriers (Hunt, 2005).
About natural solutions presented by the author to contain the increase in population it should be noted that Malthus did not consider his work in the capacity of man's answer to food shortages, overestimating the effects of nature, and also did not take into account the effects of technological innovations on agricultural supply so little about medicine and contraception (Szmrecsányi, 1982; Strathern, 2003).

With respect the weak statistical basis\(^1\) of the Theory of Population:

Malthus justified the lack of data, hoping to provoke discussion of the theme elements of proof of his ideas, but at the same time, disregards facts that may need to prove their ideas because they seem so obvious they need no proof (Corazza, 2005).

Based on his theory on population, Malthus argued that any attempt to improve the standard of living of the poor, would result in the acceleration of poverty and population growth, "(...) because the measure that would improve their lot, the poor would become generate more children, so back to impoverish" (Strathern, 2003). Malthus was not possible for the existence of a society 'ideal' because the vices of human nature would result in population growth and consequently poverty.

The cause of poverty and inequality is over-population in relation to food is useless to protect the underprivileged through the redistribution of spending power. Redistribution only help to increase the demand on a defined basket of food. Encourage indolence and would undermine the working population effectively (Malthus \textit{apud} Coutinho, 1993).

For these reasons the author was against the ‘Poor Laws’, social welfare law which provided a subsidy to workers earning below the subsistence level. For Malthus:

\[^1\] The author's statistical argument was based largely on the work of the American Benjamin Franklin, \textit{Observations concerning the increase of mankind}, where it was stated that the American population would double every 25 years. But Malthus did not consider that this number considered both natives and immigrants (Eltis, 1984; Strathern, 2003).
The poor laws of England tend to depress the general condition of the poor in these two ways. Their first obvious tendency is to increase population without increasing the food for its support. (...) Secondly, the provisions consumed in workhouses, upon a part of the society that cannot in general be considered as the most valuable part, diminishes the shares that would otherwise belong to more industrious and worthy members (Malthus apud Eltis, 1984).

The Malthus’s Theory of Population had influence on various fields of thought including the formulation of evolutionary theories of Charles Darwin. Specifically, he had a great influence on the Intellectual History of Economic Thought, considering that the classical economists have incorporated the principle of population to their own theories, assuming the excess supply of labor, which justified the subsistence wage.

It should be noted that the assumptions of the theory of population also influenced the UK government in 1834 that changed the law of the poor in order to make it more rigid;

(...) the Poor Law which restricted relief to those living in workhouse and these were made deliberately uncomfortable in the extreme so that no one would be lightly encouraged to have large families from the knowledge that they could eventually rely on support (Eltis, 1984, p.129).

Despite the Malthus’s Theory of Population has not been confirmed throughout human history, some conclusions are still accepted this theory to analyze the socioeconomic situation of the poorest regions such as the underdeveloped countries, considering that the world population continues to expand.

According to Hunt (2005) “the results of this theory yet exists to persuade us that poverty is inevitable, that little or nothing can be done about it and it is clear from the moral inferiority of the poor”. But is the problem of hunger and poverty is only in the technological inability to keep up with demand for resources?
However to Coutinho (1993), the malthusian vision on the Theory of Population follows current by tracking the political action in the sense that leads society to believe that human progress and well-being depend on individual actions and not collective. The shortage can be seen as a blessing because, instigates to work, without which mankind was still in primitive stage.

In 1806 Malthus published the third edition of the ‘Essay’\(^2\), this work beyond the demographic the author also examined issues such as agricultural supply, capital accumulation and the interest rate, agriculture and manufacturing system. Regarding the issue of agricultural supply its analysis was guided by the assumption of diminishing returns from land\(^3\), decreasing yields of capital invested in land (Coutinho, 1993; Eltis, 1984).

However, it is noteworthy that the theory of population is not dependent on assumption of diminishing returns from agricultural production, and that the soaring food prices would not result in increased costs of agricultural production, but accelerated growth in food demand due the increased population.

Thus, Malthus concludes that agriculture plays role of major relevance for the development of capitalism than the trade and manufacture, since agriculture is the company who caters to food surplus. Otherwise, who is farming measures and limits growth of a nation, because there is no surplus food manufacturing multiplication of work (Coutinho, 1993; Eltis, 1984).

### 2. Principles of Economics

\(^2\) According to Bonar *apud* Coutinho (1993), the theme land rent, is set primarily in the second Essay, but has been systematically analyzed only in the third Essay in 1806.

\(^3\) Malthusian’s Theory of Population based on the law of diminishing returns, so as to employ more quantities of variable factors, assuming that at least one factor remains constant, total output increases at an increasing rate, then increases at decreasing rates. There is thus a reduction in total production on fertile land available
In 1804 Malthus married Harriet Ekersall his cousin with whom he had three children, the following year joined the faculty of the College of the East India Company, near London, where young people were graduates administrators for colonial Indian bureaucracy. He worked as a professor of history and political economy at the time Malthus met David Ricardo, with whom he had a close friendship despite disagree on many economic issues (Szmrecsányi, 1982, Rostow, 1990).

During the first two decades of the nineteenth century, the axis of theoretical investigation of Malthus is no longer the social conflict between rich and poor began to focus on the conflict between landowners and capitalists.

In 1820 Malthus published Principles of Political Economy, work in which the author disagreed with the efficient self-regulating market. In the orthodox view, the capitalist system was self-regulated, ie the economic mechanisms of competition and prices would ensure the balance between supply and demand for products.

Classical authors such as A. Smith and D. Ricardo believed in the 'Say's law', according to which every supply creates its own demand, since the currency only works as a medium of exchange and is not intended to divert purchasing power. Thus, the necessary condition for the effective demand is equal to the value of all goods produced would be that all social classes (workers, capitalists and landlords) were willing to spend the entire household income to buy these goods (Corazza, 2005).

According to classical economic theory of the early nineteenth century the national income could be spent in two ways, the first was the purchase of goods for consumption and the second for the purchase of goods which are accumulated as capital. The classical economists defined the savings as income left over after expenses for consumption, therefore, that all income is spent is a need for spending on goods to be accumulated (Investment) are equal to the income saved (Hunt, 2005).
In the words of Adam Smith:

Everything a person saves from his income the sum of its capital, using it on your own, hiring more productive workers or allowing another person to do so by lending him money at interest, ie, in exchange for a stake in their (...) The profit that is spared, for years, is so consumed about what is spent per year, and also about the same time, but is consumed by others (Smith, 1937, p. 321, apud Hunt, 2005, p. 79).

For not consider the 'law of Say' Malthus pointed to the possibility of lack of effective demand or market to consume all production potential of the economy, resulting in overproduction general⁴, for the author the economic growth depended not only on the productive capacity, but also effective demand⁵. This question was the focus of intense debate between Malthus and Ricardo, until the latter's death in 1823.

Thus Malthus in his work, highlighted important aspects for increasing effective demand as the division of private property, trade and consumption of unproductive workers⁶. And also pointed out important aspects that contribute to increasing productive capacity as population growth, capital accumulation, soil fertility and technical progress (Rostow, 1990).

The three great causes most favorable to production are accumulation of capital, fertility of soil, and inventions to save labor. They all act in the same direction; and as they all tend to facilitate supply, without reference to demand, it is not probable that they should either separately or conjointly afford an adequate stimulus to the continued increase of wealth (Malthus apud Rostow, 1990, p. 56).

With respect to population growth, Malthus in his theory of overproduction abandoned, at least in part, his theory of population stating that “(...) an increase in

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⁴ Say believed that super-partial supplies could exist temporarily, but soon the balance would be restored by the market (Strathern, 2003).
⁵ In discussing the effective demand Malthus anticipates more than a century the methodology adopted by Post Keynesians, specifically, the models of Harrod and Domar (Miglioli, 2004; Rostow, 1990).
⁶ Providers of personal services.
population is a powerful and necessary element of increasing demand”, also recognizes that a general increase in wages would encourage the expansion of effective demand and hence production (Rostow, 1990; Miglioli, 2004).

In the words of Malthus *apud* Miglioli (2004, p. 79):

An increase in nominal wages from work generally involves such a distribution of real wealth that this gives an increasing value, ensuring full employment for all working classes, creates a demand for increased production and the capital to generate it. In short it is an infallible sign of health and prosperity.

It is noteworthy that despite this recognition Malthus does not include the general wage increase as an aspect that favors the expansion of demand that would cause an increase in production costs and consequent reduction in profits and production.

With respect to capital accumulation, Malthus says:

It is necessary to have an effective demand prior to production so that there is investment, as production does not, necessarily, an effective demand equals supply. Therefore, said Malthus, "there must be something prior and independent demand for these workers so that their job is guaranteed. The effective demand can not arise normally the spending of those who produce "(Malthus *apud* Corazza, 2005).

According to Malthus, the defenders of Say's law committed four serious errors, namely (Miglioli, 2004; Coutinho, 1993):

a) Consider the goods only as mathematical magnitudes, ignore the characteristics of products on the specific demands of consumers "(...) incompatibility with the drop in demand could cause actual value ..., so that the same product While it cost the same amount of work before (...)" (Coutinho, 1993, p. 175);
b) Presuppose that all income is spent, did not take into account a fundamental principle of human nature, indolence;

c) Believe that all production from the accumulation of capital will generate more demand, "according to Malthus such behavior would not apply to renters whose logical procedure would not use its income will exhaust (...)", not apply to the capitalists who want to save in view of the future instead of consuming luxury goods "(Coutinho, 1993, p. 175) and;

d) Consider the currency only as a medium of exchange.

In the argument of Malthus national income would be divided between profits and wages, the author still assumes the existence of only two types of products: essential goods and luxury goods. In light of these considerations with the accumulation of capital is increasing the supply of essential commodities, due to higher number of employees, and also increasing the amount of profits that should be spent on consumption by capitalists for luxury goods (Miglioli, 2004).

The author noted that, on one side, workers spent their subsistence wages to buy essential goods. On the other beside, the capitalists, although they had higher power consumption, did not spend his profits to buy luxury goods because of their desire to accumulate more capital, so they spent little they can invest and increase their future profits . "(...) In other words a portion of the proceeds are not spent on anything, because capitalists often, instead of accumulating capital or to buy luxury goods, they prefer the simple 'indolence'(...)" (Miglioli, 2004, p.74).

In this context, Malthus argued that the rents of land⁷ to be high enough to offset the profits that are not consumed. The landowners would guarantee some degree of effective demand, therefore, spend all their income on consumption of essential goods

⁷ Land rent is consensually defined as the excess of the amount on production costs and profits (Coutinho, 1993).
and luxury hire servants and unproductive workers, they in turn consume essential goods that were not produced by them, thus solving the problem of overproduction. So Malthus argued that any measures that redistribute income in favor of the landowners would be welcome\(^8\) (Corazza, 2005). According to Malthus:

\[ (... \text{there must be a considerable class of people who have the will and power to consume more material goods than they produce, or the merchant classes could not continue producing at a profit beyond what would be consumed. In this case, there is no doubt that landowners have a prominent position (Malthus apud Hunt, 2005, p. 81).} \]

With respect the technical innovations the author stated that they will inevitably increase the productive capacity and reduce production costs, which would increase the effective demand. Although the machine take the 'place' of some workers, the total labor force may grow due to increased production, but according to Malthus, this happy coincidence does not occur in all branches of production. Finally, "the prominent advantages derived from the replacement of manual labor by machines depend on the extent of the market for goods produced and the increased stimulus to consumption" (Rostow apud Malthus, 1990, p.62).

According Miglioli (2004) although Malthus address issues important to the understanding of economics, his ideas about the effective demand did not contribute to the evolution of mainstream economics and nineteenth century, only one hundred and ten years later in 1930, Keynes does redemption of their seminal ideas.

This can largely be explained by: a) the author has become one of the most hated men of his time, due to the Theory of Population, b) the theory of effective demand will be against the principles already incorporated into orthodox economic policy C) the

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\(^8\) Besides defending the increase of income from land owning nobility, as a solution to ensure an effective demand, he also defended the rise in public spending, as they generated new revenues, but no new products. In this regard, he was a precursor of public spending policies proposed by Keynes to pull the economy out of recession.
author defends the interests of landlords at the expense of industrial grade d) of his hypothesis about the importance of consumption of the unproductive, have been confused with the interests of the nobility and clergy in opposition to the rising bourgeoisie. In light of these considerations, the work of Malthus, was understood as a setback for the development reached by capitalism until then (Miglioli, 2004).

Finally, Malthus to highlight the great contradiction between development of productive capacity and limits of effective demand, could foresee significant economic aspects, which were considered only decades later, and therefore was labeled 'backward' by 'progressives' of time as D. Ricardo, who disregarded the question of effective demand as an obstacle to economic development of a nation.

Another striking feature of the Malthusian thinking is the constant preoccupation with reality, ie with the practical consequences of economic actions, if you leave yourself in the search results of theoretical equilibrium (Coutinho, 1993).

**Concluding Remarks**

Robert Thomas Malthus was a mathematician, English demographer and economist, famous for its pessimistic outlook about the population, contrary to economist’s supporters of *laissez-faire* regime. Malthus presented theoretical models that were intended not only to balance economic and assumptions that effect the great contribution of Malthus was having drawn attention to the importance of effective demand in determining the level of employment and income.

The Essay on Population, to a large extent, was a conservative response from England, the ideas of freedom and equality that were being disseminated by the French Revolution, chiefly through the work of Goodwin and Condorcet. These authors stated
generally that the problem stemmed from poverty and misery of the existing institutions and non-human nature.

The Essay of Malthus had great influence on the History of Economic Thought, considering that the classical economists disagreed with the assumption of subsistence wages of workers due to population increases. Malthus for the general welfare of society depended on the balance between the 'number of mouths' and the food supply and, therefore population growth must be contained by the payment of subsistence.

Malthus was contrary to the law of the poor laws to support people in need, believing that policies of income redistribution would undermine the all society, since the government was distributing part of income to people who consume this income without thereby leaving the condition needy. At the same time, this help encourage the widespread increase in prices because of increased demand without a corresponding increase in production and a decrease in aggregate savings.

The Theory of Population was widely criticized for failing to consider in its analysis, the possibility of increasing food supply through the expansion of agricultural productivity resulting from technological advances, and also because it underestimated the population control through family planning programs.

However despite the advances in agricultural production capacity, distribution of resources still occurs asymmetrically between people and between countries, not because of lack of food, but due to lack of financial resources.

To Coutinho (1993), Theory of Population is still used as 'background' by politics, to take society to believe that human progress and well-being depend on individual and not collective, and that the Inequality is a 'springboard' that motivates people to work for economic development.
Regarding the work Principles of Economics, notes that although the author has dealt with issues relevant to economic science, his work time will not contribute to the progress of economic thought, the question of effective demand was analyzed only after more a century by J. M. Keynes in 1930.

In his work Malthus disagreed with the orthodox theory basically in two ways, first did not accept the law of Say, Malthus did not agree with the assumptions that underlay the law of self-regulating markets, said that due to lack of effective demand in the capitalist system would be doomed to periodic crises of overproduction. Second, Malthus defended the interests of the landowners, saying that social class should get a high income to ensure effective demand and thus free the society from the possibility of crises of overproduction.

Moreover, the classical authors such as Ricardo defended the interests of capitalists in this sense were for food imports, which would reduce the price of food and consequently the cost of worker's life, envisioned it to be paid lower wages by industry (higher profits) and less transfer of income to landowners.

Anyway despite the work of Malthus have noticed the great inconsistency between increasing productive capacity and limited demand, the author of 'lost' the debate for the liberal economic thought that dominated the economic policy of the nineteenth century.

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