CHAPTER IV

T.R. MALTHUS
Malthusian model of economic growth of the capitalistic economy is an extraordinary example of class-harmony. So complete and interwoven is his system that no extra-ordinary mind can find pitfalls and prove class-conflict in it. He is who, not only, tried to maintain his system intact but also to patch up the lapses in the system of his master – Adam Smith. He tried to convince Ricardo that the interests are harmonious and there could be no conflict between the interests of the landlord and the society, labourers and the capitalists. Whenever he found any leakage in the system of Adam Smith and Ricardo, he tried to patch it up with arguments and examples of the contemporary and other historical facts.

Malthus' entire system is regulated by the twine forces of supply and demand. The principle of price mechanism is universal and all prevailing law that Malthus finds no exceptions to it. He writes, "and this law appears to be so general, that probably not a single instance of a change of price can be found which may not be satisfactorily traced to some previous change in the causes which affect the demand or supply". Cost of production alone has nothing to do with price. Malthus has

given many examples to support his argument, but the most beautiful is that of the artificial value accorded to the book notes by limiting their amount. He writes, "But, if an article which costs comparatively nothing in making, though it performs one of the most important functions of gold, can be kept to the value of gold by being supplied in the same quantity, it is the clearest of all possible proofs that the value of gold itself no further depends upon the cost of its production, than as this cost influences its supply, and that if cost were to cease, provided the supply were not increased, the value of gold in this country would still remain the same." He therefore, does not agree.

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1. Ibid., p. 49, other examples are as follows:

"all the commodities that are consumed in this country, whether agricultural or manufactured, could be produced, during the next ten years, without labour, and yet, could only be supplied exactly in the same quantities as they would be in a natural state of things; then, supposing the wills and the powers of the purchasers to remain the same, there cannot be a doubt that all prices would also remain the same"(Ibid., pp. 46-47).

"In the well known instance noticed by Adam Smith of the insufficient pay of curates, notwithstanding all the efforts of the legislature to raise it (Wealth of Nations, Bk. I, Ch. X, p. 202) a striking proof is afforded that the permanent price of an article is determined by demand and supply, and not by the cost of production"(Ibid., p. 47).

The effects of the poor-rates in lowering the wages of labour present another practical instance of the same kind. "It is not probable that public money should be more economically managed than the income of individuals. Consequently the cost of rearing a family can not be supposed to be diminished by parish assistance, but, a part of the expense being borne by the public, a price of labour adequate to the maintenance of a certain family is no longer a necessary condition of its supply, and as, by means of parish rates this supply can be obtained without such wages, the real costs of supplying labour no longer regulate its price"(Ibid., p. 48.)
with Ricardo that cost of production determines price. He wrote
to Ricardo, "On April 28th, 1816 "I cannot help thinking that the
reason why with your clear head, you find a difficulty in your
progress is that you are got a little into a wrong track.""\(^1\)
And again on October 26th, 1820, "In the same manner when you
reject the consideration of demand and supply in the price of
commodities and refer only to the means of supply, you appear
to me to look only at the half of your subject."\(^2\)

Malthus adds that cost of production influences the supply
and hence the price must ultimately be equal to the cost of
production. He regards it the necessary price and not the
natural price as described by Adam Smith. He wrote, "The price
which fulfills these conditions is precisely what Adam Smith calls
the natural price. I should be rather more disposed to call it
necessary price, because the term necessary better expresses a
reference to the conditions of supply, and is, on that account,
susceptible of a more simple definition.\(^3\) But the cost of
production would be different from that of Ricardo which consists
of wages and profits. According to Adam Smith it includes rent
also as a component part of price. Malthus remarks," It may be
said, perhaps that even according to this view given of demand
and supply in the preceding section, the permanent prices of a

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great mass of commodities will be determined by the cost of their production. This is true, if we include all the component parts of price stated by Adam Smith, though not if we consider only those stated by Mr. Ricardo. The price of the component parts of the cost of production will itself depend upon the law of demand and supply. In a letter to Ricardo he writes, "Will it not be true in all cases that rent will depend upon the demand compared with the supply of good land, wages on the demand compared with the supply of labour, and profits on the demand compared with the supply of capital."

Malthus' emphasis on the cost of production may thus, be attributed to his justification of the remuneration of the three classes of society - the labourers, the landlords and the capitalist class. He writes, "Although, at the time of the actual exchange of two commodities, no circumstance affects it but the relation of the supply to the demand; yet, as almost all the objects of human desire are obtained by instrumentality of human exertions, it is clear that the supply of these objects must be regulated - first, by the quantity and direction of this exertion; secondly, by the assistance which it may receive from the results of previous labour; and thirdly, by the abundance or scarcity of the materials on which it has to work and of the food of the labour." Thus, these three remunerations are necessary in order to obtain the supply of by far the greater

1. Ibid., p. 43.
part of the commodities which the community wants. "and the compensation which fulfils these conditions, or the price of any exchangeable commodity, may be considered as consisting of three parts - that which pays the wages of the labourer employed in its production; that which pays the profits of capital by which such production has been facilitated; and that which pays the rent of land, or the remuneration for the raw materials and food furnished by the landlord,". 1

Wages are paid to the labourer for his exertion and efforts, "The first condition is, that the labour which has been expended on it should be so remunerated in the value of the objects given in exchange, as to encourage the exertion of a sufficient quantity of industry in the direction acquired, as without such adequate remuneration the supply of the commodity must necessarily fail". 2 If the labourer possesses special qualities, few comparatively would be able or willing to engage in it; and upon the common principles of exchangeable value of demand and supply, it would rise in price. Similarly if the work were of a nature to require an uncommon degree of dexterity and ingenuity a rise of price would take place. Malthus, however, does not agree with Adam Smith that price of labourer raises due to high esteem which man have for such talents (Wealth of Nations, Book I, Ch.VI, p. 71, 6th Edition). They rise, "on account of their rarity, and the consequent rarity of the effects of produced by them." And thus "In all these cases the remuneration will be regulated, not

1. Ibid., pp.52-53. 2. Ibid., p. 50.
by the intrinsic qualities of the commodities produced, but by
the state of the demand for them compared with the supply and of
course by the demand and supply of the sort of labour which
produced them.\(^1\)

The second remuneration out of the produce is known as
profits. Malthus writes, "The second condition to be fulfilled
is, that the assistance which may have been given to the
labourers, from the previous accumulation of objects which
facilitates future production, should be so remunerated as to
continue the application of this assistance to the production
of the commodities required.\(^2\) It may sometimes be inferred
that if by means of certain advances, to the labourer of
machinery, food and materials previously collected, he can execute
eight or ten times as much work as he could without such
assistance, the person furnishing them, be entitled to the
difference between the powers of unassisted labour and the
powers of labour so assisted. Malthus does not agree because,"
the prices of commodities do not depend upon their intrinsic
utility, but upon the supply and demand.\(^3\) The increased power
of labour will produce an increased supply of commodity; their
prices would consequently fall. "and the remuneration for the
capital advanced would soon be reduced to what was necessary, in
the existing state of society, to bring the articles to the

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1. Ibid., p. 50. 2. Ibid., p. 50. 3. Ibid., p. 51.
production of which they were applied to market". With regard to the labourers employed their remuneration will depend upon the twince forces of demand and supply. "It is not, therefore, quite correct to represent, as Adam Smith does, the profits of capital as a deduction from the produce of labour. They are only a fair remuneration for that part of the production contributed by the capitalist, estimated exactly in the same way as the contribution of the labourer".

Rent is paid to the landlord for the appropriation a land - private property of the landlord. Malthus justifies the remuneration and does not agree with Adam Smith who, "represents them, rather invidiously, as loving to reap where they have never sown, and as obliging the labourer to pay for the licence to obtain these natural products, which when land was in common, cost only the trouble of collecting". He argues that Adam Smith would himself be the first to acknowledge that, if land were not appropriated, its produce would be, beyond comparison, less abundant, and consequently dearer; and if it be appropriated, some persons or other must necessarily be the proprietors. "The price of the produce will be determined by the general supply compared with the general demand, and will be precisely the same, whether the labourer pays a rent or uses the land without

1. Ibid., p. 51. 2. Ibid., p. 52. 3. Ibid., p. 51.
rent". The only difference is that, in the latter case, what remains at this price, after paying labour and capital, will go to the same person that contributed the labour. It will be a real inference that the condition of the labourer would be better-off if he were in possession of land as well as labour. "but which by no means implies that the labourer, who in the lottery of human life has not drawn a prize of land, suffers any hardship or injustice in being obliged to give something in exchange for the use of what belongs to another". Thus, "The possessors of land, whoever they may be, conduct themselves, with regard to their possessions, exactly in the same way as the possessors of labour and of capital, and exchange what they have for as many other commodities as the society is willing to give them for it".

The above discussion clearly indicates that in Malthus' system there is no case of exploitation. Each factor of the component part is a fair remuneration of the owners of the factors of production. The labourer possesses labour, the capitalist his previous accumulations and the landlord is the owner of the land. The combination of the three factors results in the production of commodities - a combined effort. The product is therefore distributed among the three by the

1. Ibid., p. 52
2. Ibid., p. 50
3. Ibid., p. 57.
just principle of value the law of supply of and demand for. Malthus clarifies his position that, "If the commodities have been obtained by the exertion of manual labour exclusively, aided at least only by the unappropriated bounties of nature, the whole remuneration will, of course, belong to the labourer, and the usual value of this remuneration in the existing state of the society, would be the usual price of the commodity". However, Malthus does not agree to this state of condition because, "there is scarcely any stage of society, however barbarous, where the cost of production is confined exclusively to labour. At a very early period, profits will be found to form an important part of this cost, and consequently to enter largely into the question of exchangeable value as a necessary condition of supply". Hence the produce is divided between the labourer and the capitalist. With the advancement of the capitalist society land became scarce to the demand of the population. Private proprietorship established on land and the possessor required rent for its appropriation. Thus "payment of rent... is a necessary condition of the supply of the great mass of commodities". Malthus agrees with Adam Smith, the rent enters into price, and hence refutes Ricardo who excludes rent as a component part of price. Therefore, he arrives at the conclusion that, "the cost of the great mass of commodities is resolvable into wages, profit, and rent".

1. Ibid., p. 50  
2. Ibid., p. 57  
3. Ibid., p. 67.  
4. Ibid., p. 67.
Let us proceed our analysis to the system itself and see how Malthus tried to maintain the harmonious order in society and patched the works of Adam Smith and Ricardo.

Malthus rejects the viewpoint of Ricardo and others to regard rent as a monopoly price. To him it is only a partial monopoly. Rent may be said to be the difference between the value of the produce on the land and the outgoings including the wages and profits calculated at the ordinary rate of profit. The cases of such excess of the produce over the cost of production have been stated by Malthus as under:

"First, and mainly, that quality of the earth, by which it can be made to yield a greater portion of the necessaries of life than is required for the maintenance of the persons employed on the land. Secondly, That quality peculiar to the necessaries of life of being able, when properly distributed to create their own demand, or to raise up a number of demanders in proportion to the quantity of necessaries produced.

And thirdly, The comparative scarcity of fertile land, either natural or artificial." 1

The quality of the soil which gives rise to the surplus of produce over cost of production is considered to be the main cause of the emergence of rent. Whatever the degree of external demand (which is the main cause of the price under monopoly)

1. Ibid., p. 107.
it cannot give rise to rent unless there is a surplus out of which it can be paid. Therefore, it is evident that the surplus from land arising from its fertility is the foundation or the main cause of rent. The second cause is more significant that, "land produces the necessaries of life - produces the means by which, and by which alone, an increase of people may be brought into being and supported." And "Thus the fertility of the land

1. Malthus for instance writes, "the power of such land to yield rent is exactly proportioned to its fertility or, to the general surplus which it can be made to produce beyond what is strictly necessary to support the labour and keep up the capital employed upon it. If this surplus be as 1, 2, 3, 4, or 5 than its power of yielding a rent will be as 1, 2, 3, 4, or 5; and no degree of monopoly - no possible increase of external demand can essentially alter their different powers". (Ibid., p. 108) And also, "Increase this fertility, the limit will be enlarged, and the land may yield a high rent; diminish it the limit will be contracted and a high rent will become impossible, diminish it still further the limit will coincide with the cost of production, and all rent will disappear". (Ibid., p. 116).

2. Ibid., p. 109: Here supply of food creates its own demand. In his theory of population he writes, "That population cannot increase without the means of subsistence, is a proposition so evident that it needs no illustration,". Again "That population does invariably increase, where there are the means of subsistence, the history of every people that have ever existed will abundantly prove". 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. (Reprinted - First Essay on Population, 1798, Thomas, Robert Malthus, with notes by James Bonar, Reprints of Economic Classics, Augustus M. Kelley, Bookseller, New York, 1965. P. 37
gives the power of yielding a rent, by yielding a surplus quantity of necessaries beyond the wants of the cultivators; and the peculiar quality belonging to the necessaries of life, when properly distributed, tends strongly and constantly to give a value to this surplus by raising up a population to demand it. Now, since the fertile land is comparatively limited and the greater quantity of capital cannot be employed unless it is accompanied by the cultivations of the inferior plots of land, the surplus arises on the more fertile land. This cause is clearly a consequence of the second one insofar as it is necessary to separate the rent of land from the profits of the cultivators and the wages of labourers. Malthus points out; "The quality of the earth first mentioned or its power to yield a greater portion of the necessaries of life than is required for the maintenance of the persons employed in cultivation, is obviously the foundation of this rent, and the limit to its possible increase. The second quality noticed, or the tendency of an abundance of food to increase population, is necessary both to give a value to the surplus of necessaries which the cultivators can obtain on the first land cultivated; and also to create a demand for more food than can be procured from the richest lands. And the third cause, or the comparative scarcity of fertile land, which is clearly the natural consequence of the second, is finally necessary to separate a portion of the general surplus from the land, into the specific form of rent to a landlord".

The rise of rent may be attributed to the causes which reduce the cost of production. Malthus discusses four causes in this connection which are as follows: "First, such an accumulation of capital as will lower the profits of stock; Secondly, such an increase of population as will lower the wages of labour; Thirdly, such agricultural improvements or such increase of exertions as will diminish the number of labourers necessary to produce a given effect; and Fourthly, such an increase in the price of agricultural produce, from increased demand, as without nominally lowering the expense of production, will increase the difference between this expense and the price of produce."¹ The rise of rent is a green signal of prosperity and development. Malthus writes, "We see then that a progressive rise of rents seems to be necessarily connected with the progressive cultivation of new land, and the progressive improvement of the old; and that this rise in the natural and necessary consequence of the operation of four causes, which are the most certain indications of increasing prosperity and wealth - namely, the accumulation of capital, the increase of population, improvements in agricultural and the high market, price of raw produce, occasioned either by a great demand for it in foreign countries, or by the extension of commerce and manufactures."² Similarly, when the cost of production raises

¹ Ibid., pp. 133-34.
² Ibid., p. 160.
not only rent is reduced, but also the whole economy signals to the retarding conditions. In the words of Malthus, "The causes which lead to a fall of rents are, as may be expected, exactly opposite description of to those which lead to a rise: namely diminished capital, diminished population, a bad system of cultivation, and the low market price of the produce. They are all indications of poverty and decline and are necessarily connected with the throwing of inferior land out of cultivation and the continued deterioration of the land of a superior quality".¹

It is obvious from the above discussion that the interest of the landlord and the rest of the commodity is strictly connected. Malthus agrees with Adam Smith, "that the interest of the landholder is strictly connected with that of the state; (Wealth of Nations Book I, Ch. XI, p 394, 6th edn.) and that the prosperity or adversity of the one involves the prosperity or adversity of the other".² Malthus once again supports, "If under any given natural resources in land, the main causes which conduce to the interest of the landholder are increase of capital, increase of population, improvements on agriculture, and an increasing demand for raw produce occasioned by the prosperity of commerce, it seems scarcely possible to consider the interests of the landlord as separated from those of the state and people".³

¹. Ibid., p. 161.  ². Ibid., p. 185.  ³. Ibid., p. 185.
Malthus criticises Ricardo who thinks that "the interest of the landlord is always opposed to that of consumer and the manufacture". This view of Ricardo is supported by his theory of rent, in which difficulty of production increases the amount of rent. Therefore, it is for the interest of the landlord that the cost attending the production of corn should be increased and that improvements in agriculture tend rather to lower than to raise rents. Malthus does not agree because in his system rent depends upon fertility of land and not upon the difficulty of producing corn. He does not agree that improvements in agriculture are sudden. They are found to be partial and gradual. "And as, where they prevail to any extent, there is always an effective demand for labour, the increase of population occasioned by the increased facility of producing food, soon overtakes the additional produce. Instead of land being thrown out of employment, more land is cultivated owing to the cheapness of the instrument of cultivation, and under these circumstances rents must rise instead of fall". He is so firm of the above view that he does not find even a single instance contrary to his theory he writes, "These results appear to

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2. Ibid.

* He writes to Ricardo on October 11, 1815, "Fertility is in fact the essence of high rents, and low rents are the necessary result of barrenness however scarce corn may be. If land will support no more than those who work upon it, there can be no rent" (Works of David Ricardo, Vol. VI, p. 297).

me to be so completely confirmed by experience, that I doubt, if a single instance in the history of Europe, or any other part of the world, can be produced where improvements in agriculture have been practically found to lower rents.\textsuperscript{1}

Malthus refutes the argument of difficulty of production of corn and pushes his argument of fertility as the basis of the rise in rent. He states that most countries consist of a gradation of soils, rent rise as cultivation is pushed to poorer lands. The poor lands are cultivated because of the pressure of population, and "if there were no poor soils, these resources would still be called forth; a limited territory, however fertile, would soon be peopled; and without any increase of difficulty in the production of food, rents would rise."\textsuperscript{2} Thus, increase of rents which results from an increase of price occasioned solely by the greater quantity of corn on fresh land, is very much more limited than has been supposed by Ricardo "and by a reference to most of the countries with which we are acquainted, it will be seen that, practically, improvements in agriculture and the saving of labour on the land, both have been, and may be expected in future to be, a much more powerful source of increasing rents."\textsuperscript{3}

Malthus proves his analysis with the examples of England, Scotland, Ireland, Poland, India and South America where,"the future increase of rents will depend mainly upon an improved system of agriculture."\textsuperscript{4}

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\textsuperscript{1} Ibid., p. 187.  \hspace{1cm} \textsuperscript{2} Ibid., p. 187. \\
\textsuperscript{3} Ibid., p. 188.  \hspace{1cm} \textsuperscript{4} Ibid., p. 188
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"It should be further observed" remarks Malthus "in reference to improvements in agriculture, that the mode in which Mr. Ricardo estimates the increase or decrease of rents is quite peculiar; and this peculiarity in the use of his terms tends to separate his conclusions still farther from truth as enunciated in the accustomed language of political economy.\(^1\)

We have to refute the actual position for a wrong theory. Malthus gives two examples first in regard to rise of rent in England and the other with regard to wages in America and Sweden. In the existing state rents are high in England in exchangeable

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1. Ibid., p. 198: Malthus refers to the following statement of Ricardo: "It is not by the absolute quantity of produce obtained by either class, that we can correctly judge of the rate of profits, rent, and wages, but by the quantity of labour required to obtain that produce. By improvements in machinery and agriculture the whole produce may be doubled; but if wages, rent and profits be also doubled, they will bear the same proportions to one another as before. But it wages partook not of the whole of this increase; if they, instead of being doubled, were only increased one half; of rent, instead of being doubled were only increased three fourths, and the remaining increase went to profit, it would I apprehend, be correct for me to say, that rent and wages had fallen while profits had risen. For if we had an invariable standard by which to measure the value of this produce, we should find that a less value had fallen to the class of labourers and landlords and a greater to the class of capitalists than had been given before"(Principles of Political Economy, Chapter I, p. 64, 2nd edn., Works of David Ricardo, Vol. II, pp. 189-190.).

A little further on having stated some specific proportions, he observes, "In that case I should say, that wages and rent had fallen - and profits risen, though, in consequence of the abundance of commodities, the quantity paid to the labourer and landlord would have increased in the proportion of 25 to 44" (Ibid., p. 65 - Works of David Ricardo, Vol. II, p. 190)
value - in command of money, corn, labour and manufactures. Similarly, wages are high in America, both in money value and in the command of the necessaries and conveniences of life, and low in Sweden. If we adopt Ricardo's analysis Malthus says: we must say, "that rents have fallen considerably during the last forty years" because, "they are now only a fifth of the gross produce, whereas they were formerly a fourth or a third".¹ Similarly we must infer that wages are high in Sweden, "because, although the labourers only earn low money wages, and with these low wages can obtain but few of the necessaries and conveniences of life; yet, in the division of the whole produce of a labourious cultivation on a poor soil, a larger proportion may go to labour".²

Malthus points out that Ricardo has been betrayed by the fundamental error of confounding cost and value, and the further error of considering the raw produce in the same light as manufactures. But in agricultural industry effective demand is always, created by increased population. Thus, "If population increases according to necessaries which the labourer can command the increased quantity of raw produce which falls to the share of the landlord must increase the exchangeable value of his rents estimated in labour, corn and commodities. And it is certainly by real value in exchange, and not by an imaginary standard, which is to measure proportions or cost in labour, that the rents and interests of landlords will be estimated."³

² Ibid., pp. 192-49 & 194.
³ Ibid., pp. 194-95.
Malthus clarifies his own concept that he always meant to refer to the real rents and the real interest of the landlord; that is, his power of commanding, labour, and the necessaries and conveniences of life, whatever proportion these rents may form of the whole produce, or whatever quantity of labour they may have cost in producing. He writes, "This interpretation of the term rent is, I conceive, strictly consistent with my first definition of it. I call it that portion (not proportion) of the value of the produce which goes to the landlord; and if the value of the whole produce of any given quantity of land increases the portion of the value which goes to the landlord may increase considerably, although the proportion which it bears to the whole may diminish."  

The whole thesis can be summarised in this manner. Improvements in agricultural industry facilitate the cultivation of new land, and the better cultivation of the old with the same capital more corn would certainly be brought to market. The increase of population creates more demand for food which raises the price of corn. Thus, "every step in the cultivation of poorer lands facilitated by these improvements, and their application to all the lands of better quality before cultivated, would universally have raised rents: and thus, under an improving system of cultivation, rents might continue rising without any

1. Ibid., p 195 fn.
rise in the exchangeable value of corn, or any fall in the real wages of labour, or the general rates of profit". Therefore, interests of the landlords are not opposed to that of the other classes.

Malthus criticises the viewpoint advanced by Buchanan and Sismondi supported by Ricardo that rent does not create general addition to the stock of the community because it is a result of the transfer of the surplus produce from one class to the other. Malthus explains that in the early stage in the development of society there was ample of fertile land. The surplus produce of the soil shows itself chiefly in extraordinary high profits, and extra-ordinary high wages, and appears but little in the shape of rent. But accumulation of capital beyond the means of employing it on the land of greatest natural fertility and most advantageously situated, must necessarily lower profits; while the tendency of population to increase beyond the means of subsistence must, after a certain period, lower wages of labour. As more and more people demand subsistence the exchangeable value of food rises whereas due to a fall in the rate of profit and wages decreases the cost of production. This excess i.e., value of food in exchange minus cost of production, or surplus derived from land is known as rent; when capital further accumulates inferior lands are cultivated with lesser results. Rent rise due to difference of fertility and

1. Ibid., p. 141.
2. Malthus quotes Mr. Buchanan who writes, "In this view it can form no general addition to the stock of the community, as the conti..
the difference between exchange value of food and the cost of production. Thus, "If the profits of stock on the inferior land taken into cultivation were thirty per cent and portion of the old land would yield forty per cent; ten per cent of the forty would obviously be rent by whomsoever received". Rent rises with every decrease in the cost of production. Malthus therefore, confirms that rent cannot remain a part of profit and wages and "It may be laid down, therefore, as an incontrovertible truth, that as a nation reaches any considerable degree of wealth, and any considerable fullness of population, the separation of rents, as a kind of fixture upon lands of a certain quality, is as low as invariable as the action of the principle of gravity".

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1. neat surplus in question is nothing more than a revenue transferred from one class to another, and, from the mere circumstance of its thus changing hands it is clear that no fund can arise out of which to pay taxes. The revenue which pays for the produce of land exists already in the lands of those who purchase that produce, and, if the price of subsistence were lower, it would still remain in their hands where it would be just as available for taxation, as when by a higher price it is transferred to the landed proprietor (Works of David Ricardo, Vol. II, p. 106).


2. Ibid., pp. 126-27.
Rent though, may be considered as a transfer of wealth from profits and wages, yet is no less a creation of value in itself. Malthus writes to Ricardo on February 12, 1815 that "Rents are undoubtedly a part of the wealth already created but they are not on that account less a creation. A man hires an instrument of mine for 20 years, from the use of which with the assistance of his capital he makes fair and ample profits. But at the end of the 20 years my instrument is worth double what it was before. Is it not a creation of value which would not have taken place, if the same capital had been employed in commerce or manufactures?" It is no doubt true that before the expiry of the lease the benefit was derived by the farmer in the form of profits. Profits however, seek a level by the twin forces of demand and supply under perfect competition. Therefore, this surplus cannot be regarded as profit because "when the benefits of a particular employment of capital continue much greater than usual, either monopoly or rent must be concerned". He supports his arguments with the example of England where during the last hundred years, profits and wages have risen along with the rent of land due to improvements in agriculture. "Consequently these rents must have been a creation from the skill and capital employed upon the land, and not a transfer from profits and wages."

2. Ibid., p. 175.  
Malthus does not think this transfer of wealth to rents as injurious. He writes, "The transfer from profits and wages and such a price of produce as yields rent, which have been objected to as injurious, and as depriving the consumer of what it gives to the landlord, are absolutely necessary in order to obtain any considerable addition to the wealth and revenue of the first settlers in a new country; and are the natural and unavoidable consequences of that increase of capital and population for which nature has provided in the propensities of the human race". Moreover, "if this transfer can be considered as injurious to the consumers then every increase of capital and population must be considered as injurious". 1

The whole argument can be summarised thus that rent cannot be regarded as a part of profits and wages. It is neither a mere nominal value, nor a value "unnecessarily and injuriously transferred from one set of people to another; but a most real and essential part of the whole value of the national property". 2

Next comes the labourers who live upon wages. Malthus tried to link the relations of the labourers with all the other classes with the same thread of demand and supply. He writes, "The principle of demand and supply is the permanent regulator of the prices of labour as well as of commodities, not only temporarily but permanently; and the cost of production

1. Ibid., p. 122. 2. Ibid., p. 127.
affect these prices only as they are the necessary condition of the permanent supply of labour or of commodities. 1

He considers Ricardo's natural price as the most unnatural because it requires that the population be stationary which is impossible in a growing economy. He considers the natural price or the necessary price as the one which, ''in the actual circumstances of the society, is necessary to occasion an average supply of labourers, sufficient to meet the average demand''. 2 He therefore, lays emphasis regarding the determination of wages on the principle of demand and supply. He admits Adam Smith's contention that wages are determined by the supply of and the demand for labourers and the price of the wage-goods; but he asserts that both these factors are influenced by the supply and demand and therefore there is only one principle which determines wages. 3

There is strictly harmony of interests of the labourers with the rest of the society because the demand for labour depends upon capital and revenue of the country. ''the faster the value of the annual produce increases, the greater will be the power of purchasing fresh labour, and the more will be wanted every year''. 4

1. Ibid., p. 224. 2. Ibid., 228.
Malthus has, moreover, emphasised that labourers themselves are the makers of their destiny and no other class can make them rich or poor or make them accept higher or lower share from the produce. If by prudential habits and foresight they can keep their numbers restricted nobody can check a rise in the wages. Malthus writes, "It may naturally appear hard to the labouring classes that, of the vast mass of productions obtained from the land, the capital, and the labour of the country, so small a portion should individually fall to their share". And again, "If the market were comparatively understocked with labour, the landlords and capitalists would be obliged to give a larger share of the produce to each workman". Therefore, he remarks, "The rich have neither the power, nor can it be expected that they should all have the will to keep the market understocked with labour; yet every effort to ameliorate the lot of the poor generally, that has not this tendency, if perfectly futile and childish. It is quite obvious therefore, that the knowledge and prudence of the poor themselves, are absolutely the only means by which any general improvement in their condition can be effected. They are really the arbiters of their own destiny; and what others can do for them is like the dust of the balance compared with what they can do for themselves. These truths are so important to the happiness of the great mass of society, that every opportunity should be taken of repeating them".

1. Ibid., p. 262
2. Ibid., p. 262
3. Ibid., p. 262. Similarly he remarks, "The prudential habits of the poor can alone give them the command over a fair proportion of the necessaries and conveniences of life, from the earliest stage of society to the latest". (Ibid., p. 299).
Malthus does not agree with Ricardo that introduction of machinery may prove injurious to the labourers for a short period, because it throws the labourers on the street. Malthus remarks that it is sometimes thought that the demand for labour depends upon the circulating and not upon that amount of fixed capital. "This is no doubt true in individual cases; but it is not necessary to make the distinction in reference to a whole nation; because where the substitution of fixed capital saves a great quantity of labour which cannot be employed elsewhere, it diminishes the value of the annual produce, and retards the increase at the capital and revenue taken together". 1

With cheap goods internal market is widened and international trade is extended. Demand for the product augments and hence the size of the industry. Demand for labour also increases and thus, "In general, however, the use of fixed capital is extremely favourable to the abundance of circulating capital; and if the market for the products can be proportionately extended, the whole value of the capital and revenue of a state is greatly increased by it, and a great demand for labour created". 2 Malthus supports with the example of the cotton business where introduction of machinery has increased the demand for labour. This can be ascertained by the greatly increased population of Manchester, Glasgow and other towns where cotton manufactures

1. Ibid., p. 234-35
2. Ibid., p. 236.
have most flourished. Hardware, woolen and other manufactures are also seen to support the argument. It is therefore not necessary that the introduction of fixed capital would diminish the demand for labour and lead to the misery of the labouring class. It may indeed happen that if the fixed capital increases at a rapid speed and market is not found enough for the sale of the increased supply of the commodities, the labourers are not easily employed. And if this state of affairs continues there would general distress of the labouring class. He say, "In general, therefore, there is little to fear that the introduction of fixed capital as it is likely to take place in practice will diminish the effective demand for labour; Indeed it is to this source that we are to look for the main cause of its future increase. At the same time, it is certainly true as will be more fully stated in a subsequent part of this volume, that if the substitution of fixed capital were to take place very rapidly, and before an adequate market could be found for the more abundant supplies derived from it and for the new products of the labour that had been thrown out of employment, a slack demand for labour and great distress among the labouring class of society would be universally felt".  

Malthus summarises the whole argument thus: The facilities of production have the strongest tendency to open new markets -

2. Ibid., pp. 239-40.
internal as well as external. Therefore, in all actual state there is little reason to apprehend any permanent evil from the introduction of machinery. "But still we must allow that the pre-eminent advantages derived from the substitution of machinery for manual labour, depend upon the extention of the market for the commodities produced, and the increased stimulus given to consumption; and that, without this extension of market and increase of consumption, they must be in a great degree lost". 1

The determination of profits is also based on the price mechanism under perfect competition. Malthus does not agree with the analysis of Ricardo on profits that they depend upon wages. It will be convenient to discuss Ricardo's analysis in short to understand Malthusain analysis of profits. In the Ricardian system, since rent is not a component part of price the revenue from the marginal land is divided into wages and profits only. It, therefore, follows that the higher the wages the lower the profits and vice versa. With the progress of society and accumulation of capital the difficulty in production of corn increases leading to high price of corn, Consequently the money wages increase and profits fall.

Malthus would agree with Ricardo's explanation of profits insofar as it may be considered as the limiting cause of profits. This cause, according to him, works very slowly and may become

1. Ibid., p. 366.
very important in the secular period if there were no other causes interfering in its operation. He also agrees that wages age generally the greatest and most important. He writes, "it is a mere truism, to say that given the production, and supposing it to consist of wages and profits, the higher is the amount of one, the lower must be the amount of the other". But, "The real question is, what is the main cause which determines the rate of profits under all the varying degrees of productiveness?" 

Malthus does not agree with Ricardo that difficulty of producing corn on the last land, via wages, determines the rate of profits. He argues, "If, for instance, in one country with the last land taken into cultivation of a given fertility capital were stationary not from want of demand, but from great expenditure and the want of saving habits, it is certain that labour after a time, would be paid very low, and profits

1. To Malthus profits consist, "of the difference between the value of advances necessary to produce a commodity, and the value of the commodity when produced" (Ibid., Vol. II, p. 251) elsewhere he writes, to Ricardo, "The profits of stock or the means of employing capital advantageously may be said to be accurately equal to the price of produce minus the expense of production" (Works of David Ricardo, Vol. VI, p. 140) Therefore, amongst the advances the means of supporting labour are generally most important.


3. Ibid., p. 80.
would be very high." ¹ And, "If, in another country with similar land in cultivation, such a spirit of saving should prevail as to occasion the accumulation of capital to be more rapid than the progress of population, it is as certain that profits would be very low".² He quotes the history of profits for the last hundred years in Great Britain which proves, "The different rates of interest and profits in the two periods here noticed are diametrically opposed to the theory of profits founded on the natural quality of the last land taken into cultivation."³ He therefore writes to Ricardo, "your doctrine that high profits depend upon the low money price of corn appears to me still more objectionable and still more uniformly contradicted by experience,"⁴ because,"There are many causes of a high relative price of corn - division of labour in manufactures, machinery; Demand for corn abroad; Restrictions on importations; Prosperous foreign commerce &c. None of these involve diminished profits".⁵

Malthus evolves his system of demand and supply. In the cultivation of land the main cause of the necessary diminution of profits is the increased quantity of labour to produce a given quantity of corn, that is the principle of diminishing returns.

². Ibid., p. 268. ³. Ibid., p. 277.
⁵. Ibid., p. 236.
What will happen, asks Malthus in the case of manufactures and commerce where the productive power of labour not only does not diminish but actually increases? He is sure that there it is the fall in the value of produces, because of the employment of too much capital in relation to the effective demand for the commodities, that diminishes the rate of profit. This becomes the regulatory cause of determination of profit. According to Malthus the arena of employment of capital is not necessarily related to the difficulty in the production of corn. Therefore, the only way in which the profits can be determined is through the operation of the forces of supply and demand. In a letter to Ricardo Malthus writes, "By the by the more I think on the subject the more I feel convinced that the rate of profits of stock depends mainly on the demand and supply of stock compared with the demand and supply of labour, and very little (directly) on facility or difficulty of production, properly so called".¹


Elsewhere he writes:

"so that at any one period of some length in the last or following hundred years, it might most safely be asserted that profits had depended or would depend very much more upon the causes which had occasioned a comparatively scanty or abundant supply of capital than upon the natural fertility of the last land last taken into cultivation". (Works of David Ricardo, Vol. II, p. 275.)

The real question is what is the main cause which determines the rate of profits under all the varying degrees of productiveness? and I have no hesitation in answering distinctly that it is the proportion which capital bears to labour, or the plenty or scarcity of capital compared with the plenty or scarcity of labour, and what I mean by the demand for capital is a scarcity of capital compared with labour" (Works of David Ricardo, Vol. VII, p. 80).
Malthus is perturbed only because Ricardo's explanation of the cause of profit contradicts experience not only slightly and for short periods but, "obviously and broadly, and for periods of such extent, that to overlook them would not be merely like overlooking the resistance of the air in a failing body, but like overlooking the change of direction given to a ball by a second impulse acting at a different angle from the first". 1

It is thus obvious that Malthus wants to invoke the general principle of supply and demand or the principle of competition brought forward by Adam Smith in his explanation of profit. 2

Contd.

111) "And yet in fact there is no other cause of permanently high profits than a deficiency in the supply of capital and under such a deficiency occasioned by extravagant expenditure, the profit of a particular country might for hundreds of years together continue very high, compared with others owing solely to the different proportions of capital to labour". (Works of David Ricardo, Vol. II, p. 269)


2. Khan, Mohammad Shabbir Kh comments that "Ricardo obviously misunderstands Malthus when he suggests that both the causes presented by the latter are actually one and the same". Ricardo remarks, "These two causes may both be classed under the name of high or low wages. Profits in fact depend on high or low wages, and on nothing else.

The greater the proportion of the value of the whole produce necessary to support the labourers the higher will be the wages. The greater the quantity of capital is compared with the labour which it is to employ, the higher will wages are" (Ibid., p. 252). Mr. Khan continues, "In fact Malthus' first cause is related to the question of the rise in the cost of production whereas the second to the fall in the price of final commodities" (Ricardo's Theory of Distribution, Faculty of Arts Publication Series-4, Muslim University, Aligarh India, p. 85 fn).
He concludes, "in the actual state of things in most countries of the world and within limited periods of moderate extent, the rate of profits will practically depend more upon the causes which affect the relative abundance or scarcity of capital, than on the natural powers of the last land taken into cultivation. And consequently, to dwell on this latter point as the sole or even the main cause which determines profits, must lead to the most erroneous conclusions". ¹

Malthus’ criticism of Ricardo’s theory of profit incidently contradicts the argument of Ricardo that there is a clash of interest between the two proprietor-classes of the landlord and the capitalists. Marx’s misunderstanding about Ricardo’s system about the class conflict of capitalists and the labourers is also washed-off.

The entire system is based on the forces of supply and demand. Every factor of production - land, labour, and capital is fairly remunerated. There is no question of exploitation because the masters have no control on the supply of labourers, and if the supply is restricted wage will certainly be high. Similarly, if the demand for corn does not rise more than the produce of the fertile lands, rent cannot rise. Similarly, if new markets are always found out profit will be fair. Malthus however, saw that accumulation of capital may result in a 'general guilt' due to lack of consumption. He holds that if the accumulation of capital goes on after a certain limit than the production increases to such an extent that the labourers

with their low wages and the capitalists and the landlords
with their persimmonious habits cannot purchase the quantity
produced. The contention of Say, Mill and Ricardo that the
commodities are exchanged for commodities and therefore there
cannot be any general guilt is based on a fundamental error.
They should in fact relate the commodities with the wants of the
consumers, and if this is done there is bound to be deficiency
of effective demand with the existing accumulation. He says
"... if we compare them, (i.e. commodities) as we certainly ought
to do, with the numbers and wants of the consumers, than a
great increase of produce with comparatively stationary numbers
and with wants diminished by parsimony, must necessarily occasion
a great fall of value estimated in labour so that the same
produce, though it might have cost the same quantity of labour
as before would no longer command the same quantity; and
both the power of accumulation and the motive to accumulate
would be strongly checked". ¹ He suggests the maintenance of
unproductive consumers and moderate division of landed property
to augment effective demand and consequently smooth running
of the capitalist society. Malthus however, does not condemn
the landlord class. Maurice Dobb writes "Malthus inclined
towards this opinion; and his doctrine of "effective demand" was
clearly directed to the conclusion that landlords were not to
be condemned as a class of unproductive consumers, but rather

to be praised as an element in the necessary balance of a healthy society; a balance between the accumulating instincts of the industrialists and the market for their products provided by a consuming class'.

We can conclude that though Malthus' faith in the price mechanism to run the capitalist economy smoothly was not unlimited his faith that the machinery is not injurious to the interests of the labourers was conditional, yet the entire system is a well founded example of class-harmony. He has tried to convince Ricardo to rethink about the opinion of the class-conflict by arguing that improvements in agriculture are advantageous to the interest of the landlord class. He could not convince Ricardo. Professor Mohammad Shabbir Khan comments about the controversy, "It is not that they did not try to understand each other, they were too pre-occupied with their own systems to be able to understand one another". Still he could maintain his system intact to prove class-harmony.

Edwin Cannon however points out a serious slip in the system when he writes, "The weak point in the explanation...

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and Malthus is that while they show clearly enough that the existence and use of capital is an advantage to production and that the whole advantage cannot be reaped by the capitalist, they failed to show why the advantage has to be paid for at all, why the services of capital are not like those of the sun, gratuitous." This weakness proved to be sufficient to enable Karl Marx, to lump capital as instrument for producing surplus-value for the owner by means of exploitation of labour.

1. History of The Theories of Production And Distribution in English Political Economy (From 1776 to 1848), (London, P.S. King & Sons, Ltd., 1924) p. 205.