

Ricardo on Population

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The passages below represent a concise account of the relationship between population dynamics and the level of living enjoyed by the laboring classes as seen in mainstream classical economics. They are excerpted from Chapter 5 ("On Wages") of David Ricardo's chief work, On the Principles of Political Economy and Taxation (First Edition, London, 1817). Ricardo (1772–1823), like Adam Smith and Robert Malthus before him, notes the influence of the supply of labor relative to the supply of capital and natural resources on the wage rate set by the market: "labor is dear when it is scarce and cheap when it is plentiful." But in the classical scheme this is merely a short-term relationship: in the long run wages converge toward their "natural price," which is determined by the quantity of "food, necessaries, and conveniences" required by laborers "to perpetuate their race, without either increase or diminution"—that is, at a level corresponding to zero population growth. Wages higher than the subsistence level cause the condition of laborers to be "flourishing and happy" and lead to the growth of the laboring population, eventually driving wages back to their natural price. Conversely, privations resulting from the market price of labor falling below the price corresponding to the subsistence level lead to population decline, thus setting into motion market forces that make the wage rate climb back to subsistence level.

This grand system of dynamic demographic-economic equilibrium is set forth without specific detail as to the time lags between causes and effects, even though the underlying biology of human reproduction and maturation implies that some relevant lags are to be measured in decades rather than years. Nor does Ricardo investigate the possible escape routes from the grim demographic trap he describes. Nevertheless three such escape routes are indicated by the discussion he offers here.

One is explicitly noted: improvements in agriculture, the accumulation of capital, greater division of labor, and the opening up of new markets, hence new sources of food supplies, cause the natural price of labor to fall and thus the market price can, "for an indefinite period," stay above the subsistence level. Nevertheless, in the Ricardian system this merely postpones the day of reckoning. In populous countries the scope of such postponement is held to be limited by the inherent tendency toward diminishing returns in the production of food. In countries, however, where natural resources relative to the number of people are still abundant, Ricardo effectively dismisses population growth as a problem: there, economic evil "proceeds

from bad government, from insecurity of property, and from a want of education in all ranks of the people."

A second escape route can provide more than temporary remedy: it consists of a continual redefinition of what the level of the subsistence wage is. Ricardo makes it clear that subsistence is not a biological but a social concept: conditioned by history, it depends on "the habits and customs of the people." In principle, then, and still within the logic of the classical system, zero population growth may be the outcome of levels of living that are quite affluent so long as laborers consider them as the "subsistence level." Thus, argues Ricardo, "[t]here cannot be a better security against a superabundant population" than that "in all countries the labouring classes should have a taste for comforts and enjoyments, and that they should be stimulated by all legal means in their exertions to procure them."

A third, and most obvious escape route from the evils of a superabundant population is birth control. For Ricardo, again as for Smith and Malthus before him, this meant a lesser frequency of "early and improvident marriages." But along with his classical predecessors, Ricardo held that population growth is a natural consequence of wages above the subsistence level since in that condition laborers will raise a "healthy and numerous family."

Rough-hewn and questionable though the functional relationships between economic status and demographic behavior may be in the Ricardian model, the historical build-up and the continuing expansion of large human populations at precarious levels of material existence suggest the enduring relevance of the economic-demographic interactions posited by the classical economists. The same holds for Ricardo's comments and controversial policy prescriptions concerning the operation of the poor laws—the then-existing welfare schemes in support of the economically indigent population. "It is a truth which admits not a doubt," concludes Ricardo, "that the comforts and well-being of the poor cannot be permanently secured without some regard on their part, or some effort on the part of the legislature, to regulate the increase of their numbers. . . ."

The source of the text below is the standard critical edition: The Works and Correspondence of David Ricardo, edited by Piero Sraffa, Vol. I, Cambridge University Press. It incorporates amendments made in the 2nd (1819) and 3rd (1821) editions. Some of the footnotes are omitted here.

Labour, like all other things which are purchased and sold, and which may be increased or diminished in quantity, has its natural and its market price. The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution.

The power of the labourer to support himself, and the family which may be necessary to keep up the number of labourers, does not depend on

the quantity of money which he may receive for wages, but on the quantity of food, necessaries, and conveniences become essential to him from habit, which that money will purchase. The natural price of labour, therefore, depends on the price of the food, necessaries, and conveniences required for the support of the labourer and his family. With a rise in the price of food and necessaries, the natural price of labour will rise; with the fall in their price, the natural price of labour will fall.

With the progress of society the natural price of labour has always a tendency to rise, because one of the principal commodities by which its natural price is regulated, has a tendency to become dearer, from the greater difficulty of producing it. As, however, the improvements in agriculture, the discovery of new markets, whence provisions may be imported, may for a time counteract the tendency to a rise in the price of necessaries, and may even occasion their natural price to fall, so will the same causes produce the correspondent effects on the natural price of labour.

The natural price of all commodities, excepting raw produce and labour, has a tendency to fall, in the progress of wealth and population; for though, on one hand, they are enhanced in real value, from the rise in the natural price of the raw material of which they are made, this is more than counterbalanced by the improvements in machinery, by the better division and distribution of labour, and by the increasing skill, both in science and art, of the producers.

The market price of labour is the price which is really paid for it, from the natural operation of the proportion of the supply to the demand; labour is dear when it is scarce, and cheap when it is plentiful. However much the market price of labour may deviate from its natural price, it has, like commodities, a tendency to conform to it.

It is when the market price of labour exceeds its natural price, that the condition of the labourer is flourishing and happy, that he has it in his power to command a greater proportion of the necessaries and enjoyments of life, and therefore to rear a healthy and numerous family. When, however, by the encouragement which high wages give to the increase of population, the number of labourers is increased, wages again fall to their natural price, and indeed from a re-action sometimes fall below it.

When the market price of labour is below its natural price, the condition of the labourers is most wretched: then poverty deprives them of those comforts which custom renders absolute necessaries. It is only after their privations have reduced their number, or the demand for labour has increased, that the market price of labour will rise to its natural price, and that the labourer will have the moderate comforts which the natural rate of wages will afford.

Notwithstanding the tendency of wages to conform to their natural rate, their market rate may, in an improving society, for an indefinite period,

be constantly above it; for no sooner may the impulse, which an increased capital gives to a new demand for labour be obeyed, than another increase of capital may produce the same effect; and thus, if the increase of capital be gradual and constant, the demand for labour may give a continued stimulus to an increase of people. . . .

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It is not to be understood that the natural price of labour, estimated even in food and necessaries, is absolutely fixed and constant. It varies at different times in the same country, and very materially differs in different countries.* It essentially depends on the habits and customs of the people. An English labourer would consider his wages under their natural rate, and too scanty to support a family, if they enabled him to purchase no other food than potatoes, and to live in no better habitation than a mud cabin; yet these moderate demands of nature are often deemed sufficient in countries where "man's life is cheap," and his wants easily satisfied. Many of the conveniences now enjoyed in an English cottage, would have been thought luxuries at an earlier period of our history.

From manufactured commodities always falling, and raw produce always rising, with the progress of society, such a disproportion in their relative value is at length created, that in rich countries a labourer, by the sacrifice of a very small quantity only of his food, is able to provide liberally for all his other wants.

Independently of the variations in the value of money, which necessarily affect money wages, but which we have here supposed to have no operation, as we have considered money to be uniformly of the same value, it appears then that wages are subject to a rise or fall from two causes:

- 1st. The supply and demand of labourers.
- 2dly. The price of the commodities on which the wages of labour are expended.

In different stages of society, the accumulation of capital, or of the means of employing labour, is more or less rapid, and must in all cases depend on the productive powers of labour. The productive powers of labour are generally greatest when there is an abundance of fertile land: at such periods accumulation is often so rapid, that labourers cannot be supplied with the same rapidity as capital.

* "The shelter and the clothing which are indispensable in one country may be no way necessary in another; and a labourer in Hindostan may continue to work with perfect vigour, though receiving, as his natural wages, only such a supply of covering as would be insufficient to preserve a labourer in Russia from perishing. Even in countries situated in the same climate, different habits of living will often occasion variations in the natural price of labour, as considerable as those which are produced by natural causes."—p. 68. *An Essay on the External Corn Trade*, by R. Torrens, Esq.

The whole of this subject is most ably illustrated by Colonel Torrens.

It has been calculated, that under favourable circumstances population may be doubled in twenty-five years;* but under the same favourable circumstances, the whole capital of a country might possibly be doubled in a shorter period. In that case, wages during the whole period would have a tendency to rise, because the demand for labour would increase still faster than the supply.

In new settlements, where the arts and knowledge of countries far advanced in refinement are introduced, it is probable that capital has a tendency to increase faster than mankind: and if the deficiency of labourers were not supplied by more populous countries, this tendency would very much raise the price of labour. In proportion as these countries become populous, and land of a worse quality is taken into cultivation, the tendency to an increase of capital diminishes; for the surplus produce remaining, after satisfying the wants of the existing population, must necessarily be in proportion to the facility of production, viz. to the smaller number of persons employed in production. Although, then, it is probable, that under the most favourable circumstances, the power of production is still greater than that of population, it will not long continue so; for the land being limited in quantity, and differing in quality, with every increased portion of capital employed on it, there will be a decreased rate of production, whilst the power of population continues always the same.

In those countries where there is abundance of fertile land, but where, from the ignorance, indolence, and barbarism of the inhabitants, they are exposed to all the evils of want and famine, and where it has been said that population presses against the means of subsistence, a very different remedy should be applied from that which is necessary in long settled countries, where, from the diminishing rate of the supply of raw produce, all the evils of a crowded population are experienced. In the one case, the evil proceeds from bad government, from the insecurity of property, and from a want of education in all ranks of the people. To be made happier they require only to be better governed and instructed, as the augmentation of capital, beyond the augmentation of people, would be the inevitable result. No increase in the population can be too great, as the powers of production are still greater. In the other case, the population increases faster than the funds required for its support. Every exertion of industry, unless accompanied by a diminished rate of increase in the population, will add to the evil, for production cannot keep pace with it.

With a population pressing against the means of subsistence, the only remedies are either a reduction of people, or a more rapid accumulation of capital. In rich countries, where all the fertile land is already cultivated, the latter remedy is neither very practicable nor very desirable, because its effect

* Malthus's *Essay on Population*, Bk. I, ch. i.

would be, if pushed very far, to render all classes equally poor. But in poor countries, where there are abundant means of production in store, from fertile land not yet brought into cultivation, it is the only safe and efficacious means of removing the evil, particularly as its effect would be to elevate all classes of the people.

The friends of humanity cannot but wish that in all countries the labouring classes should have a taste for comforts and enjoyments, and that they should be stimulated by all legal means in their exertions to procure them. There cannot be a better security against a superabundant population. In those countries, where the labouring classes have the fewest wants, and are contented with the cheapest food, the people are exposed to the greatest vicissitudes and miseries. They have no place of refuge from calamity; they cannot seek safety in a lower station; they are already so low, that they can fall no lower. On any deficiency of the chief article of their subsistence, there are few substitutes of which they can avail themselves, and dearth to them is attended with almost all the evils of famine.

In the natural advance of society, the wages of labour will have a tendency to fall, as far as they are regulated by supply and demand; for the supply of labourers will continue to increase at the same rate, whilst the demand for them will increase at a slower rate. If, for instance, wages were regulated by a yearly increase of capital, at the rate of 2 per cent., they would fall when it accumulated only at the rate of $1\frac{1}{2}$ per cent. They would fall still lower when it increased only at the rate of 1, or $\frac{1}{2}$ per cent., and would continue to do so until the capital became stationary, when wages also would become stationary, and be only sufficient to keep up the numbers of the actual population. I say that, under these circumstances, wages would fall, if they were regulated only by the supply and demand of labourers; but we must not forget, that wages are also regulated by the prices of the commodities on which they are expended.

As population increases, these necessaries will be constantly rising in price, because more labour will be necessary to produce them. If, then, the money wages of labour should fall, whilst every commodity on which the wages of labour were expended rose, the labourer would be doubly affected, and would be soon totally deprived of subsistence. Instead, therefore, of the money wages of labour falling, they would rise; but they would not rise sufficiently to enable the labourer to purchase as many comforts and necessaries as he did before the rise in the price of those commodities. . . .

. . .

These then are the laws by which wages are regulated, and by which the happiness of far the greatest part of every community is governed. Like all other contracts, wages should be left to the fair and free competition of the market, and should never be controlled by the interference of the legislature.

The clear and direct tendency of the poor laws, is in direct opposition to these obvious principles: it is not, as the legislature benevolently intended, to amend the condition of the poor, but to deteriorate the condition of both poor and rich; instead of making the poor rich, they are calculated to make the rich poor; and whilst the present laws are in force, it is quite in the natural order of things that the fund for the maintenance of the poor should progressively increase, till it has absorbed all the net revenue of the country, or at least so much of it as the state shall leave to us, after satisfying its own never failing demands for the public expenditure.

This pernicious tendency of these laws is no longer a mystery, since it has been fully developed by the able hand of Mr. Malthus,* and every friend to the poor must ardently wish for their abolition. Unfortunately, however, they have been so long established, and the habits of the poor have been so formed upon their operation, that to eradicate them with safety from our political system, requires the most cautious and skilful management. It is agreed by all who are most friendly to a repeal of these laws, that if it be desirable to prevent the most overwhelming distress to those for whose benefit they were erroneously enacted, their abolition should be effected by the most gradual steps.

It is a truth which admits not a doubt, that the comforts and well-being of the poor cannot be permanently secured without some regard on their part, or some effort on the part of the legislature, to regulate the increase of their numbers, and to render less frequent among them early and improvident marriages. The operation of the system of poor laws has been directly contrary to this. They have rendered restraint superfluous, and have invited imprudence, by offering it a portion of the wages of prudence and industry.†

The nature of the evil points out the remedy. By gradually contracting the sphere of the poor laws; by impressing on the poor the value of independence, by teaching them that they must look not to systematic or casual charity, but to their own exertions for support, that prudence and forethought are neither unnecessary nor unprofitable virtues, we shall by degrees approach a sounder and more healthful state.

No scheme for the amendment of the poor laws merits the least attention, which has not their abolition for its ultimate object; and he is the best friend to the poor, and to the cause of humanity, who can point out how this end can be attained with the most security, and at the same time

* *Essay on Population*, 4th ed., London, 1807, vol. II, Bk. III, chs. v, vi.

† The progress of knowledge manifested upon this subject in the House of Commons since 1796, has happily not been very small, as may be seen by contrasting the late report of the committee on the poor laws, and the following sentiments of Mr. Pitt, in that year.

"Let us," said he, "make relief in cases where there are a number of children a matter of right and honour, instead of a ground of opprobrium and contempt. This will make a large family a blessing, and not a curse; and this will draw a proper line of distinction between those who are able to provide for themselves by their labour, and those who after having enriched their country with a number of children, have a claim upon its assistance for support."—*Hansard's Parliamentary History*, vol. 32, page 710.

with the least violence. It is not by raising in any manner different from the present, the fund from which the poor are supported, that the evil can be mitigated. It would not only be no improvement, but it would be an aggravation of the distress which we wish to see removed, if the fund were increased in amount, or were levied according to some late proposals, as a general fund from the country at large. The present mode of its collection and application has served to mitigate its pernicious effects. Each parish raises a separate fund for the support of its own poor. Hence it becomes an object of more interest and more practicability to keep the rates low, than if one general fund were raised for the relief of the poor of the whole kingdom. A parish is much more interested in an economical collection of the rate, and a sparing distribution of relief, when the whole saving will be for its own benefit, than if hundreds of other parishes were to partake of it.

It is to this cause, that we must ascribe the fact of the poor laws not having yet absorbed all the net revenue of the country; it is to the rigour with which they are applied, that we are indebted for their not having become overwhelmingly oppressive. If by law every human being wanting support could be sure to obtain it, and obtain it in such a degree as to make life tolerably comfortable, theory would lead us to expect that all other taxes together would be light compared with the single one of poor rates. The principle of gravitation is not more certain than the tendency of such laws to change wealth and power into misery and weakness; to call away the exertions of labour from every object, except that of providing mere subsistence; to confound all intellectual distinction; to busy the mind continually in supplying the body's wants; until at last all classes should be infected with the plague of universal poverty. Happily these laws have been in operation during a period of progressive prosperity, when the funds for the maintenance of labour have regularly increased, and when an increase of population would be naturally called for. But if our progress should become more slow; if we should attain the stationary state, from which I trust we are yet far distant, then will the pernicious nature of these laws become more manifest and alarming; and then, too, will their removal be obstructed by many additional difficulties.