

#### IV. CLASSICAL ECONOMICS II: THE PARSON AND THE LAW-GIVER

“Life is as the flash of the firefly in the night, the breath of the buffalo in winter time.” Blackfoot  
“Man has responsibility, not power.” Tuscarora

Great minds - as we have seen in the case of Malthus - have the tendency to scare the living bazookas out of the rest of us. The official church teaching in the Middle Ages had been – as we have equally seen - for many centuries that the hardy explorer would fall off the face of the earth. Columbus explodes that myth gladly putting his own life and that of his men at stake! Now another cleric came to tell us that not only the hardy explorer but all the rest of us would fall off the face of the earth, never mind disc or no disc. The new horror vision was brought into this world by the honorable Parson Malthus [1766-1834] and it had all the respectability of a new scientific discovery. Population grows faster than subsistence. There you have it! The poor and starving shall be always with us. It's even in the Bible and Malthus now proved it “scientifically”. Try to disprove that!

Malthus deserves the unique credit of having founded a new scientific discipline and reducing it to absurdity from the outset. The new discipline was to be called demographics and the absurdity of it was that according to Malthus most of us living should all be dead or worse we should have never come into existence at all as the earth allegedly doesn't support the billions of people that are living on it now. Apparently Mother Earth never read the main work of the worthy parson or luckily for us she didn't mind much his conclusions. She just minded her own business and with the help of some agro-engineers less gloomy than Malthus she keeps on feeding us.

To support his doomsday predictions the good minister in his main work *An Essay on the Principle of Population*, which appeared first in 1798 and which he belabored in five further editions nearly up until the time of his death, feeds the already much concerned reader a dazzling array of statistical figures 150 – 100, 180 – 100, 148 – 100, 140 – 100, 177 – 100, 150 – 100, 137 – 100, 155 – 100, 164 – 100, 143 – 100, 156 – 100, 142 – 100, 109 – 100, in the Kingdom of Prussia and the Dukedom of Lithuania, the Duchy of Pomerania, the Newmark of Brandenburg, the Dukedom of Magdeburgh between 1702 and 1756 and quoting the naturalist and explorer Alexander von Humboldt's figures of “New Spain”, that is what we today call Latin America, for a presumably similar period 253 – 100, 234 – 100, 202 – 100, 201 – 100, from Dolores, Singuilucan, Calymaya, and

Guanaxuato, etc. down to Panuco 123 – 100 in which the first number always represents the rate of baptism and the second the rate of burials. It doesn't occur to our worthy divine that if the death rate were to outnumber the birthrates as the latter seem to be apparently having the tendency to do there would be no readers left, or any one else for that matter, to get scared over is predictions!

Albeit, writers of various persuasions always try to make belief that these kind of earthshaking discoveries come out of the blue by "divine intervention" so to speak, but 9 out of 10 times - to take up Malthus statistical bent - they decidedly don't. They are not born out of the blue but they occur as a reaction to a certain set of circumstances and the circumstances Malthus overpopulation paradigm was an easily avowable reaction to was an occurrence called the French and the US Revolution. These were not isolated but world events that swept the globe like wildfire or a herd of stampeding buffalos. In other words you don't want to be in the way when it happens. And as we have seen both events may have broken loose suddenly, but they were long in coming. Decades if not centuries of the work of the enlightenment philosophers starting with Descartes, Rousseau, and Voltaire and culminating in the work of the French encyclopedists lead by Diderot and d'Alambert and the English, American and German equivalents lead by Locke, Hume, Franklin, Jefferson, and Paine, and Kant and Lessing respectively, prepared the field and made the majority of the population aware of their miserable lot under feudalism. So one really would have had to be a deaf-mute blind unable to read or write or otherwise communicate not to be able to decipher the signs of the times.

Malthus' father was in contact with some of the leading progressive intellectuals of his day, like David Hume, Jean-Jacques Rousseau, and William Godwin who basically in spite of all the abuses and the bloodshed did support the revolutions as a necessary movement for progress of the people. Now young Malthus like many young conservatives looked at the revolution eyeball-to-eyeball so to speak and it was not the revolution that blinked. It would have perhaps been more conducive for his character development if the youngster had ruminated upon the difference between spine and backbone rather than difficult to access let alone ascertain migratory movements and the ebb and flow of birth and death rates in any given peer group. But, alas, after having blinked once Malthus needed to come up with excuses to do so more often. Statistics is an easy horse to beat even after its long dead, and here is what he essentially came up with:

Malthus looked at a number of neighboring counties and parishes and rather than be elated by the providence of the natural course of things to provide more beings rather than less he got alarmed when looking at the not very advanced agro-

technology of his day. Population increases geometrically he found that is 1, 2, 4, 8, 16, 32, 64 that is it doubles every given period while subsistence only advances at arithmetic snails pace 1, 2, 3, 4, 5, 6, 7 etc. and like in the antique riddle of the race between the hare and the turtle the 'hare' of population growth always threatened to outrun the 'turtle' of subsistence. But again as in the riddle somehow through a mistake in logic and calculation the turtle ended up winning. Now what is the solution to the Malthusian quandary? Malthus finds a facile way out, he came from an upper-middle class background and didn't know what it meant to live on subsistence level if his life had depended on it, and he does so with a cynicism that is quite without equal in the entire history of philosophy. The solution of the quandary lies in war, pestilence, famine, and high infant mortality which he has the gall and cold-heartedness to summarize under the heading of 'positive checks'. As if that were not "positive" enough to kill new-born babes, he throws in vice and misery for good measure.

We are not too sure what he meant by the first, as a minister he is none too explicit on that score but it can be safely assumed that he classified contraception and birth control under "vice". And he leaves the terrified reader with one optional alternative which he calls 'preventive' or 'prudent check' and which he later specifies further as 'moral restraint', i.e. the marrying late and living a celibate life even in marriage. None of this horror-scenario hindered him of marrying in middle age and having 4 children. Why would the good doctor need to take his own medicine? And to add insult to injury he would recommend in earnest that the government should abolish the 'poor law', a modest relief program for the under-classes. If Parson Malthus and his family had to eat why should not most of the rest of the population starve? And then to take the cake of injury Malthus would not be ashamed of bringing in the Good Lord and proclaiming that it was all his will! An easy conscience is a soft feather-bed as the saying goes and if the Good Lord himself and "niggardly Mother Nature" conspired to keep the rich rich, keep the poor poor, and keep the middle-class poorer, well who would our humble parson be to question that sublime order or lose any sleep over other people's miseries?

Not much needs to be added here about Malthus except that the scandal of his reactionary, sycophantic theory overtly apologetic of social injustice was enhanced by a record-breaking number of otherwise 'great minds' who fell for this nonsense. Among them Charles Darwin, Alfred Wallace, John Keynes as well as the whole Club-of-Rome, Limit-of-Growth think-tank crowd around Dennis Meadows who updated Malthus to a kind of neo-Malthusianism in the ecology-conscious Seventies. Needless to say that Henry George disagreed and exploded the myth of the hopelessly outracing of subsistence by overpopulation in

pointing out its inherent absurdities and in identifying the real limit of growth: Denying access to land and maldistribution of wealth. Needless to add that Malthus' theories are today conclusively disproved. Malthus raised the right issue of overpopulation, but he didn't have the right answers!

It seems strange indeed to cluster the dapper financier David Ricardo [April 21, 1772-1823] in the same chapter with such a clumsy mental scarecrow-monster as Malthus. While the latter did about everything wrong he could to gain true understanding and he thus served through the ages as an anti-example of how to further knowledge the other did just about everything right. He thought clearly and straightforwardly, discovered and pronounced a number of economic laws many of which are still in application or partial application today, and in heeding his own economic advice he even got rich as a stockjobber! No two men could be more dissimilar in mind, manners, or character. What brings them together?

Nothing but blind chance, actually!

They met and unfortunately in spite of his brilliant and clear mind the younger man took substantial advice from the older and they even struck up a friendship and penpalship. It did not make Ricardo's theories any worse except perhaps for a tinge of seemingly inherent pessimism that otherwise would not have been there and it certainly did not make Malthus' writings any more right or any more digestible. Ricardo is undoubtedly the law-giver and he – until the advent of the neocons and the neo classicists he is spoken of only in the highest of terms as an 'economist's economist'. As it is well to beware of the restaurant with the skinny cook it is well to beware of the poor economist a category into which Ricardo decidedly did not belong. He managed to put his theories into practice and make a fortune at the stock market, or rather he made a fortune at the London stock market and then put the fruits of decades of practical economic and financial experience on paper: *The Principles of Political Economy* according to David Ricardo, the work is considered a milestone in Economics even by those who deny it postmodern validity. He is at the very least credited with if not the first discovery then with the first clear formulation of:

- § The law of rent
- § The iron law of wages
- § The law of diminishing returns
- § The quantity theory of money
- § The labor theory of value
- § The law of comparative advantage .

As the Mercantilists didn't know they were Mercantilists, they were only thus labeled a century later, and as the Physiocrats did not know they were Physiocrats, they were called 'philosophes' and 'economistes' in their times, so Ricardo wasn't aware of the fact that he would become known to posterity mostly as the "giver" of these laws, some of which are plain wrong and some of which have been considerably altered. These laws then achieve their succinct clarity and self-evidence usually not from the pen of the mastermind but in the process of crystallization through the pen or keyboard of countless master-students. Only three of the six today still hold:

- ξ The law of rent
- ξ The labor theory of value
- ξ The quantity theory of money

Nevertheless even the others pointed towards the formulation of a more adequate scientific comprehension of economic phenomena. The 'law of rent', in Henry George's words based on Ricardo, reads:

"The rent of land is determined by the excess of its produce over that which the same application of labor and capital can secure from the least productive land in use."

It contains the concept of the margin of production - or margin of cultivation as it was earlier and more narrowly called - spawned a whole school of economic thought called the Marginalists and it is even today indispensable for the definition and understanding of economic value.

The 'labor theory of value' then is held by all classical economists and equally by all serious economists who accept the classical school as the firm basis and point of departure of the science. As already indicated the modern and postmodern tendency has been to take the factor of human exertion or labor out of the equation which leads to a dehumanized neo-Social Darwinist economists which is quite monstrous if you realize that to take man and the human factor out of economists you are cheating all those of us who do work for a living out the honest reward of the fruits of their labor gained by the sweat of their brow and the blood, toil, and tears of their effort!

The 'quantity theory of money' first brought into the limelight of recognition by David Hume actually simply holds that if monetary quantities are brought into circulation in disregard of their proper proportion to the circulation of goods and

services unwanted and ultimately in neoconservative non-interventionist terms uncontrollable inflation or deflation ensues.

The 'iron law of wages' or subsistence wages is only "iron" meaning irreversible and inexorable as the outstripping of all other value by land value created not by human exertion but exclusively through increasing population density is not understood, as it in fact wasn't by Ricardo and his contemporaries.

The same goes for the 'law of diminishing returns'. It holds that in farming an increasing number of farmers and farm laborers are forced onto ever more barren grounds. George identifies this in his *Science of Political Economy* as a logical confusion between agricultural specificities with general laws of time and space, namely that an increased density of work force in one limited given physical space first increases and after a certain point decreases productivity drastically. In scholastic times clerical libraries were filled with disputations of how many angels would fit on the tip of a needle, and in George's much more down-to-earth example hundreds of workmen pent-up in to small a space simply would tread each other to death.

The law of comparative advantages has been hailed by some as the underlying justification of even the most unfettered and unbridled capitalism while other, even most conservative economists, hold that its application is rather the exception than the rule. It boils down to the idea that if two countries should have a redundancy in certain manufactured goods it is of "comparative advantage" to both, even the one who produces at higher cost, to still trade. That amounts to the application of the Smithsonian ideas of the division of labor to an international scale. It holds enough attraction to be still cited in Histories of Economics, but it is neither regarded as conclusive nor even as fully convincing. This again proves our point that even great genius may blunder foolishly.

Henry George summed up the relation of the classical school to the Physiocrats in his *Science of Political Economy* in the 1890s in a way that cannot be improved upon more than a century later:

"The larger fact is that Adam Smith, opening the study of political economy at a lower level than the Physiocrats, found less resistance, and his book began to secure so permanent a recognition for the new science that its continuance to our time is properly traced to him as its founder rather than to them."

What holds true for the overvaluation of Smith and the undervaluation of the Physiocrats holds true all the more so, as we have seen, for the undervaluation of David Hume, his actual spiritus rector.

George further summed up the internal quandaries of the classical school in the following way that leaves nothing to be desired:

“In political economy as he [Adam Smith] left it there were no axioms – nothing that would correlate and hold together. But such was his genius and prudence, and his adaptability to the temper of his time that he got a hearing where more daring thinkers failed, and a science of political economy began to grow on his foundations. Malthus by giving a scientific semblance to a delusion which tallied with popular impressions, and Ricardo by giving form to a scientific interpretation of rent, soon provided what passed for axioms, one of which was wrong, and the other of which was wrongly or at least inadequately stated. While between them, all was left at sea.”

“To be left at sea” is an idiomatic expression for being ‘utterly lost’. It’s a term applied by old salts to landlubbers i.e. those who tend to get easily intimidated by the elements and especially that element which covers 7/10s of our blue planet. It would take George himself with many a sea-mile under his belt on the world oceans to provide the proper compass.