
Playing Fast and Loose with the Facts About the Writings of Malthus and the Classical School

Author(s): Laurence S. Moss

Source: *The American Journal of Economics and Sociology*, JANUARY, 2010, Vol. 69, No. 1, Laurence S. Moss 1944-2009: Academic Iconoclast, Economist, and Magician (JANUARY, 2010), pp. 586-594

Published by: American Journal of Economics and Sociology, Inc.

Stable URL: <https://www.jstor.org/stable/40607768>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



JSTOR

is collaborating with JSTOR to digitize, preserve and extend access to *The American Journal of Economics and Sociology*

Playing Fast and Loose with the Facts About the Writings of Malthus and the Classical School

By LAURENCE S. MOSS*

Sometime after the Second World War ended and the Cold War heated up, the fields of growth and development came of age. The efforts of the United States to help rebuild Europe, as well as the long list of third-world ethnic groups battling to emerge as independent nation-states, worked to generate scholarly interest in these topics. National economic development and growth-modeling were fertile grounds for a spate of college textbooks helping to define these emerging college electives (Arndt 1989).¹

In recent years, Professor Hendrik Van den Berg published an original text that (in his words) would not be “just another development text” but something different and original. Van den Berg has organized the best materials from both the standard growth models courses and the economic development courses into one master text under the title *Economic Growth and Development* (2001).²

It is a clever and strikingly original approach to growth and development. An enormous amount of analysis and empirical evidence is marshaled together in order to provide an answer to the question, “Why do some economies provide their citizens with high standards of living and many opportunities for advancement while others do not seem to be able to satisfy the most simple human wants or offer people very many options for change?” (Van den Berg 2001: vii). This important question is answered by treating the growth and develop-

This article was first published in *History of Political Economy*, Vol. 37, ps. 211–218. Copyright 2005, Duke University Press. Reprinted by permission of the publisher.

*Correspondence may be addressed to Professor Laurence S. Moss, editor, *American Journal of Economics and Sociology*, Babson College, Westgate Bldg., Babson Park, MA 02457. After this essay was completed, I came across William S. Kern's (2003) complementary treatment of the same problem also identifying some additional “population optimists” among the classical school writers.

American Journal of Economics and Sociology, Vol. 69, No. 1 (January, 2010).
© 2010 American Journal of Economics and Sociology, Inc.

ment literature of the postwar period as essentially a series of responses to an older, outdated growth model attributed to the nineteenth-century classical school writers and, most significantly, the Reverend Thomas Robert Malthus. This was done in order to make this text come alive and to provide a coherence to the multitude of technical issues presented along the way.

Unfortunately, many of the interpretations of the nineteenth-century model that pave the way for Van den Berg's discussions are themselves misinterpretations, based on older and outdated interpretations of the classical school that have been provided by historians of economic thought and (as I shall show below) are now firmly embedded in the standard textbooks on growth modeling. Setting the record straight will not be an easy matter at all.

The architecture of the text requires that the student first master "the" classical model of growth that supposedly dates back to 1798, when the Reverend Thomas Robert Malthus presented his "gloomy" forecasts about overpopulation and planetary misery in his *Essay on the Principle of Population*.³ This Malthusian growth model was allegedly driven by the claims that investment on land produces diminishing marginal returns and that, since land is limited in amount, the future prospects of mankind are limited and stark. According to Van den Berg and other writers, Malthus's doomsaying allegedly dominated classical school thinking about economic growth and development until the twentieth century. In this thinking, as population increases and the land is harvested more intensely, food prices rise, real wages fall, and the profit rate sinks until the economy reaches some sort of zero growth in per capita GDP. In this "stationary state" the existing level of per capita income is at its starvation level and the growth process is at a dead end.

The growth model literature typically shifted its focus to the twentieth century. Now, new rays of light appear. Roy Harrod's growth model moved attention away from land by emphasizing reproducible capital goods and productivity but stuck with a fixed proportions growth model that was simply too unrealistic for the rest of the profession to swallow. As Van den Berg states, Joseph Schumpeter as early as 1912 (*sic*) brought in the clustering of inventions and the innovative entrepreneurs, but these remarkable insights remained

outside the standard growth model literature, which centered about the work of Robert Solow.⁴ Solow's 1956 growth model (like Harrod's) dropped the land scarcity idea of the classical school completely but was still welded to the idea of diminishing marginal returns (Solow 2000).

In Solow's model we have both investment to replace worn-out machines and *net* investment to build new machines. As the ratio of machines per worker increases, per capita output increases as well, but each time by diminishing incremental amounts. In Solow's (steady-state) equilibrium, the economy grows to the point at which all of the net investment goes into equipping the new workers coming forward so as to keep the ratio of capital to labor constant. When this happens the *per capita* GDP stops growing. Like its Malthusian forebearer—in the Malthusian model—Solow's growth model again reaches a gloomy result. The *growth rate* of *per capita* GDP falls to zero! Living standards reach a plateau and rise no further. Furthermore, any increase in the rate of population growth would be met with a decline in equilibrium consumption per head (Solow 2000: 27). The ghost of gloomy Malthus still haunts economic theory, nearly 150 years after Malthus!

The story that Van den Berg tells is Whiggish because all these historic milestones pave the way for the recent contemporary contributions of Paul Romer and others. According to Van den Berg, "Romer echoes many growth economists when he suggests that the Schumpeterian R&D models of endogenous technological progress are more valuable for understanding technological progress than the models specifying that technological progress is an externality to some other economic activity carried out for reasons unrelated to the creation of technology" (233). But considerably more is at stake here than simply integrating technological discovery into the macro production function. The whole approach finally sets to rest the terrifying legacy from Malthus that somehow, someday, the growth process will stop. With Romer and the modern growth economists, "population growth and the size of the population *have a positive effect on the growth of per capita output*" (238; emphasis added).⁵

As do many texts, Van den Berg's takes liberties with the historical record. On the acknowledgment page the author thanks the several

economists who read and commented on his manuscript, but it is not clear if any historian of economic thought read it and offered comments. Sadly, it is not clear that this would have helped make the text more accurate. Many historians of economics still adhere to the old canards of the profession.

In 1798, Malthus published his *Essay on Population* to counter the naive optimism of anarchist William Godwin, as well as the optimist Condorcet and others, by warning that the power of population to increase beyond the available food supply is so strong a force that legislative policies and other social reforms should be cautiously chosen so that they do not hasten population growth. Malthus's criticism of the poor-law legislation along these lines is well known and need not detain us here (see Hollander 1997: 68). His subsequent efforts to clarify his thesis and show how his ideas could be applied to the explanation of historical trends and local economic conditions in America and England are evidence that he was not predicting "gloom and doom." These efforts at clarification and analysis are contained in a voluminous series of pamphlets and articles that occupy several volumes (Wrigley and Souden 1986). A careful reading of these texts reveals a Malthus quite different from the stereotypical Malthus-as-a-pessimist image that dominates the growth model literature. As Hollander explained in his 1997 treatise, Malthus was keenly aware of the wonderful ameliorating effects of infrastructure improvements and innovations on the advent of any awful and immiserating stationary state. The Van den Berg text only cites one single text by Malthus—the 1798 edition of the *Essay* (95). He fails to mention Malthus's extensive revisions to that text in 1803, which include a "sharper formulation of the land scarcity-based growth model, involving falling corn wages" (Hollander 1997: 69). Van den Berg's failure to mention that model is ironic, given that a modern version of it came to form the core of the growth model on which he rests almost the entire edifice of his text.

Van den Berg's is a 600-page text. There seems to always be enough space to dwell upon the minutiae of this or that econometric subtlety. For example, Van den Berg is quite willing to provide three pages of dense text to try to explain the precise econometric test set out by Robert Barro to detect any convergence among nations with regard to

their measured per capita GDPs (157–160). It is only fair to ask if he has shown the same care and attention to the classical school literature that he refers to so often throughout the book and that is the basic skeletal structure of the book itself. Unfortunately, he does not show such care at all and is content to follow the tribe of popular writers that ignore the historical Malthus for a more stereotypical version.

Van den Berg credits an earlier prominent text coauthored by 1990 Nobel laureate Merton Miller for the diagrams that he uses to present Malthus's ideas.⁶ I have not checked to see what references Miller and his coauthor provide but, in fairness to the model builders of the 1970s, a quick reading of Robert Heilbroner's best-selling *The Worldly Philosophers* ([1953] 1967) would not have changed matters very much. After all, Heilbroner wrote, "Anyone who was not sufficiently depressed by Malthus had only to turn to David Ricardo" (86). And Heilbroner, in turn, refers his readers back to the book by Charles Gide and Charles Rist that "covers the scope of this [book] but in greater detail" (307). Gide and Rist famously developed their account of Malthus and Ricardo around the pessimism-gloomy-future-prospects theme (Gide and Rist [1948]). And so it goes until the Malthus-was-a-pessimist interpretation becomes so deeply embedded in the literature of economics that it seems virtually impossible to get anyone in the profession to take notice of the latest research or, even better, to read the classical school writers themselves.

Even if one gives up the fight and concedes that Malthus was a pessimist, it is simply wrong to claim that his population pessimism shaded the entire body of economic literature that came after him. Much has been written about David Ricardo and the Ricardian growth model. And there are the stimulating contributions of the "Ricardian school" group as well, including Samuel Read; G. P. Scrope, Nassau Senior, J. R. McCulloch, Robert Torrens, Richard Whately, and Mountifort Longfield. The textual evidence is clear: The classical school writers contributed mightily to many modern themes and developments and were not wild-eyed determinists predicting the end of capitalist society with per capita GDP falling to starvation wages (Hollander 1987, esp. 408).

Consider the work of one of Ireland's greatest economists, Mountifort Longfield. Longfield wrote in the years immediately following

Malthus's death and stands out for his conceptual originality and ingenuity. Longfield was fully immersed in the literature of his day, including the writings of Malthus, Ricardo, McCulloch, Whately, and others.⁷ In the eleventh lecture in the series that he presented at Trinity College, Dublin, in 1834, Longfield ([1834] 1971: 236) concluded that with the encouragement of certain institutions and customs the "beneficial effects produced by the progress of society [can] exceed the prejudicial effect resulting from the increase of population." This was a commonly held conclusion of many writers of the day, and Longfield was obviously no exception. The standard reason was that innovations and infrastructure improvements are often concurrent with population growth and therefore offset the tendency for land fertility to fall due to diminishing marginal returns.⁸

What is especially remarkable about Longfield's presentation of the idea is how he added to these well-known arguments the modern view that Van den Berg claims as the product of the most recent and valuable thinking in economics at the end of the twentieth century. Longfield anticipates Romer and the other contemporary growth theorists when he specifically points to the important role that a rising population can play in producing a stream of creative inventions and innovations. According to Longfield, a society that values freedom and security (that is, property rights), along with the intellectual, moral, and religious education of the people, will be one in which "necessity [remains] the mother of invention." More people mean more minds and "a greater number of people turning their thoughts to the same pursuits, and the general diffusion of education and increased means of communication, naturally lead to the same result," namely, inventions that offset the diminishing returns associated with the intensive use of agriculture (237).

The Malthus-was-a-pessimist story is catchy. In Van den Berg's hands the quest for a happier ending makes the plethora of growth models of increasing complexity easier for the students to remember and may even create a sense of excitement about what is yet to come in later chapters. But this gloss on Malthus and the other classical writers is factually incorrect. I see no reason at all why the text could just as well have presented the panoply of points of view among the classical school writers and then demonstrated how the contemporary

modelers eventually came to incorporate these preexisting insights into their own models. This sort of Whiggism in a textbook at least avoids the annoying practice of making false statements about the central arguments of the classical school writers.

Like so many other readers of this journal, I too long for better days ahead. I puzzle over why so many economists bother to offer a précis of the ideas of the past except to exaggerate the importance of the present literature in correcting the errors of the past. It does not bode well for the present stream of Nobel awards that much of what is novel and new is just old wine in new bottles. It is particularly sad that the majority of the profession does not know this, and it is also deeply disturbing that it does not care to find out.

Notes

1. Arndt has argued that economic growth became the “single most important [policy] objective of the 1950s” but the important literature dates to the 1930s. The development literature is more correctly a post–Second World War development (see Arndt 1989: vii).

2. Van den Berg’s own experience as both a foreign service officer with the U.S. Department of State and later as a college professor at the University of Nebraska–Lincoln make him particularly well qualified for the tasks at hand.

3. In his careful and valuable textual comparison of the several editions of Malthus’s *Essay*, Hollander (1997: 49) concludes that there is “clear recognition in 1798 and 1803 of the notion of falling average product [of food production] with rising population density, with a maximum to population size when the wage is reduced to subsistence, an outcome, it is intimated in 1803 [that is, in the second revised edition of the *Essay*] that might be avoided by deliberate population constraint.” While a “tendency” toward overpopulation does indeed exist, it is not at all clear that Malthus forecasted this would happen or claimed that such a dire circumstance was inevitable or would soon occur. Much has to do with what Malthus and the rest of the classical school meant when they spoke of “tendencies” and how the modern econometrician reads into this term a forecast of some sort or another. This problem is not one that I can take up here.

4. Schumpeter’s great book was actually published in 1911, not 1912! See Becker and Knudsen 2002.

5. This sensational claim is qualified several hundred pages later in a chapter titled “Institutions and Economic Growth,” where we are reminded that population growth and large population sizes will be compatible with

rising living standards only if there are the proper institutions such as property rights, intellectual property law, and other basic customs and traditions that allow entrepreneurs to reshuffle resources and be saved from being ripped to pieces by the angry mob in the case of business failure (Van den Berg 2001: 441–476).

6. The reference reads as follows: “Our analysis borrows heavily from Chapter 1 of Merton H. Miller and Charles W. Upton [1974], *Macroeconomics, a Neoclassical Introduction*. Homewood, Illinois, Irwin.”

7. My 1976 study contrasts Longfield’s originality against the backdrop of the standard “Malthus (and Ricardo)-was(were)-a-pessimist” interpretations of that day, linked as they were to the subsistence-wage interpretation of Ricardo’s *Principles*. That subsistence wage interpretation of Ricardo’s growth model is not correct, but it was the dominant interpretation of classical school economics at the time I wrote that book. The stark contrast helped me identify those features of Longfield’s scientific contribution that made his theory of value and distribution seem essentially modern and original. A subsequent revision of this book would contrast Longfield against those publications of the so-called classical school that were available to him at the time he presented his Dublin lectures and offer a more moderate analysis of his originality.

8. Malthus specifically named how, with proper land management, the construction and utilization of canals, and the increasing application of capital to the soil, the declining productivity of agricultural land (diminishing returns) could be offset and was in fact offset especially in the case of the England of his day. These qualifications were added in subsequent editions of his *Essay on Population* and in other writings as well (see, for example, Hollander 1997: 781–783).

References

- Arndt, H. W. (1989). *Economic Development: The History of an Idea*. Chicago: University of Chicago Press.
- Becker, M. C., and T. Knudsen. (2002). Schumpeter 1911: Farsighted Visions on Economic Development. *American Journal of Economics and Sociology* 61(April): 387–403.
- Gide, Charles, and Charles Rist. (1948). *A History of Economic Doctrines from the Physiocrats to the Present Day*. Boston: Heath and Company.
- Heilbroner, Robert L. ([1953] 1967). *The Worldly Philosophers: The Lives, Times, and Ideas of the Great Economic Thinkers*. New York: Simon and Schuster.
- Hollander, Samuel. (1987). *Classical Economics*. Toronto: University of Toronto Press.
- . (1997). *The Economics of Thomas Robert Malthus*. Toronto: University of Toronto Press.

- Kern, William S. (2003). McCulloch, Scrope, and Hodgskin: Nineteenth-Century Versions of Julian Simon. *Journal of the History of Economic Thought* 25(September): 289–301.
- Longfield, Mountifort. ([1834] 1971). *The Economic Writings of Mountifort Longfield*. Edited by R. D. Collison Black. New York: Augustus M. Kelley.
- Moss, Laurence. (1976). *Mountifort Longfield: Ireland's First Professor of Political Economy*. Ottawa, Ill.: Green Hill Publishers.
- Solow, Robert M. (2000). *Growth Theory: An Exposition*. New York: Oxford University Press.
- Van den Berg, Hendrik. (2001). *Economic Growth and Development: An Analysis of Our Greatest Economic Achievements and Our Most Exciting Challenges*. New York: McGraw-Hill/Irwin.
- Wrigley, E. A., and David Souden, eds. (1986). *The Works of Thomas Robert Malthus*. 8 vols. London: Pickering & Chatto.